

# **Financial Report for 2017/18**

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



**Walsall Council**

---

## Contents

Contents .....	2
Section A – Statement of Accounts .....	5
Preface.....	5
Narrative Report.....	7
Explanation of the statements.....	24
Statement of responsibilities .....	25
Independent auditor’s report to the members of Walsall Metropolitan Borough Council .....	27
Core financial statements .....	31
Notes to the accounts .....	36
1. Significant accounting policies.....	36
2. Prior period adjustments and critical judgments in applying accounting policies.....	51
3. Assumptions made about the future and other major sources of estimation uncertainty .....	52
4. Related parties.....	53
5. Other operating expenditure .....	55
6. Financing and investment income and expenditure .....	55
7. Taxation and non-specific grant income.....	56
8. Material items of income and expense .....	56
9. Expenditure and Funding Analysis .....	57
10. Note to Movement in Reserves Statement.....	60
11. Better Care Fund .....	62
12. Members allowances .....	63
13. Officers’ remuneration.....	63
14. Exit packages .....	65
15. Termination benefits .....	65
16. Pension scheme accounted for as defined contribution .....	65
17. Defined benefit pension schemes .....	66
18. External audit costs .....	71
19. Dedicated schools grant.....	71
20. Grant income .....	73
21. Events after the balance sheet date .....	74

22.	Property, plant and equipment.....	75
23.	Accounting for local government schools .....	80
24.	Heritage assets .....	81
25.	Further information on heritage assets .....	82
26.	Investment properties .....	82
27.	Intangible assets.....	85
28.	Assets held for sale.....	85
29.	Capital expenditure and capital financing .....	86
30.	Leases .....	87
31.	Private finance initiatives and similar contracts.....	89
32.	Financial instruments.....	91
33.	Nature and extent of risks arising from financial instruments .....	94
34.	Debtors .....	99
35.	Cash and cash equivalents.....	100
36.	Creditors.....	100
37.	Provisions .....	101
38.	Usable reserves .....	102
39.	Unusable reserves.....	105
40.	Cash Flow Statement – adjustment for non-cash items in the net surplus/deficit on the provision of services.....	109
41.	Cash Flow Statement – adjustments for investing and financing activities in the net surplus/deficit on the provision of services .....	109
42.	Cash Flow Statement – operating activities .....	110
43.	Cash Flow Statement – investing activities .....	110
44.	Cash Flow Statement – financing activities .....	110
45.	Contingent liabilities .....	110
46.	Contingent assets.....	111
	Collection Fund.....	112
1.	Collection Fund income and expenditure account.....	113
2.	Calculation of tax base.....	114
3.	Income from Business Ratepayers .....	114
4.	Council Tax / NDR Bad Debt Provision and NDR provision for valuation appeals .....	115
	Trust and scholarship accounts.....	116
	Section B – Annual Governance Statement .....	117

**Annual Governance Statement.....117**  
**Glossary .....125**  
**Contact details and sources of information .....133**

## Section A – Statement of Accounts

### Preface

#### Introduction to the 2017/18 Statement of Accounts



2017/18 has been a challenging financial year, but there is much to be proud of. Additional investment of £2 million has gone into our Inclusive Economic Growth Programme; where strategic investments and developments provide the council with a real opportunity to proactively support regeneration around the borough. “The Quarter” a £14 million retail development was completed bringing with it over 300 new jobs. Wisemore Central a £9 million hotel restaurant and retail develop was granted planning consent, funded in part by a £6.9 million

loan from the West Midlands Combined Authority. Construction work started in the spring and will create more than a 100 new jobs. Much more is planned for the year ahead with ambitious developments in Darlaston, and Aldridge. The 18 hectare Phoenix 10 site is our largest employment opportunity , capable of delivering 620,000ft<sup>2</sup> of employment use and around 1,100 jobs, a developer has been procured and work is due to start soon. Phase 2 of the Waters Keep development on Goscote has been given planning permission, which should see a further 426 housing units constructed over the next 3 years.

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

Financial performance for the year has been solid. Revenue outturn for services was £0.231 million under. Our balance sheet has increased by c.£44 million; the ratio of long-term borrowing to long-term assets is up from 2.29 to 2.34. Long term borrowing c£256 million and short term borrowing c£72 million are both up from previous years, this increase was required to fund contributions to the pension fund along with advance contributions for 2018/19 and 2019/20. This strategy has delivered a reduction in the overall cost over the three year period.

Average interest rates on loans was 3.26% well below the target rate of 4.61%. Short term investments ended at c£100 million, sufficient for our capital projects and ear-marked reserves. Investment income rate of 1.06% exceed target by 29 basis points

In November 2017 the Council received the outcome of the Local Government Association peer challenge This independent review of the council noted that “... over the last few years all local authorities have been subject to substantial reductions in government funding at a time when, for many, demands on services have been increasing not reducing. Walsall is no different in this respect. Despite this, through effective financial management and a willingness to make some difficult decisions, the Council remains in a relatively strong financial position, with adequate reserves held against its key financial risks and some capacity for investment in transformation

*and emerging priorities. While diligence will be required to maintain this position, it provides Walsall with a solid platform for the next phase in its development.”*

New ways of working, new ways of thinking remain key for improving our customer experience and reducing our costs. These two objectives are not incompatible, and our work to date on transformation has shown this. Great things are planned for 2018, things we will be proud of.



**James T. Walsh B.Hum (Hons) ACMA CGMA**  
Executive Director – Resources and Transformation (Section 151 Officer)  
24 July 2018

# Narrative Report

## 1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ending 31 March 2018. The council manages its affairs to ensure the economic, efficient and effective use of resources, the safeguarding of its assets and to ensure the financial resilience and stability of the organisation into the future. This is vital if the council is to continue to play a leading role in the life of Walsall's residents and provide high quality services for their benefit. The task is shared by all members and officers under the leadership of the Executive and Corporate Management Team. The Section 151 Officer has a particular role in ensuring financial stewardship.

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

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

## 2. An introduction to Walsall

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

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

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

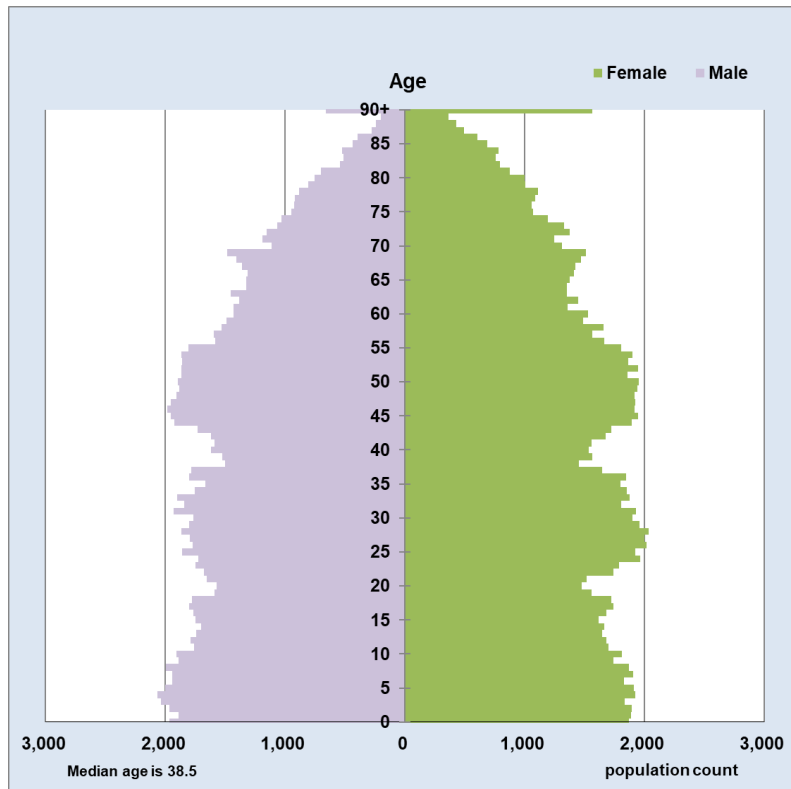
Walsall's diversity of places, population and communities contributes to the borough's vibrancy and is often what people celebrate about Walsall. This does mean however that no two places are the same and the borough's distinct communities face differing issues and challenges.

### 3. Key facts about Walsall

#### Population

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

- Walsall has an estimated resident population of 278,715 split 49.1% male and 50.9% female.



- The number of residents in the borough has increased over the past decade, reversing the periods of population decline seen through the 1980s and 90s.
- In comparison to England, Walsall has a lower proportion of working age people and more children and older people. The borough's total population is projected to exceed 300,000 for the first time by 2035.
- Walsall has a greater proportion of children than England as a whole. Walsall did not experience the same fall in numbers of children as England, and still has a greater proportion of very young children.
- Walsall has a higher proportion of people above retirement age than nationally (but only up to the ages of around 80, when this pattern reverses). This has implications for local services and the caring responsibilities on the rest of the population.
- The majority of residents in Walsall do not find their day-to-day activities affected by illness or disability over the long-term. However, around one in ten Walsall residents suffer from a long-term health problem or disability that substantially limits their day-to-day activities. This affects around 28,100 people, and at 10.4% of the borough's population is above the



national average of 8.3%. A similar number of Walsall residents (10.3%) find their day-to-day activities limited a little – again higher than the national average (9.3%). Overall, health problems and disabilities limit the daily lives of one in every five people in Walsall.

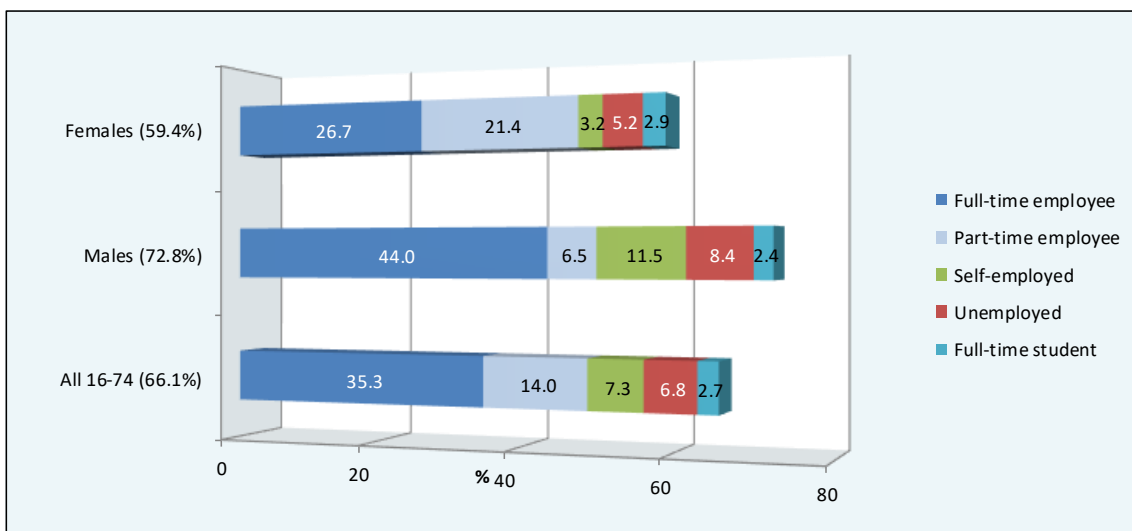
- Deprivation is deeply entrenched in Walsall and has worsened with the recession. There are extremes of deprivation, with central and western areas typically much more deprived than eastern areas, although pockets of deprivation exist even in the more affluent parts of the borough. Walsall fares particularly badly in terms of education, income and employment deprivation and many of the issues that challenge the borough match the geography of deprivation. Walsall ranks as the 41st most deprived of the 326 Local Authorities in England, as last measured by the Indices of Multiple Deprivation (IMD) in 2015. That position has worsened since deprivation was previously measured in 2010, when Walsall ranked 30th out of 326. The IMD is a nationally-recognised small geography measure of deprivation; made up of seven domain indices: income, employment, health and disability, education skills and training, barriers to housing and services, living environment, and crime. It tells us a lot about our local communities and the poverty related pressures those areas experience.

## Economy

Economic data from the 2011 census tells us that:

### Economic activity

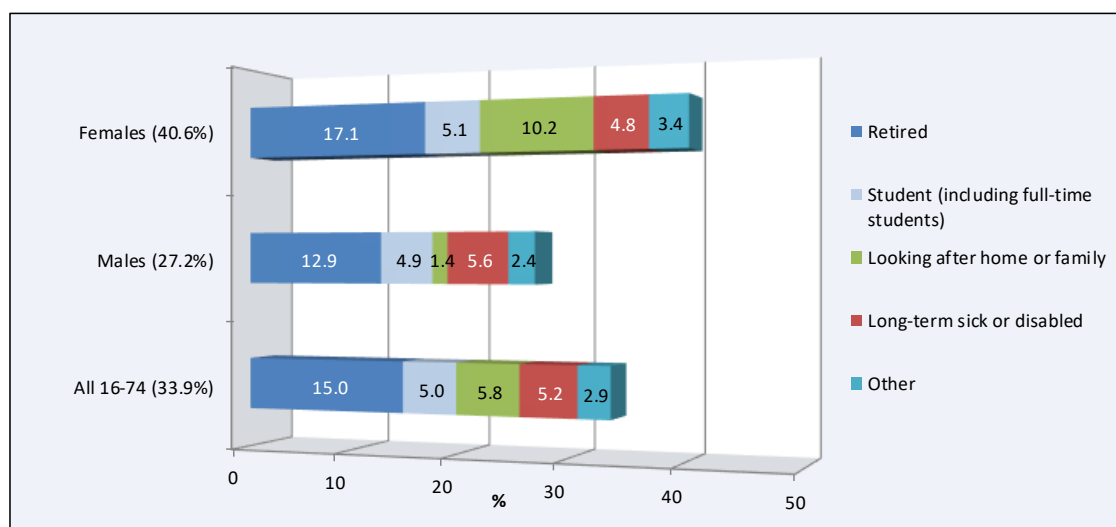
- In total, two thirds (66.1%) of Walsall’s adult population are economically active (compared with 69.7% nationally). Economic activity is categorised into various groups.
- Males are more likely to be economically active than females in Walsall. They are also more likely to be employed full time compared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



**Economic activity of 16-74 year old residents in Walsall**

### Economic inactivity

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



**Economic inactivity of 16-74 year old residents in Walsall**

## 4. Key information about Walsall Council

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

### Council structure

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

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

### Management structure

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

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

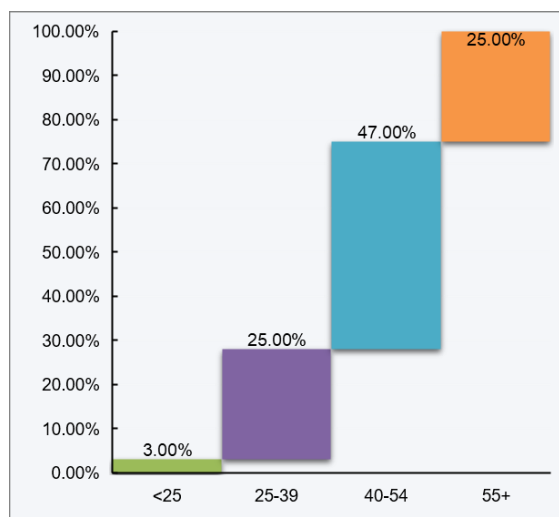
- Children’s Services, Executive Director - Sally Rowe
- Economy and Environment, Executive Director - Simon Neilson
- Resources and Transformation, Executive Director – James Walsh
- Adult Social Care, Executive Director - Paula Furnival

The role of the Corporate Management Team is:

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

### Council officers

As at 31 March 2017 the council employed 3,428 people (3,635 as at 31 March 2016) excluding school based employees, of which 1,057 were male (1,149 as at 31 March 2016) and 2,371 were female (2,486 as at 31 March 2016). The graph below represents the age breakdown of the council's workforce. It shows that 48% of council's workforce is between 40 and 55, a 2% increase compared to the previous year. A further 24% are aged 55+ which represents no change to the previous year.



**Age breakdown of Walsall Council's workforce**

At the time of writing there is no comparative data available as at 31 March 2018.

## 5. Corporate plan

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

### Our Vision

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

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

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

## Our purpose

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

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

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

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

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

## Our priorities



## 6. The council's 2017/18 financial performance

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

### Revenue expenditure

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

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

In the financial year ended 31 March 2018, the council saw a net cost of services of £265.053 million (comprising £415.289 million gross income and £680.342 million gross expenditure). In addition to this the council also saw other taxation and non-specific grant income of £264.326 million, other operating expenditure of £11.276 million and financing and investment income and expenditure of £22.078 million. This resulted in a deficit on the provision of services of £34.081 million.

Overall the Comprehensive Income and Expenditure Statement (CIES) shows a surplus of £43.541 million for the year. This represents the deficit of £34.081 million on the provision of services, adjusted for other movements in reserves that under accounting regulations do not get charged to the provision of services including a revaluation gain in non-current assets of £22.240 million and re-measurement of pension fund assets and liabilities of £58.226 million. This amount can be reconciled to the movement on net assets between 2016/17 and 2017/18 on the Balance Sheet.

The cost of provision of services shows a deficit of £34.081 million, however general reserves have increased by £1.322 million. This is a result of the council making statutory adjustments of £55.921 million for items such as depreciation, impairments of fixed assets and entries in relation to pension costs (these adjustments are required by regulation otherwise council tax levels would need to be raised to cover such accounting costs) and setting aside earmarked reserves for specific future use of £20.518 million. These adjustments can be seen in note 10, page 60.

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

	Budget £m	Actual £m	Variance £m	Note
Opening general fund balance	(13.904)	(13.904)	0.000	9
Use of general fund balances in year	1.160	19.196	18.036	9
Transfers to/from earmarked reserves	(2.251)	(20.518)	(18.267)	9
<b>Closing general fund balance</b>	<b>(14.995)</b>	<b>(15.226)</b>	<b>(0.231)</b>	<b>9</b>

The council had budgeted for a net in-year replenishment of general reserves of £1.091 million. This comprised of a budget replenishment of reserves of £2.840 million (see Council budget report 23 February 2017) less £1.680 million use of general reserves allocated in year as approved by Cabinet (resulting in a net use of general fund reserves of £1.160 million), and transfers of £2.251 million arising from a review and subsequent release of earmarked reserves.

Actual general reserves have moved from an opening position of £13.904 million to a closing position of £15.226 million as at 31 March 2018 as a result of a net surplus of £1.322 million. These movements can be seen within the Movement in Reserves Statement on page 33. This has therefore resulted in an under spend against budget for the council of £0.231 million.

### Material movements in the CIES

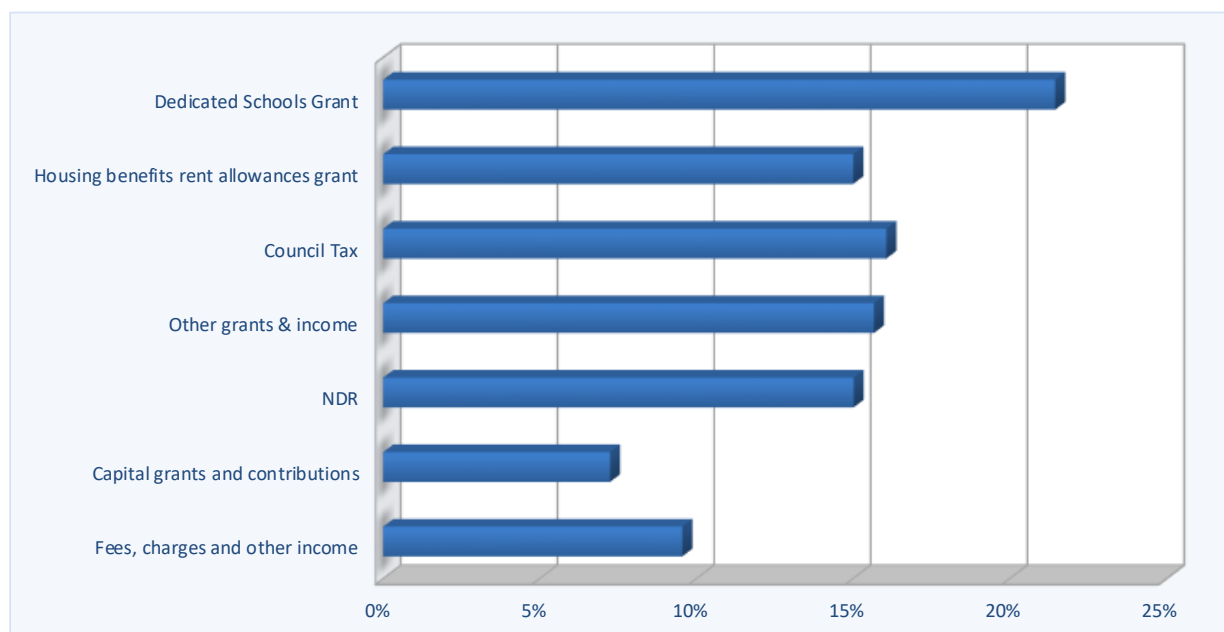
Government grants have decreased by approximately £43 million mainly due to removal of the Government Revenue Support Grant (RSG) as a result of Walsall Council being part of the West Midlands Business Rate 100% retention scheme pilot (note 20 page 73).

Capital grant income decreased by approximately £16 million as a result of the council receiving £31.407 million in Growth Deal funding during 2017/18 compared to £47.130 million during 2016/17 (note 20 page 73).

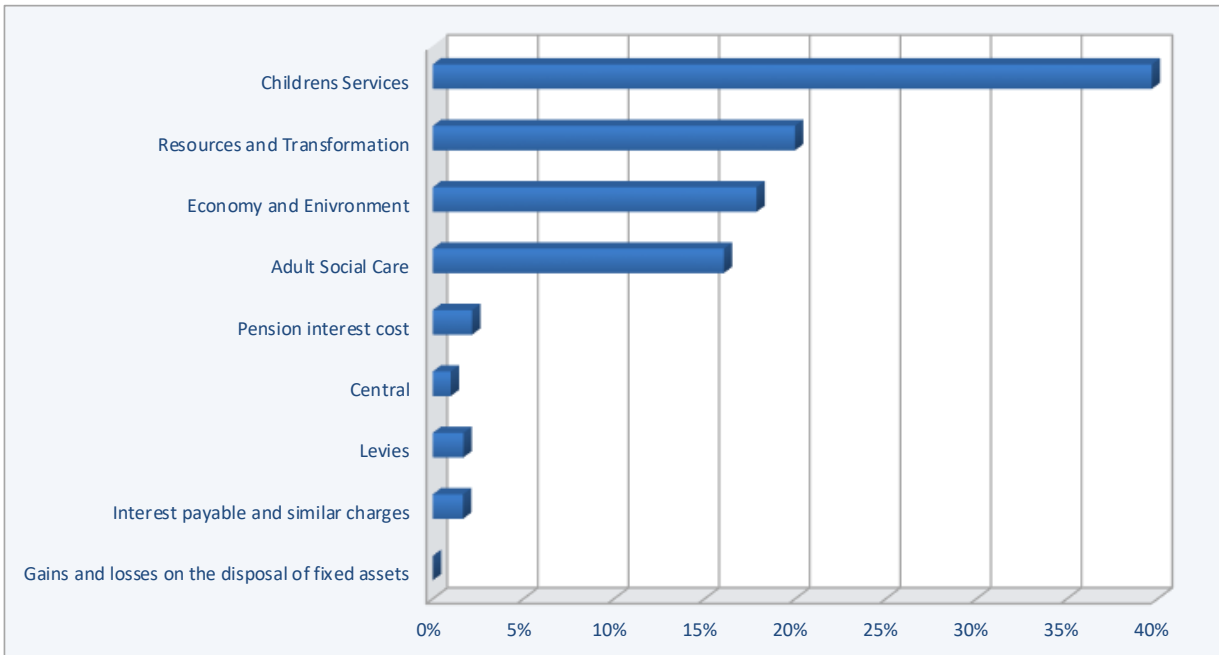
No schools converted to academy status in 2017/18 (unlike in 2016/17) which has resulted in a reduction of approximately £13 million for other operating expenditure (note 5 page 55).

The re-measurement gain on the pension fund of approximately £58 million represents a significant change in the funding status of the pension fund following a re-measurement loss in 2016/17 of approximately £131 million. The main change relates to gains arising from a change in financial assumptions. The council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation (note 17 page 66).

The following graph shows the sources of income received by the council within the CIES on page 31.



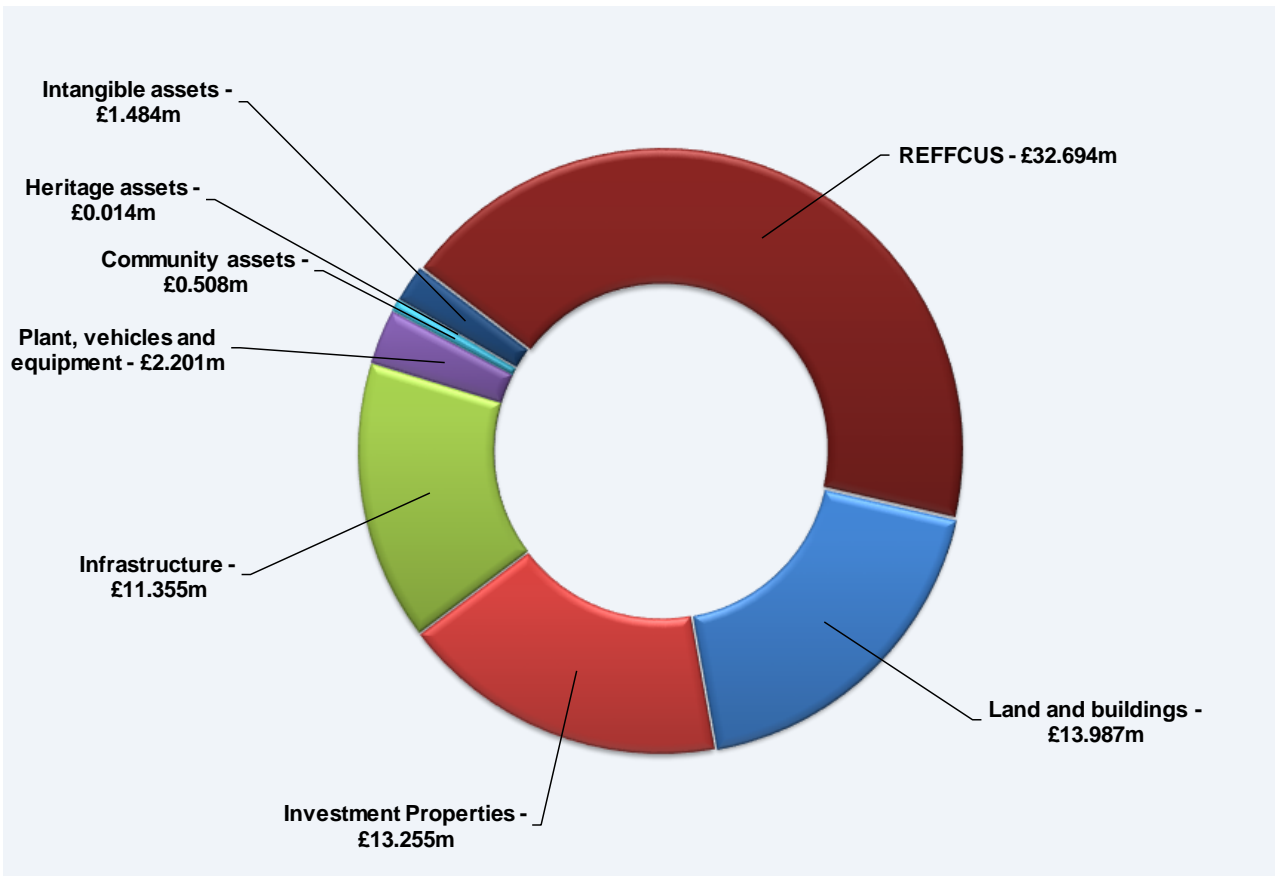
The following graph shows how the council's total expenditure within the CIES (page 31) is split between services.



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

**Capital expenditure**

Capital expenditure in 2017/18 amounted to £75.498 million. The breakdown of capital expenditure (note 29, page 85) is shown below.

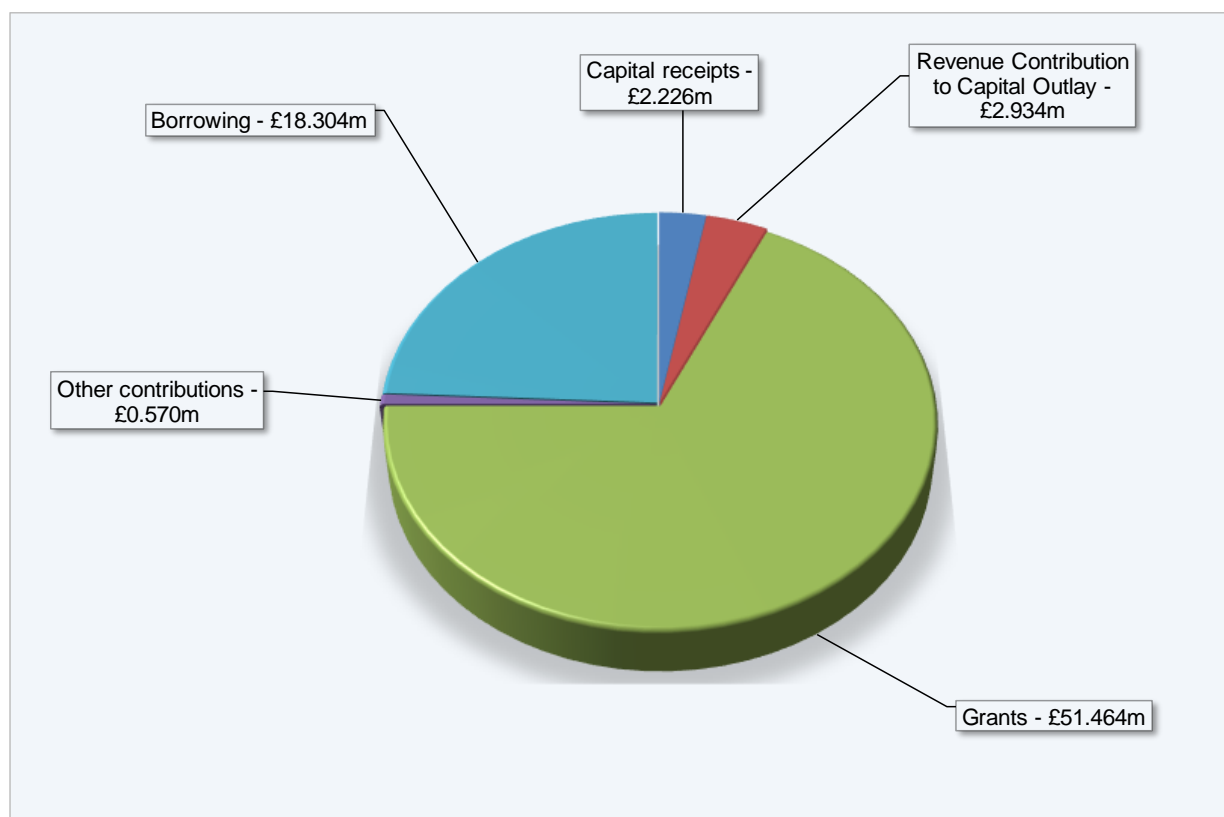


REFFCUS = Revenue Expenditure Funded From Capital Under Statute

The major areas of capital expenditure were £13.987 million on land and buildings, £13.255 million on investment properties, £11.355 million on infrastructure including roads maintenance and £32.694 million on revenue expenditure funded from capital under statute (REFFCUS). REFFCUS expenditure arises when capital expenditure is incurred on assets not owned by the council and, therefore, cannot be added to the council's asset register and balance sheet.

The majority of the REFFCUS expenditure is linked to the approximate £31 million of Growth Deal grant received in 2017/18 to provide funding to local businesses and organisations, within the Black Country, to encourage growth and create new employment. This expenditure is charged to revenue with a corresponding release from the capital adjustment account to ensure there is no impact on council tax.

Capital expenditure was funded by grants and contributions (£52.034 million), borrowing (£18.304 million) and other council resources (£5.160 million). The capital expenditure for 2017/18 was funded by the following sources:



The council has two Private Finance Initiative (PFI) schemes, one for the build and operation of St Thomas More School and another for the replacement and operation of the council's street lighting. The council has financial commitments (see note 31 on page 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 2018 Walsall Council's Balance Sheet (page 34) shows a negative net worth of £176.099 million. This is largely due to the government policy of academy conversion of local authority schools and the deficit on the West Midlands Metropolitan Authorities Pension Fund.

Since 2008 the council has seen a total of 33 schools convert to academy with a combined balance sheet asset value of £276.868 million. The council is not compensated for any academy conversions regardless of whether there has been any borrowing in prior years to finance capital



spend associated with these assets. This means that for each academy conversion the council's balance sheet is further reduced.

The council's liquidity ratio, that is a measure by how much the council can cover its current liabilities by its current assets, is 1.03 (down from 1.86 in 2016/17). The reduction in the liquidity ratio is as a result of the reclassification of loans into short term borrowing due to be paid back in 2018/19 due to the upfront pension payment made in April 2017, financed through the use of borrowing from other local authorities. The council can cover its long-term borrowing by its long-term assets by 2.34 (increase from 2.29 in 2016/17). These ratios indicate that whilst the balance sheet is negative the council is more than able to meet both its short term liabilities and its borrowing requirements. These accounts are accordingly prepared on a going concern basis.

The balance sheet for the year has seen an increase of £43.541 million in total net assets from a negative £219.640 million to negative £176.099 million. Excluding the total net pension liability of £515.830 million (£617.464 million in 2016/17) the council shows a net asset balance of £339.731 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

Following a recent revaluation of key art works held within the council's art collections a revaluation gain of approximately £14 million has been recognised. Further details of this can be found in note 24 page 81.

### Pensions

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

As at 31 March 2018 there is an actuary calculated shortfall for Walsall Council of £515.830 million (£617.464 million at 31 March 2017) between the forecast cost of future pensions and the value of the assets currently held within the pension fund. The calculated shortfall is a very volatile valuation, caused by fluctuations in the financial markets. The movement in the shortfall over the last eight years, since the council has been required to account for pensions according to accounting standards, can be seen overleaf.



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

The West Midlands Metropolitan Authorities Pension Fund underwent its triennial revaluation in 2016/17 based on conditions at 31 March 2016. This revaluation reviewed the current condition of the fund and its ability to meet current and future pension obligations. The revaluation determined the contribution rates based on a requirement to bring the fund to a breakeven position over the following 18 years from 31 March 2018.

### **Treasury management**

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

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

The council ended 2017/18 with short term investments of £100.090 million (£137.560 million 2016/17). Use of these investments will be required to fund those capital projects currently underway where completion is due beyond 31 March 2018 and for the planned use of earmarked reserves in future years.

The target investment rate receivable by the council for 2017/18 was 0.77% however as at 31 March 2018 the actual rate was 1.06%. When compared to current market conditions this rate shows the council continues to maximise investment income. In cash terms this means the council received £2.186 million (£2.040 million in 2016/17) of investment income. This is in addition to £1.599 million (£1.492 million in 2016/17) of dividend income from shares held in Birmingham Airport.

At 31 March 2018 the council's external long term borrowing was £256.561 million (£246.727 million as at 31 March 2017). Short term borrowing as at 31 March 2018 was £71.766 million (£29.418 million as at 31 March 2017). Increases in both long term and short term borrowing were required to fund contributions to the West Midlands Metropolitan Authorities Pension Fund for 2017/18, along with advance contributions for 2018/19 and 2019/20 in April 2017.

The interest costs associated with this debt represent 7.59% of the net budget requirement for the year, at an average interest rate of 3.26% compared to the target interest rate for the year of 4.61%.

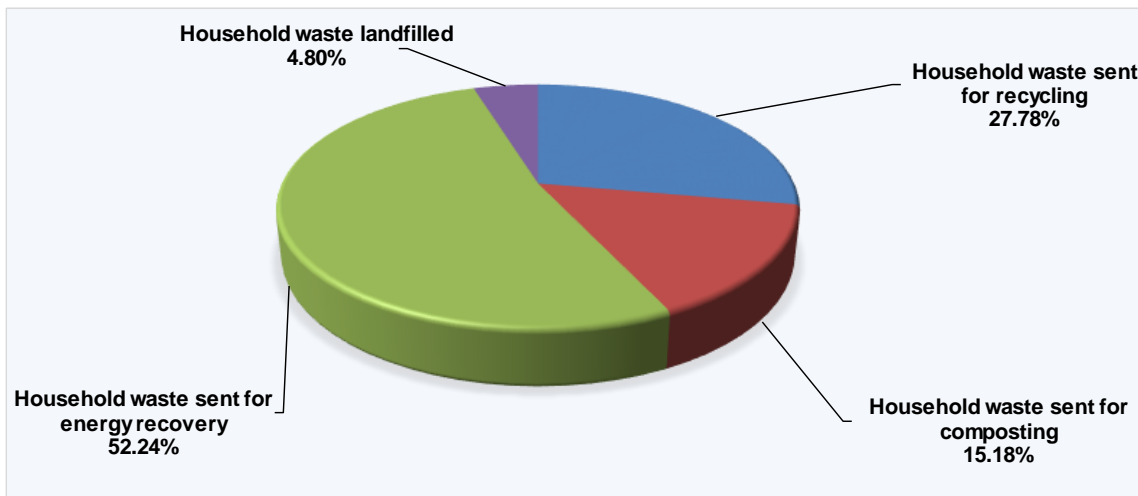
## **7. Environmental performance in 2017/18**

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

### **Waste Recycling**

The combined recycling and composting rate for Walsall remains steady at around 43%. During 2017/18 52.24% of the council's waste was sent to an energy recovery waste plant to generate

electricity, with only 4.80% of waste going to landfill. The council during 2016/17 began new disposal and recycling contracts including extra materials such as carpets and mattresses going for recycling or to create refuse derived fuel. Historically these materials would have gone to landfill. The following chart shows waste collected during 2017/18.

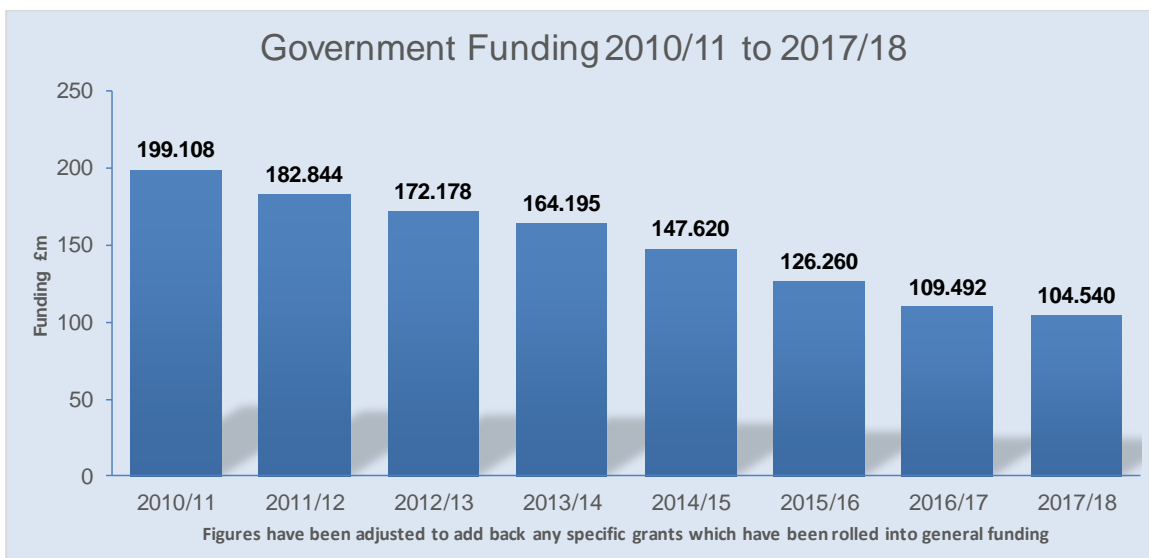


## 8. The impact of the current economic climate going forward

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

### Our Challenges

Around half of Walsall’s funding comes from Government grant (56% - top up, schools DSG and some specific service grants). In 2010, Walsall received £199m of Government core funding support to deliver services, alongside income generated from council tax. Between 2010 and 2017, Government has cut funding by c£95m. Alongside cost pressures over the same period, savings totalling c£160m have had to be identified and implemented.



As at 31 March 2018 it is projected that by the end of the current Parliament, Walsall will be subject to a further reduction in funding of £12.589 million. This along with cost pressures, results in an additional saving requirement of approximately £43 million from 2018/19 to 2020/21.

The Government, in the provisional settlement announced on 19 December 2017, confirmed that it is expected that local government will become 75% self-funded by 2020/21 from the localisation of business rate retention (BRR) – a change in plan from the 100% originally planned (as opposed to the current national scheme which is at 49%), with core revenue support grant ceasing. The Government expects national increases in growth in rate yields to fully offset the reduction in core funding.

In October 2016, Cabinet approved that Walsall become part of the West Midlands Combined Authority (WMCA) 100% business rate retention (BRR) pilot from 2017/18. Government indicated that this will be at 'no detriment' to participating authorities; however, there remains some uncertainty as to the final impact of full BRR longer term. The provisional settlement announcement on 19 December 2017 confirmed that 100% business rate retention pilots would continue into 2019/20.

The council's second largest source of funding is council tax (18.69% of the council's gross spend is funded from council tax). Government has historically placed restrictions on the amount that can be raised from this income stream, previously through 'capping', and now through the referendum principles. The revenue budget assumes a council tax increase of 4.99% for 2018/19.

Despite Walsall signing up to and being accepted for the multi-year settlement, future funding continues to be very challenging with significant uncertainties in future grant, including public health, better care fund, etc. Additionally, as part of BRR, the Government is consulting on transferring additional responsibilities to local authorities. This could lead to further pressures if these are not fully funded.

Alongside reductions in funding, the council also faces increasing cost pressures, due both to rising demand (for example, as a result of welfare reforms reducing individual's disposable incomes further, larger numbers of older people requiring support to remain independent, etc.) and new burdens imposed by Government, but without the corresponding funding. There are numerous cost pressures in the system, the most significant being;

- Looked after children numbers and costs. There were 488 in March 2011, compared to 663 in December 2017. Average costs of a care package for a looked after child at December 2017 was £624 per week.
- Children social worker costs - arising from recruitment difficulties.
- Adult social care packages and placements costs. These have risen by £10.27m in 7 years from £56.21m in 2010/11 to £66.48m in 2017/18.

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

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

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

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

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

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

### **2017/18 Revenue Budget Headlines**

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

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

### **Summary of the 2017/18 Capital Programme**

The council has an asset portfolio of around £542m. Therefore managing and maintaining these assets is a key issue for the council to ensure they continue to be fit for purpose and their value is maintained. The capital programme is key to delivering the council's vision and priorities.

Due to the diverse nature of capital expenditure, each capital scheme impacts on residents in different ways according to their use of council facilities and services. The capital programme was constructed within the principles outlined in the council's capital strategy.

This strategy drives the construction and management of the capital programme. The strategy reflects and enables delivery of the council's vision and priorities and approved schemes must deliver that aim. It also requires the council to optimise successful partnership working for example through the Walsall Partnership, NHS Walsall, registered social landlords and regionally with other councils.

The 2017/18 capital programme totalled £75.50 million and was presented in two parts:

- Council funded programme (£23.47 million) - funded through borrowing and capital receipts. Of this £0.75 million was identified for council wide schemes, funding to support essential works including health and safety and other projects that cannot be guaranteed at the start of the year.
- Grant programme (£52.03 million) - funded from capital grants and contributions.

### **Brexit**

Following the referendum result on 23 June 2016 which meant that the United Kingdom was to embark on leaving the European Union (EU), the Prime Minister formally triggered Article 50 on 29 March 2017 which began this process. The implications of leaving the EU are not fully known but there could be a potential impact for the council due to reductions in EU funding, a change in interest rates, an increase in expenditure and an increase in the cost of basic goods which could impact on residents.

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

## **9. Reporting requirements for the 2017/18 accounts**

The 2017/18 code of practice released in March 2017 was aligned to the Accounts and Audit Regulations 2015 in requiring the council's audited Statement of Accounts to be submitted to the appropriate body (in Walsall, the Audit Committee) for approval by 31 July after the end of the financial year. In addition it requires all local authorities to have a common thirty day public inspection period which includes the first ten working days in June.

## **10. Reporting requirements for the 2018/19 accounts and beyond**

IFRS 9 Financial Instruments (which replaces IAS 39 Financial Instruments) introduces prospectively from 1 April 2018 extensive changes to the classification and measurement of financial instruments, and a new expected credit loss for impairing financial instruments. The impact will be to reclassify instruments currently classified as loan and receivables, and available for sale to amortised cost and fair value through either the net cost of services or other comprehensive income. It is not anticipated that there will be any material changes to the measurement or impairment of financial instruments.

IFRS 15 Revenue from Contracts with Customers (which replaces IAS 18 Revenue and IAS 11 Construction Contracts) sets out new requirements for the recognition of revenue, based on a control-based revenue recognition model. The council does not have any material revenue streams within the scope of the new standard.

IAS 7 Statement of Cash Flows – Disclosure Initiative, this amendment to IAS 7 requires that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments to the standard are purely of a disclosure nature and as such there are no material changes required.

IAS 12 Income Taxes (Recognition of Deferred Tax Assets and Unrealised Losses) relates to deferred tax assets related to debt instruments measured at fair value. The council is not liable to corporation tax and / or deferred tax.

## Explanation of the statements

### Core financial statements:

#### Comprehensive Income and Expenditure Statement (CIES)

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

#### Movement in Reserves Statement (MIRS)

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

#### Balance Sheet

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

#### Cash Flow Statement

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

### Notes to the accounts:

#### Accounting policies

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

#### Other notes

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

### Additional financial statements:

#### Collection Fund

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

#### Trust and scholarship accounts

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



## Statement of responsibilities

### The council's responsibilities

The council is required to:

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

### The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

### Certification by the Chief Financial Officer

I, the Chief Financial Officer of Walsall Metropolitan Borough Council, certify that this statement of accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2018. 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**

Executive Director – Resources and Transformation (Section 151 Officer)

24 July 2018

## Approval of Statement of Accounts

The statement of accounts was approved by the Walsall Council Audit Committee on 24 July 2018.



**Mr A Green**  
Chair of the Audit Committee  
24 July 2018

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

## Opinion

We have audited the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Related notes 1 to 46 and
- The Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Walsall Metropolitan Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director – Resources and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director – Resources and Transformation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the Financial Report for 2017/18 set out on pages 5 to 26, other than the financial statements and our auditor's report thereon. The Executive Director – Resources and Transformation is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

#### Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Walsall Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

#### Responsibility of the Executive Director – Resources and Transformation

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 25, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Walsall Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Walsall Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

### **Certificate**

We certify that we have completed the audit of the accounts of Walsall Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of Walsall Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Manchester

The maintenance and integrity of the Walsall Metropolitan Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# 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 33).

2016/17						2017/18					
Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m	Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m
(2.062)	(34.894)	(162.646)	(112.458)	0.000	(312.060)						
(2.062)	(34.894)	(162.646)	(112.458)	0.000	(312.060)	(2.082)	(35.872)	(167.477)	(107.767)	0.000	<b>(313.198)</b>
(42.681)	0.000	0.000	(2.961)	0.000	(45.642)	(30.628)	0.000	(2.828)	(3.213)	0.000	<b>(36.669)</b>
(19.671)	(10.492)	(13.602)	(13.908)	(4.230)	(61.903)	(23.055)	(11.895)	(11.498)	(14.435)	(4.539)	<b>(65.422)</b>
<b>(64.414)</b>	<b>(45.386)</b>	<b>(176.248)</b>	<b>(129.327)</b>	<b>(4.230)</b>	<b>(419.605)</b>	<b>(55.765)</b>	<b>(47.767)</b>	<b>(181.803)</b>	<b>(125.415)</b>	<b>(4.539)</b>	<b>(415.289)</b>
30.992	16.327	148.947	33.700	14.173	244.139	32.407	19.143	160.220	33.749	11.537	<b>257.056</b>
84.523	96.773	71.778	109.036	(0.172)	361.938	71.519	93.877	74.628	103.096	(4.393)	<b>338.727</b>
10.186	2.776	6.830	8.020	0.000	27.812	10.540	2.558	8.827	7.930	0.000	<b>29.855</b>
12.780	0.833	8.547	3.119	0.000	25.279	12.704	0.900	5.778	3.516	0.000	<b>22.898</b>
(6.208)	0.503	(4.316)	(2.556)	0.000	(12.577)	1.377	(0.978)	35.936	(4.529)	0.000	<b>31.806</b>
<b>132.273</b>	<b>117.212</b>	<b>231.786</b>	<b>151.319</b>	<b>14.001</b>	<b>646.591</b>	<b>128.547</b>	<b>115.500</b>	<b>285.389</b>	<b>143.762</b>	<b>7.144</b>	<b>680.342</b>
<b>67.859</b>	<b>71.826</b>	<b>55.538</b>	<b>21.992</b>	<b>9.771</b>	<b>226.986</b>	<b>72.782</b>	<b>67.733</b>	<b>103.586</b>	<b>18.347</b>	<b>2.605</b>	<b>265.053</b>

Continued...

Continued...

2016/17							2017/18					
Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m		Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m
67.859	71.826	55.538	21.992	9.771	226.986	Cost of services	72.782	67.733	103.586	18.347	2.605	265.053
0.000	0.000	0.000	0.000	24.698	24.698	Other operating expenditure (Note 5)	0.000	0.000	0.000	0.000	11.276	11.276
(0.095)	0.000	(0.002)	0.000	24.923	24.826	Financing & investment income and expenditure (Note 6)	(1.418)	0.000	(0.001)	0.000	23.497	22.078
(20.172)	(1.086)	(4.320)	(0.221)	(250.287)	(276.086)	Taxation & non-specific grant income (Note 7)	(19.740)	(1.101)	(2.710)	(0.330)	(240.445)	(264.326)
47.592	70.740	51.216	21.771	(190.895)	0.424	<b>(Surplus) or deficit on provision of services</b>	51.624	66.632	100.875	18.017	(203.067)	34.081
					(26.390)	(Surplus) or deficit arising on revaluation of non-current assets (Note 39)						(22.240)
					1.253	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve (Note 39)						1.312
					(4.538)	(Surplus) or deficit arising on revaluation of available for sale financial assets (Note 39)						1.532
					130.999	Remeasurements of the defined benefit liability (Note 39)						(58.226)
					101.748	<b>Total comprehensive income and expenditure</b>						(43.541)



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

### 2017/18 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 31/03/17 carried forward	(13.904)	(129.634)	(22.380)	(7.829)	(173.747)	393.387	219.640
Total comprehensive income and expenditure	34.081	0.000	0.000	0.000	34.081	(77.622)	(43.541)
Adjustments between accounting basis & funding basis under regulations (Note 10)	(35.403)	(20.518)	2.400	(0.937)	<b>(54.458)</b>	54.458	<b>0.000</b>
<b>(Surplus) / deficit in year</b>	<b>(1.322)</b>	<b>(20.518)</b>	<b>2.400</b>	<b>(0.937)</b>	<b>(20.377)</b>	<b>(23.164)</b>	<b>(43.541)</b>
Balance at 31/03/18 carried forward	(15.226)	(150.152)	(19.980)	(8.766)	(194.124)	370.223	176.099

### 2016/17 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 31/03/16 carried forward	(14.131)	(130.321)	(20.955)	(8.122)	(173.529)	291.421	117.892
Total comprehensive income and expenditure	0.424	0.000	0.000	0.000	0.424	101.324	101.748
Adjustments between accounting basis & funding basis under regulations (Note 10)	(0.197)	0.687	(1.425)	0.293	<b>(0.642)</b>	0.642	<b>(0.000)</b>
<b>(Surplus) / deficit in year</b>	<b>0.227</b>	<b>0.687</b>	<b>(1.425)</b>	<b>0.293</b>	<b>(0.218)</b>	<b>101.966</b>	<b>101.748</b>
Balance at 31/03/17 carried forward	(13.904)	(129.634)	(22.380)	(7.829)	(173.747)	393.387	219.640

## Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2018. The net assets of the council (assets less liabilities) are matched by the reserves 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 10, page 60).

2016/17 £m		Note	2017/18 £m
496.709	Property, plant and equipment	22	476.473
19.543	Heritage assets	24&25	33.961
9.106	Investment property	26	23.308
1.607	Intangible assets	27	2.280
30.233	Long term investments	32	57.773
8.169	Long term debtors	32	5.696
<b>565.367</b>	<b>Long term assets</b>		<b>599.491</b>
137.560	Short term investments	32	100.090
3.792	Assets held for sale	28	3.555
0.809	Inventories		0.519
39.721	Short term debtors	34	44.552
8.240	Cash and cash equivalents	35	15.010
<b>190.122</b>	<b>Current assets</b>		<b>163.726</b>
(29.418)	Short term borrowing	32	(71.766)
(64.314)	Short term creditors	36	(68.043)
0.000	Capital Grants Received in Advance	36	(9.830)
(8.243)	Provisions	37	(9.077)
<b>(101.975)</b>	<b>Current liabilities</b>		<b>(158.716)</b>
(0.844)	Provisions	37	(0.861)
(246.727)	Long term borrowing	32	(256.561)
(625.583)	Other long term liabilities	32	(523.178)
<b>(873.154)</b>	<b>Long term liabilities</b>		<b>(780.600)</b>
<b>(219.640)</b>	<b>Net assets</b>		<b>(176.099)</b>
(173.747)	Usable reserves	38	(194.124)
393.387	Unusable reserves	39	370.223
<b>219.640</b>	<b>Total reserves</b>		<b>176.099</b>

The unaudited accounts were issued on 25 May 2018 and the audited accounts were authorised for issue on 24 July 2018.

Signed:  Date: 24 July 2018  
**James T. Walsh B.Hum (Hons) ACMA CGMA**  
 Executive Director – Resources and Transformation (Section 151 Officer)

## Cash Flow Statement

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

2016/17 £m		2017/18 £m
0.423	Net (surplus) or deficit on the provision of services	34.081
(17.232)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 40)	(22.697)
(69.619)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 41)	(141.835)
<b>(86.428)</b>	<b>Net cash (inflows)/outflows from operating activities</b>	<b>(130.451)</b>
117.782	Investing activities (Note 43)	170.974
(34.790)	Financing activities (Note 44)	(47.293)
<b>(3.436)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(6.770)</b>
(4.804)	Cash and cash equivalents at the beginning of the reporting period	(8.240)
<b>(8.240)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 35)</b>	<b>(15.010)</b>

# Notes to the accounts

## 1. Significant accounting policies

### General principles

The statement of accounts summarises the council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS).

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

### Accruals of expenditure and income

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

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

### Cash and cash equivalents

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable/relevant information about the effect of transactions, other events and conditions on the council's financial position/performance. Where a change is made it

is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **Charges to revenue for non-current assets**

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

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

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

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

## **Employee benefits**

### ***Termination benefits***

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

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

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

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

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

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

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

Local government pension scheme

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

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

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

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

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the CIES as part of non-distributed costs
  - Net interest on the net defined benefit liability, i.e. net interest expense for the council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income and expenditure line of the CIES. Calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the pensions reserve as other comprehensive income and expenditure
  - Remeasurement gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation

or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure

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

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

### ***Discretionary benefits***

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

### **Events after the balance sheet date**

These are events that have occurred between the end of the financial year, 31 March 2018, and the date the financial accounts are authorised for issue. Two types of event can be identified:

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

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

### **Fair value measurement**

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

### Financial instruments

#### *Financial assets*

Financial assets are classified into two types:

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

#### Loans and receivables

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

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

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

#### Available-for-sale assets

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

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

- Instruments with quoted market prices – the market price



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

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

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

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

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

### ***Financial liabilities***

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

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

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

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

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

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

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

- the relevant service line (attributable revenue grants/contributions)

- taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants)

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

### **Joint operations**

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

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

An assessment of the council's interests has been carried out during the year in accordance with the Code 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.

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

### **Investment properties**

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

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

- Purchase price
- Transaction costs
- Directly attributable expenditure

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

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

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

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

## **Leases**

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

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

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

### ***The council as lessee***

#### Operating leases

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

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

#### Operating leases

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

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

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

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were

classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

### Overheads

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

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

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the CIES
- Finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- Contingent rent – increases in the amount to be paid for the asset arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

### Property, plant and equipment

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

### **Recognition**

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

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

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

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

### **Measurement and depreciation**

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

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

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

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

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

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

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

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

### **Disposals**

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

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

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

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

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

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

### **Intangible assets**

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

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

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

### **Heritage assets**

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

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

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

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

### ***Art collections***

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

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

### ***Epstein Archive***

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

### ***Museum collections***

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

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

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

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

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

### ***Civic regalia***

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

### ***Statues***

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

### ***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 (REFFCUS). Expenditure that can be classified as this is defined within the Local Government Act 2003 and associated capital financing regulations. This includes: grants paid to other persons (such as housing renovation grants and disabled facility grants) and bodies for capital expenditure purposes; and amounts (including provisions for equal pay claim reviews) that the Secretary of State has given direction should be capitalised.

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

## Value Added Tax (VAT)

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

## Accounting for schools

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

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

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

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

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

Individual schools' balances at 31 March 2018 are included in the balance sheet of the council as any unspent delegated schools budgets remain the property of the council.

## **PFI Schemes**

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

buildings has passed to the school trustees. The PFI liabilities in respect of the PFI School remain on the council's balance sheet as the council is the party to the contract with the PFI operator.

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

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

The critical judgements made in the statement of accounts are:

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

### Accounting for Schools – Consolidation

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

### Accounting for Schools – Balance Sheet Recognition of Schools

- The council recognises the land and buildings used by schools in line with the provisions of the Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The council recognises the schools land and buildings on its balance sheet where it directly owns the assets, the school or school governing body own the assets or rights to use the assets have been transferred from another entity.

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

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

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future, or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's balance sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions – note 37	The council has made a provision of £7.424m for Business Rate appeals.	An increase/decrease over the forthcoming year of 5% of the estimated average settlement would have the effect of increasing or decreasing by £0.371 million the provision needed.

Pensions Liability – note 17	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the pension fund and fund member organisations with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For details on sensitivity for pension schemes please refer to page 69.  However, the assumptions interact in complex ways. During 2016/17, the council's actuaries carried out a full actuarial valuation. The assumptions used in 2017/18 resulted in no measured differences to the estimated valuation.
Arrears – note 34	At 31 March 2018, the council had a sundry debtor balance of £8.251m. A review of significant balances suggested that a net impairment of doubtful debts of 13.65% (£1.126 million) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, a 5% change in collection rates for the impairment of doubtful debts would increase or decrease by £0.408 million the amount to set aside as an allowance respectively.
Property, Plant and Equipment (PPE) – note 22	The length of time over which PPE assets are fully depreciated is set out in the accounting policies section of the statement. This is based on an average life span of each asset. However, in practice, assets may depreciate at different rates and so there is the possibility that the depreciation charged to some assets may not be in line with observed asset lives between revaluations.  Revaluation of PPE assets are based upon a number of valuer assumptions which are subject to valuer bias and only represent a snapshot in time.	It is estimated that the annual depreciation charge for buildings would increase/decrease by £0.450 million if depreciation rates globally change by 5%.  If a change in valuer assumptions resulted in a 1% change in PPE values this would equate to an increase/decrease of £3.875 million.

#### 4. Related parties

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

### Central Government

Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the CIES on page 31. Grant receipts for 2017/18 are shown in note 20.

### Local Government

Walsall Council is a constituent member of the West Midlands Combined Authority (WMCA) which came into existence in June 2016. The WMCA consists of seven constituent members, eight non-constituent members and four observer members. Only constituent members have the right to vote on authority activities. No member has a controlling interest in the WMCA. Walsall council does receive grants from WMCA so that it can deliver services to fulfil WMCA objectives. These are included within the CIES and note 20.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in note 12. During 2017/18, no significant works and services were commissioned from companies in which members had declared an interest. In addition, the council paid grants totalling £3.033 million to voluntary organisations and associations including some where members had positions on the governing body. The grants were made with proper consideration of declarations of interest. The register of members' interest is open to public inspection at the Civic Centre during office hours or can be viewed on the council's website.

### Officers

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

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

The council has a pooled budget arrangement with Walsall NHS CCG for an integrated health and social care service for adults with learning difficulties and a Better Care Fund (BCF). Transactions and balances outstanding are detailed in note 11.

### Entities controlled or significantly influenced by the council

#### *Walsall Adult and Community College*

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

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

A report was presented to the council's Cabinet on 18 May 2017 setting out a proposed transfer of WACC to another Education & Skills Funding Agency (ESFA) grant funded body. Cabinet's formal approval of the transfer to Walsall College was made on 13 December 2017. The transfer of WACC completed on 31 March 2018. At this date the council's interest and ownership ended.

For the period 1 April 2017 to 31 March 2018 WACC received income of £4.358m and incurred expenses of £4.381m resulting in a loss of £0.023m. As at 31 March 2018 all assets belonging to WACC transferred to Walsall College.

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

Walsall Council are part owners of West Midlands Growth Company Ltd (WMGC) along with the WMCA and the other six West Midlands Councils. The WMGC was formed in April 2017 as a new economic development and investment body at the request of the West Midlands Combined Authority to support delivery of Strategic Economic Plan targets, such as more jobs for the region, and facilitate the growth of the region's economy. There were no significant transactions between the WMGC and Walsall Council in 2017/18.

### **West Midlands Rail Ltd**

Walsall Council are part owners of West Midlands Rail Ltd along with WMCA, the other six West Midlands Councils, Northamptonshire County Council, Herefordshire Council, Shropshire Council, Staffordshire County Council, Borough of Telford and Wrekin, Warwickshire County Council and Worcestershire County Council. As the seven West Midlands Councils (including Walsall) are not Local Transport Authorities they are associate full members with their voting rights held by the WMCA as the Local Transport Authority for the West Midlands Conurbation. West Midlands Rail was created with the purpose of specifying and managing rail franchising for the West Midlands. There were no significant transactions between the WMGC and Walsall Council in 2017/18.

## **5. Other operating expenditure**

The following table provides further information for other operating expenditure shown in the CIES on page 31.

2016/17 £m		2017/18 £m
12.264	Levies	12.141
0.005	Payments to the capital housing receipts pool	0.002
12.429	(Gains) and losses on the disposal of fixed assets	(0.867)
<b>24.698</b>	<b>Total</b>	<b>11.276</b>

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

## **6. Financing and investment income and expenditure**

The following table provides further information for financing and investment income and expenditure shown in the CIES on page 31.

2016/17 £m		2017/18 £m
11.778	Interest payable and similar charges	11.972
16.819	Net interest on the net defined benefit liability (Note 17)	15.608
(2.040)	Interest income	(2.186)
(0.239)	Income, expenditure and changes in fair value of investment properties	(1.717)
(1.492)	Other investment income (Note 32)	(1.599)
<b>24.826</b>	<b>Total</b>	<b>22.078</b>

## 7. Taxation and non-specific grant income

The following table provides further information for taxation on non-specific grant incomes shown in the CIES on page 31.

2016/17 £m		2017/18 £m
(107.134)	Council tax income	(110.030)
(68.136)	NDR distribution	(102.891)
(20.540)	All capital grants and contributions (Note 20)	(12.962)
(80.276)	Non-ringfenced government grants (Note 20)	(38.443)
<b>(276.086)</b>	<b>Total</b>	<b>(264.326)</b>

The decrease in income from non-ringfenced government grants is mainly due to the council no longer receiving Revenue Support Grant as it is a member of the West Midlands Business Rates 100% retention pilot. This also accounts for the increase in NDR distribution.

Further information on council tax and NDR can be found on page 112.

## 8. Material items of income and expense

During 2017/18 the council purchased a local shopping centre. This has resulted in the material changes in values in note 26 Investment Properties (page 82), note 29 Capital Expenditure and Capital Financing (page 86) and note 30 Leases (page 87).



## 9. Expenditure and Funding Analysis

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

2016/17				2017/18		
Net expenditure to be funded from general fund £m	Adjustments between Funding basis and Accounting basis £m	Net expenditure as per CIES (accounting basis) £m		Net expenditure to be funded from general fund £m	Adjustments between Funding basis and Accounting basis £m	Net expenditure as per CIES (accounting basis) £m
62.970	4.889	67.859	Economy and Environment	57.896	14.886	72.782
70.601	1.225	71.826	Adult Social Care	66.709	1.024	67.733
56.684	(1.146)	55.538	Childrens Services	59.143	44.443	103.586
22.565	(0.573)	21.992	Resources and Transformation	19.188	(0.841)	18.347
16.227	(6.456)	9.771	Central	13.148	(10.543)	2.605
<b>229.047</b>	<b>(2.061)</b>	<b>226.986</b>		<b>216.084</b>	<b>48.969</b>	<b>265.053</b>
12.264	12.434	24.698	Other operating expenditure	12.129	(0.853)	11.276
8.007	16.819	24.826	Financing income and expenditure	7.417	14.661	22.078
<b>249.318</b>	<b>27.192</b>	<b>276.510</b>	<b>Total to be funded</b>	<b>235.630</b>	<b>62.777</b>	<b>298.407</b>
			<b>Funded by</b>			
(104.395)	(2.739)	(107.134)	Council Tax	(114.487)	4.457	(110.030)
(63.733)	(4.403)	(68.136)	Non domestic rates	(104.540)	1.649	(102.891)
0.000	(20.540)	(20.540)	Capital grants and contributions	0.000	(12.962)	(12.962)
(80.276)	0.000	(80.276)	Non ring-fenced government grants	(38.443)	0.000	(38.443)
(0.687)	0.687	0.000	Release of earmarked reserves	20.518	(20.518)	0.000
<b>(249.091)</b>	<b>(26.995)</b>	<b>(276.086)</b>	<b>Total funding</b>	<b>(236.952)</b>	<b>(27.374)</b>	<b>(264.326)</b>
<b>0.227</b>	<b>0.197</b>	<b>0.424</b>	<b>Total cost of providing council services</b>	<b>(1.322)</b>	<b>35.403</b>	<b>34.081</b>
<b>(14.131)</b>			<b>Opening general fund balance</b>	<b>(13.904)</b>		
<b>(13.904)</b>			<b>Closing general fund balance</b>	<b>(15.226)</b>		

**Note to Expenditure and Funding Analysis**

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

2016/17					2017/18			
Adjustments for capital purposes £m	Net change for the Pensions adjustments £m	Other Differences £m	Total Adjustments £m		Adjustments for capital purposes £m	Net change for the Pensions adjustments £m	Other Differences £m	Total Adjustments £m
6.667	(1.778)	0.000	4.889	Economy and Environment	14.142	0.744	0.000	14.886
2.147	(0.922)	0.000	1.225	Adult Social Care	0.672	0.352	0.000	1.024
1.829	(3.925)	0.950	(1.146)	Children and Young People	39.383	4.562	0.498	44.443
1.101	(1.674)	0.000	(0.573)	Change and Governance	(1.550)	0.709	0.000	(0.841)
(3.825)	(2.631)	0.000	(6.456)	Central	(6.860)	(3.683)	0.000	(10.543)
<b>7.919</b>	<b>(10.930)</b>	<b>0.950</b>	<b>(2.061)</b>		<b>45.787</b>	<b>2.684</b>	<b>0.498</b>	<b>48.969</b>
12.429	0.000	0.005	12.434	Other operating expenditure	(0.855)	0.000	0.002	(0.853)
0.000	16.819	0.000	16.819	Financing income and expenditure	(0.947)	15.608	0.000	14.661
<b>20.348</b>	<b>5.889</b>	<b>0.955</b>	<b>27.192</b>	<b>Total to be funded</b>	<b>43.985</b>	<b>18.292</b>	<b>0.500</b>	<b>62.777</b>
				<b>Funded by</b>				
0.000	0.000	(2.739)	(2.739)	Council Tax	0.000	0.000	4.457	4.457
0.000	0.000	(4.403)	(4.403)	Non domestic rates	0.000	0.000	1.649	1.649
(20.540)	0.000	0.000	(20.540)	Capital grants and contributions	(12.962)	0.000	0.000	(12.962)
0.000	0.000	0.000	0.000	Non ring-fenced government grants	0.000	0.000	0.000	0.000
0.000	0.000	0.687	0.687	Release of earmarked reserves	0.000	0.000	(20.518)	(20.518)
<b>(20.540)</b>	<b>0.000</b>	<b>(6.455)</b>	<b>(26.995)</b>	<b>Total funding</b>	<b>(12.962)</b>	<b>0.000</b>	<b>(14.412)</b>	<b>(27.374)</b>
<b>(0.192)</b>	<b>5.889</b>	<b>(5.500)</b>	<b>0.197</b>	<b>Total cost of providing council services</b>	<b>31.023</b>	<b>18.292</b>	<b>(13.912)</b>	<b>35.403</b>

**Adjustments for Capital Purposes**

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted

from other income and expenditure as these are not chargeable under generally accepted accounting practices.

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

### ***Net Change for the Pensions Adjustments***

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

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

### ***Other Differences***

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

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

## 10. Note to Movement in Reserves Statement

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

### 2017/18 Actuals

	Movement in general fund balance £m	Movement in earmarked reserves £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
<b>Adjustments to revenue resources</b>					
Pensions costs (transferred to/(from) the Pensions Reserve)	(18.292)	0.000	0.000	0.000	18.292
Financial instruments (transferred to the Financial Instruments Adjustments Account)	0.000	0.000	0.000	0.000	0.000
Council tax and NDR (transfers to/(from) Collection Fund)	(6.108)	0.000	0.000	0.000	6.108
Holiday Pay (transferred to the Accumulated Absences Reserve)	(0.498)	0.000	0.000	0.000	0.498
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)	(51.082)	0.000	0.000	0.000	51.082
	<b>(75.980)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>75.980</b>
<b>Adjustments between revenue and capital resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2.156	0.000	0.000	(2.156)	0.000
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.002)	0.000	0.000	0.002	0.000
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2.009	0.000	0.000	0.000	(2.009)
Capital expenditure financed from revenue balances	2.934	0.000	0.000	0.000	(2.934)
	<b>7.097</b>	<b>0.000</b>	<b>0.000</b>	<b>(2.154)</b>	<b>(4.943)</b>
<b>Adjustments to capital resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	0.000	0.000	0.000	2.226	(2.226)
Application of capital grants to finance capital expenditure	12.962	0.000	2.400	0.000	(15.362)
Cash payments in relation to deferred capital receipts	0.000	0.000	0.000	(1.009)	1.009
<b>Total adjustments to capital resources</b>	<b>12.962</b>	<b>0.000</b>	<b>2.400</b>	<b>1.217</b>	<b>(16.579)</b>
Transfers to/(from) earmarked reserves (Note 38)	20.518	(20.518)	0.000	0.000	0.000
<b>Total adjustments</b>	<b>(35.403)</b>	<b>(20.518)</b>	<b>2.400</b>	<b>(0.937)</b>	<b>54.458</b>

## 2016/17 Comparatives

	Movement in general fund balance £m	Movement in earmarked reserves £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
<b>Adjustments to revenue resources</b>					
Pensions costs (transferred to/(from) the Pensions Reserve)	(5.889)	0.000	0.000	0.000	5.889
Financial instruments (transferred to the Financial Instruments Adjustments Account)	0.000	0.000	0.000	0.000	0.000
Council tax and NDR (transfers to/(from) Collection Fund)	7.142	0.000	0.000	0.000	(7.142)
Holiday Pay (transferred to the Accumulated Absences Reserve)	(0.951)	0.000	0.000	0.000	0.951
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account and Revaluation Reserve)	(29.006)	0.000	0.000	0.000	29.006
<b>Total adjustments to revenue resources</b>	<b>(28.704)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>28.704</b>
<b>Adjustments between revenue and capital resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1.722	0.000	0.000	(1.722)	0.000
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.005)	0.000	0.000	0.005	0.000
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	3.820	0.000	0.000	0.000	(3.820)
Capital expenditure financed from revenue balances	3.118	0.000	0.000	0.000	(3.118)
<b>Total adjustments between revenue and capital resources</b>	<b>8.655</b>	<b>0.000</b>	<b>0.000</b>	<b>(1.717)</b>	<b>(6.938)</b>
<b>Adjustments to capital resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	0.000	0.000	0.000	2.016	(2.016)
Application of capital grants to finance capital expenditure	20.539	0.000	(1.425)	0.000	(19.114)
Cash payments in relation to deferred capital receipts	0.000	0.000	0.000	(0.006)	0.006
<b>Total adjustments to capital resources</b>	<b>20.539</b>	<b>0.000</b>	<b>(1.425)</b>	<b>2.010</b>	<b>(21.124)</b>
Transfers to/from earmarked reserves (Note 38)	(0.687)	0.687	0.000	0.000	0.000
<b>Total adjustments</b>	<b>(0.197)</b>	<b>0.687</b>	<b>(1.425)</b>	<b>0.293</b>	<b>0.642</b>



## 12. Members allowances

The council paid £0.705 million of basic allowances (2016/17 £0.707 million) and £0.203 million of special responsibility payments (2016/17 £0.213 million) to members during the year. Additional expenses of £0.002 million were also paid in 2017/18 (2016/17 £0.003 million).

## 13. Officers' remuneration

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

		Salary, fees and allowances	Contractor Costs	Expenses allowances	Compensation for loss of office	Pension contribution	Total
Chief Executive 1 (Paul Sheehan)	2017/18	123,256	0	87	0	0	<b>123,343</b>
	2016/17	198,199	0	363	0	0	<b>198,562</b>
Chief Executive 2 (Dr Helen Paterson)	2017/18	66,945	0	62	0	0	<b>67,007</b>
	2016/17	0	0	0	0	0	<b>0</b>
Executive Director - Change and Governance	2017/18	0	127,251	0	0	0	<b>127,251</b>
	2016/17	0	72,618	0	0	0	<b>72,618</b>
Executive Director - Resources & Transformation/Section 151 Officer	2017/18	4,233	0	0	0	652	<b>4,885</b>
	2016/17	0	0	0	0	0	<b>0</b>
Executive Director 1 - Children's Services	2017/18	42,279	0	35	0	5,917	<b>48,231</b>
	2016/17	121,123	0	80	0	15,988	<b>137,191</b>
Executive Director 2 - Children's Services	2017/18	40,525	0	0	0	6,241	<b>46,766</b>
	2016/17	0	0	0	0	0	<b>0</b>
Executive Director 1 - Social Care	2017/18	0	0	0	0	0	<b>0</b>
	2016/17	0	3,000	0	0	0	<b>3,000</b>
Executive Director 2 - Social Care	2017/18	121,123	0	164	0	18,653	<b>139,940</b>
	2016/17	115,392	0	17	0	15,233	<b>130,642</b>
Executive Director - Economy & Environment	2017/18	121,123	0	184	0	18,653	<b>139,960</b>
	2016/17	121,092	0	45	0	15,988	<b>137,125</b>
Assistant Director - Finance - Section 151 officer	2017/18	91,783	0	33	0	14,135	<b>105,951</b>
	2016/17	94,972	0	18	0	12,536	<b>107,526</b>
Head of Legal and Democratic Services - Monitoring Officer	2017/18	95,105	0	20	0	14,646	<b>109,771</b>
	2016/17	94,972	0	0	0	12,536	<b>107,508</b>
Director of Public Health	2017/18	104,655	0	0	0	14,956	<b>119,611</b>
	2016/17	107,032	0	0	0	14,875	<b>121,907</b>

Please note there is only one post of Chief Executive, however due to changes this post was occupied by 2 individuals during the 2017/18 financial year and 1 individual during the 2016/17 financial year.

Chief Executive 1 covered the period 01.04.2016 to 12.11.2017.

Chief Executive 2 covered the period 13.11.2017 to 31.03.2018.

The Executive Director Change and Governance was held by an interim manager contracted through an interim management agency and was vacated on 20.11.2017 (full occupancy 01.04.2016 to 20.11.2017). The costs shown are the full fees paid to the interim management agency, not a payment to the individual. Due to changes this post was deleted and replaced by the Executive Director Resources and Transformation (Section 151 Officer) and this post became occupied 19.03.2018 to 31.03.2018.

The post of Assistant Director – Finance was vacated on 18.03.2018 and Section 151 officer duties transferred to the post of Executive Director Change and Governance.

Please note there is only one post of Executive Director – Children’s Services, however due to changes this post was occupied by 2 individuals during the 2017/18 financial year and 1 individual during the 2016/17 financial year.

Executive Director 1 Children’s Services covered the period 01.04.2016 to 25.07.2017.

Executive Director 2 Children’s Services covered the period 13.11.2017 to 31.03.2018.

Please note there is only one post of Executive Director – Social Care, however due to changes this post was occupied by 1 individual during the 2017/18 financial year and 2 individuals during the 2016/17 financial year.

Executive Director 1 – Social Care covered the period 01.04.2016 to 06.05.2016 – held by an interim manager contracted through an interim management agency. The costs shown are the full fees paid to the interim management agency, not a payment to the individual.

Executive Director 2 – Social Care covered the period 18.04.2016 to 31.03.2018.

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	2017/18 post numbers			Total
	Council officers	Teachers - community / VC schools	Teachers - foundation / VA schools	
£50,000 - £54,999	24	45	7	<b>76</b>
£55,000 - £59,999	17	28	16	<b>61</b>
£60,000 - £64,999	15	15	9	<b>39</b>
£65,000 - £69,999	8	17	3	<b>28</b>
£70,000 - £74,999	11	8	1	<b>20</b>
£75,000 - £79,999	0	4	2	<b>6</b>
£80,000 - £84,999	2	3	1	<b>6</b>
£85,000 - £89,999	1	0	1	<b>2</b>
£90,000 - £94,999	5	2	1	<b>8</b>
£100,000 - £104,999	0	1	1	<b>2</b>
£130,000 - £134,999	0	0	0	<b>0</b>
<b>Total</b>	<b>83</b>	<b>123</b>	<b>42</b>	<b>248</b>



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

## 14. Exit packages

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

Exit Package cost band (including special payments) £	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £m	2017/18 £m
0 - 20,000	76	68	163	198	239	266	1.347	1.389
20,001 - 40,000	8	6	30	35	38	41	1.076	1.150
40,001 - 60,000	4	0	7	12	11	12	0.556	0.613
60,001 - 80,000	3	0	9	7	12	7	0.822	0.473
80,001 - 100,000	0	0	4	1	4	1	0.349	0.093
100,001 - 150,000	1	1	6	3	7	4	0.842	0.478
150,000 - 200,000	0	0	3	1	2	1	0.486	0.168
250,000 - 300,000	0	0	0	0	1	0	0.000	0.000
<b>Total</b>	<b>92</b>	<b>75</b>	<b>222</b>	<b>257</b>	<b>314</b>	<b>332</b>	<b>5.478</b>	<b>4.364</b>

## 15. Termination benefits

The council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £4.157 million (£5.284 million in 2016/17), which is included within the costs shown in the exit packages table above. Included within these amounts are payments for various school based staff and council employees.

## 16. Pension scheme accounted for as defined contribution

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

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

In 2017/18, the council paid £8.207 million to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £8.230 million and 16.48%. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 17.

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

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

In 2017/18, the council paid £0.097 million to NHS Pensions in respect of Public Health staff retirement benefits, representing 14.38% of pensionable pay. The figures for 2016/17 were £0.100 million and 14.3%.

## 17. Defined benefit pension schemes

### Participation within pension schemes

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

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

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards

are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The council makes little use of discretionary payments.

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

### Transactions relating to post-employment benefits

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

2016/17			2017/18	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
<b>Comprehensive income and expenditure statement</b>				
<i>Cost of service:</i>				
22.721	0.000	Current service cost	36.427	0.000
2.717	0.000	Past service costs	2.152	0.000
(1.875)	0.000	(Gain)/Loss from settlements	(2.452)	0.000
<i>Financing and investment income and expenditure:</i>				
16.400	0.419	Net interest expense (inc. Admin expenses)	15.320	0.288
<b>39.963</b>	<b>0.419</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>51.447</b>	<b>0.288</b>
<i>Other post employment benefit charged to the comprehensive income and expenditure statement</i>				
(109.289)	0.000	Return on plan assets (excluding the amount included in the net interest expense)	(4.737)	0.000
(33.638)	(1.154)	Remeasurement (gains)/losses arising on changes in demographic assumptions	0.000	0.000
345.070	1.268	Remeasurement (gains)/losses arising on changes in financial assumptions	(52.091)	(0.562)
33.778	0.000	Experience (gain)/loss on defined benefit obligation	0.000	(0.836)
(105.036)	0.000	Other actuarial (gains)/losses on assets	0.000	0.000
<b>170.848</b>	<b>0.533</b>	<b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>	<b>(5.381)</b>	<b>(1.110)</b>
<b>Movement in reserves statement</b>				
(6.754)	0.865	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(19.247)	0.955
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
33.209		Employers' contributions payable to scheme	32.200	
	1.284	Retirement benefits payable to pensioners		1.243

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

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

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

2016/17 £m		2017/18 £m
(1,460.977)	Present value of defined benefit obligation	(1,439.981)
843.513	Fair value of plan assets	924.151
<b>(617.464)</b>	<b>Net pension liability arising from defined benefit obligation</b>	<b>(515.830)</b>

### Reconciliation of fair value of the scheme assets

Local Government Pension Scheme 2016/17 £m		Local Government Pension Scheme 2017/18 £m
612.428	Opening balance at 1 April	843.513
21.948	Interest on assets	23.496
109.289	Return on assets less interest	4.737
105.036	Other actuarial gains/(losses)	0.000
(0.315)	Administration expenses	(0.371)
(0.643)	Settlement prices received / (paid)	(2.266)
33.209	Employer contributions	93.900
6.330	Member contributions	6.150
(43.769)	Estimated benefits paid net of transfers in	(45.008)
<b>843.513</b>	<b>Closing balance at 31 March</b>	<b>924.151</b>

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

2016/17			2017/18	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
(1,075.619)	(17.385)	Opening balance at 1 April	(1,444.343)	(16.634)
(22.721)	0.000	Current service cost	(36.427)	0.000
(38.033)	(0.419)	Interest cost	(38.445)	(0.288)
(6.330)	0.000	Member contributions	(6.150)	0.000
		<b>Remeasurements (liabilities)</b>		
(345.070)	(1.268)	Gain/(Loss) on financial assumptions	52.091	0.562
33.638	1.154	Gain/(Loss) on demographic assumptions	0.000	0.000
(33.778)	0.000	Experience gain/(Loss)	0.000	0.836
43.769	1.284	Estimated benefits paid net of transfers in	45.008	1.243
(2.717)	0.000	Past service costs including Curtailments	(2.152)	0.000
0.000	0.000	Settlements	0.000	0.000
2.518	0.000	(Liabilities assumed) / extinguished on settlements	4.718	0.000
<b>(1,444.343)</b>	<b>(16.634)</b>	<b>Closing balance at 31 March</b>	<b>(1,425.700)</b>	<b>(14.281)</b>

### Basis for estimating assets and liabilities

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

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

	Local Government Pension Scheme		Teachers Pension Scheme	
	2016/17	2017/18	2016/17	2017/18
<b>Mortality assumptions:</b>				
<u>Longevity retiring today</u>				
- Men	21.8	21.9	21.8	21.9
- Women	24.2	24.3	24.2	24.3
<u>Longevity retiring in 20 years</u>				
- Men	23.90	24.00	n/a	n/a
- Women	26.50	26.60	n/a	n/a
Rate of inflation (CPI)	2.70%	2.35%	2.20%	2.35%
Rate of increase in salaries	4.20%	3.85%	n/a	n/a
Rate of increase in pensions	2.70%	2.35%	2.20%	2.35%
Rate for discounting scheme liabilities	2.70%	2.55%	1.80%	2.40%

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

Sensitivity analysis - Local Government Pension Scheme	£m	£m	£m
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	1,400.488	1,425.700	1,451.392
Projected service cost	33.638	34.438	35.258
<b>Adjustment to Long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	1,428.087	1,425.700	1,423.329
Projected service cost	34.438	34.438	34.438
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	1,449.030	1,425.700	1,402.786
Projected service cost	35.259	34.438	33.635
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	1,479.968	1,425.700	1,373.484
Projected service cost	35.536	34.438	33.374

Sensitivity analysis - Unfunded Teachers	£m	£m	£m
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	14.160	14.281	14.404
Projected service cost	0.000	0.000	0.000
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	14.404	14.281	14.160
Projected service cost	0.000	0.000	0.000
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	14.939	14.281	13.653
Projected service cost	0.000	0.000	0.000

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

	2016/17		2017/18	
	£m	%	£m	%
Equities	543.306	64.4%	566.833	61.4%
Government bonds	68.464	8.1%	68.633	7.4%
Other bonds	34.952	4.1%	35.445	3.8%
Property	64.980	7.7%	73.059	7.9%
Cash/liquidity	24.075	2.9%	59.845	6.5%
Other	107.736	12.8%	120.336	13.0%
<b>Total</b>	<b>843.513</b>	<b>100.0%</b>	<b>924.151</b>	<b>100.0%</b>

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The council has agreed a strategy with the scheme's actuary to achieve a funding level

of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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

The authority expects in 2018/19 to pay no additional contributions to the scheme for 2018/19 due to the advance payments made in April 2017 for the years 2017/18, 2018/19 and 2019/20. The council will however release the advance contribution made in 2017/18 for 2018/19 from its balance sheet of £30.200m.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2017/18 (18 years 2016/17).

## **18. External audit costs**

The council incurred costs of £0.150 million (£0.143 million 2016/17) for fees related to external audit services and £0.014 million (£0.014 million 2016/17) for fees incurred for the certification of grant claims and returns. These services were carried out by Ernst & Young LLP the council's appointed auditor in 2017/18.

## **19. Dedicated schools grant**

The council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), provided by the Department for Education. DSG is ring-fenced and can only be applied to meet eligible expenditure included in the schools budget. The schools budget includes elements for a restricted range of services provided on a council wide basis and the Individual Schools Budget (ISB), which is divided into budget shares for each school. Over and under spends on the two elements are required to be accounted for separately. The council has not supplemented the schools budget from its own resources this year. Details of DSG receivable for 2017/18 which has been deployed in accordance with the School Standards and Framework Act 1998 are shown in the following table.

2016/17			Dedicated Schools Grant (DSG)	2017/18		
Central Expenditure £m	ISB £m	Total £m		Central Expenditure £m	ISB £m	Total £m
(9.570)	(229.985)	(239.555)	Final DSG for year before Academy recoupment	(12.335)	(234.369)	(246.704)
0.000	97.023	97.023	Academy figure recouped	0.000	99.729	99.729
<b>(9.570)</b>	<b>(132.962)</b>	<b>(142.532)</b>	<b>Total DSG after Academy recoupment</b>	<b>(12.335)</b>	<b>(134.640)</b>	<b>(146.975)</b>
(3.789)	(5.734)	(9.523)	Plus brought forward from previous year	(8.331)	(3.654)	(11.985)
<b>(13.359)</b>	<b>(138.696)</b>	<b>(152.055)</b>	<b>Agreed initial budgeted distribution in year</b>	<b>(20.666)</b>	<b>(138.294)</b>	<b>(158.960)</b>
0.000	0.000	0.000	In Year adjustments	0.000	0.000	0.000
<b>(13.359)</b>	<b>(138.696)</b>	<b>(152.055)</b>	<b>Agreed final budgeted distribution in year</b>	<b>(20.666)</b>	<b>(138.294)</b>	<b>(158.960)</b>
5.028	0.000	5.028	Less actual central expenditure	8.135	0.000	8.135
0.000	135.042	135.042	Less actual ISB deployed to schools	0.000	140.129	140.129
<b>(8.331)</b>	<b>(3.654)</b>	<b>(11.985)</b>	<b>Carry forward to next year</b>	<b>(12.531)</b>	<b>1.835</b>	<b>(10.696)</b>



## 20. Grant income

The council credited the following grants, contributions and donations to the CIES in 2017/18:

2016/17 £m	Revenue grants	2017/18 £m
	<b>Credited to taxation and non specific grant income</b>	
(45.759)	Revenue support grant	0.000
(1.438)	Troubled Families Grant	(1.939)
(1.595)	Street Lighting PFI grant	(1.595)
(2.882)	Education Services Grant	(0.771)
(5.986)	New Homes Bonus	(4.784)
(2.577)	Small Business Rates Relief	(4.052)
(0.221)	New Burdens Funding	(5.917)
(0.196)	Adult Personal Social Services	(0.240)
(0.890)	Independent Living Fund	(0.861)
(18.577)	Public Health Grant	(18.119)
(33.421)	NDR Top Up	(32.569)
(0.155)	Other	(0.165)
<b>(113.697)</b>	<b>Total</b>	<b>(71.012)</b>
	<b>Credited to services</b>	
(1.394)	Arts Council Funding	(1.351)
(1.379)	Housing benefits administration subsidy grant	(1.270)
(107.881)	Housing benefits rent allowances grant	(102.817)
(0.588)	Housing benefit non Housing Revenue Account (HRA) rebates	(0.380)
(0.818)	Discretionary Housing Payments	(1.100)
(0.553)	Local Council Tax Scheme Admin Grant	(0.536)
(142.532)	Dedicated Schools Grant	(146.975)
(4.463)	Sixth form funding grant	(3.206)
(2.648)	Universal Infant Free Schools Meals	(2.552)
(0.382)	Youth Justice Service	(0.384)
(11.094)	Pupil Premium	(11.181)
(0.773)	St Thomas More PFI Grant	(0.773)
(20.706)	Better Care Fund	(19.673)
0.000	Improved Better Care Fund	(7.419)
(14.504)	Section75 CCG Agreement	(7.900)
0.000	Adult Social Care Support Grant	(1.438)
(0.500)	LEP Funding	(0.500)
(0.735)	Electoral services grants	(0.453)
(0.402)	PCC crime and community grants	(0.358)
(0.690)	Education Funding Agency PE & sports grants	(1.058)
(1.443)	Other	(1.886)
<b>(313.485)</b>	<b>Total</b>	<b>(313.210)</b>
<b>(427.182)</b>	<b>Total Revenue Grants</b>	<b>(384.222)</b>

Non-ringfenced government grants of £38.443 million (note 7) do not include NDR Top Up included within the £71.012 million total above. NDR Top Up is included in NDR Distribution (note 7).

Due to the West Midlands local authorities being part of the Business Rates 100% retention pilot Walsall Council did not receive Revenue Support Grant during 2017/18.

In accordance with its grant conditions Walsall Council has fully utilised Arts Council grants received by it in 2017/18.

2016/17 £m	Capital grants	2017/18 £m
	<b>Credited to taxation and non specific grant income</b>	
0.000	Devolved Formula Capital	(0.287)
(8.705)	Department for Education	(3.023)
(0.116)	Darlaston SDA	0.000
(0.003)	Housing specific	(0.395)
(1.342)	West Midlands Strategic Plan	(3.747)
(3.922)	Department for Transport grants	(3.290)
(0.022)	s106 contributions	(0.728)
(1.340)	Active Living	(0.002)
(4.725)	Growth Deal	(0.696)
(0.365)	Other	(0.794)
<b>(20.540)</b>	<b>Total</b>	<b>(12.962)</b>
	<b>Credited to services</b>	
0.000	Devolved Formula Capital	(0.248)
(0.053)	Lottery	0.000
0.000	Department for Education	(2.580)
(42.405)	Growth Deal	(30.568)
(2.895)	Disabled Facility Grants	(3.213)
(0.065)	Private Sector Renovation Grants	0.000
(0.224)	Other	(0.060)
<b>(45.642)</b>	<b>Total</b>	<b>(36.669)</b>
<b>(66.182)</b>	<b>Total capital grants</b>	<b>(49.631)</b>

## 21. Events after the balance sheet date

The statement of accounts were authorised for issue by the Chief Financial Officer on 24 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

## 22. Property, plant and equipment

### Movement on balances

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

#### 2017/18 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
<b>Cost</b>									
As at 31 March 2017	119.207	286.507	32.835	197.159	7.056	5.120	0.000	<b>647.884</b>	18.096
Additions	0.014	11.000	2.201	11.355	0.508	2.973	0.000	<b>28.051</b>	0.000
Acc Depreciation & Impairment Written Out to Gross Carrying Value	(0.468)	(11.960)	0.000	0.000	0.000	(0.031)	0.000	<b>(12.459)</b>	0.000
Revaluation increases/ (decreases) recognised in the revaluation reserve	13.447	(5.534)	0.000	0.000	0.000	(0.077)	0.000	<b>7.836</b>	0.000
Revaluation increases/ (decreases) recognised in the surplus/ (deficit) on the provision of services	(18.630)	(13.175)	0.000	0.000	0.000	0.000	0.000	<b>(31.805)</b>	0.000
Derecognition - disposals	(0.035)	(0.085)	(0.306)	0.000	0.000	0.000	0.000	<b>(0.426)</b>	0.000
Assets reclassified (to)/ from held for sale	(0.296)	(0.464)	0.000	0.000	0.000	0.000	0.000	<b>(0.760)</b>	0.000
Assets reclassified (to)/from Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>	0.000
Other movements in cost of valuation	(0.078)	(0.140)	0.000	0.000	0.000	0.218	0.000	<b>(0.000)</b>	0.000
<b>Total cost movements in 2017/18</b>	<b>(6.046)</b>	<b>(20.358)</b>	<b>1.895</b>	<b>11.355</b>	<b>0.508</b>	<b>3.083</b>	<b>0.000</b>	<b>(9.563)</b>	<b>0.000</b>
<b>As at 31 March 2018</b>	<b>113.161</b>	<b>266.149</b>	<b>34.730</b>	<b>208.514</b>	<b>7.564</b>	<b>8.203</b>	<b>0.000</b>	<b>638.321</b>	<b>18.096</b>

Continued...

Continued...

	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
<b>Cost as at 31 March 2018</b>	<b>113.161</b>	<b>266.149</b>	<b>34.730</b>	<b>208.514</b>	<b>7.564</b>	<b>8.203</b>	<b>0.000</b>	<b>638.321</b>	<b>18.096</b>
<b>Depreciation</b>									
As at 31 March 2017	(1.239)	(12.643)	(25.671)	(107.971)	(3.492)	(0.159)	0.000	<b>(151.175)</b>	(8.271)
Depreciation charge for the year	(0.119)	(8.998)	(2.458)	(6.646)	0.000	(0.006)	0.000	<b>(18.227)</b>	(0.603)
Acc Dep & Imp Written Out to Gross Carrying Value	0.468	11.959	0.000	0.000	0.000	0.031	0.000	<b>12.458</b>	0.000
Impairment losses / (reversals) recognised in the revaluation reserve	(0.014)	(1.287)	0.000	0.000	(0.003)	0.000	0.000	<b>(1.304)</b>	0.000
Impairment losses / (reversals) recognised in the surplus / (deficit) on the provision of services	0.000	(1.772)	(0.234)	(1.641)	(0.206)	(0.009)	0.000	<b>(3.862)</b>	0.000
Derecognition - disposals	0.000	0.015	0.217	0.000	0.000	0.000	0.000	<b>0.232</b>	0.000
Assets reclassified to/(from) Assets Held for Sale	0.004	0.034	0.000	0.000	0.000	0.000	0.000	<b>0.038</b>	0.000
Assets reclassified to/(from) Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>	0.000
Other movements	0.000	(0.008)	0.000	0.000	0.000	0.000	0.000	<b>(0.008)</b>	0.000
<b>Total depreciation movements in 2017/18</b>	<b>0.339</b>	<b>(0.057)</b>	<b>(2.475)</b>	<b>(8.287)</b>	<b>(0.209)</b>	<b>0.016</b>	<b>0.000</b>	<b>(10.673)</b>	<b>(0.603)</b>
<b>As at 31 March 2018</b>	<b>(0.900)</b>	<b>(12.700)</b>	<b>(28.146)</b>	<b>(116.258)</b>	<b>(3.701)</b>	<b>(0.143)</b>	<b>0.000</b>	<b>(161.848)</b>	<b>(8.874)</b>
<b>Net book value at 31 March 2018</b>	<b>112.261</b>	<b>253.449</b>	<b>6.584</b>	<b>92.256</b>	<b>3.863</b>	<b>8.060</b>	<b>0.000</b>	<b>476.473</b>	<b>9.222</b>
<b>Net book value at 31 March 2017</b>	<b>117.968</b>	<b>273.864</b>	<b>7.164</b>	<b>89.188</b>	<b>3.564</b>	<b>4.961</b>	<b>0.000</b>	<b>496.709</b>	<b>9.825</b>

## 2016/17 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
<b>Cost</b>									
As at 31 March 2016	115.978	239.675	28.676	183.991	6.230	5.618	22.220	<b>602.388</b>	18.096
Additions	1.441	12.246	4.506	13.168	0.826	0.026	0.000	<b>32.213</b>	0.000
Acc Depreciation & Impairment Written Out to Gross Carrying Value	(0.060)	(11.280)	0.000	0.000	0.000	(0.006)	0.000	<b>(11.346)</b>	0.000
Revaluation increases/ (decreases) recognised in the revaluation reserve	9.059	17.325	0.000	0.000	0.000	0.007	0.000	<b>26.391</b>	0.000
Revaluation increases/ (decreases) recognised in the surplus/ (deficit) on the provision of services	(4.300)	15.991	0.000	0.000	0.000	0.000	0.000	<b>11.691</b>	0.000
Derecognition - disposals	(2.916)	(9.665)	(0.347)	0.000	0.000	0.000	0.000	<b>(12.928)</b>	0.000
Assets reclassified (to)/ from held for sale	0.000	0.000	0.000	0.000	0.000	(0.525)	0.000	<b>(0.525)</b>	0.000
Assets reclassified (to)/from Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>	0.000
Other movements in cost of valuation	0.005	22.215	0.000	0.000	0.000	0.000	(22.220)	<b>0.000</b>	0.000
<b>Total cost movements in 2016/17</b>	<b>3.229</b>	<b>46.832</b>	<b>4.159</b>	<b>13.168</b>	<b>0.826</b>	<b>(0.498)</b>	<b>(22.220)</b>	<b>45.496</b>	<b>0.000</b>
As at 31 March 2017	119.207	286.507	32.835	197.159	7.056	5.120	0.000	647.884	18.096

Continued...

Continued...

	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
<b>Cost as at 31 March 2016</b>	<b>119.207</b>	<b>286.507</b>	<b>32.835</b>	<b>197.159</b>	<b>7.056</b>	<b>5.120</b>	<b>0.000</b>	<b>647.884</b>	<b>18.096</b>
<b>Depreciation</b>									
As at 31 March 2016	(0.552)	(10.850)	(22.798)	(100.289)	(2.694)	(0.135)	(0.234)	<b>(137.552)</b>	(7.668)
Depreciation charge for the year	(0.120)	(11.348)	(2.949)	(6.351)	0.000	(0.005)	0.000	<b>(20.773)</b>	(0.603)
Acc Dep & Imp Written Out to Gross Carrying Value	0.060	11.280	0.000	0.000	0.000	0.006	0.000	<b>11.346</b>	0.000
Impairment losses / (reversals) recognised in the revaluation reserve	(0.296)	(0.953)	0.000	0.000	(0.004)	0.000	0.000	<b>(1.253)</b>	0.000
Impairment losses / (reversals) recognised in the surplus / (deficit) on the provision of services	(0.331)	(0.850)	(0.210)	(1.331)	(0.794)	(0.025)	0.000	<b>(3.541)</b>	0.000
Derecognition - disposals	0.000	0.312	0.286	0.000	0.000	0.000	0.000	<b>0.598</b>	0.000
Assets reclassified to/(from) Assets Held for Sale	0.000	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>	0.000
Assets reclassified to/(from) Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>	0.000
Other movements	0.000	(0.234)	0.000	0.000	0.000	0.000	0.234	<b>0.000</b>	0.000
<b>Total depreciation movements in 2016/17</b>	<b>(0.687)</b>	<b>(1.793)</b>	<b>(2.873)</b>	<b>(7.682)</b>	<b>(0.798)</b>	<b>(0.024)</b>	<b>0.234</b>	<b>(13.623)</b>	<b>(0.603)</b>
<b>As at 31 March 2017</b>	<b>(1.239)</b>	<b>(12.643)</b>	<b>(25.671)</b>	<b>(107.971)</b>	<b>(3.492)</b>	<b>(0.159)</b>	<b>0.000</b>	<b>(151.175)</b>	<b>(8.271)</b>
<b>Net book value at 31 March 2017</b>	<b>117.968</b>	<b>273.864</b>	<b>7.164</b>	<b>89.188</b>	<b>3.564</b>	<b>4.961</b>	<b>0.000</b>	<b>496.709</b>	<b>9.825</b>
<b>Net book value at 31 March 2016</b>	<b>115.426</b>	<b>228.825</b>	<b>5.878</b>	<b>83.702</b>	<b>3.536</b>	<b>5.483</b>	<b>21.986</b>	<b>464.836</b>	<b>10.428</b>

## Capital commitments

At 31 March 2018, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years which are budgeted to cost £13.223 million. Similar commitments at 31 March 2017 were £54.870 million. The major commitments are shown in the following table:

Projects	Council funded £m	Externally funded £m	Total £m
Academies	0.000	0.576	<b>0.576</b>
Darlaston Strategic Development Area	0.068	0.000	<b>0.068</b>
Department of Health Capital Allocation	0.000	0.052	<b>0.052</b>
Growth Deal	0.000	3.248	<b>3.248</b>
Highways maintenance and improvements	2.845	2.738	<b>5.583</b>
Investment in parks and greenspaces	0.010	0.100	<b>0.110</b>
Investment in IT	0.416	0.000	<b>0.416</b>
Investment in leisure facilities	0.186	0.000	<b>0.186</b>
Investment in libraries	2.419	0.000	<b>2.419</b>
Investment in car parks	0.273	0.000	<b>0.273</b>
Other schools projects	0.000	0.240	<b>0.240</b>
Other	0.052	0.000	<b>0.052</b>
	<b>6.269</b>	<b>6.954</b>	<b>13.223</b>

## Revaluations

The council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. For 2017/18 all valuations were carried out externally by Lambert Smith Hampton. The effective date of the revaluations carried out in 2017/18 was 31 March 2018. These valuations were prepared by Mark D Weller BSc (Hons) MRICS (RICS Registered Valuer), assisted by Tim Sandford BSc MRICS (RICS Registered Valuer), Luke Sutton BSc (Hons) MRICS (RICS Registered Valuer) and Scott Ellis BSc (Hons) MRICS (RICS Registered Valuer).

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 2017.
- Assets under construction have been valued on a cost basis
- Infrastructure and community assets have been valued on a depreciated historic cost basis.

Surplus assets have been assessed as level 1, level 2 or level 3 for valuation purposes. An explanation of valuation levels can be found in the accounting policies on page 39. There has been no change in valuation methodology compared to last year.

2016/17						2017/18				
Level 1 £m	Level 2 £m	Level 3 £m	No level £m	Total £m		Level 1 £m	Level 2 £m	Level 3 £m	No level £m	Total £m
0.002	4.416	0.348	0.195	4.961	Surplus assets	2.903	4.655	0.453	0.050	8.061
<b>0.002</b>	<b>4.416</b>	<b>0.348</b>	<b>0.195</b>	<b>4.961</b>	<b>Total</b>	<b>2.903</b>	<b>4.655</b>	<b>0.453</b>	<b>0.050</b>	<b>8.061</b>

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

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

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

### 23. Accounting for local government schools

Dedicated Schools Grant (DSG) is credited to the CIES within taxation and non-specific income based on amounts due from the Department for Education for 2017/18. 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 2018 are included in the balance sheet of the council under the earmarked reserves heading.

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

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools (including PFI)	62	8	14	3
Value of land and buildings at 31 March 2018	£146.616m	£20.428m	£0m	£19.968m
Number of schools subject to PFI contracts	0	0	1	0

#### PFI schemes

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

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



## Academy conversions

There was no academy conversions in 2017/18.

## 24. Heritage assets

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

2016/17 £m		2017/18 £m
19.503	As at 1 April	19.543
0.040	Additions	0.014
0.000	Revaluations	14.404
19.543	Balance as at 31 March	33.961

Heritage assets include art collections (£31.780 million 2017/18, £17.362 million 2016/17), museum collections (£1.950 million 2017/18, £1.950 million 2016/17), civic regalia (£0.223 million 2017/18, £0.223 million 2016/17).

### Valuations

#### *Art collections*

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

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

#### *Museum collections*

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

#### *Civic regalia*

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

### Additions of heritage assets

There were a small number of additions of art works during 2017/18. These have been added to the relevant collections.

### Disposal of heritage assets

There were no disposals of heritage assets during 2017/18.

### Five year summary of transactions

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

## 25. Further information on heritage assets

### Heritage assets held on balance sheet

#### *Art collections*

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

Further details of the art collections can be found on the New Art Gallery's website: [www.thenewartgallerywalsall.org.uk](http://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](http://cms.walsall.gov.uk/index/libraries_museums_and_arts/museums.htm);

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

#### *Civic regalia*

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

### Heritage assets not held on balance sheet

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

## 26. Investment properties

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

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The

council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

### Income and Expenditure on Investment Properties

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

2016/17 £m		2017/18 £m
(0.095)	Rental income from investment properties	(1.814)
0.000	Direct operating expenses from investment properties generating rental income in period	1.043
<b>(0.095)</b>	<b>Net (gain)/loss</b>	<b>(0.771)</b>

### Movement on balances

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

2016/17				2017/18		
Level 2 £m	Level 3 £m	Total £m		Level 2 £m	Level 3 £m	Total £m
6.816	1.824	8.640	Balance at start of the year	6.750	2.356	9.106
			<b>Additions</b>			
0.000	0.000	0.000	Subsequent capital expenditure	13.255	0.000	13.255
0.000	(0.420)	(0.420)	Disposals	0.000	0.000	0.000
(0.066)	0.952	0.886	Net gains/(losses) from fair value adjustments	3.303	(2.356)	0.947
			<b>Transfers</b>			
0.000	0.000	0.000	(to)/from Property, Plant and Equipment	0.000	0.000	0.000
<b>(0.066)</b>	<b>0.532</b>	<b>0.466</b>	<b>Total movements in year</b>	<b>16.558</b>	<b>(2.356)</b>	<b>14.202</b>
<b>6.750</b>	<b>2.356</b>	<b>9.106</b>	<b>Balance at end of the year</b>	<b>23.308</b>	<b>0.000</b>	<b>23.308</b>

### Fair Value Hierarchy

The council's investment properties have been value assessed as either level 2 or level 3 on the fair value hierarchy for valuation purposes (see Note 1 page 39 for an explanation of the fair value levels).

2016/17				2017/18		
Level 2 £m	Level 3 £m	Total £m		Level 2 £m	Level 3 £m	Total £m
6.750	0.175	6.925	Shops	20.859	0.000	20.859
0.000	2.181	2.181	Leased land	2.450	0.000	2.450
<b>6.750</b>	<b>2.356</b>	<b>9.106</b>	<b>Total</b>	<b>23.309</b>	<b>0.000</b>	<b>23.309</b>

### **Valuation techniques used to determine fair values**

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

### **Highest and Best Use**

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

### **Valuation Process for Investment Properties**

The council's investment property has been valued as at 31 March 2018 except where purchased in year where the purchase price is taken as the fair value. Valuations for investment properties excluding the Primark and Coop developments were carried out externally by Lambert Smith Hampton. These valuations were prepared by Mark D Weller BSc (Hons) MRICS (RICS Registered Valuer), assisted by Tim Sandford BSc MRICS (RICS Registered Valuer), Luke Sutton BSc (Hons) MRICS (RICS Registered Valuer) and Scott Ellis BSc (Hons) MRICS (RICS Registered Valuer).

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

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

## 27. Intangible assets

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

2016/17 £m		2017/18 £m
	Balance at start of year	
4.845	- Gross carrying amounts	5.638
(3.072)	- accumulated amortisation	(4.031)
	Additions	
0.799	- purchase	1.484
(0.006)	Impairment losses recognised in the surplus/deficit on the provision of services	0.000
(0.959)	Amortisation for the year	(0.811)
<b>(0.166)</b>	<b>Total movements in the year</b>	<b>0.673</b>
<b>1.607</b>	<b>Net carrying amount at end of the year</b>	<b>2.280</b>
	Comprising:	
5.638	- Gross carrying amounts	7.122
(4.031)	- accumulated amortisation	(4.842)
<b>1.607</b>	<b>Net book value at 31 March</b>	<b>2.280</b>

## 28. Assets held for sale

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

2016/17 £m		2017/18 £m
<b>4.667</b>	<b>Balance outstanding at start of year</b>	<b>3.792</b>
	<b>Assets newly classified as held for sale:</b>	
0.525	Property, plant and equipment	0.724
	<b>Assets de-classified as held for sale:</b>	
0.000	Property, plant and equipment	0.000
	<b>Other movements</b>	
(1.400)	Assets sold	(0.961)
0.000	Other movements	0.000
<b>3.792</b>	<b>Balance outstanding at year-end</b>	<b>3.555</b>

## 29. Capital expenditure and capital financing

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

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

2016/17 £m		2017/18 £m
328.019	Opening capital financing requirement	335.150
	<b>Capital investment</b>	
32.213	Property, plant and equipment	28.051
0.000	Investment property	13.255
0.040	Heritage assets	0.014
47.795	Revenue expenditure funded from capital under statute	32.694
0.799	Intangible assets	1.484
<b>80.847</b>		<b>75.498</b>
	<b>Sources of finance</b>	
(2.016)	Capital receipts	(2.226)
(64.762)	Government grants and contributions	(52.034)
	<i>Sums set aside from revenue</i>	
(3.118)	Direct revenue contributions	(2.934)
(3.820)	Minimum revenue provision (MRP)	(2.009)
<b>(73.716)</b>		<b>(59.203)</b>
	<b>Other capital adjustments</b>	
0.000	Adjustment for finance lease disposals	0.148
<b>0.000</b>		<b>0.148</b>
<b>335.150</b>	<b>Closing capital financing requirement</b>	<b>351.593</b>
	<b>Explanation of movements in year</b>	
10.951	Increase in current year underlying need to borrow	18.304
(2.994)	Decrease in prior years underlying need to borrow (MRP)	(0.847)
(0.526)	Reduction in liability on PFI schemes (MRP)	(0.531)
(0.300)	Reduction in liability on Finance Leases (MRP)	(0.483)
<b>7.131</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>16.443</b>

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

## 30. Leases

### Council as lessee

#### Finance leases

The council has cremator units and a number of vehicles on finance leases. The assets acquired by these leases are carried on the balance sheet as property, plant and equipment at the following amounts.

31 March 2017 £m		31 March 2018 £m
2.871	Vehicles, plant, furniture and equipment	2.379
<b>2.871</b>	<b>Total</b>	<b>2.379</b>

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

31 March 2017 £m		31 March 2018 £m
	<u>Finance lease liabilities (net present value of minimum lease payments):</u>	
0.496	- current	0.411
2.379	- non-current	1.726
0.465	Finance costs payable in future years	0.357
<b>3.340</b>	<b>Minimum lease payments</b>	<b>2.494</b>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2017 £m	31 March 2018 £m	31 March 2017 £m	31 March 2018 £m
Not later than one year	0.554	0.501	0.496	0.411
Later than one year and not later than five years	1.998	1.993	1.729	1.726
Later than five years	0.788	0.001	0.650	0.000
	<b>3.340</b>	<b>2.495</b>	<b>2.875</b>	<b>2.137</b>

### Operating leases

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

31 March 2017 £m		31 March 2018 £m
0.373	Not later than one year	0.541
1.704	Later than one year and not later than five years	1.629
3.822	Later than five years	3.479
<b>5.899</b>	<b>Total</b>	<b>5.649</b>

The council has sub-let some of the vehicles held under these operating leases. At 31 March 2018 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:

2016/17 £m		2017/18 £m
0.747	Minimum lease payments	0.606
0.253	Contingent rents	0.086
(0.094)	Sublease payments received	(0.062)
<b>0.906</b>	<b>Total</b>	<b>0.630</b>

### Council as lessor

#### Operating leases

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

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

31 March 2017 £m		31 March 2018 £m
0.589	Not later than one year	2.023
1.965	Later than one year and not later than five years	5.895
10.544	Later than five years	18.319
<b>13.098</b>	<b>Total</b>	<b>26.237</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During 2017/18 the contingent rents received by the council were minimal.

#### Finance Leases

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



## 31. Private finance initiatives and similar contracts

### St Thomas More School

2017/18 was the fifteenth year of a 25 year private finance initiative (PFI) contract for the construction, maintenance and operation of a secondary school in Willenhall. The main partners within the contract are the Governors of St Thomas More School, Birmingham Roman Catholic Diocese Trustees, Babcock and Brown and Walsall Council. The application of IFRIC 12 to this scheme has resulted in this being classed as an off balance sheet transaction. As such no asset is shown within the council's balance sheet. This is due to the council having no interest in the school at the end of the contract. Instead all the land and property reverts back to the Birmingham Roman Catholic Diocese Trustees and the Governors of St Thomas More School. In line with all other voluntary aided schools the contract has also been reviewed under IFRIC 4 and it has been determined that the council has an operating lease with the Governors of St Thomas More School and Birmingham Roman Catholic Diocese Trustees.

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

	£m
Payable in 2018/19	2.279
Payable within two to five years	9.579
Payable within six to ten years	13.092
<b>Total</b>	<b>24.950</b>

### Public street lighting

2017/18 was the fourteenth year of a 25 year PFI contract for the replacement and maintenance of the council's lighting stock across the borough. The objective of this contract is to ensure that the borough is lit in a uniform manner complying with British and European standards. The main partners within the contract are Walsall Council and Walsall Public Lighting Ltd.

### *Property, plant and equipment*

The assets used to provide services for street lighting are recognised on the council's balance sheet. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 22.

### *Payments*

The council makes an agreed payment 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 2018 (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 2018/19	2.659	0.517	0.071	3.247
Payable within two to five years	11.114	2.185	0.218	13.517
Payable within six to ten years	15.165	2.871	0.111	18.147
Payable within eleven years	0.265	0.045	0.001	0.311
<b>Total</b>	<b>29.203</b>	<b>5.618</b>	<b>0.401</b>	<b>35.222</b>

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

2016/17 £m		2017/18 £m
(6.675)	Balance outstanding at start of year	(6.149)
0.526	Payments during the year	0.531
<b>(6.149)</b>	<b>Balance outstanding at year-end</b>	<b>(5.618)</b>

## Housing 21

2017/18 was the tenth year of a 30 year public-private partnership scheme. The principal partners in the contract are Housing 21 and Walsall Council. This contract is to provide:

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

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

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

	£m
Payable in 2018/19	8.628
Payable within two to five years	36.804
Payable within six to ten years	51.309
Payable within eleven to fifteen years	58.051
Payable within sixteen to twenty years	65.680
<b>Total</b>	<b>220.472</b>

## 32. Financial instruments

### Categories of financial instruments

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

Restated 2016/17			2017/18	
Long term £m	Current £m		Long term £m	Current £m
		<b>Investments</b>		
5.149	147.790	Loans and receivables	14.221	115.484
25.084	0.000	Available for sale financial assets	43.552	0.000
<b>30.233</b>	<b>147.790</b>	<b>Total Investments</b>	<b>57.773</b>	<b>115.484</b>
		<b>Debtors</b>		
8.169	0.000	Loans and receivables	5.696	0.000
0.000	42.456	Financial assets carried at contract amounts	0.000	45.590
<b>8.169</b>	<b>42.456</b>		<b>5.696</b>	<b>45.590</b>
0.000	17.894	Council Tax, NNDR & VAT debtors, and prepayments not classed as financial instruments	0.000	24.811
<b>8.169</b>	<b>60.350</b>	<b>Total Debtors</b>	<b>5.696</b>	<b>70.401</b>
		<b>Borrowings</b>		
(246.727)	(29.418)	Financial liabilities at amortised cost	(256.561)	(71.766)
<b>(246.727)</b>	<b>(29.418)</b>	<b>Total Borrowings</b>	<b>(256.561)</b>	<b>(71.766)</b>
		<b>Other long term liabilities</b>		
(5.619)	0.000	PFI	(5.101)	0.000
(2.500)	0.000	Finance leases	(2.247)	0.000
<b>(8.119)</b>	<b>0.000</b>		<b>(7.348)</b>	<b>0.000</b>
		<b>Other long term liabilities that are not financial instruments</b>		
(617.464)	0.000	Pensions	(515.830)	0.000
<b>(617.464)</b>	<b>0.000</b>		<b>(515.830)</b>	<b>0.000</b>
<b>(625.583)</b>	<b>0.000</b>	<b>Total other long term liabilities</b>	<b>(523.178)</b>	<b>0.000</b>
		<b>Creditors</b>		
0.000	(55.393)	Financial liabilities carried at contract cost	0.000	(58.468)
<b>0.000</b>	<b>(55.393)</b>		<b>0.000</b>	<b>(58.468)</b>
0.000	(8.921)	Council Tax, NNDR & tax creditors, and receipts in advance not classed as financial instruments	0.000	(9.575)
<b>0.000</b>	<b>(64.314)</b>	<b>Total creditors</b>	<b>0.000</b>	<b>(68.043)</b>

The presentation of prior year comparatives have been adjusted to ensure comparability between years. This is in line with change of presentation criteria set out within IAS1 – Presentation of Financial Statements.

The available for sale assets consists of the council's shareholding in Birmingham Airport Holdings Limited (BAH) and an investment in the Churches, Charities and Local Authorities (CCLA) Property Fund.

The seven West Midlands local authorities own 49% of BAH's 320 million ordinary shares of £0.01 each. The council owns 4.88% (£23.041m) of these shares. The other shareholders are Airport Group Investments (48.35%) and an employee share trust (2.75%). In addition the seven West Midlands authorities own all £15.384m of BAH's 6.31% preference shares, of which Walsall Council owns £1.531m. These are cumulative and irredeemable.

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

The long term debtors contains of £5.7m Waste Disposal debt from the former West Midlands County Council owed to Walsall Council by the other West Midlands councils.

### Income, expense, gains and losses

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

2016/17					2017/18			
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
(11.778)	0.000	0.000	(11.778)	Interest expense	(11.972)	0.000	0.000	(11.972)
0.127	0.000	0.000	0.127	Less finance lease interest and PFI interest	0.127	0.000	0.000	0.127
(11.651)	0.000	0.000	(11.651)	<b>Total expense in surplus/(deficit) on the provision of services</b>	(11.845)	0.000	0.000	(11.845)
0.000	2.040	1.492	3.532	Interest & investment income	0.000	2.186	1.599	3.785
0.000	2.040	1.492	3.532	<b>Total income in surplus/(deficit) on the provision of services</b>	0.000	2.186	1.599	3.785
0.000	0.000	4.538	4.538	Gains on revaluation	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	Losses on revaluation	0.000	0.000	(1.532)	(1.532)
0.000	0.000	4.538	4.538	<b>Surplus/ (deficit) arising on revaluation of financial assets in other comprehensive income and expenditure</b>	0.000	0.000	(1.532)	(1.532)
(11.651)	2.040	6.030	(3.581)	<b>Net gain/ (loss) in year</b>	(11.845)	2.186	0.067	(9.592)

### 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:

2016/17			2017/18	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
(98.217)	(149.100)	PWLB loans	(115.042)	(164.046)
(19.567)	(24.111)	Other local authority debt	(18.126)	(20.911)
(0.332)	(0.332)	Individuals	(0.033)	(0.033)
(103.432)	(144.262)	Lenders option/borrowers option/market debt	(103.665)	(164.364)
(54.597)	(52.120)	Other loans	(91.461)	(90.178)
<b>(276.145)</b>	<b>(369.925)</b>	<b>Financial liabilities</b>	<b>(328.327)</b>	<b>(439.532)</b>

The total fair value of the liabilities is higher than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair values of financial assets calculated are as follows:

2016/17			2017/18	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
5.149	5.118	Long term investments	14.221	14.157
137.560	137.903	Short term investments	100.090	100.206
10.230	10.231	Short term liquid deposits	15.394	15.394
25.084	25.084	Available for sale financial assets	43.552	43.552
8.169	8.169	Long term debtors	5.696	5.696
<b>186.192</b>	<b>186.505</b>	<b>Financial assets</b>	<b>178.953</b>	<b>179.005</b>

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 2018) 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 £24.571 million has been based on valuation techniques that are based on observable current market transactions (Level 2). The valuation technique used in determining the fair value of BIA is

an earnings approach based upon Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) within the relevant year's business plan with future potential adjusted by multiples derived from similar listed companies within the industry.

The council's holding within the CCLA Property Fund is within an active trading market with observable income unit prices as such the fair value quoted within the accounts is based on these unaltered income unit prices (Level 1). The fair value as at 31 March 2018 was £18.981 million.

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

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

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23 February 2017 and is available on the council website. The key issues within the strategy were:

- The authorised limit for the 2017/18 was set at £362.390m. This is the maximum limit of external borrowings or other long term liabilities
- The operational boundary was set at £329.445m. 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](http://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 – SAP, Fitch and Moodys.
- Treasury management advisors provide regular updates of changes to all ratings relevant to the council
- This council does not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
  - The quality financial press
  - Market data
  - Information on government support for banks and the credit ratings of that government support

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest

payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence as at the 31 March 2018 that this was likely to crystallise.

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

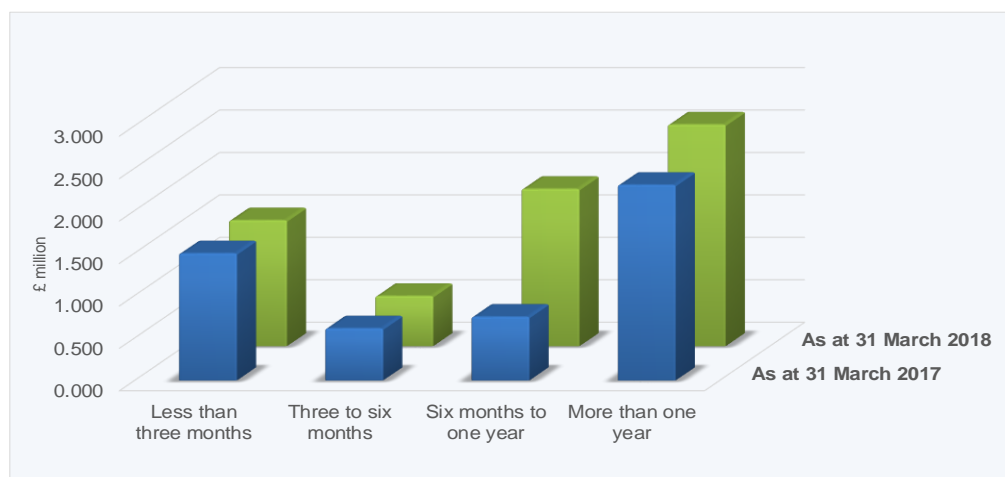
	Amount as at 31 March 2018	Historical experience of default as at 31 March 2018	Adjustment for market conditions as at 31 March 2018	Estimated maximum exposure to default as at 31 March 2018	Estimated maximum exposure to default as at 31 March 2017
Bonds rated:	£m	%	%	£m	£m
A	56.894	0.05%	0.00%	0.031	0.049
Rated Building Societies rated BB and above	0.000	0.43%	0.00%	0.000	0.014
Unrated Building Societies	3.000				
Challenger Banks	69.000				
Trade debtors	21.557			Local experience	Local experience
<b>Total</b>	<b>150.451</b>				

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

The council does not generally allow credit for its sundry trade debtors. £6.542 million of the £8.251 million sundry debtors balance is past its due date for payment. There is an automated recovery process in place that issues reminder letters at specified intervals, following this weekly reports detailing debts that are overdue are produced for further recovery action. Further recovery action will include the following options:

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

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





## Liquidity risk

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

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

The maturity analysis of financial assets is as follows:

	2016/17 £m	2017/18 £m
Less than one year	149.939	115.705
Between one and two years	5.000	14.000
Between two and five years	0.000	0.000
More than five years	31.253	49.248
<b>Total</b>	<b>186.192</b>	<b>178.953</b>

## 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 2018 £m	Actual 31 March 2017 £m
Less than 1 year	0.000	82.076	<b>88.446</b>	62.923
Between 1 and 2 years	0.000	82.076	<b>40.000</b>	35.000
Between 2 and 5 years	0.000	131.321	<b>68.341</b>	52.000
Between 5 and 10 years	16.415	164.151	<b>36.857</b>	32.839
More than 10 years	98.491	279.057	<b>94.658</b>	93.383
<b>Total</b>			<b>328.302</b>	<b>276.145</b>

Within the maturity profile there are a number of lenders option / borrowers option loans. The next call date on a lenders option / borrowers option loan is to be assumed as a right of the lender to require repayment, and so it is reflected in the maturity profile on that basis. 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 0.25% higher (with all other variables held constant) the financial effect would be as follows:

	£m
Increase in interest payable on variable rate borrowings	0.038
Increase in interest receivable on variable rate investments	0.010
Impact on surplus or (deficit) on the provision of services	0.048
Decrease in fair value of fixed rate investment assets	0.052
Impact on other comprehensive income and expenditure	0.052
(Increase)/Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	(69.607)

The approximate impact of a 0.25% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in note 32, page 91.

### **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 £24.572 million in Birmingham Airport (£23.041 million ordinary shares and £1.531 million preference shares).

The shares are all classified as available-for-sale, meaning that all movements in price will impact on gains and losses recognised in the available for sale reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.152 million gain or loss being recognised in the available for sale reserve.

### **Foreign exchange risk**

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

## **34. Debtors**

This table shows the amounts owed to the council for which payments have not been received by 31 March 2018, but which should be paid within one year.

2016/17 £m		2017/18 £m
0.576	Capital debtors	1.043
2.967	Central government bodies	5.140
2.635	Other local authorities	3.886
5.750	NHS bodies	8.336
0.000	Public corporations and trading funds	0.000
18.574	Council Tax receivable from taxpayers	20.827
3.501	NDR receivable from taxpayers	6.429
26.347	Other entities and individuals	24.740
<b>60.350</b>	<b>Total</b>	<b>70.401</b>
(20.629)	Provision for bad (and doubtful) debts	(25.849)
<b>39.721</b>	<b>Total</b>	<b>44.552</b>

The presentation of prior year comparatives have been adjusted to ensure comparability between years. This is in line with change of presentation criteria set out within IAS1 – Presentation of Financial Statements.

Within other entities and individuals £0.477 million (£0.489 million in 2016/17) 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.

2016/17 £m		2017/18 £m
(5.981)	Council Tax	(7.141)
(1.756)	NDR	(2.154)
(12.892)	Other debtors	(16.554)
<b>(20.629)</b>	<b>Total</b>	<b>(25.849)</b>

## 35. Cash and cash equivalents

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

2016/17 £m		2017/18 £m
0.045	Cash held by the council	0.043
(2.035)	Bank current accounts	(0.427)
10.230	Short term deposits	15.394
<b>8.240</b>	<b>Total</b>	<b>15.010</b>

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

## 36. Creditors

This table shows the amounts owed by the council for which payments have not been paid by 31 March 2018, but which should be paid within one year.

2016/17 £m		2017/18 £m
(21.814)	Capital creditors	(23.539)
(5.301)	Central government bodies	(5.079)
(1.310)	Other local authorities	(0.755)
(1.191)	NHS bodies	(2.295)
(34.698)	Other entities and individuals	(36.375)
<b>(64.314)</b>	<b>Total</b>	<b>(68.043)</b>

The presentation of prior year comparatives have been adjusted to ensure comparability between years. This is in line with change of presentation criteria set out within IAS1 – Presentation of Financial Statements.

The council also has £9.830m of capital grants received in advance. This is for Basic Needs Grant to be given to schools in 2018/19.

## 37. Provisions

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

	Back Pay £m	Insurance Fund £m	Pensions and Redundancy £m	NDR Appeals £m	Other £m	Total £m
Balance at 1 April 2017	(4.476)	(0.844)	(0.926)	(2.604)	(0.237)	<b>(9.087)</b>
Additional provisions made in 2017/18	0.000	(0.861)	(0.860)	(4.820)	(0.564)	<b>(7.105)</b>
Amounts used in 2017/18	0.008	0.647	0.923	0.000	0.001	<b>1.579</b>
Unused amounts reversed in 2017/18	4.361	0.197	0.003	0.000	0.114	<b>4.675</b>
<b>Balance at 31 March 2018</b>	<b>(0.107)</b>	<b>(0.861)</b>	<b>(0.860)</b>	<b>(7.424)</b>	<b>(0.686)</b>	<b>(9.938)</b>

### Back pay

During 2017/18 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.

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

### Insurance fund

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £2.559 million and are at various stages of being addressed and it is therefore unclear when settlement might be made. However, based on claim settlement profiles, projected settlements are estimated at £0.861 million (£0.844 million 2016/17) for which a provision is held to cover this.

### Pensions and redundancy costs

The council has created an additional provision of £0.860 million for pension and redundancy costs in relation to restructures undertaken during 2017/18. During 2017/18 £0.923 million was charged with a release of £0.003 million against the 2016/17 provision. The £0.860 million will be carried forward to 2017/18 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 115.

### Other

In addition to the above provisions the council holds £0.686 million (£0.237 million 2016/17) for other costs where the expected timing of any resultant transfer of economic benefit or future events cannot be accurately predicted.

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

	Back Pay £m	Insurance Fund £m	Pensions and Redundancy £m	NDR Appeals £m	Other £m	Total £m
Less than 1 year	(0.107)	0.000	(0.860)	(7.424)	(0.686)	<b>(9.077)</b>
1-2 years	0.000	(0.861)	0.000	0.000	0.000	<b>(0.861)</b>
<b>Balance at 31 March 2018</b>	<b>(0.107)</b>	<b>(0.861)</b>	<b>(0.860)</b>	<b>(7.424)</b>	<b>(0.686)</b>	<b>(9.938)</b>

### 38. Usable reserves

Movements in the council's usable reserves can be found in the Movement in Reserves Statement (page 33). The movement in reserve notes shows the details for the council's earmarked reserves.

2016/17 £m		2017/18 £m
(13.905)	General fund reserve	(15.226)
(129.634)	Earmarked reserves	(150.152)
(22.380)	Capital grants unapplied account	(19.980)
(7.829)	Capital receipts reserve	(8.766)
<b>(173.748)</b>	<b>Total</b>	<b>(194.124)</b>

#### Capital grants unapplied account

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

2016/17 £m		2017/18 £m
(20.955)	Balance brought forward	(22.380)
(8.952)	Current year capital grants unapplied credited from comprehensive income and expenditure statement	(3.839)
7.527	Prior year capital grants applied against capital expenditure	6.239
<b>(22.380)</b>	<b>Total</b>	<b>(19.980)</b>

#### Capital receipts reserve

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

2016/17 £m		2017/18 £m
(8.122)	Balance brought forward	(7.829)
(1.722)	Capital receipts received during the year	(2.168)
(0.006)	Capital receipts released from deferred capital receipts	(1.009)
2.016	Capital receipts applied against capital expenditure	2.226
0.005	Capital receipts paid to CLG for pooling of housing capital receipts	0.002
0.000	Capital receipts applied against revenue for disposal costs	0.012
<b>(7.829)</b>	<b>Total</b>	<b>(8.766)</b>

## Earmarked reserves

This note sets out the amounts set aside from the general fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2017/18.

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

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

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

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

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

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

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

	Balance as at £m 31/03/2016	Transfers in £m 2016/17	Transfers out £m 2016/17	Balance as at £m 31/03/2017	Transfers in £m 2017/18	Transfers out £m 2017/18	Balance as at £m 31/03/2018
<b>Treasury reserves</b>							
Borrowing re-scheduling	(8.000)	0.000	0.000	<b>(8.000)</b>	(0.150)	0.000	<b>(8.150)</b>
Treasury commutation	(3.010)	0.000	0.000	<b>(3.010)</b>	(1.320)	0.000	<b>(4.330)</b>
MRP equalisation	0.000	(6.718)	0.000	<b>(6.718)</b>	(7.751)	0.000	<b>(14.469)</b>
<b>Grants received in advance</b>							
Crisis Support	(1.110)	0.000	0.575	<b>(0.535)</b>	(1.569)	0.509	<b>(1.595)</b>
Dedicated schools grant	(9.523)	(2.931)	0.469	<b>(11.985)</b>	(1.205)	2.494	<b>(10.696)</b>
Grant funding in advance under IFRS	(7.770)	(0.538)	2.419	<b>(5.889)</b>	(1.999)	1.557	<b>(6.331)</b>
Private finance initiative	(20.395)	(1.156)	0.000	<b>(21.551)</b>	(0.774)	0.000	<b>(22.325)</b>
Public Health	(2.278)	(1.009)	1.182	<b>(2.105)</b>	(0.835)	0.897	<b>(2.043)</b>
Walsall Works	(0.564)	0.000	0.308	<b>(0.256)</b>	0.000	0.035	<b>(0.221)</b>
Improved Better Care	0.000	0.000	0.000	<b>0.000</b>	(1.905)	0.000	<b>(1.905)</b>

## Walsall Council Financial Report 2017/18

	Balance as £m at 31/03/2016	Transfers in £m 2016/17	Transfers £m out 2016/17	Balance as £m at 31/03/2017	Transfers in £m 2017/18	Transfers £m out 2017/18	Balance as £m at 31/03/2018
<b>Demand led</b>							
Children's demand led services	(1.000)	(1.000)	0.742	<b>(1.258)</b>	(3.102)	2.476	<b>(1.884)</b>
Housing Subsidy	(0.500)	(0.248)	0.000	<b>(0.748)</b>	0.000	0.748	<b>0.000</b>
Transformation	0.000	(1.119)	0.070	<b>(1.049)</b>	(4.456)	0.376	<b>(5.129)</b>
<b>Improvement projects</b>							
Carbon management reduction programme	(1.270)	(0.065)	0.000	<b>(1.335)</b>	(0.066)	0.000	<b>(1.401)</b>
City Deal	(2.500)	0.000	0.000	<b>(2.500)</b>	0.000	2.500	<b>0.000</b>
Economic Growth Programme	(2.720)	(0.597)	0.062	<b>(3.255)</b>	(0.837)	1.686	<b>(2.406)</b>
Phoenix 10	(0.650)	0.000	0.171	<b>(0.479)</b>	(0.104)	0.127	<b>(0.456)</b>
Project reserve	(2.347)	(0.724)	0.567	<b>(2.504)</b>	(0.550)	0.057	<b>(2.997)</b>
Strategic capital investment	(3.383)	(0.500)	0.000	<b>(3.883)</b>	0.000	0.000	<b>(3.883)</b>
Cloud Services	0.000	0.000	0.000	<b>0.000</b>	(1.500)	0.000	<b>(1.500)</b>
Revenue implications of capital	0.000	0.000	0.000	<b>0.000</b>	(0.610)	0.000	<b>(0.610)</b>
<b>Council liabilities</b>							
Business rates retention scheme	(4.825)	0.000	1.150	<b>(3.675)</b>	(0.893)	0.584	<b>(3.984)</b>
Environmental warranties	(1.000)	0.000	0.000	<b>(1.000)</b>	0.000	0.000	<b>(1.000)</b>
Insurance fund	(2.517)	0.000	0.384	<b>(2.133)</b>	0.000	0.070	<b>(2.063)</b>
Mediation	(1.462)	(0.899)	0.064	<b>(2.297)</b>	0.000	0.487	<b>(1.810)</b>
Pensions / ABS	(19.048)	(0.449)	0.142	<b>(19.355)</b>	(0.305)	0.000	<b>(19.660)</b>
Transactional employment & pension costs	(10.297)	0.000	4.229	<b>(6.068)</b>	0.000	5.971	<b>(0.097)</b>
Workforce planning	(3.882)	(0.105)	3.783	<b>(0.204)</b>	(5.000)	2.929	<b>(2.275)</b>
Combined Authority	0.000	(0.114)	0.000	<b>(0.114)</b>	(3.000)	0.219	<b>(2.895)</b>
Feasibility / options appraisals	(0.293)	(0.103)	0.137	<b>(0.259)</b>	(0.712)	0.222	<b>(0.749)</b>
<b>Other</b>							
Buy not lease	(0.575)	0.000	0.000	<b>(0.575)</b>	(0.250)	0.362	<b>(0.463)</b>
Contract Obligations	(3.000)	0.000	0.000	<b>(3.000)</b>	0.000	0.688	<b>(2.312)</b>
Audit and Inspection	0.000	(2.000)	0.000	<b>(2.000)</b>	(1.000)	0.910	<b>(2.090)</b>
Other earmarked reserves	(5.976)	(1.463)	2.784	<b>(4.655)</b>	(8.662)	2.184	<b>(11.133)</b>
<b>Earmarked general fund balances</b>	<b>(119.895)</b>	<b>(21.738)</b>	<b>19.238</b>	<b>(122.395)</b>	<b>(48.555)</b>	<b>28.088</b>	<b>(142.862)</b>
Nursery schools	(0.321)	(0.291)	0.321	<b>(0.291)</b>	(0.006)	0.291	<b>(0.006)</b>
Primary schools	(6.209)	(4.492)	6.341	<b>(4.360)</b>	(5.391)	4.360	<b>(5.391)</b>
Secondary schools	(0.514)	(0.444)	0.521	<b>(0.437)</b>	(0.201)	0.437	<b>(0.201)</b>
Special schools	(1.558)	(0.693)	1.714	<b>(0.537)</b>	(0.398)	0.537	<b>(0.398)</b>
Foundation schools	(1.824)	(1.614)	1.824	<b>(1.614)</b>	(1.294)	1.614	<b>(1.294)</b>
<b>School balances</b>	<b>(10.426)</b>	<b>(7.534)</b>	<b>10.721</b>	<b>(7.239)</b>	<b>(7.290)</b>	<b>7.239</b>	<b>(7.290)</b>
<b>Total</b>	<b>(130.321)</b>	<b>(29.272)</b>	<b>29.959</b>	<b>(129.634)</b>	<b>(55.845)</b>	<b>35.327</b>	<b>(150.152)</b>



### 39. Unusable reserves

Movements in the council's unusable reserves can be found in the Movement in Reserves Statement (page 33) and note 10 (page 60).

2016/17 £m		2017/18 £m
(101.588)	Revaluation reserve	(120.945)
(18.379)	Available for sale financial instruments account	(16.847)
(102.723)	Capital adjustment account	(75.744)
(1.090)	Deferred capital receipts reserve	(0.080)
617.464	Pensions reserve	577.530
(5.819)	Collection fund adjustment account	0.289
5.522	Accumulated absences account	6.020
<b>393.387</b>	<b>Total</b>	<b>370.223</b>

#### 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.

2016/17 £m		2017/18	
		£m	£m
(78.919)	Balance at 1 April		(101.588)
(34.320)	Upward revaluation of assets	(53.245)	
7.930	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	31.005	
1.253	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve	1.312	
<b>(25.137)</b>	<b>(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the provision of services</b>		<b>(20.928)</b>
1.945	Difference between fair value depreciation and historical cost depreciation	1.513	
0.523	Accumulated gains on assets sold or scrapped	0.058	
<b>2.468</b>	<b>Amount written off to the capital adjustment account</b>		<b>1.571</b>
<b>(101.588)</b>	<b>Balance at 31 March</b>		<b>(120.945)</b>

### 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

2016/17 £m		2017/18 £m
(13.841)	Balance at 1 April	(18.379)
(4.538)	(Upward)/Downward revaluation of investments	1.532
<b>(4.538)</b>		<b>1.532</b>
<b>(18.379)</b>	<b>Balance at 31 March</b>	<b>(16.847)</b>

### Capital adjustment account

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

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

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

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

2016/17 £m		£m	2017/18 £m
(101.186)	Balance at 1 April		(102.722)
	<b>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</b>		
24.314	Depreciation and impairment of non-current assets	22.089	
(11.691)	Revaluation losses on property, plant and equipment	31.805	
0.965	Amortisation and impairment of intangible assets	0.811	
2.154	Revenue expenditure funded from capital under statute	(3.975)	
14.150	Non-current assets written off on disposal or sale	1.299	
<b>29.892</b>			<b>52.029</b>
	<b>Adjustments debited or credited to the revaluation reserve</b>		
(1.945)	Difference between fair value depreciation and historical cost depreciation transferred to revaluation reserve		(1.513)
(0.523)	Accumulated gains on assets sold or scrapped transferred from revaluation reserve		(0.058)
<b>27.424</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>50.458</b>
	<b>Capital financing applied in the year</b>		
(2.016)	Use of capital receipts to finance capital expenditure	(2.226)	
(11.588)	Use of current year capital grants to finance capital expenditure	(9.123)	
(7.527)	Use of carried forward capital grants to finance capital expenditure	(6.239)	
(3.825)	Statutory provision for the financing of capital investment	(2.011)	
(3.118)	Capital expenditure charged against the general fund	(2.934)	
<b>(28.074)</b>	<b>Total financing applied to capital expenditure in the year</b>		<b>(22.533)</b>
(0.886)	Movement in the market value of investment properties		(0.947)
<b>(102.722)</b>	<b>Balance at 31 March</b>		<b>(75.744)</b>

### Deferred capital receipts reserve

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

2016/17 £m		2017/18 £m
(1.102)	Balance at 1 April	(1.091)
0.005	Release of deferred capital receipts to revenue as per regulations	0.002
0.006	Transfer to the capital receipts reserve upon receipt of cash	1.009
<b>(1.091)</b>	<b>Balance at 31 March</b>	<b>(0.080)</b>

### Pensions reserve

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

2016/17 £m		2017/18 £m
480.576	Balance at 1 April	617.464
130.999	Remeasurements of net defined benefits liabilities/(assets)	(58.226)
40.382	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	51.735
(34.493)	Employer's pensions contributions and direct payments to pensioners payable in the year	(33.443)
<b>617.464</b>	<b>Balance at 31 March</b>	<b>577.530</b>

For further information on the changes in the defined benefit pension scheme please see page 66.

### Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund. Details on the collection fund can be found on page 112.

2016/17 £m		2017/18 £m
1.323	<b>Balance at 1 April</b>	(5.819)
(2.744)	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	4.449
(4.398)	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	1.659
<b>(5.819)</b>	<b>Balance at 31 March</b>	<b>0.289</b>

### Accumulated absences account

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

2016/17 £m		2017/18 £m
4.571	Balance at 1 April	5.522
0.951	Movement by which officer remuneration charged to CIES is different to that chargeable in year in accordance with statutory requirements compared to previous year	0.498
<b>5.522</b>	<b>Balance at 31 March</b>	<b>6.020</b>

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

2016/17 £m		2017/18 £m
(24.314)	Depreciation and impairments	(22.089)
11.691	Revaluations	(31.805)
(0.965)	Amortisation and impairments of intangible assets	(0.811)
5.842	Increase/(decrease) in debtors	0.668
8.788	(Increase)/decrease in creditors	(2.324)
(0.165)	Increase/(decrease) in inventories	(0.290)
(5.889)	Movement in pension liability	43.408
(14.150)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1.299)
1.929	Other non-cash items charged to the net surplus/deficit on the provision of services	(8.155)
<b>(17.232)</b>	<b>Total</b>	<b>(22.697)</b>

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

2016/17 £m		2017/18 £m
(137.558)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(203.501)
1.722	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2.169
66.217	Any other items for which the cash effects are investing or financing cash flows	59.497
<b>(69.619)</b>	<b>Total</b>	<b>(141.835)</b>

## 42. Cash Flow Statement – operating activities

2016/17 £m		2017/18 £m
(1.826)	Interest received	(2.086)
12.043	Interest paid	11.751
(1.213)	Dividends received	(1.599)
<b>9.004</b>	<b>Total</b>	<b>8.066</b>

## 43. Cash Flow Statement – investing activities

2016/17 £m		2017/18 £m
28.559	Purchase of property, plant and equipment, investment property and intangible assets	41.079
157.558	Purchase of short-term and long-term investments	195.000
0.000	Other payments for investing activities	0.000
(1.728)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3.177)
(66.607)	Other receipts from investing activities	(61.928)
<b>117.782</b>	<b>Net cash flows from investing activities</b>	<b>170.974</b>

## 44. Cash Flow Statement – financing activities

2016/17 £m		2017/18 £m
(52.035)	Cash receipts of short - and long-term borrowing	(108.836)
(1.940)	Other receipts from financing activities	3.798
0.826	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0.868
18.359	Repayments of short- and long-term borrowing	56.876
<b>(34.790)</b>	<b>Net cash flows from financing activities</b>	<b>(47.294)</b>

## 45. Contingent liabilities

### Contaminated Land – former Gas Works – Oakridge Drive

The council purchased the former Gas Works site from West Midlands Gas Board in the late 1960's. The site was sold to a housing developer in the early 1970's which led to the development of the Stonegate estate. Under current legislation the council is obliged to ensure that previously contaminated sites have been cleaned appropriately, and are no longer an environmental or health hazard. The council served notice on appropriate persons in accordance with this legislation, following which an appeal was lodged with the Secretary of State. The Secretary of State published her report on this matter during 2016/17 and the council is currently reviewing the outcome of this.

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

## 46. Contingent assets

The council has no contingent assets to disclose as at 31 March 2018.

## 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 their area. It however increases the financial risk to individual authorities associated with potential non-collection and the volatility of the NDR tax base.

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

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

As they were able to retain 99% of business rates billed, the West Midlands Metropolitan Authorities did not receive Revenue Support Grant (RSG) during 2017/18 and additionally business rates top up grants or tariffs were adjusted to compensate for any resulting variance.

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

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

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



## 1. Collection Fund income and expenditure account

2016/17				2017/18		
Council Tax £m	NDR £m	Total £m		Council Tax £m	NDR £m	Total £m
			<b>Income</b>			
(114.640)	0.000	(114.640)	Income from council tax	(123.664)	0.000	(123.664)
<b>(114.640)</b>	<b>0.000</b>	<b>(114.640)</b>	<b>Sub total</b>	<b>(123.664)</b>	<b>0.000</b>	<b>(123.664)</b>
0.000	(69.166)	(69.166)	Income collectable from business ratepayers	0.000	(69.771)	(69.771)
<b>(114.640)</b>	<b>(69.166)</b>	<b>(183.806)</b>	<b>Total income</b>	<b>(123.664)</b>	<b>(69.771)</b>	<b>(193.435)</b>
			<b>Expenditure</b>			
			<b>Council Tax Precepts:</b>			
100.991	0.000	100.991	Walsall Council	108.471	0.000	108.471
7.532	0.000	7.532	Police	8.051	0.000	8.051
3.783	0.000	3.783	Fire and Civil Defence	3.947	0.000	3.947
			<b>Business Rates:</b>			
0.000	30.569	30.569	Payments to Government	0.000	(0.684)	(0.684)
0.000	0.611	0.611	Payments to Fire	0.000	0.716	0.716
0.000	29.973	29.973	Payments to Walsall Council	0.000	71.634	71.634
0.000	0.339	0.339	Costs of collection	0.000	0.337	0.337
0.000	0.106	0.106	Transitional protection payments	0.000	(1.454)	(1.454)
0.000	0.010	0.010	Enterprise Zone relief	0.000	0.004	0.004
0.000	0.000	0.000	Deferred income	0.000	0.000	0.000
(4.514)	0.431	(4.083)	Provisions	1.313	(1.409)	(0.096)
0.017	0.368	0.385	Write offs	0.151	0.000	0.151
0.000	(2.206)	(2.206)	Provision for appeals	0.000	2.184	2.184
<b>107.809</b>	<b>60.201</b>	<b>168.010</b>	<b>Total expenditure</b>	<b>121.933</b>	<b>71.328</b>	<b>193.261</b>
<b>(6.831)</b>	<b>(8.965)</b>	<b>(15.796)</b>	<b>(Surplus)/deficit for year</b>	<b>(1.731)</b>	<b>1.557</b>	<b>(0.174)</b>
			<b>Collection Fund Balance</b>			
(3.530)	9.188	5.658	Balance brought forward at 1 April	(6.581)	0.223	(6.358)
0.252	0.000	0.252	Police - payment to / (from)	0.448	0.000	0.448
0.130	0.000	0.130	Fire - payment to / (from)	0.225	0.000	0.225
3.398	0.000	3.398	Walsall Council - payment to / (from)	6.007	0.000	6.007
(6.831)	(8.965)	(15.796)	(Surplus)/deficit for the year (as above)	(1.731)	1.557	(0.174)
<b>(6.581)</b>	<b>0.223</b>	<b>(6.358)</b>	<b>Balance carried forward at 31 March</b>	<b>(1.632)</b>	<b>1.780</b>	<b>0.148</b>
			<b>Allocated to:</b>			
(5.918)	0.099	(5.819)	Walsall Council	(1.471)	1.758	0.287
0.000	0.010	0.010	Walsall Council Enterprise Zone	0.000	0.004	0.004
(0.441)	0.000	(0.441)	Police	(0.107)	0.000	(0.107)
(0.222)	0.002	(0.220)	Fire	(0.054)	0.018	(0.036)
0.000	0.112	0.112	Government	0.000	0.000	0.000
<b>(6.581)</b>	<b>0.223</b>	<b>(6.358)</b>		<b>(1.632)</b>	<b>1.780</b>	<b>0.148</b>

## 2. Calculation of tax base

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

The council tax base for 2017/18 is as follows:

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent	Band D equivalent for 2016/17
A	6/9	50,577	31,910	<b>20,798</b>	<b>20,500</b>
B	7/9	26,707	20,600	<b>15,669</b>	<b>15,578</b>
C	8/9	18,058	15,354	<b>13,348</b>	<b>13,243</b>
D	9/9	10,123	9,018	<b>8,819</b>	<b>8,908</b>
E	11/9	5,535	5,085	<b>6,078</b>	<b>6,236</b>
F	13/9	2,373	2,216	<b>3,131</b>	<b>3,200</b>
G	15/9	770	713	<b>1,163</b>	<b>1,175</b>
H	18/9	50	35	<b>68</b>	<b>58</b>
		<b>114,193</b>	<b>84,931</b>	<b>69,074</b>	<b>68,898</b>

## 3. Income from Business Ratepayers

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

Central government set a baseline level of business rates income for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Walsall received a top up grant to the General Fund in 2017/18 to the value of £32.569 million (£33.421 million in 2016/17).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. A review of the provision in 2017/18 has resulted in an increase in the appeals provision of £2.184 million.

For 2017/18, the total non-domestic rateable value at the year-end is £191.167 million (£187.474 million in 2016/17). The national multipliers for 2017/18 were 47.9p for qualifying small businesses, and the standard multiplier being 46.6p for all other businesses (48.0p and 49.7p respectively in 2016/17).

#### 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.

2016/17				2017/18		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(10.031)	(1.126)	(11.157)	Balance at 1 April	(5.981)	(0.662)	(6.643)
(0.073)	(0.090)	(0.163)	Write offs during year for previous years	(0.180)	(0.020)	(0.200)
4.123	0.554	4.677	Contributions to provisions during year	(0.980)	(0.130)	(1.110)
<b>4.050</b>	<b>0.464</b>	<b>4.514</b>	<b>Net (Increase) / Decrease in Provision</b>	<b>(1.160)</b>	<b>(0.150)</b>	<b>(1.310)</b>
<b>(5.981)</b>	<b>(0.662)</b>	<b>(6.643)</b>	<b>Balance at 31 March</b>	<b>(7.141)</b>	<b>(0.812)</b>	<b>(7.953)</b>

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

2016/17				2017/18		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(1.545)	(1.608)	(3.153)	Balance at 1 April	(1.756)	(1.828)	(3.584)
(0.211)	(0.220)	(0.431)	Contributions to provisions during year	(0.398)	1.806	1.408
<b>(0.211)</b>	<b>(0.220)</b>	<b>(0.431)</b>	<b>Net (Increase) / Decrease in Provision</b>	<b>(0.398)</b>	<b>1.806</b>	<b>1.408</b>
<b>(1.756)</b>	<b>(1.828)</b>	<b>(3.584)</b>	<b>Balance at 31 March</b>	<b>(2.154)</b>	<b>(0.022)</b>	<b>(2.176)</b>

Business rate payers can appeal against their rateable value. Any appeals lodged with the Valuation Office Agency (VOA) that have not been settled by 31 March 2018 require a provision to be set aside in the collection fund account.

Walsall's share of this provision, £million, is shown in note 37 page 101.

2016/17				2017/18		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(3.685)	(3.836)	(7.521)	Balance at 1 April	(2.604)	(2.711)	(5.315)
1.081	1.125	2.206	Contributions to provisions during year	(4.820)	2.636	(2.184)
<b>1.081</b>	<b>1.125</b>	<b>2.206</b>	<b>Net (Increase) / Decrease in Provision</b>	<b>(4.820)</b>	<b>2.636</b>	<b>(2.184)</b>
<b>(2.604)</b>	<b>(2.711)</b>	<b>(5.315)</b>	<b>Balance at 31 March</b>	<b>(7.424)</b>	<b>(0.075)</b>	<b>(7.499)</b>

## Trust and scholarship accounts

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

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

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

- SW Tame Fund – for the purposes of prizes at Joseph Leckie School. Current fund balance £586 (2016/17 £586).
- John Leckie Memorial Fund – for the provision of scholarships. Current fund balance £29,714 (2016/17 £29,714).
- Walsall Agricultural Fund – for the provision of a prize fund. Current fund balance £774 (2016/17 £774).

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

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

## Monies for residents in council care homes

In addition the council also holds monies on behalf of residents of council care homes who are unable to administer their own affairs. These monies are held in the council's bank account. For 2017/18 the balance of residents' monies held was £2.140 million (£2.047 million in 2016/17).

## Section B – Annual Governance Statement

### Annual Governance Statement

#### 1. Scope of responsibility

This statement is given in respect of the 2017/18 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

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

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

The governance framework has been in place at Walsall Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts (July 2018).

#### 3. The Governance Framework

The key elements of the council's governance arrangements, including the system of internal control, are contained in the council's Local Code of Governance. The Code in force during 2017/18 is available at the following link [Code of Governance](#). The Local Code of Governance incorporates seven core principles of good governance:

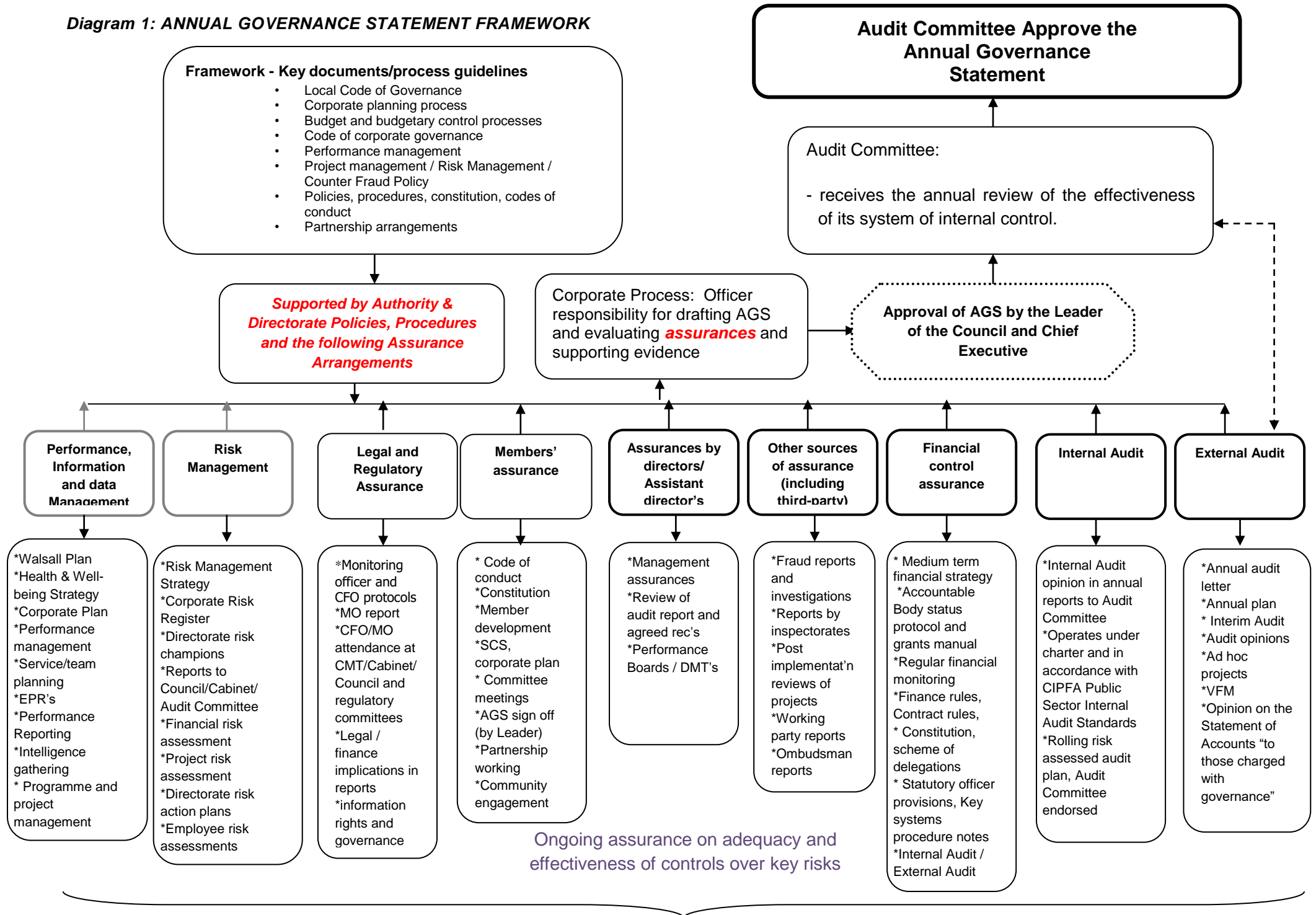
- 1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- 2) Ensuring openness and comprehensive stakeholder engagement.
- 3) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- 4) Determining the interventions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

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

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

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

**Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK**



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

In particular, the system includes the following key elements:

- A Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the borough), setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by our Corporate Plan 2017-2020, refreshed in February 2018 (Corporate Plan 2018-2021).
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the Council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), whistle blowing policy and a counter-fraud and anti-corruption policy and strategy.
- Clear measures of financial performance linked to the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit plan that is planned in advance which covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the council.
- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.



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

The Corporate Plan 2017-2020 (refreshed February 2018 as Corporate Plan 2018-2021) explains what we are doing as a Council and what we are trying to achieve. Key achievements delivered against priorities over the last 12 months were reported to Cabinet on 25th April 2018. The report can be accessed at the following link: [Review of Achievements 2017/18](#).

The refreshed Corporate Plan 2018-2021 reflected and built on these key priorities and following the LGA Corporate Peer Challenge in September 2017, included a fifth priority focussing on improving how we operate. This is intended to ensure our transformation ambitions are fit for purpose.

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

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the council operates. The Constitution was reviewed and updated during 2017/18; and again in May 2018.

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

The council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. During 2017/18, Audit Committee approved a refreshed Corporate Risk Management Strategy. The Strategy provides the foundation on which robust risk management activity, which supports the efficient and effective delivery of services, will be embedded within business processes and a contribution to the effectiveness of the governance framework. An action plan has also been developed to further embed risk management into the governance framework of the organisation.

Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves.

The council has a robust medium term financial strategy and a rolling four year plan to support delivery of resource allocation in line with council priorities. This is regularly reviewed in light of

ever-changing financial and economic conditions and pressures arising from demand led services.

The Assistant Director of Finance was responsible during 2017/18 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all but one during 2017/18. This related to Principle 1, in that "the CFO is a key member of the Leadership Team reporting directly to the Chief Executive with status at least equivalent to other members of the team". The Statement also states that if this is not the case then the reasons should be explained publicly in the AGS and an explanation of how the actual arrangements deliver the same impact.

During 2017/18, the CFO reported to the Executive Director Change & Governance, who reported to the Chief Executive. The CFO attended the Leadership Team (the corporate management team), had access to all confidential papers/matters, had direct and unfettered access to and met frequently with the Chief Executive, and had direct and unfettered access to members, including Cabinet and Audit Committee. With effect from April 2018, following the promotion of the Assistant Director and CFO to Executive Director, Resources and Transformation, the role of the CFO has been incorporated into the Director role, as such the council is expected to comply with all five principles going forward.

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

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

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

## 4. Review of Effectiveness

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

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

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value

for Money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.

- A review of AGS via key questions by Internal Audit during 2017/18 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy and associated processes.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

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

- The work of the Audit Committee in 2017/18 in:
  - receiving no and unlimited audit reports.
  - reviewing the risk management strategy and approach.
  - reviewing treasury management, financial health, performance
  - approving accounting policies and the statement of accounts
  - oversight (and referral on as appropriate) of the outcomes of Inspections and external reviews
  - reviewing council policies and procedures
- Internal Audit evaluation of the effectiveness of the council's risk management, control and governance processes; identified control weaknesses 2017/18 and the Annual Opinion.
- Progress in addressing governance Issues and control weaknesses identified in the 2016/17 AGS and progress in addressing these.
- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the council.
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013.
- Regular reporting to and scrutiny by Audit Committee of corporate risks.
- The work of other regulatory Committees – Standards.

- The work of Inspectorates.
- The work of external audit.
- The work of scrutiny and in particular oversight of the 2017 Ofsted Inspection report and action plan on children's services - assessing the Walsall as "requires improvement to be good".
- Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence.

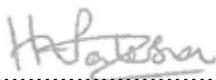
Some control weaknesses were identified as a result of the work of the above evaluation and actions have been put in place to address the findings and follow ups will be undertaken, and feedback reported to the Committee.

## 5. Significant Governance Issues

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


Identified control weaknesses have been reported to Audit Committee throughout 2017/18 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control reported to Audit Committee on 18th June 2018. Actions are in place to address these.

Subsequent to that date, on 28th June Ofsted published its report in relation to New Leaf Inclusion Centre (pupil referral unit), rating its overall effectiveness as inadequate. The council is currently considering the report and will respond in due course with an action plan to address the key findings. Progress will be monitored and reported.



.....

Dr Helen Paterson  
Chief Executive  
Date: 09 July 2018



.....

Councillor Sean Coughlan  
Leader of the Council (May 2016 – May 2018)  
Date: 09 July 2018

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

# Glossary

## A

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

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

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

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

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

**AGS:** Annual Governance Statement.

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

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

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

## B

**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.

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

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

**BIA:** Birmingham International Airport

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

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

## C

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

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

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

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

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

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

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

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

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

**CCG:** Clinical Commissioning Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## D

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

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

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

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

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

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

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

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

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

## E

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

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

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

## F

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

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

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

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

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

## G

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

**Government support/grants:** Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to



an authority in return for past or future compliance with certain conditions relating to the activities of the council.

## H

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

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

## I

**ICES:** Integrated Community and Equipment Store

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

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

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

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

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

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

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

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

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

**ISB:** Individual Schools Budget

## L

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

**LEP:** Local Enterprise Partnership

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

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

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

## M

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

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

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

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

## N

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

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

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

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

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

## O

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

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

## P

**PFI:** Private Finance Initiative.

**PPP:** Public Private Partnership.

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

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

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

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

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

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

## R

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

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

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

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

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

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

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

## S

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

## T

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

## U

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

## V

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

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

## Contact details and sources of information

Enquiries or comments about this publication should be made to:

Head of Finance  
Walsall Council  
PO Box 23  
The Council House  
Lichfield Street  
Walsall  
West Midlands WS1 1TW  
Telephone: 01922 652326

Chief Financial Officer  
Walsall Council  
The Council House  
Lichfield Street  
Walsall  
West Midlands WS1 1TW  
Telephone: 01922 652322

This statement is available from the Walsall Council website [www.walsall.gov.uk](http://www.walsall.gov.uk). Paper copies are also available from the above address.

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

West Midlands Combined Authority  
16 Summer Lane  
Birmingham  
West Midlands B19 3SD  
Website: <https://www.wmca.org.uk/>

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

The Treasurer  
West Midlands Fire and Rescue  
Council House  
Oldbury  
Warley  
West Midlands B69 3DE  
Website: [www.wmfs.net](http://www.wmfs.net)

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

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

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

Birmingham Airport Holdings Ltd  
Birmingham International Airport  
Birmingham B26 3QJ  
Website: [www.bhx.co.uk](http://www.bhx.co.uk)