CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee Meeting

Monday, 4 July 2016

Dear Councillor

AUDIT AND RISK COMMITTEE - MONDAY, 4 JULY, 2016

I am now able to enclose, for consideration at next Monday, 4 July, 2016 meeting of the Audit and Risk Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
5a	**Draft Statement of Accounts 2015/16** (Pages 3 - 208) [To receive the draft Statement of Accounts for 2015/16, which is subject to audit, and which has been approved by the Director of Finance]
9	**Strategic Risk Register and Strategic Assurance Map (Pages 209 - 238)** [To keep the Committee aware of the key risks the Council faces, and how it can gain assurance that these risks are being mitigated]

If you have any queries about this meeting, please contact the democratic support team:

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Agenda Item No: 5a

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

4 July 2016

Report title	Draft Statement of Accounts 2015/16	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to note:

1. That the Director of Finance approved the Draft Statement of Accounts 2015/16 on 30 June 2016, as required by the Accounts and Audit Regulations 2015.

2. That the 2015/16 Draft Statement of Accounts is to be audited by Grant Thornton UK LLP from July through to September, and that any material changes required as a result of the audit will be reported to the Audit and Risk Committee.

3. That formal approval by the Council and publication of the 2015/16 Statement of Accounts is required by 30 September 2016 (Accounts and Audit Regulations 2015).

4. That the Statement of Accounts incorporates a copy of the Annual Governance Statement as required by the Accounts and Audit Regulations 2015.

1.0 Purpose

1.1 The draft Statement of Accounts for 2015/16, which is subject to audit, has been approved by the Director of Finance and is appended to this report.

2.0 Background

2.1 The draft Statement of Accounts is required by statute (The Accounts and Audit Regulations 2015) to be prepared and approved by the Section 151 Officer by 30 June 2016.

2.2 A copy of the draft Statement of Accounts is attached at Appendix A. This will now be audited by the Council's appointed external auditors, Grant Thornton, during July and August, following which they will report their findings to the Audit and Risk Committee in September. At the same time the final audited Statement of Accounts to be published by the Council will be presented to the Committee for approval.

2.3 The statutory deadline for publication of the audited Statement of Accounts is 30 September 2016.

2.4 The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement is prepared in accordance with International Financial Reporting Standards (IFRS). There were no significant changes to the Code for 2015/16.

3.0 Financial Implications

3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances. [RT/30062016/D]

4.0 Legal implications

4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2015/16 Statement of Accounts be produced in accordance with proper practice.

4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 30 June 2016 and published by 30 September 2016.
[TS/30062016/W]

5.0 Equalities implications

5.1 There are no equality implications arising from this report.

6.0 Environmental implications

6.1 There are no environmental implications arising from this report.

7.0 Human resources implications

7.1 There are no human resource implications arising from this report.

8.0 Corporate landlord implications

8.1 There are no implications for the Council's property portfolio arising from this report.

9.0 Schedule of background papers

9.1 There are no relevant preceding reports.

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Statement of Accounts

2015/16

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

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1. NARRATIVE REPORT

Important note for readers of the accounts

Local authority accounts, like those of any organisation, are prepared to comply with a series of rules and conventions set by the accounting profession. However, for local authorities there are many types of transaction where the law, which takes precedence, requires a different treatment from the accounting rules. This effectively means that local authorities are trying to simultaneously fulfil two conflicting sets of rules when preparing their accounts.

This conflict is addressed by having authorities present a set of financial statements which comply with the accounting rules, followed by a reconciliation of those statements to the accounts as prepared under the legal rules. This reconciliation essentially takes the form of a list of adjustments for things which have to be in the accounts according to the accounting rules but are not allowed in them under law, and vice versa.

It is the legal rules that must be used when calculating budget requirements, council tax and housing rents. As a result, all of the Council's internal reporting and decision-making is based purely on accounts prepared under the legal rules, and the only time it prepares accounts that comply with the accounting rules is when it prepares this document. It is crucial to bear this in mind when reading the statements. In particular, it should be remembered that figures which have been prepared under the accounting rules may have no practical meaning or use in the context of how the Council actually manages its finances.

The purpose and contents of this document

The purpose of this document is to show the Council's financial performance over the course of the year, and its financial position at the end of the year. It also provides some information about things that may affect the Council's financial performance in the future.

Section 2 contains the statement of responsibilities, and sets out the roles and responsibilities of the Council and of the Director of Finance in preparing the statement of accounts. The independent auditors' report is included in section 5. This report draws readers' attention to any important information they might need to take into account when reading the statements.

Section 4 contains the financial statements prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). These comprise four main statements, and a series of notes. The four main statements are:

The Comprehensive Income and Expenditure Statement – this summarises all expenditure, income, gains and losses for the Council during the year. It is important to remember that this statement is prepared entirely in accordance with accounting rules, which differ in several ways from the legal rules used to calculate budgets and available balances.

The Balance Sheet – this shows all of the Council's assets, liabilities and reserves at the end of the financial year. Assets are either things that the Council owns and can use or sell in the future, or money that it is owed by other people. Liabilities are money owed by the Council to other people. Reserves fall into two categories: usable reserves are funds that the Council has available to spend in the future, while unusable reserves are amounts that have come about purely from accounting adjustments and are not therefore available to spend.

The Movement in Reserves Statement – this shows the amounts in the Council's reserves, and how they have changed over the course of the year.

The Cash Flow Statement – this summarises all of the Council's payments and receipts over the course of the year. The fundamental difference between this statement and the Comprehensive Income and Expenditure Statement is that it doesn't include adjustments to comply with the accounting concept of accruals.

The notes to the accounts provide additional information about the main statements, or items that the Council is required by law or by the Code to include in the statement. The notes are:

Note 1 – Income and Expenditure – this note provides information about a number of specific areas of income and expenditure required by law or by the Code.

Note 2 – Current Receivables and Payables – this note summarises how much money was owed to the Council at the end of the year, and how much the Council owed other people.

Note 3 – Provisions and Contingent Liabilities – this note provides information about things for which the Council knows it will or may have to pay money to other people, but there is uncertainty about one or more elements of that payment. This may be the amount of the payment, when it has to be paid, or even whether the Council will actually have to make a payment.

Note 4 – Non-Current Assets – this note provides information about the Council's non-current assets, which are assets that it uses for more than one year.

Note 5 – Employee Pensions – this note provides information about employee pensions, including the net pensions liability (the difference between current pension commitments and the assets available to fund those) at the end of the year.

Note 6 – Financial Instruments – this note provides information about the Council's financial instruments, which are assets or liabilities entered into under contracts.

Note 7 – Members of the City of Wolverhampton Council Group and Other Related Parties – the Council has relationships with a number of other organisations that readers should be aware of when reading the accounts, and this note provides information about those relationships.

Note 8 – Trust Funds – this note provides information about the trust funds that the Council manages on behalf of other people.

Note 9 – Reconciliation of the Financial Statements to the Statutory Accounts – as mentioned earlier, there are many differences between the financial statements and the legal accounts that the Council actually uses to manage its finances. This detailed note analyses all of those differences for interested readers.

Note 10 – Accounting Policies – this note describes the policies that have been used by the Council to prepare these statements, changes in those since last year, and any significant judgements about applying the policies that had to be made when preparing the statements.

Section 5 provides a set of financial statements and associated notes relating to the Housing Revenue Account. By law, the Council has to account for its council housing service separately from other services, to ensure that rents only pay for housing (and likewise, that council tax does not subsidise housing).

Section 6 contains statements for the Collection Fund. These show how much Council Tax was raised in Wolverhampton during the year, and how it was allocated between the Council, fire and police authorities. The Collection Fund also provides details of Non-Domestic Rates collected by the Council on behalf of Central Government and amount retained by the Council and allocated to the fire authority.

Section 7 provides the financial statements of West Midlands Pension Fund. These are completely separate from the Council's accounts, but because the Council is the administering body it has to include the Pension Fund's accounts alongside its own. They follow a similar format to the Council's accounts, with two main statements followed by a series of notes.

Section 8 is the Council's Annual Governance Statement. This provides important information about how the Council is run and, in particular, how it manages key risks. Finally, there is a glossary at Section 9, which describes many of the technical accounting terms and abbreviations used in these statements.

Note on Group Accounts

The Council owns two other organisations, Wolverhampton Homes Limited and Yoo Recruit Limited, and as a result it is required to produce group accounts. Yoo Recruit Limited became a wholly-owned subsidiary of the Council during the year, however, in the opinion of the Council the accounts are not considered to be material and have not been included in the group accounts. The group accounts combine the accounts of the Council and Wolverhampton Homes Limited and show them as if they were one. Throughout the financial statements (Section 4), numbers in italics relate to the group, while non-italic numbers relate to the Council only. Usually, these are combined in the same table, but occasionally, owing to space they are shown in completely separate tables. Where there is only one figure given, this means that the figure is the same for the group and the Council.

1. NARRATIVE REPORT - PERFORMANCE 2015/16

The Corporate Plan

In collaboration with partners across Wolverhampton the Vision 2030 document captures the aspirations and priorities for the City Vision2030. It is in this context that the City of Wolverhampton Corporate Plan is developed. The Corporate Plan sets out the way in which the Council intends to develop and improve its services and, in conjunction with other plans and partners, plays an important role in ensuring that the Council's strategic objectives are achieved for the people and the City of Wolverhampton.

The Corporate Plan does not cover everything that the Council does, but it focuses on a combination of those issues that matter most to local people, the national priorities set by Central Government and the unique challenges arising from the city's changing social, economic and environmental contexts. The Corporate Plan can be found here CorporatePlan

The plan is a key component of our corporate planning and performance management. It links the strategic priorities of the Council directly to the activities of each individual employee. It includes indicators for improving overall Council performance, services and the way the Council works. Throughout the year performance against the plan is monitored by the Cabinet (Performance Management) Panel. The final report for 2015/16 can be found here CorporatePlanPerformance

Financial Performance 2015/16

General Fund

In March 2015 the Council approved a budget incorporating a savings target of £39.7 million for 2015/16. The following table compares the Council's General Fund outturn for 2015/16 to its budget. It analyses spend by Directorate, which is the format used for internal reporting to management. This table is calculated in line with the legal requirements. As the table shows, the Council's outturn for 2015/16 was a net underspend of £9.4 million. After taking into account net transfers to/from earmarked reserves, the General Fund Balance remains at £10.0 million and earmarked reserves total £72.0 million at the end of the financial year.

1. NARRATIVE REPORT - PERFORMANCE 2015/16

Service	2015/16 Net Controllable Budget £m	2015/16 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Place	44.3	40.6	(3.7)
People	121.7	120.5	(1.2)
Corporate Services	28.4	27.5	(0.9)
Education	0.5	1.7	1.2
Corporate Budgets	30.0	26.0	(4.0)
Net Budget Requirement	**224.9**	**216.3**	**(8.6)**
Funding:			
Government Grant (General)	(142.9)	(143.7)	(0.8)
Council Tax	(81.0)	(81.0)	-
Collection Fund Surplus	(0.1)	(0.1)	-
Budgeted Use of Reserves	(0.9)	(0.9)	-
Total Funding	**(224.9)**	**(225.7)**	**(0.8)**
Net Budget (Surplus)/Deficit	**-**	**(9.4)**	**(9.4)**

Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £19.6 million, compared to a budgeted surplus of £15.8 million. This surplus including the £3.8 million variance against budget has been set aside by the Council as provision for the redemption of debt. This has the major advantage of creating additional 'headroom' under the HRA borrowing limit as set by law, which will enable the Council to pay for additional investment in its houses in the future.

The operating surplus over the budgeted level of surplus was generated primarily by savings on interest payable and receivable. In addition, the cost related to the bad debt provision was less than anticipated.

	Budget 2015/16 £m	Outturn 2015/16 £m	Variance Over/(Under) £m
Income	(99.6)	(100.1)	(0.5)
Expenditure	69.7	67.8	(1.9)
Net Cost of Services	**(29.9)**	**(32.3)**	**(2.4)**
Net Cost of Borrowing and Investments	14.1	12.7	(1.4)
Surplus for the Year	**(15.8)**	**(19.6)**	**(3.8)**
Allocation of Surplus for the Year			
Provision for Redemption of Debt	15.8	19.6	3.8
Transfer to/(from) Reserves	-	-	-
Total	**-**	**-**	**-**

Capital Programme

Capital expenditure by the Council during 2015/16 totalled £119.3 million, as set out in the following table. This was £35.7 million under budget primarily due to slippage into future years and cost reductions.

Expenditure	Approved Budget £m	Outturn £m	Variation Over/(Under) £m
General Fund			
Corporate	29.2	19.9	(9.3)
People	3.8	2.3	(1.5)
Place	59.2	46.3	(12.9)
Total General Fund	**92.2**	**68.5**	**(23.7)**
Housing Revenue Account	62.8	50.8	(12.0)
Total Expenditure	**155.0**	**119.3**	**(35.7)**

Items of Interest in the Accounts

This section discusses some of the key items of interest in this years' statement of accounts.

Provisions and Contingent Liabilities

The Council's total level of provisions decreased by £1.4 million (net) over the course of the year. This was due to the use of £4.0 million of the Capitalisation Risks provision, £1.3 million use of the provision for NDR appeals and other net increases totalling £3.9 million. Total provisions at 31 March 2016 stood at £17.9 million: further details are provided in Note 3A to the Financial Statements.

Capital Expenditure

The Council once again successfully managed a large capital expenditure programme in 2015/16, resulting in additions to non-current assets of £106.8 million, along with other capital expenditure of £12.5 million. The main additions were on council dwellings (£51.0 million), mostly due to spend under the Council's Decent Homes programme, and infrastructure assets (£9.7 million), which reflects investment in the highway network. Information about non-current assets held by the Council can be found in Note 4.

Net Pensions Liability

The Council's net pension liability shows the extent to which its existing pension commitments to employees and former employees exceed the assets currently available to meet those commitments. This liability decreased by £53.7 million during 2015/16, made up of a decrease of £67.2 million in liabilities, and a decrease of £13.5 million in assets. The main reasons for the net movement were gains of £63.3 million resulting from changes in actuarial assumptions, net interest payable of £18.1 million, and other net expenditure of £8.5 million. Note 5 to the Financial Statements provides further information on employee pensions.

In practice, the value of the net pension's liability is not entirely meaningful, because pension's payments will generally not need to be made for many years, and the Pension Fund plans over long timescales as a result. Furthermore, the amount the Council has to charge to its revenue accounts is the amount of employee contributions payable for the year, and not the costs calculated under the accounting rules. It is also important to note that the calculation of the net pensions liability relies on a number of complex judgements and assumptions, variations in which can lead to significant differences in the outcome: this is discussed in Note 10D to the Financial Statements.

Borrowing Facilities and Capital Borrowing

The Council borrows to part-fund its capital expenditure programme. As a local authority, the Council can borrow funds from the Public Works Loan Board (UK Debt Management Office), which allows the Council to benefit from the relatively low cost of Government borrowing. At 31 March 2016, its total borrowing portfolio stood at £649.6 million, of which £477.8 million is owed to the Public Works Loan Board, £103.8 million to private sector lenders and £68.0 million temporary loans from other local authorities.

The Council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA) and are captured in the Council's Treasury Management Strategy which, amongst other things, includes

- Treasury limits in force which limit the treasury risk and activities of the Council
- Prudential and Treasury Indicators against which performance can be measured
- The current treasury position
- The borrowing requirement reflecting capital programme investment plans.

Through the Treasury Management Strategy and the Medium Term Financial Plan the Council can ensure that capital programme investment plans are affordable and prudent. The Treasury Management Strategy can be found here Treasury Management Strategy

The Medium Term Financial Strategy 2016/17 to 2019/20

General Fund

The Council's General Fund Medium Term Financial Strategy (MTFS) has been prepared in an environment of change and uncertainty that is unprecedented in recent years. A number of factors have combined to create a very challenging financial situation, which is expected to continue for the foreseeable future.

Economic Conditions

The UK economy has generally been performing weakly since the 'credit crunch' crisis of 2007/08, following several years of consistently high economic performance since the mid-1990s. Price inflation in the UK has also generally been high during the last few years. The main impacts of these economic conditions on the Council have included:

- A reduction in spending power;
- Lower borrowing costs, as a result of UK Government debt becoming more attractive to investors, although this has to be considered against the significant reduction in return on investments that has resulted;
- A significant reduction in income;
- An increase in demand for services.

There continues to be uncertainty about future economic conditions which serves to make medium term financial planning even more challenging for the Council.

Social and Demographic Factors

The City of Wolverhampton is amongst the most densely populated local authority areas in England with 251,557 (2013 mid-year estimate) people living in its 26.8 square miles. In addition the latest Indices of Deprivation (2015) indicate that Wolverhampton is more deprived than it was five years before (2010), a decline from the 20th most deprived to the 19th (out of 326 councils). Although it is important to note that deprivation in the city continues to be concentrated in a number of 'hot spots'.

In addition the city's demographic profile is changing, attracting new residents and increasing diversity, and as a result Wolverhampton's population is projected to increase, by about 10,300 (4.1%) between 2011 and 2021. This growth rate is below the national, regional and Black Country averages, which, therefore, suggests that if population remains a dominant factor for the distribution of Government grant then Wolverhampton will continue to receive a declining share of those resources.

The projected increase in the population and, in particular, the number of younger and older people is likely to mean that services relating to supporting families and individuals will experience increased demand and therefore cost.

Other significant local factors include relatively high levels of unemployment and the depressed state of the local housing market, both of which increase demand for council services and also the need for further investment in the city.

The Medium Term Financial Strategy

Whilst the Council's financial planning process is driven by the annual statutory budget cycle, its horizons extend to the next four financial years. The Medium Term Financial Strategy is a critical part of the Council's planning and performance framework, and is kept under continuous review. The Medium Term Financial Strategy, as approved by Full Council in March 2016, is summarised in the table below.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Net Expenditure Budget	**217.4**	**234.5**	**251.1**	**261.2**
General Funding	**(217.4)**	**(212.3)**	**(208.8)**	**(206.5)**
Cumulative Projected Deficit	**-**	**22.2**	**20.1**	**12.3**
Annual Projected Deficit	**-**	**22.2**	**42.3**	**54.6**

The Council has been able to set a balanced budget for 2016/17 without the use of general reserves however, as the table above shows, the Council forecasts that it will need to save a further £54.6 million over the next four years. These savings are in addition to £37.4 million of savings that are already planned and built into the Medium Term Financial Strategy. Further to this, the Council has already identified savings in excess of £175 million over the last six financial years. In March 2016 Cabinet approved that they would receive a report in July 2016 to provide an update on progress towards identifying savings of £22.2 million for 2017/18.

It is particularly challenging to project key assumptions over the medium term period, however, they have been adjusted based upon the information available at present and professional judgement. It is important to note that, due to external factors, budget assumptions remain subject to significant change, which could, therefore, result in alterations to the financial position facing the Council.

The Financial Plan, which can be found here Financial Plan outlines the Council's approach to tackling the financial challenges. The Council's strategic approach to address the deficit is to:

- Manage demand for core services by using early intervention to help, for example, troubled families and vulnerable adults live unsupported, independent lives;
- Investment in technology to enable transformation of services;
- Maximisation of commercialisation opportunities.

The Council does not want to simply manage decline and therefore must invest in the future through:

- Improving educational attainment and skills;
- Encouraging enterprise and business, and private sector employment and to stimulate economic activity through capital investment.

Housing Revenue Account

The Council is planning to utilise the freedoms and resources resulting from the introduction of self-financing in April 2012 to continue to develop new affordable housing in the city, with the completion of the Thompson Avenue site as well as the proposed development of the Tapworks site while continuing to maintain the existing stock to the Decent Homes standard.

An updated HRA business plan was approved in January 2016. The HRA is expected to have sufficient resources to fund £1.6 billion of capital works that will be required to its houses over the next 30 years, as well as meeting its management and maintenance obligations over the same period. In addition, savings achieved through a review of the capital programme and other changes has released resources that will enable an additional 400 new homes to be built over the next 4 years.

In terms of 2016/17, the plan included an average rent decrease of 1% in line with the requirements of the Welfare Reform and Work Bill, and a freeze in management and maintenance allowances for managing agents. The table below shows the approved budget for 2016/17, along with forecasts for the next two years.

	Budget 2016/17 £m	Forecast 2017/18 £m	Forecast 2018/19 £m
Income			
Gross Rents – Dwellings	(92.4)	(91.0)	(90.1)
Gross Rents - Non Dwellings	(0.3)	(0.4)	(0.4)
Charges to Tenants for Services and Facilities	(5.7)	(6.2)	(6.8)
Total Income	**(98.4)**	**(97.6)**	**(97.3)**
Expenditure			
Management and Maintenance	48.0	48.1	48.3
Depreciation of Long Term Assets	22.2	22.1	22.1
Net Financing Costs	13.3	14.4	16.3
Total Expenditure	**83.5**	**84.6**	**86.7**
Balance	**(14.9)**	**(13.0)**	**(10.6)**

Capital Programme

Capital expenditure is investment in the Council's property, plant, equipment and other long-life assets. It can also include investment in assets owned by other people, in certain circumstances. Capital funding has declined significantly at a national level, but nonetheless the Council has been able to put together a capital programme that includes major projects such as Decent Homes Stock Condition, Estate Remodelling, Schools Modernisation, Facilities Management and the former Sainsbury's site at St Georges Parade. The table below shows the Council's capital programme for the next five years, as approved by Full Council.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	TOTAL £m
Forecast Expenditure	**152.0**	**97.6**	**46.2**	**33.5**	**-**	**329.3**

The following table lists some of the main projects in 2016/17:

Project	Forecast Expenditure 2016/17 £m
Corporate	
Schools Modernisation, Suitability and Condition	16.0
Transformation Development Efficiency Strategy	6.1
ICT Developments	3.7
Digital Transformation	1.7
	27.5
People	
Sports Investment Strategy	1.9
Review of Children's Homes	0.5
Community Hubs	0.4
Aiming High for Disabled Children	0.1
	2.9

Project	Forecast Expenditure 2016/17 £m
Place	
Facilities Management	14.8
Former Sainsbury's site St George's Parade	13.9
Physical Regeneration	9.2
Black Country Major Schemes	7.8
Black Country Growth Deal - Cultural Programme	6.1
Capital Highways Maintenance	5.0
Remediation of Contaminated Land	3.0
Fleet Services	2.9
Corporate Asset Management	2.1
Non-Strategic Assets Disposals Programme	1.1
Street Lighting	1.0
Road Safety and Sustainability	0.6
Maintenance of non-Highway Structures	0.5
Queen Street Townscape Heritage	0.4
i54 Access & Infrastructure	0.2
Canalside Quarter	0.2
Parks Refurbishment Programme	0.2
Energy Management	0.1
Targeted Strategic Disposals Programme	0.1
	69.2
Housing Private Sector	**3.8**
Housing Revenue Account	
Decent Homes Stock Condition	21.4
Estate Remodelling	18.0
Other Stock Condition Improvements	5.8
Decent Homes Public Realm Element	0.6
Adaptations for People with Disabilities	1.0
Service Enhancements and Miscellaneous	1.5

Project	Forecast Expenditure 2016/17 £m
Other Improvements to the Public Realm	0.3
	48.6
Grand Total	**152.0**

The following table shows how the Council is planning to fund the projects listed:

Source of Funding	Forecast Expenditure 2016/17 £m
Borrowing	77.7
Reserve Funds	22.1
Grants and Contributions	35.5
Capital Receipts	16.6
Capital Expenditure Financed From the Revenue Account	0.1
Total	**152.0**

2. STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

(i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.

(ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

(iii) Approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

(i) Selected suitable accounting policies and then applied them consistently.

(ii) Made judgements and estimates that were reasonable and prudent.

(iii) Complied with the Code.

The Director of Finance has also:

(i) Kept proper accounting records which were up to date.

(ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

2. STATEMENT OF RESPONSIBILITIES

Certification of the Director of Finance

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended on the same date.

Mark Taylor

Director of Finance

30 June 2016

3. INDEPENDENT AUDITORS REPORT TO COUNCILLORS OF THE CITY OF WOLVERHAMPTON COUNCIL

TO FOLLOW

Comprehensive Income and Expenditure Statement (Council only)

2014/15					2015/16		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
103.4	(29.7)	73.7	Adult Social Care		147.3	(79.3)	68.0
61.6	(10.6)	51.0	Central Services to the Public		38.0	(19.8)	18.2
292.1	(197.3)	94.8	Education and Children's Services		264.8	(175.2)	89.6
2.5	(0.8)	1.7	Corporate and Democratic Core		5.3	(1.8)	3.5
26.0	(10.6)	15.4	Cultural and Related Services		25.5	(9.3)	16.2
27.7	(9.1)	18.6	Environment and Regulatory Services		24.0	(9.7)	14.3
9.9	(5.9)	4.0	Planning Services		10.7	(7.8)	2.9
18.6	(19.7)	(1.1)	Public Health		21.3	(19.8)	1.5
21.4	(6.6)	14.8	Highways and Transport Services		40.6	(7.3)	33.3
198.7	(220.6)	(21.9)	Housing Services		196.8	(222.2)	(25.4)
1.5	0.0	1.5	Non-Distributed Costs		(5.3)	0.1	(5.2)
763.4	**(510.9)**	**252.5**	**Total Continuing Operations Excluding Acquired Operations**		**769.0**	**(552.1)**	**216.9**
			Services Acquired				
-	-	-	Public Health		-	-	-
763.4	**(510.9)**	**252.5**	**Net Cost of Services**		**769.0**	**(552.1)**	**216.9**
12.7	-	12.7	Levies		11.9	-	11.9
1.9	-	1.9	Payments to the Housing Capital Receipts Pool		2.3	-	2.3
64.1	(16.4)	47.7	Losses/(gains) on the Disposal of Non-current Assets		63.3	(14.2)	49.1

Comprehensive Income and Expenditure Statement (Council only) (Continued)

2014/15					2015/16		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
1.7	(2.0)	(0.3)	External Trading Organisations	1B	1.9	(1.9)	-
30.2	-	30.2	Interest Payable	6C	42.9	-	42.9
19.6	-	19.6	Net Interest Expense	5	18.2	-	18.2
-	(0.3)	(0.3)	Interest Receivable	6C	-	1.2	1.2
0.9	-	0.9	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value		2.0	-	2.0
-	(0.9)	(0.9)	Other Investment Income		-	-	-
-	(73.2)	(73.2)	Council Tax		-	(79.7)	(79.7)
-	(36.3)	(36.3)	National Non-domestic Rates		-	(37.4)	(37.4)
-	(138.5)	(138.5)	Unringfenced Revenue Grants Receivable		-	(122.6)	(122.6)
-	(51.6)	(51.6)	Capital Grants Receivable		-	(3.6)	(3.6)
894.5	**(830.1)**	**64.4**	**Deficit on the Provision of Services**		**911.5**	**(810.3)**	**101.2**
-	(34.7)	(34.7)	Deficit or (surplus) on Revaluation of Non-current Assets	4	-	(2.8)	(2.8)
105.4	-	105.4	Re-measurement of the net defined benefit liability	5	-	(63.3)	(63.3)
-	0.6	-	Surplus or deficit on revaluation of available for sale financial assets		-	-	-
105.4	***(34.1)***	***71.3***	**Other Comprehensive Income and Expenditure**		**-**	***(66.1)***	***(66.1)***
999.9	**(864.2)**	**135.7**	**Total Comprehensive Income and Expenditure**		**911.5**	**(876.4)**	**35.1**

Comprehensive Income and Expenditure Statement (Group)

2014/15					2015/16		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
103.4	(29.7)	73.7	Adult Social Care		147.3	(79.3)	68.0
61.6	(10.6)	51.0	Central Services to the Public		38.0	(19.8)	18.2
292.1	(197.3)	94.8	Education and Children's Services		264.8	(175.2)	89.6
2.5	(0.8)	1.7	Corporate and Democratic Core		5.3	(1.8)	3.5
26.0	(10.6)	15.4	Cultural and Related Services		25.5	(9.3)	16.2
27.7	(9.1)	18.6	Environment and Regulatory Services		24.0	(9.7)	14.3
9.9	(5.9)	4.0	Planning Services		10.7	(7.8)	2.9
18.6	(19.7)	(1.1)	Public Health		21.3	(19.8)	1.5
21.4	(6.6)	14.8	Highways and Transport Services		40.6	(7.3)	33.3
199.4	(220.9)	(21.5)	Housing Services		291.2	(317.2)	(26.0)
1.5	0.0	1.5	Non-Distributed Costs		(5.3)	0.1	(5.2)
764.1	**(511.2)**	**252.9**	**Total Continuing Operations excluding Acquired Operations**		**863.4**	**(647.1)**	**216.3**
			Services Acquired				
-	-	-	Public Health		-	-	-
764.1	**(511.2)**	**252.9**	**Net Cost of Services**		**863.4**	**(647.1)**	**216.3**
12.7	-	12.7	Levies		11.9	-	11.9
1.9	-	1.9	Payments to the Housing Capital Receipts Pool		2.3	-	2.3
64.1	(16.4)	47.7	Losses/(gains) on the Disposal of Non-current Assets		63.3	(14.2)	49.1

Comprehensive Income and Expenditure Statement (Group) (Continued)

2014/15					2015/16		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
1.7	(2.0)	(0.3)	External Trading Organisations	1B	1.9	(1.9)	-
30.2	-	30.2	Interest Payable	6C	42.9	-	42.9
20.1	-	20.1	Net Interest Expense	5	19.2	-	19.2
-	(0.3)	(0.3)	Interest Receivable	6C	-	1.2	1.2
0.9	-	0.9	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value		2.0	-	2.0
-	(0.9)	(0.9)	Other Investment Income		-	-	-
-	(73.2)	(73.2)	Council Tax		-	(79.7)	(79.7)
-	(36.3)	(36.3)	National Non-domestic Rates		-	(37.4)	(37.4)
-	(138.5)	(138.5)	Unringfenced Revenue Grants Receivable		-	(122.6)	(122.6)
-	(51.6)	(51.6)	Capital Grants Receivable		-	(3.6)	(3.6)
895.7	**(830.4)**	**65.3**	**Deficit on the Provision of Services**		**1,006.9**	**(905.3)**	**101.6**
-	(34.7)	(34.7)	Deficit or (surplus) on Revaluation of Non-current Assets	4	-	(2.8)	(2.8)
120.6	-	120.6	Re-measurement of the net defined benefit liability	5	-	(68.1)	(68.1)
-	0.6	-	Surplus or deficit on revaluation of available for sale financial assets		-	-	-
120.6	**(34.1)**	**86.5**	**Other Comprehensive Income and Expenditure**		**-**	**(70.9)**	**(70.9)**
1,016.3	**(864.5)**	**151.8**	**Total Comprehensive Income and Expenditure**		**1,006.9**	**(976.2)**	**30.7**

Balance Sheets

31 March 2015 Council £m	31 March 2015 *Group £m*		Note	31 March 2016 Council £m	31 March 2016 *Group £m*
1,408.2	*1,408.2*	Property, Plant and Equipment	4	1,406.2	*1,406.2*
18.3	*18.3*	Investment Property	4	25.9	*25.9*
4.5	*4.5*	Intangible Assets	4	4.6	*4.6*
11.5	*11.5*	Heritage Assets	4	11.5	*11.5*
19.7	*19.7*	Non-current Investments		18.0	*18.0*
1.4	*1.4*	Non-current Receivables		1.4	*1.4*
1,463.6	***1,463.6***	**Total Non-current Assets**		**1,467.6**	***1,467.6***
24.4	*24.4*	Current Investments		43.0	*43.0*
0.5	*0.5*	Inventories		0.5	*0.5*
101.7	*100.0*	Current Receivables	2A	77.5	*86.2*
1.7	*10.0*	Cash and Cash Equivalents		2.3	*13.2*
128.3	***134.9***	**Total Current Assets**		**123.3**	***142.9***
(96.3)	*(96.3)*	Current Borrowing		(85.0)	*(85.0)*
(97.3)	*(96.8)*	Current Payables	2B	(89.6)	*(100.0)*
(19.2)	*(19.2)*	Current Provisions	3A	(17.8)	*(17.8)*
(212.8)	***(212.3)***	**Total Current Liabilities**		**(192.4)**	***(202.8)***
(509.1)	*(509.1)*	Non-current Borrowing		(578.7)	*(578.7)*
(588.6)	*(620.0)*	Net Pension Liability	5	(534.9)	*(564.2)*
(4.8)	*(4.8)*	Capital Grants Received in Advance		(5.0)	*(5.0)*
(80.1)	*(80.1)*	Other Non-current Liabilities		(118.6)	*(118.6)*
(1,182.6)	***(1,214.0)***	**Total Non-current Liabilities**		**(1,237.2)**	***(1,266.5)***
196.5	***172.2***	**Net Assets**		**161.3**	***141.2***

Balance Sheets (Continued)

31 March 2015 Council £m	31 March 2015 *Group £m*		Note	31 March 2016 Council £m	31 March 2016 *Group £m*
(10.0)	*(10.0)*	General Fund Balance	9B, 9C	(10.0)	*(10.0)*
(66.4)	*(66.4)*	General Fund Earmarked Reserves	9B, 9C	(71.9)	*(71.9)*
(5.0)	*(5.0)*	Housing Revenue Account Balance	9B, 9C	(5.0)	*(5.0)*
(5.9)	*(5.9)*	Major Repairs Reserve	9B, 9C	(0.1)	*(0.1)*
(15.3)	*(15.3)*	Capital Receipts Reserve	9B, 9C	(7.4)	*(7.4)*
(37.1)	*(37.1)*	Capital Grants Unapplied Account	9B, 9C	(2.0)	*(2.0)*
-	*24.3*	Reserves of Subsidiary	9B, 9C	-	*20.1*
(139.7)	***(115.4)***	**Total Usable Reserves**		**(96.4)**	***(76.3)***
3.4	*3.4*	Short-term Accumulating Compensated Absences Account	9B, 9C	2.0	*2.0*
(11.5)	*(11.5)*	Available-for-sale Financial Instruments Reserve	9B, 9C	(11.5)	*(11.5)*
(435.8)	*(435.8)*	Capital Adjustment Account	9B, 9C	(413.8)	*(413.8)*
3.9	*3.9*	Collection Fund Adjustment Account	9B, 9C	5.2	*5.2*
4.0	*4.0*	Financial Instruments Adjustment Account	9B, 9C	4.5	*4.5*
588.6	*588.6*	Pensions Reserve	9B, 9C	534.9	*534.9*
(209.4)	*(209.4)*	Revaluation Reserve	9B, 9C	(186.1)	*(186.1)*
(56.8)	***(56.8)***	**Total Unusable Reserves**		**(64.8)**	***(64.8)***
(196.5)	***(172.2)***	**Total Reserves**		**(161.2)**	***(141.1)***

The notes on pages 37 to 126 form part of the financial statements.

Movement in Reserves Statement – 2015/16

(For a detailed breakdown of the figures in this Statement, see Note 9B)

	General Fund Balance £m	General Fund Earmarked Reserves £m	HRA Balance £m	Major Repairs Reserve £m	Usable Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Unusable Reserves £m	TOTAL (Council) £m	*Reserves of Subsidiary £m*	*TOTAL (Group) £m*
Balance Brought Forward											
-As previously reported	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**	**(56.8)**	**(196.5)**	***24.3***	***(172.2)***
-Prior year adjustment (Refer to Note 5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-As restated	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**	**(56.8)**	**(196.5)**	**24.3**	**(172.2)**
Surplus/(Deficit) on Provision of Services	120.5	-	(19.3)	-	-	-	**101.2**	-	**101.2**	-	***101.2***
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(66.1)	**(66.1)**	*(4.8)*	***(70.9)***
Total Comprehensive Income and Expenditure	**120.5**	**-**	**(19.3)**	**-**	**-**	**-**	**101.2**	**(66.1)**	**35.1**	***(4.8)***	***30.3***
Adjustments between Accounting Basis & Funding Basis under Regulations	(126.2)	-	19.5	5.7	8.2	35.1	**(57.7)**	57.6	**(0.1)**	-	***(0.1)***
Net Decrease/(Increase) before Transfers & Other Movements	**(5.7)**	**-**	**0.2**	**5.7**	**8.2**	**35.1**	**43.5**	**(8.5)**	**35.0**	***(4.8)***	***30.2***
Transfers to/from earmarked Reserves	5.7	(5.5)	(0.2)	-	-	-	**-**	-	**-**	-	**-**
(Increase)/decrease for the Year	**0.0**	**(5.5)**	**(0.0)**	**5.7**	**8.2**	**35.1**	**43.5**	**(8.5)**	**35.0**	***(4.8)***	***30.2***
Balance Carried Forward	**(10.0)**	**(71.9)**	**(5.0)**	**(0.2)**	**(7.1)**	**(2.0)**	**(96.2)**	**(65.3)**	**(161.5)**	**19.5**	**(142.0)**

Movement in Reserves Statement – 2014/15

	General Fund Balance £m	General Fund Earmarked Reserves £m	HRA Balance £m	Major Repairs Reserve £m	Usable Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Unusable Reserves £m	TOTAL (Council) £m	*Reserves of Subsidiary £m*	*TOTAL (Group) £m*
Balance Brought Forward											
-As previously reported	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**	**(254.8)**	**(387.3)**	***8.2***	***(379.1)***
-Prior year adjustment (Refer to Note 5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55.1**	**55.1**	**-**	***55.1***
As restated	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**	**(199.7)**	**(332.2)**	**8.2**	**(324.0)**
(Surplus)/Deficit on Provision of Services	89.3	-	(24.9)	-	-	-	**64.4**	-	**64.4**	*0.9*	***65.3***
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	71.3	**71.3**	*15.2*	***86.5***
Total Comprehensive Income and Expenditure	**89.3**	**-**	**(24.9)**	**-**	**-**	**-**	**64.4**	**71.3**	**135.7**	***16.1***	***151.8***
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 10B)	(95.1)	-	24.9	7.3	(5.7)	(3.0)	**(71.6)**	71.6	**-**	-	**-**
Net Increase/Decrease before Transfers & Other Movements	**(5.8)**	**-**	**-**	**7.3**	**(5.7)**	**(3.0)**	**(7.2)**	**142.9**	**135.7**	***16.1***	***151.8***
Transfers from/to other Reserves (Note 10C)	22.8	(22.8)	-	-	-	-	**-**	-	**-**	-	**-**
Decrease/(Increase) for the Year	**17.0**	**(22.8)**	**-**	**7.3**	**(5.7)**	**(3.0)**	**(7.2)**	**142.9**	**135.7**	***16.1***	***151.8***
Balance Carried Forward	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**	**(56.8)**	**(196.5)**	**24.3**	**(172.2)**

Cash Flow Statement

2014/15 Council £m	2014/15 *Group £m*		Note	2015/16 Council £m	2015/16 *Group £m*
64.4	*65.3*	Net deficit on the provision of services		101.2	*101.6*
(163.3)	*(161.4)*	Adjust for non-cash movements		(195.6)	*(198.7)*
16.4	*16.4*	Adjust for items that are investing and financing activities		14.2	*14.2*
(82.5)	***(79.7)***	**Net cash flows from operating activities**		**(80.2)**	***(82.9)***
		Comprising:			
30.2	*30.3*	Interest paid	6C	42.9	*42.9*
(0.3)	*(0.9)*	Interest received	6C	(0.2)	*(1.2)*
(0.9)	*(0.9)*	Dividends received		(1.0)	*(1.0)*
(111.5)	*(108.2)*	Other operating activities		(121.9)	*(123.6)*
(82.5)	***(79.7)***	**Net cash flows from operating activities**		**(80.2)**	***(82.9)***
		Investing activities			
103.3	*103.3*	Purchase of property, plant and equipment, investment property and intangible assets	4	135.2	*135.2*
493.4	*493.4*	Purchase of short-term and long-term investments		548.2	*548.2*
(16.4)	*(16.4)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(14.2)	*(14.2)*
(479.7)	*(479.7)*	Other receipts from investing activities		(531.5)	*(531.5)*
100.6	***100.6***	**Net cash flows from investing activities**		**137.7**	***137.7***

Cash Flow Statement (continued)

2014/15 Council £m	2014/15 *Group £m*		Note	2015/16 Council £m	2015/16 *Group £m*
		Financing activities			
(68.3)	*(68.3)*	Cash receipts of short- and long-term borrowing		(128.2)	*(128.2)*
3.1	*3.1*	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		-	-
43.9	*43.9*	Repayments of short-and long-term borrowing		70.1	*70.1*
(21.3)	***(21.3)***	**Net cash flows from total financing activities**		**(58.1)**	***(58.1)***
(3.2)	***(0.4)***	**Net (increase) or decrease in cash and cash equivalents**		**(0.6)**	***(3.3)***
		Cash and cash equivalents at the start of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
3.9	*15.0*	- Bank current accounts		1.5	*9.8*
4.1	***15.2***			**1.7**	***10.0***
		Cash and cash equivalents at the end of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
1.5	*9.8*	- Bank current accounts		2.1	*13.0*
1.7	***10.0***			**2.3**	***13.2***

Note 1 – Income and Expenditure

1A - Acquired and Discontinued Operations

The Council has not acquired or discontinued any operations during the year under review.

1B – Trading Operations

2014/15			2015/16	
Turnover £m	Deficit/ (Surplus) £m	Operation	Turnover £m	Deficit/ (Surplus) £m
(2.1)	(0.3)	Markets	(2.0)	(0.5)
(4.1)	-	Cleaning of Buildings	(4.2)	0.5
(0.1)	-	Leisure Centres	-	-
(5.3)	-	Ground Maintenance	(5.4)	0.3
(0.1)	-	Street Cleaning	(0.1)	1.9
(7.9)	-	Schools and Welfare Catering	(7.9)	(0.8)
(0.3)	-	Civic Centre and Other Catering	(0.3)	-
(5.6)	-	Transport Services	(4.9)	(2.3)
(0.2)	-	Former DSO Depots	-	-
(25.7)	**(0.3)**	**Total**	**(24.6)**	**(0.9)**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. Street Cleaning), whilst others are support services to the Council's services to the public (e.g. Schools and Welfare Catering). The expenditure of these operations is allocated or recharged to headings within the Net Cost of Services. Expenditure and income attributable to the external element of trading operations are disclosed on the face of the Comprehensive Income and Expenditure Statement.

The deficits/ (surpluses) shown in the table above are generated from the Council's external trading operations and are therefore not apportioned at year end.

1C – Pooled Budgets

The Council takes part in two pooled budget schemes with Wolverhampton Clinical Commissioning Group (CCG). The table below provides a summary, with the administering body's name in brackets.

2014/15 Council Contribution £m	2014/15 CCG Contribution £m	2014/15 Total Expenditure £m	Scheme	2015/16 Council Contribution £m	2015/16 CCG Contribution £m	2015/16 Total Expenditure £m
2.4	1.6	4.0	Child Placements with External Agencies (Council) - An integrated service to provide placements for children with social care, education and health needs	2.5	1.6	4.1
-	-	-	Better Care Fund (Council) - A single pooled budget with the CCG to provide an integrated and sustainable health and social care service with the City	19.9	53.5	73.4

1D – Councillors' Allowances

The Council paid £909,000 in Councillors' allowances during 2015/16 (2014/15: £927,000).

1E – Senior Officers' Remuneration

The following table sets out the remuneration disclosures for Senior Officers for the first full 12 month period 1 April 2015 to 31 March 2016 (with reference to notes where applicable) under the new organisational structure, implemented on 1 January 2015. The 2014/15 comparative remuneration disclosures in the table are for the three month period 1 January 2015 to 31 March 2015, with the equivalent annualised salary being referred to in the notes.

Post Title		Salary, Fees and Allowances	Contractor Costs	Expenses Allowances	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£
Managing Director (Head of Paid Service)[2]	**2015/16**	**140,000**	**-**	**-**	**30,100**	**170,100**
	2014/15[1]	35,000	-	-	7,140	42,140
Strategic Director of People - Interim[3]	**2015/16**	**-**	**237,956**	**-**	**-**	**237,956**
	2014/15[1]	-	62,586	-	-	62,586
Strategic Director of Place[4]	**2015/16**	**130,000**	**-**	**-**	**27,950**	**157,950**
	2014/15[1]	32,500	-	-	6,630	39,130
Strategic Director of Pensions[5 & 6]	**2015/16**	**130,000**	**-**	**-**	**27,950**	**157,950**
	2014/15[1]	32,500	-	-	6,630	39,130
Strategic Director of Housing[7]	**2015/16**	**34,075**	**-**	**-**	**5,077**	**39,152**
	2014/15[1]	-	-	-	-	-
Director of Finance (Section 151 Officer)[8]	**2015/16**	**100,000**	**-**	**-**	**21,500**	**121,500**
	2014/15[1]	25,000	-	-	5,100	30,100

Post Title		Salary, Fees and Allowances	Contractor Costs	Expenses Allowances	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£
Director of Governance (Monitoring Officer)[9]	**2015/16**	**103,350**	**-**	**-**	**22,220**	**125,570**
	2014/15[1]	25,838	-	-	5,271	31,109
Director of Education - Interim[10]	**2015/16**	**-**	**98,440**	**-**	**-**	**98,440**
Director of Education[11]	**2015/16**	**60,288**	**-**	**-**	**1,852**	**62,140**
Director of Education	2014/15[1]	25,838	-	-	5,271	31,109
Service Director Children and Young People[12]	**2015/16**	**86,993**	**-**	**-**	**18,704**	**105,697**
	2014/15[1]	21,748	-	-	4,437	26,185
Service Director Older People[13]	**2015/16**	**91,317**	**-**	**-**	**19,633**	**110,950**
	2014/15[1]	22,829	-	-	4,657	27,486
Service Director Disability and Mental Health[14]	**2015/16**	**88,446**	**-**	**-**	**19,016**	**107,462**
	2014/15[1]	22,112	-	-	4,511	26,623
Service Director Public Health and Well-Being[15]	**2015/16**	**93,944**	**-**	**963**	**13,434**	**108,341**
	2014/15[1]	23,486	-	241	3,288	27,015
Service Director City Assets[16]	**2015/16**	**96,390**	**-**	**-**	**20,724**	**117,114**
	2014/15[1]	22,829	-	-	4,657	27,486
Service Director City Economy[17]	**2015/16**	**88,446**	**-**	**-**	**19,016**	**107,462**
	2014/15[1]	22,112	-	-	4,511	26,623

Post Title		Salary, Fees and Allowances	Contractor Costs	Expenses Allowances	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£
Service Director City Environment[18]	**2015/16**	**898**	**-**	**-**	**193**	**1,091**
Service Director City Environment - Interim[19]	**2015/16**	**-**	**155,088**	**-**	**-**	**155,088**
Service Director City Environment - Interim	2014/15[1]	-	36,529	-	-	36,529
Assistant Director Investments[5 & 20]	**2015/16**	**86,993**	**-**	**-**	**18,704**	**105,697**
	2014/15[1]	21,748	-	-	4,437	26,185
Assistant Director Actuarial and Pensions[5 & 21]	**2015/16**	**60,053**	**-**	**-**	**12,911**	**72,964**
	2014/15[1]	-	-	-	-	-
Chief Accountant[22]	**2015/16**	**65,025**	**-**	**-**	**13,980**	**79,005**
	2014/15[1]	16,256	-	-	3,316	19,572
Head of Communications[23]	**2015/16**	**56,057**	**-**	**-**	**12,052**	**68,109**
	2014/15[1]	12,845	-	-	2,582	15,426
Head of Customer Services[24]	**2015/16**	**57,607**	**-**	**-**	**12,385**	**69,992**
	2014/15[1]	12,440	-	-	2,643	15,084
Head of ICT[25]	**2015/16**	**61,540**	**-**	**-**	**13,231**	**74,771**
	2014/15[1]	14,920	-	-	3,039	17,959
Head of Transformation[26]	**2015/16**	**52,194**	**-**	**-**	**12,777**	**64,971**
Head of Transformation - Interim[26]	**2015/16**	**-**	**78,172**	**-**	**-**	**78,172**
	2014/15[1]	13,356	-	-	2,720	16,076

Note 1: The City of Wolverhampton Council underwent an organisational restructure during 2014/15, implemented on 1 January 2015. The comparative remuneration disclosures for Senior Officers for 2014/15 are for the three month period 1 January 2015 to 31 March 2015 under the new organisational structure.

Note 2: Between April 2015 and March 2016 pay costs of £20,650, included in the table against the Managing Director, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund. The post of Managing Director had an annualised salary of £140,000 during 2014/15.

Note 3: The post of Strategic Director People has been held on an interim basis since 1 January 2015. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 4: The Strategic Director Place post holder had an annualised salary of £130,000 during 2014/15.

Note 5: The pay costs of these officers were fully funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 6: The Strategic Director Pensions post holder had an annualised salary of £130,000 during 2014/15.

Note 7: The Chief Executive of Wolverhampton Homes also holds the City of Wolverhampton Council post of Strategic Director Housing which was created on 1 October 2015. The Strategic Director Housing is formally employed by Wolverhampton Homes and 50% of the pay costs are recharged to the City of Wolverhampton Council (£136,300 of which the Council's annualised share for 2015/16 is £68,150).

Note 8: Between April 2015 and March 2016 pay costs of £12,090, included in the table against the Director of Finance, were funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council. The Director of Finance post was assimilated from the post of Assistant Director Finance on 1 January 2015 and had an annualised salary of £100,000 during 2014/15.

Note 9: Between April 2015 and March 2016 pay costs of £12,460, included in the table against the Director of Governance, were funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council. The post of Director of Governance had an annualised salary of £103,350 during 2014/15.

Note 10: The post of Director of Education has been held on an interim basis since 1 October 2015. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 11: The post of Director of Education became vacant on 31 October 2015 and had an annualised salary of £103,350 for 2015/16 and 2014/15.

Note 12: The Service Director Children and Young People post holder had an annualised salary of £86,993 during 2014/15.

Note 13: The Service Director Older People post holder had an annualised salary of £91,317 during 2014/15.

Note 14: The Service Director Disability and Mental Health post holder had an annualised salary of £88,446 during 2014/15.

Note 15: The Service Director Public Health and Well-Being post holder had an annualised salary of £93,944 during 2014/15.

Note 16: The Service Director City Assets post holder had an annualised salary of £91,317 during 2014/15.

Note 17: The Service Director City Economy post holder had an annualised salary of £88,446 during 2014/15.

Note 18: The Service Director City Environment post holder has been on a permanent basis since 28 March 2016 with an annualised salary of

£80,070.

Note 19: The post of Service Director City Environment was held on an interim basis between 1 January 2015 and 27 March 2016. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 20: The Assistant Director Investments post holder had an annualised salary of £85,713 during 2014/15.

Note 21: The Assistant Director Actuarial and Pensions took up position on 1 July 2015 and had an annualised salary of £80,070 during 2015/16.

Note 22: The Chief Accountant post holder had an annualised salary of £65,025 during 2014/15.

Note 23: The Head of Communications post holder is required to report directly to the head of the authority's paid service, The Managing Director. The post holder had an annualised salary of £50,618 during 2014/15.

Note 24: The Head of Customer Services post holder is required to report directly to the head of the authority's paid service, the Managing Director. The post holder had an annualised salary of £49,662 during 2014/15.

Note 25: The Head of ICT post holder is required to report directly to the head of the authority's paid service, the Managing Director. The post holder had an annualised salary of £59,580 during 2014/15.

Note 26: The Head of Transformation post holder is required to report directly to the head of the authority's paid service, the Managing Director. The post holder had a salary of £52,194 (net of statutory maternity pay) in 2015/16 and an annualised salary of £53,324 during 2014/15. The post of Head of Transformation has been held on an interim basis to cover maternity leave since 7 October 2015. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

The following table sets out the remuneration disclosures for Senior Officers for the nine month period 1 April 2014 to 31 December 2014, with the equivalent annualised salary being referred to in the notes under the old organisational structure, which ceased on 31 December 2014. The structure was based upon Office of the Chief Executive, Delivery, Community and Enterprise and Education and was replaced by Corporate, People and Place.

Post Title / Name		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Employers' Pension Contribution £	Total Remuneration £
Chief Executive, Simon Warren [1]	2014/15	79,062	-	-	16,129	95,191
Strategic Director Delivery [2]	2014/15	97,500	-	-	19,890	117,390
Strategic Director Community [3]	2014/15	105,242	-	-	21,469	126,711
Strategic Director Education and Enterprise [4]	2014/15	97,500	-	-	19,890	117,390
Director of Pensions [5 & 6]	2014/15	97,500	-	-	19,890	117,390
Assistant Director Finance (Section 151 Officer) [7]	2014/15	63,965	-	-	13,049	77,014
Assistant Director Education and Enterprise - Interim [8]	2014/15	-	93,456	-	-	93,456
Assistant Director Children, Young People and Families [9]	2014/15	64,494	-	-	13,157	77,651
	2014/15	7,461	-	-	1,522	8,983
Assistant Director Older People and Personalisation [10]	2014/15	67,145	-	-	13,697	80,842
Assistant Director Health, Wellbeing and Disabilities [11]	2014/15	65,034	-	-	13,267	78,301
Director of Public Health [12]	2014/15	67,230	-	722	9,412	77,364

Post Title / Name		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Employers' Pension Contribution £	Total Remuneration £
Assistant Director Regeneration [13]	2014/15	67,145	-	-	13,697	80,842
Assistant Director Partnership, Economy and Culture [14]	2014/15	65,034	-	-	13,267	78,301
Assistant Director Central Services [15]	2014/15	65,034	-	-	13,267	78,301
Assistant Director Investments [5 & 16]	2014/15	63,965	-	5,800	13,049	82,814
Assistant Director Business Change [17]	2014/15	63,000	-	-	12,852	75,852
Chief Human Resources Officer [18]	2014/15	49,825	-	-	10,107	59,932
Chief Legal Officer - Interim [19]	2014/15	-	92,837	-	-	92,837
Chief Accountant - Interim [20]	2014/15	-	89,955	-	-	89,955

Note 1: The post of Chief Executive was deleted on 1 October 2014 and had an annualised salary of £158,124. Between April to September 2014 pay costs of £11,580, included in the table, were funded from West Midlands Pension Fund and not from the City of Wolverhampton Council General Fund.

Note 2: The post of Strategic Director Delivery was deleted on 31 December 2014 and had an annualised salary of £130,000. Between October to December 2014 pay cost of £4,750, included in the table, were funded from West Midlands Pension Fund and not from the City of Wolverhampton Council General Fund.

Note 3: The post of Strategic Director Community became vacant on 31 December 2014 and had an annualised salary of £131,818. The post was renamed Strategic Director of People from 1 January 2015.

Note 4: The post of Strategic Director Education and Enterprise had an annualised salary of £130,000. The post was renamed Strategic Director of Place from 1 January 2015.

Note 5: The pay costs of these officers are funded from West Midlands Pension Fund and not by the City of Wolverhampton Council.

Note 6: The post of Director of Pensions (West Midlands Pension Fund) had an annualised salary of £130,000.

Note 7: The Assistant Director Finance post holder was assimilated into the post of Director of Finance on 1 January 2015 and had an annualised salary of £85,287. Between April and December 2014 pay costs of £7,650, included in the table, were funded from West Midlands Pension Fund and not from the City of Wolverhampton Council General Fund.

Note 8: The post of Assistant Director Education and Enterprise was held on an interim basis to 31 December 2014. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder. The post was renamed Director of Education from 1 January 2015.

Note 9: The post of Assistant Director Children, Young People and Families had an annualised salary of £89,526 and was held by two individuals during the year. The post was renamed Service Director Children and Young People from 1 January 2015.

Note 10: The post of Assistant Director Older People and Personalisation had an annualised salary of £89,526. The post was renamed Service Director Older People from 1 January 2015.

Note 11: The post of Assistant Director Health, Wellbeing and Disabilities had an annualised salary of £86,712. The post was renamed Service Director Disability and Mental Health from 1 January 2015.

Note 12: The post of Director of Public Health had an annualised salary of £89,640. The post was renamed Service Director Public Health and Well-Being from 1 January 2015.

Note 13: The post of Assistant Director Regeneration had an annualised salary of £89,526. The post was renamed Service Director City Assets from 1 January 2015.

Note 14: The post of Assistant Director Partnership, Economy and Culture had an annualised salary of £86,712. The post was renamed Service Director City Economy from 1 January 2015.

Note 15: The post of Assistant Director Central Services became vacant on 31 December 2014 and had an annualised salary of £86,712. The post was renamed Service Director City Environment from 1 January 2015.

Note 16: The post of Assistant Director Investments had a salary payable for the year of £85,713 and was paid a Relocation Allowance of £5,800 during 2014/15.

Note 17: The post of Assistant Director Business Change became vacant on 30 November 2014 and was deleted. The post had an annualised salary of £94,500.

Note 18: The post of Chief Human Resources Officer became vacant on 31 December 2014 and was deleted. The post had an annualised salary of £66,062.

Note 19: The post of Chief Legal Officer became vacant on 31 December 2014 and was deleted. The post was held on an interim basis. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder. Between April to December 2014 pay costs of £6,530 included in the table, were funded from West Midlands Pension Fund and not from the City of Wolverhampton Council General Fund.

Note 20: The post of Chief Accountant was held on an interim basis during 2014/15 to 31 December 2014. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

The following table shows the number of other employees whose remuneration for the year (excluding employers' pension contributions) exceeded £50,000.

	2015/16				
	Number of Employees				
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees In Band	Employees Receiving Termination Packages (included in total)
£50,000 - £54,999	44	5	33	82	5
£55,000 - £59,999	25	3	19	47	2
£60,000 - £64,999	27	1	21	49	3
£65,000 - £69,999	9	-	5	14	5
£70,000 - £74,999	7	-	3	10	3
£75,000 - £79,999	5	-	1	6	-
£80,000 - £84,999	6	-	-	6	-
£85,000 - £89,999	-	-	-	-	-
£90,000 - £94,999	1	-	-	1	-
£95,000 - £99,999	1	-	-	1	-
£100,000 - £104,999	1	-	-	1	-
£105,000 - £109,999	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-
£130,000 - £134,999	-	-	1	1	1
Total	**126**	**9**	**83**	**218**	**19**

	2014/15				
	Number of Employees				
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees In Band	Employees Receiving Termination Packages (included in total)
£50,000 - £54,999	50	1	36	87	6
£55,000 - £59,999	30	-	18	48	5
£60,000 - £64,999	26	-	9	35	4
£65,000 - £69,999	12	-	1	13	1
£70,000 - £74,999	8	-	3	11	2
£75,000 - £79,999	7	-	1	8	1
£80,000 - £84,999	1	-	1	2	1
£85,000 - £89,999	2	-	-	2	-
£90,000 - £94,999	2	-	1	3	1
£95,000 - £99,999	1	-	-	1	-
£100,000 - £104,999	1	-	-	1	1
£105,000 - £109,999	-	-	-	-	-
£110,000 - £114,999	1	-	-	1	-
£115,000 - £119,999	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-
Total	**141**	**1**	**70**	**212**	**22**

1F – Exit Packages

The following table provides information about exit packages payable by the Council during the year. This includes both schools and the Pension Fund.

2014/15						Value of Individual Package	2015/16					
Compulsory		Other		Total			Compulsory		Other		Total	
No.	£m	No.	£m	No.	£m		No.	£m	No.	£m	No.	£m
-	-	1	0.3	1	0.3	£300,001 to £350,000	-	-	-	-	-	-
-	-	-	-	-	-	£250,001 to £300,000	-	-	-	-	-	-
1	0.2	-	-	1	0.2	£200,001 to £250,000	-	-	-	-	-	-
-	-	1	0.2	1	0.2	£150,001 to £200,000	-	-	2	0.4	2	0.4
-	-	12	1.4	12	1.4	£100,001 to £150,000	2	0.2	5	0.6	7	0.8
-	-	5	0.5	5	0.5	£80,001 to £100,000	-	-	1	0.1	1	0.1
3	0.2	8	0.6	11	0.8	£60,001 to £80,000	1	0.1	8	0.5	9	0.6
3	0.2	42	2.1	45	2.3	£40,001 to £60,000	6	0.3	15	0.8	21	1.1
5	0.2	56	1.6	61	1.8	£20,001 to £40,000	13	0.3	60	1.6	73	1.9
146	0.8	299	2.5	445	3.3	Less than £20,000	104	0.7	444	2.9	548	3.6
158	**1.6**	**424**	**9.2**	**582**	**10.8**	**Total**	**126**	**1.6**	**535**	**6.9**	**661**	**8.5**

1G – Amounts Payable to the Auditors

The table below shows amounts payable to the Council's external auditors during the year.

2014/15 £m		2015/16 £m
	Audit Commission – statutory inspections:	
(0.026)	- Rebates for arrangements relating to the abolition of the Audit Commission (*)	-
(0.026)	**Sub Total Audit Commission**	**-**
	Grant Thornton UK LLP	
0.253	- External audit (Council)	0.213
	PricewaterhouseCoopers LLP	
0.041	- Certification of grant claims and returns	-
0.109	- Additional work (**)	0.256
0.403	**Sub Total Grant Thornton UK LLP/PricewaterhouseCoopers LLP**	**0.469**
0.377	**TOTAL**	**0.469**

* The rebates of £26,000 in 2014/15 were intended to smooth any financial impact of the abolition of the Audit Commission on local authorities. There was no rebate in 2015/16.

** With effect from 1 October 2015 Grant Thornton UK LLP were appointed as auditors replacing PricewaterhouseCoopers LLP. The fees payable to PricewaterhouseCoopers LLP for additional work in 2015/16 represent fees paid in the period to 31 October 2015 while they were auditors and relate to £208,000 Combined Authority work, Delayed Transfer of Care Project £26,000, risk based work £8,000, tax advisory service £2,000 and Teachers Pensions return assurance work £12,000. The fees to PricewaterhouseCoopers LLP in 2014/15 for additional work relate to £57,000 risk based work, £24,000 Future Works review, £20,000 overpaid landfill tax claim and £8,000 teachers' pension return 2013/14.

1H – Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a restricted range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Over and underspends on the two elements are required to be accounted for separately. The table below shows how the Council applied its DSG.

Central Expenditure £m	2014/15 Individual Schools Budget £m	Total £m		Central Expenditure £m	2015/16 Individual Schools Budget £m	Total £m
(12.3)	(186.9)	(199.2)	Final DSG for the year before academy recoupment	(12.4)	(124.2)	(136.6)
-	45.8	45.8	Academy figure recouped	-	-	-
(12.3)	**(141.1)**	**(153.4)**	**Total DSG after academy recoupment for the year**	**(12.4)**	**(124.2)**	**(136.6)**
0.2	0.6	0.8	Brought forward from previous year	0.4	0.7	1.1
1.3	-	1.3	Carry-forward to following year agreed in advance	0.1	-	0.1
(10.8)	**(140.5)**	**(151.3)**	**Agreed initial budgeted distribution in the year**	**(11.9)**	**(123.5)**	**(135.4)**
(10.8)	**(140.5)**	**(151.3)**	**Final budgeted distribution for the year**	**(11.9)**	**(123.5)**	**(135.4)**
11.2	-	11.2	Less actual central expenditure	13.9	-	13.9
-	141.2	141.2	Less actual ISB deployed to schools	-	123.5	123.5
0.4	**0.7**	**1.1**	**Overspend carried forward to following year**	**2.0**	**-**	**2.0**

Note 1I – Exceptional Items

There were no new exceptional items of expense or income in 2015/16.

Note 1J – Events after the Reporting Period

There have been no significant events after the reporting period for 2015/16.

Note 2 – Current Receivables and Payables

The tables below show amounts owed to the Council (receivables), and amounts owed by the Council (payables) at the end of the year, split by type of organisation.

2A – Current Receivables

31 March 2015			31 March 2016	
Council £m	*Group £m*	Type of organisation	Council £m	*Group £m*
2.6	*2.6*	Central government bodies	4.9	*4.9*
1.0	*1.0*	Other local authorities	1.2	*1.2*
8.3	*8.3*	NHS bodies	9.1	*9.1*
89.8	*88.1*	Bodies external to general government	62.3	*71.0*
101.7	***100.0***	**Total**	**77.5**	***86.2***

2B – Current Payables

31 March 2015			31 March 2016	
Council £m	*Group £m*	Type of organisation	Council £m	*Group £m*
(11.3)	*(13.1)*	Central government bodies	(4.1)	*(5.5)*
(0.8)	*(0.8)*	Other local authorities	(3.3)	*(3.3)*
(0.2)	*(0.2)*	NHS bodies	(2.9)	*(2.9)*
(85.0)	*(82.7)*	Bodies external to general government	(79.3)	*(88.3)*
(97.3)	***(96.8)***	**Total**	**(89.6)**	***(100.0)***

Note 3 – Provisions and Contingent Liabilities

3A – Provisions

Balance at 31 March 2015 £m	Provision Name	Provision Details	Amounts Used in 2015/16 £m	Provisions Made in 2015/16 £m	Balance at 31 March 2016 £m
(12.4)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. It is currently uncertain when payments might need to be made, and the value of any such payments.	4.0	-	(8.4)
(2.3)	Insurance	The Council self-insures risks to property and assets up to a total aggregate limit of £1.0 million and its liability exposures up to a limit of £250,000 on any one occurrence above which limits the external insurance cover operates. The insurance provision of £2.3 million is in respect of the outstanding claims under the self-insurance programme covering the current and past years.	-	-	(2.3)
(0.2)	Termination Benefits	During 2015/16, the Council undertook a further voluntary redundancy exercise. As a result of this initiative, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at the end of the year.	0.2	(0.7)	(0.7)
(0.2)	Midlands Housing Consortium (MHC)	MHC was previously a member of the West Midlands Pension Fund. It paid a lump sum to the Council to support pension payments to fund members. This provision will reduce gradually over time as pension payments are made.	-	-	(0.2)
(0.1)	Housing Revenue Account	There are three separate provisions: for legal disrepair claims, for tenant management organisation expenditure and for rent bonds.	-	-	(0.1)
(4.0)	Outstanding NNDR appeals	The Collection Fund account requires a provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2016.	1.3	(3.4)	(6.1)

Balance at 31 March 2015 £m	Provision Name	Provision Details	Amounts Used in 2015/16 £m	Provisions Made in 2015/16 £m	Balance at 31 March 2016 £m
(0.1)	Other	These are small amounts relating to ex-members of the pension fund and refunds of aftercare payments made by residents subsequently falling within Section 117 of the Mental Health Act 1983 and from whom charges are not due.	-	-	(0.1)
(19.3)	**Total**		**5.5**	**(4.1)**	**(17.9)**

3B – Contingent Liabilities

At 31 March 2016, the Council had the following contingent liabilities:

- The Council entered into a waste disposal contract on 8 February 1996. Under the contract, the waste disposal contractor has constructed a waste energy plant at an estimated cost of £26.6 million and the plant became operational in February 1998. If the contract is terminated by the Council for any reason, the Council becomes liable to pay to the contractor a sum, (the termination sum), equal to 90% of £26.6 million, written down to zero on a straight line depreciation basis over 25 years commencing from the date the plant became operational. The unexpired value of the termination sum at 31 March 2016 is £7.1 million (31 March 2015 - £8.1 million).

- A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £8.4 million (31 March 2015: £12.4 million). The potential costs of any further cases not addressed by this provision cannot be reliably quantified at this stage.

- There are a number of instances where the Council has acquired title to assets of land and buildings due to the use of compulsory purchase orders or an interest in land and buildings subject to blight notices. In these situations there has been no transfer of economic benefits due to difficulties in either establishing the original owner or in reaching an agreement to the level of compensation to be transferred. The existence of a recognisable liability can only be confirmed at the point that the owner comes forward to claim reimbursement or the formal acknowledgment of blight has been established. The total value of these cases as at 31 March 2016 is estimated at £0.9 million (31 March 2015: £0.4 million).

- During 2015/16, the Council undertook a further voluntary redundancy exercise. There were a number of applications for voluntary redundancy that were approved prior to the balance sheet date for payment during 2016/17 for which a provision of £0.7 million (31 March 2015: £0.2 million) has been raised. There are, however, a number of applications for voluntary redundancy in progress which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.

- Advantage West Midlands (AWM) arranged for the land at i54 to be remediated in 2004 and any contamination found at that time was removed from the site. At the time of purchasing part of the land at i54 from Seven Trent Water, AWM (now succeeded by the Housing and Community Agency (HCA)) agreed to indemnify Severn Trent against any future contamination claims from third parties. When Staffordshire County Council purchased the land at i54 from the HCA, Staffordshire County Council was required to agree to the same indemnity relating to the former Severn Trent land. Under the Joint Venture Agreement relating to i54, City of Wolverhampton Council would be required to fund 50% of any liability arising from this indemnity, subject to a cap of £2.0 million.

- A further, separate contingent liability exists with respect to infrastructure works at the i54 development. Staffordshire County Council have provided a comprehensive warranty to Jaguar Cars Limited in respect of the design element for earthworks to plots. Under the Joint Venture Agreement relating to i54, the City of Wolverhampton would be required to fund 50% of any liability arising from this warranty, subject to a cap of £2.5 million.

- The Council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the Council may be subject to claw back of both previous and future paid claims. A payment of £305,239 was made in 2013/14 based on a 15% levy applied to the total value of claims paid at that point and a further payment is anticipated. If the levy increased to 26% the clawback is estimated to be approximately £300,000.

- In November 2014 the Employee Appeal Tribunal ruled that non-guaranteed overtime should be taken into account when calculating the amount due to employees in respect of holiday pay and that backdated claims can be made. As a result there is a contingent liability for any potential claims from Council employees that may arise. There is a possibility that an appeal may be made against this ruling and there is a lack of clarity with regard to the basis of any potential claims and the period to be backdated. In view of this and the lack of current data available the Council is unable to estimate the likely financial impact of any claims that may arise.

Contingent Assets

- There is a future payment to be paid under the Council's well-being powers, which has arisen as a result of investigations into contamination of the site previously occupied by Courtaulds upon which there now stands a mix of private and social housing. The technical investigations into the land contamination affecting 84 properties are now complete. The Council is in the process of assigning liabilities with a view to requiring those responsible to address the contamination. This, however, is a complex and lengthy legal process with a high likelihood of challenge from any of the parties considered by the Council to be responsible. The ability of the Council to progress remediation is directly linked to the legal framework in place.

Note 4 – Non-Current Assets

The following tables analyse movements in the carrying values of non-current assets during the current and prior year.

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Total £m
Gross Value											
At 31 March 2015											
-As previously reported	**1,267.7**	**756.2**	**77.6**	**286.7**	**21.1**	**48.9**	**-**	**20.9**	**6.8**	**11.5**	**2,497.4**
Additions	50.4	76.7	0.7	(3.8)	0.5	2.2		7.1	1.4	-	**135.2**
Classified as Held for Sale											**-**
Disposals	(8.2)	(53.6)	(0.1)	-	-	(8.8)	-	-		-	**(70.7)**
-Recognised in revaluation reserve		2.0	-			(0.2)		(4.2)			**(2.4)**
-Recognised in surplus/(deficit) on provision of services		(6.3)	-			0.5		4.6			**(1.2)**
Other Changes - Gross Value	-	(0.1)	-	-	-	-	-	0.1	-	-	**-**
Gross Value as at 31 March 2016	**1,309.9**	**774.9**	**78.2**	**282.9**	**21.6**	**42.6**	**-**	**28.5**	**8.2**	**11.5**	**2,558.3**
Accumulated Depreciation / Impairment											
At 31 March 2015											
-As previously reported	**613.1**	**202.7**	**62.5**	**144.7**	**7.0**	**20.0**	**-**	**2.6**	**2.3**	**-**	**1,054.9**
Disposals	(2.0)	(4.4)	-	-	-	(0.7)	-	-	-	-	**(7.1)**
Depreciation/Impairment Writeback on Revaluation	21.8	24.7	4.8	7.4	-	0.7	-	-	1.2	-	**60.6**
-Recognised in the Surpuls/Deficit on the Provision of Services		1.1	-								**1.1**
31 March 2016	**632.9**	**224.1**	**67.3**	**152.1**	**7.0**	**20.0**	**-**	**2.6**	**3.5**	**-**	**1,109.5**
Net Book Value As at 31 March 2016	**677.0**	**550.8**	**10.9**	**130.8**	**14.6**	**22.6**	**-**	**25.9**	**4.7**	**11.5**	**1,448.8**
Net Book Value As at 31 March 2015	**654.6**	**553.5**	**15.1**	**142.0**	**14.1**	**28.9**	**-**	**18.3**	**4.5**	**11.5**	**1,442.5**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Investment Properties	Intangible Assets	Heritage Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Value										
At 31 March 2014										
-As previously reported	**1,297.9**	**779.4**	**71.9**	**262.8**	**20.8**	**49.5**	**18.9**	**5.7**	**11.5**	**2,518.4**
-Prior year adjustment	(78.4)	19.3	-	-	-	-	-	-	-	(59.1)
-As Restated	**1,219.5**	**798.7**	**71.9**	**262.8**	**20.8**	**49.5**	**18.9**	**5.7**	**11.5**	**2,459.3**
Additions	56.5	12.2	5.8	23.9	0.3	0.9	2.6	1.1	-	**103.3**
Disposals	(8.1)	(62.4)	(0.1)	-	-	(1.5)	-	-	-	**(72.1)**
Revaluations / Fair Value Gains/(Losses)	-	23.1	-	-	-	0.4	(0.8)	-	-	**22.7**
Impairments	(0.2)	(15.4)	-	-	-	(0.4)	0.2	-	-	**(15.8)**
Gross Value at 31 March 2015	**1,267.7**	**756.2**	**77.6**	**286.7**	**21.1**	**48.9**	**20.9**	**6.8**	**11.5**	**2,497.4**
Accumulated Depreciation / Impairment										
At 31 March 2014										
-As previously reported	**595.9**	**197.5**	**57.5**	**136.0**	**7.0**	**19.1**	**2.6**	**1.2**	**-**	**1,016.8**
-Prior year adjustment	**-**	**(4.0)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4.0)**
-As restated	**595.9**	**193.5**	**57.5**	**136.0**	**7.0**	**19.1**	**2.6**	**1.2**	**-**	**1,012.8**
Disposals	(1.7)	(5.9)	(0.1)	-	-	(0.2)	-	-	-	**(7.9)**
Depreciation/Impairment Writeback on Revaluation	-	(5.6)	-	(0.2)	-	-	-	-	-	**(5.8)**
Impairments	-	-	-	-	-		-	-	-	**-**
Impairments Reversed	(2.9)	(2.1)	-	-	-	-	-	-	-	**(5.0)**
Depreciation / Amortisation	21.8	22.8	5.1	8.9	-	1.1	-	1.1	-	**60.8**
Accumulated Depreciation / Impairment at 31 March 2015	**613.1**	**202.7**	**62.5**	**144.7**	**7.0**	**20.0**	**2.6**	**2.3**	**-**	**1,054.9**
Net Book Value at 31 March 2015	**654.6**	**553.5**	**15.1**	**142.0**	**14.1**	**28.9**	**18.3**	**4.5**	**11.5**	**1,442.5**
Net Book Value at 31 March 2014	**623.6**	**605.2**	**14.4**	**126.8**	**13.8**	**30.4**	**16.3**	**4.5**	**11.5**	**1,446.5**

Depreciation/Amortisation

Property, plant and equipment assets are depreciated on a straight-line basis over the estimated useful economic life of the asset, with the exception of Council dwellings, for which the Major Repairs Allowance is used as a proxy for depreciation. Intangible assets are amortised on the straight-line basis over the estimated useful economic life of the asset. No depreciation is charged on investment properties, heritage assets or land.

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment assets required to be valued at current value are revalued every five years. During 2015/16 the Council's housing stock was valued as well as a selection of other assets from the asset portfolio. The effective date of these revaluations was 1 April 2015. The valuations were carried out by external valuers. The housing stock valuation was carried out by the Valuation Office Agency while the other valuations were carried out by Bruton Knowles, registered RICS valuers, using the guidance and methodology set out in the following paragraphs.

Legislation and guidance

Valuations are carried out as required by Sections 41 to 42 of The Local Government Housing Act 1989 and in accordance with CIPFA/IFRS guidance and the RICS Valuation Standards (Red Book). The valuations are subject to any limitations, caveats and assumptions as agreed between the Section 151 Officer and the Assistant Director Regeneration.

Basis of valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2015/16, infrastructure, community assets, and assets under construction are valued at depreciated historical cost. All other classes of asset are measured at current value. For vehicles, plant, furniture and equipment current value is determined by depreciated historical cost due to the short useful life of these assets (2-7 years depending on the asset). The current value of Council dwellings is measured using existing use value (social housing). For all other asset classes, where there is no market-based evidence of current value, the Council estimates current value using the depreciated replacement cost approach. The following table describes the measurement basis used to determine the gross carrying value of each of the Council's classes of non-current assets.

Asset Class	Measurement Base
Council Dwellings	Current value based on existing use value (social housing) (EUV-SH).
Other Land and Buildings	Current value based on existing use value (EUV) or depreciated replacement cost (DRC) using the "instant build" approach if EUV cannot be determined.
Vehicles, Plant, Furniture and Equipment	Current value based on depreciated historical cost due to the short useful life of the asset.
Infrastructure Assets	Depreciated historical cost.
Community Assets	Depreciated historical cost or valuation.
Surplus Assets	Current value based on existing use value (EUV) applying the same assumptions relating to the level of usage, etc, as those of the most recent revaluation as an operational asset.
Assets Under Construction	Depreciated historical cost.
Investment Properties	Initially measured at cost (defined as the purchase price plus any directly attributable cost of preparing the asset for its intended use) and subsequently measured at current value
Intangible Assets	Amortised Cost
Heritage Assets	Where the Council has information on the cost or value of the asset, the asset is recognised at this amount.

Inspection

A desktop exercise is carried out using information from the land registry. It is assumed that any building is constructed in accordance with Building Regulations and does not contain any deleterious or hazardous substances. Detailed building surveys are not requisitioned unless there are obvious areas of concern which are likely to affect the valuation.

Key Assumptions

- Planning - Planning consideration is, in the first instance, by reference to the Local Development Framework to ensure the use of the property to be valued is in accordance with the Council's stated policies.
- Ground Conditions - no reference is made to ground conditions unless it is evident upon inspection that a particular property has been affected

by exceptional external influences greater than would be anticipated for its locality.

- Contamination - no reference is made to contamination unless, upon inspection, it is evident that a particular property has been affected by external influences greater than would be anticipated for its locality.

Capital Commitments

At 31 March 2016, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years with an estimated total value of £31.3 million (31 March 2015: £38.8 million). The major commitments are: Decent Homes (£11.4 million), Expansion of Primary School Places (£7.3 million) and Highway Improvement Programme (£3.0 million).

Investment Properties

During the year the Council had £0.9 million of income receivable from investment properties (2014/15: £0.9 million) and spent £0.2 million on managing and maintaining those properties (2014/15: £0.1 million). There are no restrictions on the Council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, or for repairs, maintenance or enhancements.

Impairment

During 2015/16, the Council identified a number of impairments as part of the regular review of its properties.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £832.7 million at 31 March 2016 (31 March 2015: £779.0 million).

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 contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2014/15 £m		2015/16 £m
766.8	**Opening Capital Financing Requirement**	**779.0**
	Capital Investment	
99.6	Property, Plant and Equipment	142.3
2.6	Investment Properties	7.1
1.1	Intangible Assets	1.4
18.2	Revenue Expenditure Funded from Capital under Statute	12.5
	Sources of finance	
(8.6)	Capital Receipts	(19.9)
(48.5)	Government Grants and other Contributions	(38.7)
	Sums set aside from Revenue:	
(29.7)	Direct Revenue Contributions	(28.8)
(22.5)	MRP/Loans Fund Principal	(22.2)
779.0	**Closing Capital Financing Requirement**	**832.7**
	Explanation of movements in year	
12.1	Increase in underlying need to borrow (unsupported by government financial assistance)	9.6
0.1	Assets acquired under finance leases	-
-	Assets acquired under PFI contracts	44.0
12.2	**Increase/(decrease) in Capital Financing Requirement**	**53.7**

Note 5 – Employee Pensions

Participation in 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, which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes and provides a further local discretionary scheme:

- The Local Government Pension Scheme, administered locally by The West Midlands Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. During the year the Council contributed £3.8 million which was a contribution rate of 14.1% (2014/15: £3.8 million; 14.1%).

- In addition, the Council is responsible for all non-funded pension payments relating to added years enhancements it has awarded outside the terms of the teachers' scheme together with related increases.

From April 2014, pensions are worked out in a different way as the scheme became a career average scheme. Benefits built up from April 2014 are worked out using actual pay each scheme year rather than final salary when an employee leaves. Protections are in place for all the benefits built up in the final salary scheme.

Transactions Relating to Post-employment Benefits
The Council recognises the cost of retirement benefits in the 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 in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

2014/15 LGPS £m	2014/15 Teachers £m		2015/16 LGPS £m	2015/16 Teachers £m
		COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
		Cost of Services:		
(21.8)	-	- Current service cost	(26.6)	-
(0.2)	-	- Past service costs	-	-
(6.2)	(0.2)	- Settlements and curtailments	0.2	-
(0.3)	-	- Administration Expenses	(0.4)	-
		Financing and Investment Income and Expenditure:		
(17.3)	(2.3)	- Net Interest cost	(16.3)	(1.8)
(45.8)	**(2.5)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(43.1)**	**(1.8)**
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
(100.6)	(4.8)	- Re-measurements (liabilities and assets)	65.1	(1.9)
(146.4)	**(7.3)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**22.0**	**(3.7)**
		MOVEMENT IN RESERVES STATEMENT		
(45.8)	**(2.5)**	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	**(43.1)**	**(1.8)**
		Actual amount charged against the General Fund Balance for pensions in the year:		
23.1	-	- Employer's contributions payable to scheme	31.5	-
-	3.8	- Retirement benefits payable to pensioners	-	3.9

Assets and Liabilities in Relation to Post-employment Benefits

The following tables show how the present values of the scheme assets and liabilities have changed over the course of the year:

2014/15 LGPS £m	Assets	2015/16 LGPS £m
763.7	**Opening balance at 1 April**	**857.2**
33.1	Interest Income	27.3
82.0	Re-measurement Gain/(Loss)	(30.1)
23.1	Employer contributions	31.5
6.7	Contributions by scheme participants	6.7
(50.6)	Benefits paid	(48.1)
(0.5)	Settlements	(0.4)
(0.3)	Admin Expenses	(0.4)
857.2	**Closing balance at 31 March**	**843.7**

2014/15 Funded: LGPS £m	2014/15 Unfunded: LGPS £m	2014/15 Unfunded: Teachers £m	Liabilities	2015/16 Funded: LGPS £m	2015/16 Unfunded: LGPS £m	2015/16 Unfunded: Teachers £m
(1,147.5)	**(22.4)**	**(55.7)**	**Opening balance at 1 April**	**(1,362.8)**	**(23.8)**	**(59.2)**
(21.8)	-	-	Current service cost	(26.6)	-	-
(49.5)	(0.9)	(2.3)	Interest cost	(42.9)	(0.7)	(1.8)
(6.7)	-	-	Contributions - participants	(6.7)	-	-
(180.5)	(2.1)	(4.8)	Re-measurement Gain/(Loss)	93.7	1.5	(1.8)
49.0	1.6	3.8	Benefits paid	46.4	1.6	3.9
(0.2)	-	-	Past service costs	-	-	-
(7.7)	-	(0.2)	Curtailments	(6.4)	-	-
2.1	-	-	Settlements	7.0	-	-
(1,362.8)	**(23.8)**	**(59.2)**	**Closing balance at 31 March**	**(1,298.3)**	**(21.4)**	**(58.9)**

2014/15 LGPS £m	Asset Category	2015/16 LGPS £m
	Equities	
81.8	- UK quoted	65.5
14.3	- UK unquoted	12.8
62.4	- Global quoted	93.8
89.1	- Global unquoted	83.2
66.5	- Europe	62.1
18.7	- Japan	29.7
36.8	- Pacific Basin	32.2
65.7	- North America	65.0
71.0	- Emerging Markets	62.6
	Bonds	
67.4	- UK Government	63.9
91.2	- UK other	87.3
	Property	
52.5	- UK	50.6
-	- Overseas	-
22.3	- Property Funds	20.1
	Alternatives	
-	- Commodities	-
29.4	- Infrastructure	26.6
53.1	- Absolute Return	44.3
10.1	- Cash instruments	31.5
24.9	- Cash accounts	12.5
857.2	**Total**	**843.7**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a loss of £2.8 million (2014/15: (£115.2 million).

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £534.9 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, because:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;

- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 are £25.2 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2017 are £3.8 million.

The Discretionary Benefits arrangements have no assets to cover their liabilities. The Local Government Pension Scheme's assets are set out in the following table.

All scheme assets have quoted prices in active markets, except UK unquoted and global unquoted.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about things such as mortality rates and salary levels. Both the Teachers' Discretionary Pension Scheme and the West Midlands Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the West Midlands Pension Fund are based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary are set out in the following table.

2014/15 LGPS	2014/15 Teachers		2015/16 LGPS	2015/16 Teachers
		Long-term expected rate of return on assets in the scheme:		
6.5%	n/a	Equity investments	6.5%	n/a
2.2%	n/a	Government Bonds	2.2%	n/a
2.9%	n/a	Other Bonds	2.9%	n/a
5.9%	n/a	Property	5.9%	n/a
0.5%	n/a	Cash/current assets	0.5%	n/a
6.5%	n/a	Other	6.5%	n/a
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
23.0	23.0	- Men	23.0	23.0
25.6	25.6	- Women	25.7	25.7
		Longevity at 65 for future pensioners:		
25.2	n/a	- Men	25.3	n/a
28.0	n/a	- Women	28.0	n/a
2.0%	2.0%	Rate of inflation	2.0%	2.0%
3.8%	-	Rate of increase in salaries	3.8%	n/a
2.0%	2.0%	Rate of increase in pensions	2.0%	2.0%
3.2%	3.1%	Rate for discounting scheme liabilities	3.6%	2.8%

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2015			31 March 2016	
Local Government Pension Scheme £m	*Discretionary Pension Scheme £m*		*Local Government Pension Scheme £m*	*Discretionary Pension Scheme £m*
		Estimated Liabilities in Scheme		
(1,386.6)	*(59.2)*	*City of Wolverhampton Council*	*(1,319.7)*	*(58.9)*
(149.3)	*-*	*Wolverhampton Homes*	*(148.0)*	*-*
(1,535.9)	***(59.2)***	***Total Liabilities***	***(1,467.7)***	***(58.9)***
		Estimated Assets in Scheme		
857.2	*-*	*City of Wolverhampton Council*	*843.7*	*-*
117.9	*-*	*Wolverhampton Homes*	*118.7*	*-*
975.1	***-***	***Total Assets***	***962.4***	***-***
(560.8)	***(59.2)***	***Net Liabilities***	***(505.3)***	***(58.9)***

Note 6 – Financial Instruments

Note 6A – Leases and Lease-Type Arrangements

The table below summarises the amounts payable and receivable by the Council under lease agreements during the year, and the amounts that it expects to be payable or receivable under non-cancellable lease agreements in future years.

2014/15					2015/16			
Amounts Payable		Amounts Receivable			Amounts Payable		Amounts Receivable	
Finance Leases	Operating Leases	Finance Leases	Operating Leases		Finance Leases	Operating Leases	Finance Leases	Operating Leases
£m	£m	£m	£m		£m	£m	£m	£m
0.1	**0.6**	**-**	**2.1**	**Payable/receivable in the year**	**0.1**	**0.5**	**-**	**1.8**
0.1	0.6	-	1.8	Due within one year	0.1	0.5	-	1.4
0.1	1.4	-	4.2	Due in one to five years	0.1	0.7	-	2.9
-	0.5	6.0	25.2	Due after five years	-	0.5	6.0	25.2
0.2	**2.5**	**6.0**	**31.2**	**Total due in future years**	**0.2**	**1.7**	**6.0**	**29.5**

The following table shows the net carrying value of assets held by the Council under finance lease arrangements:

31 March 2015 £m		31 March 2016 £m
0.1	Vehicles, Plant, Furniture and Equipment	0.1
0.1	**Total**	**0.1**

Note 6B – Private Finance Initiative and Similar Contracts

The Council has four contracts which are PFIs or similar in nature and which are accounted for as 'on balance sheet': the Bentley Bridge Leisure Centre, the Waste Disposal Facility, Highfields and Penn Fields Schools and St. Matthias and Heath Park Schools.

Bentley Bridge Leisure Centre: In 2006/07 the Council signed a thirty year contract for a new leisure facility. The scheme was for the design, build, funding and operation of a major new regional leisure facility. The facility includes a leisure pool with a river run, wave pool and flumes, a 25 metre 6 lane traditional pool, a studio pool, a 140 station fitness suite, a dance/aerobics suite, children's play feature and a café. The facility cost £13.3 million and opened on 12 December 2006. The facility is operated by Places for Peoples on behalf of the Council. The contract period is for 30 years, with an end date of 31 October 2036. The total amount payable by the Council over the life of the contract is £52.5 million. Over the remaining life of the project the commitments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	0.4	0.8	0.2	**1.4**
Payable within two to five years	1.5	3.2	1.0	**5.7**
Payable within six to ten years	2.3	3.5	1.4	**7.2**
Payable within eleven to fifteen years	2.3	2.8	2.1	**7.2**
Payable within sixteen to twenty years	1.7	1.5	4.0	**7.2**
Payable within twenty-one years	0.3	-	0.6	**0.9**
Total	**8.5**	**11.8**	**9.3**	**29.6**

The table below shows the balances that existed in respect of the contract at the end of the year, and how they have changed over the course of the year.

	Balance at 31 March 2015 £m	Depreciation £m	Capital Expenditure /Principal Redemption £m	Balance at 31 March 2016 £m
Property, Plant and Equipment	7.7	(0.3)	-	**7.4**
Long-term Liability	(8.6)	-	0.2	**(8.4)**
Total	**(0.9)**	**(0.3)**	**0.2**	**(1.0)**

Waste Disposal Facility: In 1996 the Council signed a contract for the construction and maintenance of a waste disposal facility. The facility cost £26.6 million. The contract period during which the Council has the right to use the facility is 25 years from the date that the facility became operational (1998). At the end of the contract period the asset will revert to the ownership of the Council, but there is an option to then re-tender, operate or operate with additional investment being targeted at the plant. During the contract period the Council could terminate the contract if the clauses relating to termination in the contract are triggered. The facility is managed by Wolverhampton Waste Services Limited (WWS). The main income stream for WWS is the 'gate fee' paid by the Council, which is based on the total tonnage of weight delivered to the facility for disposal. In addition to this, WWS generate a significant proportion of their turnover from the sale of electricity generated at the facility. The total amount payable by the Council over the life of the contract is estimated to be £155.6 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	5.0	2.4	1.2	**8.6**
Payable within two to five years	21.6	10.1	5.7	**37.4**
Total	**26.6**	**12.5**	**6.9**	**46.0**

The table below shows the balances that existed in respect of the contract at the end of the year, and how they have changed over the course of the year.

	Balance at 31 March 2015 £m	Depreciation and Amortisation £m	Capital Expenditure /Principal Redemption £m	Balance at 31 March 2016 £m
Property, Plant and Equipment	3.8	(0.7)	-	**3.1**
Deferred Income	(2.1)	0.4	-	**(1.7)**
Long-term Liability	(8.0)	-	1.1	**(6.9)**
Total	**(6.3)**	**(0.3)**	**1.1**	**(5.5)**

Highfields & Penn Fields School: As part of the Building Schools for the Future Programme the Council entered into a PFI contract for the construction and management of a new building for the Highfields School and Penn Fields Special School. The construction of the new building cost £46.1 million. The total amount payable by the Council over the life of the contract is estimated to be £192.7 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	2.0	4.7	0.6	**7.3**
Payable within two to five years	7.7	18.2	3.9	**29.8**
Payable within six to ten years	11.4	20.2	7.1	**38.7**
Payable within eleven to fifteen years	12.9	15.8	11.7	**40.4**
Payable within sixteen to twenty years	17.2	7.7	17.4	**42.3**
Payable within twenty-one to twenty-two years	5.0	0.9	6.6	**12.5**
Total	**56.2**	**67.5**	**47.3**	**171.0**

The table below shows the balances that existed in respect of the contract at the end of the year, and how they have changed over the course of the year.

	Balance at 31 March 2015	Depreciation	Capital Expenditure /Principal Redemption	Balance at 31 March 2016
	£m	£m	£m	£m
Property, Plant and Equipment	16.3	(0.8)	-	**15.5**
Long-term Liability	(42.9)	-	0.6	**(42.3)**
Total	**(26.6)**	**(0.8)**	**0.6**	**(26.8)**

During the previous year Highfields School converted to an academy and entered into a 125 year lease with the Council. This lease has been recognised as a finance lease and, accordingly, the Highfields School has been derecognised as an asset of the Council. The remaining carrying asset value relates to Penn Field Special School which has not converted to an academy. The terms of the PFI contract and level of unitary payment remains unchanged.

St. Matthias School and Heath Park Academy: As part of the Building Schools for the Future Programme the Council entered into a new PFI contract for the construction and management of new buildings for St. Matthias School and Heath Park Academy. The construction costs of the new buildings were £19.7 million for St. Matthias and £24.3 million for Heath Park Academy. As Heath Park is an academy and has entered into a long-term finance lease with the Council the amount capitalised has been derecognised as a disposal. The total amount payable by the Council over the life of the contract is estimated to be £136.1 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	7.1	3.0	1.2	**11.3**
Payable within two to five years	28.9	11.4	5.3	**45.6**
Payable within six to ten years	37.7	12.8	7.8	**58.3**
Payable within eleven to fifteen years	40.2	11.0	9.6	**60.8**
Payable within sixteen to twenty years	43.0	8.1	10.0	**61.1**
Payable within twenty-one to twenty-two years	40.5	4.9	9.5	**54.9**
Total	**197.4**	**51.2**	**43.4**	**292.0**

The table below shows the balances that existed in respect of the contract at the end of the year, and how they have changed over the course of the year.

	Balance at 31 March 2015 £m	Disposals £m	Capital Expenditure /Principal Redemption £m	Balance at 31 March 2016 £m
Property, Plant and Equipment	-	(24.3)	44.0	**19.7**
Long-term Liability	-	-	(43.3)	**(43.3)**
Total	**-**	**(0.8)**	**0.7**	**(23.6)**

Heath Park School is an existing academy and had previously entered into a 125 year lease with the Council which has been classified as a finance lease and, on commencement of the PFI an amended agreement has been entered into. As this is a similar agreement the asset has been derecognised as an asset of the Council and treated as a disposal. The remaining carrying asset value relates to St. Matthias School which has not converted to an academy. The terms of the PFI contract and level of unitary payment remains unchanged.

Note 6C – Financial Instruments

The table below shows the carrying values and fair values of financial instruments held by the Council at the year end.

31 March 2015					31 March 2016			
Carrying Value		Fair Value			Carrying Value		Fair Value	
Long-Term £m	Current £m	Long-Term £m	Current £m		Long-Term £m	Current £m	Long-Term £m	Current £m
				Financial Assets				
1.4	126.1	1.4	126.1	Loans and Receivables	1.4	120.5	1.4	120.5
19.7	-	19.7	-	Unquoted Equity Investment at Fair Value	18.0	-	18.0	-
-	1.7	-	1.7	Cash and Cash Equivalents	-	2.3	-	2.3
21.1	**127.8**	**21.1**	**127.8**	**Total Financial Assets**	**19.4**	**122.8**	**19.4**	**122.8**
				Financial Liabilities				
(594.0)	(193.6)	(729.0)	(194.2)	Financial Liabilities at Amortised Cost	(702.3)	(174.6)	(847.1)	(175.2)
(594.0)	**(193.6)**	**(729.0)**	**(194.2)**	**Total Financial Liabilities**	**(702.3)**	**(174.6)**	**(847.1)**	**(175.2)**
(572.9)	**(65.8)**	**(707.9)**	**(66.4)**	**Net Financial Liabilities**	**(682.9)**	**(51.8)**	**(827.7)**	**(52.4)**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are shown in the following table.

2014/15					2015/16			
Financial Assets: Loans and Receivables £m	Financial Assets: Unquoted Equity Investment at Cost £m	Financial Liabilities Measured at Amortised Cost £m	Total £m		Financial Assets: Loans and Receivables £m	Financial Assets: Unquoted Equity Investment at Cost £m	Financial Liabilities Measured at Amortised Cost £m	Total £m
-	-	30.2	**30.2**	Interest Expense	-	-	42.9	**42.9**
(0.3)	-	-	**(0.3)**	Interest Income	1.2	-	-	**1.2**
-	0.6	-	**0.6**	Gain or loss on valuation of unquoted equity investment	-	-	-	**-**
(0.3)	**0.6**	**30.2**	**30.5**	**Net (Income)/Expense**	**1.2**	**-**	**42.9**	**44.1**

The fair values of the Council's long-term financial liabilities at amortised cost have been calculated using the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender, being the rate applicable in the market on the date of valuation, for an instrument with the same duration: that is, equal to the outstanding period from valuation date to maturity.

Note 6D – Risks Arising from Financial Instruments

There are a number of risks associated with the Council's financial instruments, which the Council seeks to actively identify and manage. A key part of this is the preparation of the following documents on an annual basis, in accordance with the CIPFA Treasury Management Code and the Prudential Code:

- Treasury Management Strategy
- Annual Investment Strategy

- Prudential and Treasury Management Indicators

These strategies and indicators set out the Council's approach to the key risks arising from financial instruments and how it will monitor and manage those risks. These are reflected in the following paragraphs.

Credit and Counterparty Risk Management
The security of principal sums invested is the Council's top priority when making investment decisions: accordingly it only places sums with institutions for whom credit risk is assessed as very low. In order to form this assessment the Council applies the creditworthiness model supplied by its external treasury advisors, Capita Asset Services, which takes into account credit watches and credit outlooks from credit rating agencies, credit default swap spreads, and sovereign ratings. The Council also uses market data and market information, information on Government support for banks and the credit ratings of the Government in question. The Council has combined these factors to develop a range of creditworthiness criteria which it applies strictly when making investment decisions.

The Council's maximum exposure to credit risk at 31 March 2016 was £121.3 million (31 March 2015: £126.1 million). This relates entirely to Loans and Receivables. The Council does not hold any collateral in respect of these amounts.

Collateral and Other Credit Enhancements Obtained
The Council did not obtain any collateral or other credit enhancements during 2015/16 or 2014/15.

Liquidity Risk Management
The Council ensures it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business/service objectives. The Council actively manages its cash balances on a daily basis, and forecasts cash requirements several months in advance. In its investment activities the Council places strong emphasis on liquidity (second only to security, as discussed under credit risk).

Analysis of External Borrowing Financial Liabilities by Maturity Date

2014/15 £m	Time until Repayment	2015/16 £m
91.8	Payable next year	91.8
99.6	Payable within two to five years	99.6
17.3	Payable within six to ten years	17.3
28.8	Payable within eleven to fifteen years	28.8
-	Payable within sixteen to twenty years	-
31.0	Payable within twenty-one to twenty-five years	31.0
44.3	Payable within twenty-six to thirty years	44.3
27.5	Payable within thirty-one to thirty-five years	27.5
97.6	Payable within thirty-six to forty years	97.6
26.6	Payable within forty-one to forty-five years	26.6
23.0	Payable within forty-six to fifty years	23.0
103.8	Payable within fifty-one to sixty years	103.8
591.3	**Total**	**591.3**

Interest Rate Risk Management

The Council manages its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues. It achieves this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. These are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

If interest rates had been 1% higher during 2015/16, the Council's interest payable would have increased by £5.8 million, and interest receivable would have increased by £172,000 resulting in an increase in net expenditure of £5.6 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £5.6 million.

Inflation Risk Management

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on the Council's treasury management activities, are controlled as an integral part of the Council's strategy for managing its overall exposure to inflation. The Council achieves this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. These are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £18.0 million in Birmingham International Airport. The Council is consequently exposed to losses arising from movements in the prices of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The shares are all classified as 'unquoted equity investment at cost', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Refinancing Risk Management

The Council ensures that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time. It actively manages its relationships with its counterparties in these transactions in such a manner as to secure this objective, and avoids over-reliance on any one source of funding if this might jeopardise achievement of the above.

Legal and Regulatory Risk Management

The Council ensures that all of its treasury management activities comply with its statutory powers and regulatory requirements. It is able to demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Council ensures that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may carry out with the organisations, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, seeks to minimise the risk of these impacting adversely on the organisation.

Fraud, Error and Corruption Risk, and Contingency Management
The Council ensures that it has identified the circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it employs suitable systems and procedures, and maintains effective contingency management arrangements to these ends.

Note 7 – Members of the City of Wolverhampton Council Group and other Related Parties

Subsidiaries
The Council has two subsidiary entities: Wolverhampton Homes Limited and Yoo Recruit Limited.

Wolverhampton Homes Limited is an arm's length management organisation (ALMO) which was established in 2005 to manage and maintain most of the Council's housing stock, and is wholly owned by the Council. The company's accounts have been wholly consolidated in the group elements of the financial statements.

Wolverhampton Homes Limited's main income stream comes from the Council, in the form of a management fee for housing management and maintenance which amounted to £38.2 million in 2015/16 (2014/15: £39.7 million). There are a number of other transaction streams between the two entities, including capital works carried out by Wolverhampton Homes Limited for the Council, support services provided by the Council, and premises leases payable by Wolverhampton Homes Limited. Payments by the Council to Wolverhampton Homes Limited amounted to £44.6 million in 2015/16 (2014/15: £47.4 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £4.5 million (2014/15: £3.1 million). At the year end, Wolverhampton Homes Limited owed the Council £1.3 million (2014/15: £1.6 million), and the Council owed Wolverhampton Homes Limited £3.4 million (2014/15: £6.1 million).

Yoo Recruit Limited is a wholly-owned subsidiary which was formed in the current year. As the transactions and balances of this company are considered, by the Council, to be not material they have not been consolidated in the Group Accounts. Payments by the Council to Yoo Recruit Limited amounted to £7.3 million (2014/15:£1.7 million) while payments by Yoo Recruit Limited to the Council were £25,000 (2014/15:£26,000).

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. The following table provides details of the grants received from Central Government.

2014/15 £m	Grant	2015/16 £m
(153.3)	Dedicated Schools Grant	(140.9)
(87.0)	Revenue Support Grant	(63.4)
(59.5)	Mandatory Rent Allowance	(56.6)
(12.9)	Standards Fund Capital	(21.4)
(58.2)	Mandatory Rent Rebates Subsidy	(57.8)
(35.2)	Top Up Grant	(35.9)
(19.3)	Public Health Grant	(20.2)
(11.9)	Decent Homes Backlog Grant	3.4
(6.0)	6th Form Funding	(3.9)
(4.1)	Education Services Grant	(3.0)
(12.6)	Section 31 Grant	1.6
(2.6)	Housing & Council Tax Benefit Administration	(2.2)
(2.6)	New Homes Bonus	(3.4)
(1.7)	Adult Community Learning PCDL	(1.7)
(1.5)	Further Education 19+	(1.6)
(1.6)	Social Fund Programme Grant	-
(1.3)	Weekly Collection Support Scheme	(1.9)
(1.1)	Disabled Facilities Grant	(1.3)
(0.2)	Adoption Reform Grant	-
(1.1)	Troubled Families Grant	(0.5)
(14.1)	Pupil Premium	(11.5)
(3.0)	Universal Infant Free School Meals	(4.6)
(2.7)	Business Rates Section 31 Grant	(2.5)
(1.6)	Homes and Communities Agency	-
(6.2)	Enterprise Zone	(3.7)
(2.2)	BUV Contribution	(3.6)
(1.8)	HCA Interchange	-
-	Local Growth Fund	(21.9)
(11.5)	Other grants (each less than £1.0 million)	(8.6)
(516.8)	**Total**	**(467.1)**

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of Councillors' allowances paid during the year is shown in Note 1D. The register of Councillors' interests is available on the Council's website:
http://www.wolverhampton.moderngov.uk/council/councillors/name

Other Related Parties

The table below shows total expenditure and income streams of £100,000 or more with other related parties of the Council during the year.

2014/15 Expenditure £m	2014/15 Income £m	Entity and Nature of Relationship	2015/16 Expenditure £m	2015/16 Income £m
-	(0.8)	Birmingham Airport Holdings Limited The Council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. In 2015/16 the Council received a preference dividend of £23,000, ordinary dividends of £998,000 and rental income of £72,000.	-	(1.1)
0.4	-	Wolverhampton Grand Theatre The Grand Theatre is managed by Wolverhampton Grand Theatre (1982) Limited. The Council continues to own the building and can appoint 40% of the members of the company of which 2 can be directors. The Council provides grant funding to support the net cost of operating the theatre.	0.4	-
0.5	(0.5)	Wolverhampton Schools' Improvement Partnership The Wolverhampton Schools' Improvement Partnership is a company limited by guarantee established to advance educational opportunities and outcomes for children and young people in Wolverhampton. The board of directors comprises of representatives from each school cluster and phase and the senior substantive Council officer for schools.	0.3	(1.1)
15.8	(0.3)	i54 The Council is party to a joint venture with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	3.6	(0.9)
		Inspired Spaces Wolverhampton Limited The Council is a 10% shareholder in this company as well as a 9% shareholding in each of the operating companies (Inspired Spaces Wolverhampton (ProjectCo 1) Limited and Inspired Spaces Wolverhampton (ProjectCo 2) Limited set up for the administration of the 2 schools (Highfields and Penn Fields Schools and St. Matthias	12.7	(0.3)

2014/15 Expenditure £m	2014/15 Income £m	Entity and Nature of Relationship	2015/16 Expenditure £m	2015/16 Income £m
		and Heath Park Academy). These companies were set up as part of the LEP for the building of the new schools. The board of all 3 companies have representatives of the Council.		
		Entities in which Councillors have declared an interest and other Government bodies:		
12.7	-	West Midlands Integrated Transport Authority	12.3	(0.1)
6.0	-	West Midlands Police and Crime Commissioner and Chief Constable	6.3	(0.6)
3.1	-	West Midlands Fire and Rescue Authority	3.2	-
0.3	-	West Midlands Passenger Transport Executive	-	-
0.6	-	Black Country Partnership NHS FT	0.5	-
-	-	NHS Dudley Clinical Commissioning Group	-	(0.1)
-	(6.3)	NHS England	-	-
-	(0.3)	NHS Shropshire Clinical Commissioning Group	-	(0.2)
-	(0.2)	NHS Walsall Clinical Commissioning Group	-	(0.1)
1.3	(7.6)	NHS Wolverhampton Clinical Commissioning Group	48.0	(45.0)
-	-	Public Health England	0.1	-
7.4	-	Royal Wolverhampton NHS Hospitals NHS Trust	9.2	(0.9)
0.1	-	Walsall Healthcare NHS Trust	0.1	-
-	-	Lancaster University	-	(2.6)
0.9	-	University of Wolverhampton	0.8	-
0.2	(0.3)	Birmingham City Council	0.1	(0.4)
-	-	Coventry City Council	-	(0.3)
0.3	-	Dudley Metropolitan Borough Council	0.9	(1.1)
-	-	Herefordshire County Council	-	(0.1)
-	-	Sandwell Metropolitan Borough Council	1.8	(0.5)
0.1	-	Shropshire County Council	0.2	-
-	-	Solihull Metropolitan Borough Council	-	(0.4)
-	-	South Staffordshire District Council	-	(1.9)
0.2	(0.3)	Walsall Metropolitan Borough Council	-	(0.8)
3.0	-	West Midlands Pension Fund	11.5	(1.6)

2014/15 Expenditure £m	2014/15 Income £m	Entity and Nature of Relationship	2015/16 Expenditure £m	2015/16 Income £m
0.9	-	Department of Energy and Climate Change	0.4	-
-	-	Environment Agency	0.1	-
0.1	(0.3)	Base 25	0.2	(0.3)
0.2	-	Black Country Housing Consortium	0.5	-
0.2	(0.3)	Central Learning Partnership Trust	0.2	(0.5)
0.4	-	FBC Manby Bowdler LLP	-	-
-	-	Gazebo Theatre in Education Company Limited	0.1	-
0.1	-	Heath Town Senior Citizens Project	0.1	(0.1)
0.1	(0.2)	North East Wolverhampton Academy	-	(0.4)
-	-	Wolverhampton Bid Company Limited	0.1	-
-	-	Wolverhampton Girls High Academy	-	(0.2)

Note 8 – Trust Funds

The City of Wolverhampton Council acts as a trustee for a number of trust funds. The funds are not assets of the Council and therefore they have not been included in the Council's balance sheet. The table below provides an overview of the funds and their finances over the last two years.

2014/15				2015/16		
Income £000	Expenditure £000	Fund Value at 31 March 2015 £000	Fund Name and Purpose	Income £000	Expenditure £000	Fund Value at 31 March 2016 £000
-	-	42	**Springfield Reading Room** In its capacity as trustee, the Council is authorised to apply income in various ways.	1	-	43
-	-	29	**Greenway Benefaction** Established for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley.	-	-	29
-	-	17	**Butler Bequest Music in the Parks** To provide music in the parks.	-	-	17
-	-	-	**Mayoral Charities** Funds raised by the Mayor for their chosen local charities	29	16	13
1	-	11	**Monica Lloyd** To provide assistance with further education.	1	-	12
-	-	26	Other smaller funds	-	-	26
2	**-**	**125**	**Total**	**31**	**16**	**140**

Prior to 2015/16 funds raised for the Mayoral Charities were held in a bank account separate from the Council's bank accounts and therefore were not classified as a Trust Fund.

Note 9 – Reconciliation of the Financial Statements to the Statutory Accounts

9A – Subjective Analysis of the Surplus or Deficit on the Provision of Services, and Reconciliation to Outturn for the Year

The table below shows the surplus or deficit on the provision of services, as shown in the group comprehensive income and expenditure statement, analysed by the categories of income and expenditure specified by the Code.

2014/15 £m	Category	2015/16 £m
(286.7)	Fees, charges and other service income	(812.6)
(1.2)	Interest and investment income	1.2
(73.2)	Income from council tax	(79.7)
(452.9)	Government grants and contributions	-
276.1	Employee expenses	-
456.0	Other service expenses	840.3
54.7	Depreciation, amortisation and impairment	46.2
30.2	Interest payments	42.9
12.7	Precepts and levies	11.9
1.9	Payments to the national housing capital receipts pool	2.3
47.7	Loss or (gain) on the disposal of non-current assets	49.1
65.3	**Deficit on the provision of services**	**101.6**

The following table shows the adjustments needed to get from the surplus or deficit on the provision of services as shown in the Group Comprehensive Income and Expenditure statement, to the surplus or deficit for the year calculated in line with the legal requirements, as shown in the segmental analysis in Note 1.

2014/15 £m		2015/16 £m
65.3	Deficit on the provision of services	101.2
(47.4)	Less: items included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement	(101.2)
(0.9)	Less: Deficit attributable to subsidiaries	-
17.0	**Deficit for the year**	**0.0**

The table below shows the adjustments needed to get from the net cost of services as shown in the Group Comprehensive Income and Expenditure statement, to the surplus or deficit for the year calculated in line with the legal requirements, as shown in the segmental analysis in Note 1.

2014/15 £m		2015/16 £m
252.9	Net Cost of Services	216.3
(235.0)	Less: items included in the segmental analysis but not included in the Net Cost of Services	(215.9)
(0.9)	Less: Deficit attributable to subsidiaries	-
17.0	**Deficit for the year**	**0.4**

9B – Detailed Analysis of Movement in Reserves Statement:

2015/16 Part 1 – Usable Reserves

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward							
-As previously reported	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**
-Prior year adjustment (Refer to Note 5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-As restated	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**
Surplus or Deficit on Provision of Services	**120.5**	**-**	**(19.3)**	**-**	**-**	**-**	**101.2**
Other Comprehensive Income and Expenditure							
Revaluations - Gains and losses	-	-	-	-	-	-	**-**
Gains or losses on Available-for-Sale Financial Assets	-	-	-	-	-	-	**-**
Re-measurements in the pensions reserve	-	-	-	-	-	-	**-**
Total Comprehensive Income and Expenditure	**120.5**	**-**	**(19.3)**	**-**	**-**	**-**	**101.2**
Adjustments between Accounting Basis & Funding Basis under Regulations							
Depreciation, amortisation & impairment of non-current assets	(44.3)	-	(1.9)	(22.2)	-	-	**(68.4)**
Movement in the market value of Investment Properties	-	-	-	-	-	-	**-**
Revenue Expenditure Funded from Capital under Statute	(26.8)	-	(0.2)	-	-	-	**(27.0)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(56.5)	-	(6.7)	-	-	-	**(63.2)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	4.9	-	9.0	-	(14.0)	-	**(0.1)**
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.2)	-	(0.3)	-	-	-	**(0.5)**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(1.3)	-	-	-	-	-	**(1.3)**

2015/16 Part 1 – Usable Reserves (Continued)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m
Net Charges made for retirement benefits in accordance with IAS 19	(44.9)	-	-	-	-	-	**(44.9)**
Capital Expenditure charged in the year to the General Fund	0.9	-	-	-	-	-	**0.9**
Transfer from UCR to meet payments to Housing Capital Receipts Pool	(2.3)	-	-	-	2.3	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	35.4	-	-	-	-	-	**35.4**
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	38.7	**38.7**
Capital grants and contributions unapplied credited to CIES	3.6	-	-	-	-	(3.6)	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.5	-	-	-	-	-	**1.5**
Capital Expenditure Financed from UCR	-	-	-	-	19.9	-	**19.9**
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	**0.3**
Revenue provision for the repayment of debt	3.5	-	19.6	-	-	-	**23.1**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	27.9	-	-	**27.9**
Net Increase/Decrease before Transfers & Other Movements	**(5.7)**	**-**	**0.2**	**5.7**	**8.2**	**35.1**	**43.5**
Transfers to/from other Earmarked Reserves	5.7	(5.5)	(0.2)	-	-	-	**-**
Balance Carried Forward	**(10.0)**	**(71.9)**	**(5.0)**	**(0.2)**	**(7.1)**	**(2.0)**	**(96.2)**

2015/16 Part 2 – Unusable Reserves and Reserves of Subsidiary

	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	*Reserves of Subsidiary £m*	*TOTAL (Group) £m*
Balance Brought Forward											
-As previously reported	**3.4**	**(11.5)**	**(435.8)**	**3.9**	**4.0**	**588.6**	**(209.4)**	**(56.8)**	**(196.5)**	***24.3***	***(172.2)***
-Prior year adjustment (Refer to Note 5)	**-**	**-**		**-**	**-**	**-**			**-**	**-**	**-**
-As restated	**3.4**	**(11.5)**	**(435.8)**	**3.9**	**4.0**	**588.6**	**(209.4)**	**(56.8)**	**(196.5)**	**24.3**	**(172.2)**
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101.2**		***101.2***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	(2.8)	**(2.8)**	**(2.8)**	-	***(2.8)***
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Re-measurements in the pensions reserve	-	-	-	-	-	(63.3)	-	**(63.3)**	**(63.3)**	*(4.8)*	***(68.1)***
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**(63.3)**	**(2.8)**	**(66.1)**	**35.1**	***(4.8)***	***30.3***
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation & impairment of non-current assets	-	-	57.3	-	-	-	11.1	**68.4**	**-**	-	**-**
Movement in the market value of Investment Properties	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Revenue Expenditure Funded from Capital under Statute	-	-	27.0	-	-	-	-	**27.0**	**-**	-	**-**
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	48.2	-	-	-	15.0	**63.2**	**-**	-	**-**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	**-**	**(0.1)**	-	***(0.1)***
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.5	-	-	**0.5**	**-**	-	**-**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	1.3	-	-	-	**1.3**	**-**	-	**-**

2015/16 Part 2 – Unusable Reserves and Reserves of Subsidiary (Continued)

	Short-term Accumulating Compensated Absences Account	Available-for-sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	*Reserves of Subsidiary*	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*	*£m*
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	44.9	-	**44.9**	-	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.9)	-	-	-	-	**(0.9)**	-	-	-
Transfer from UCR to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(35.4)	-	**(35.4)**	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(38.7)	-	-	-	-	**(38.7)**	-	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1.5)	-	-	-	-	-	-	**(1.5)**	-	-	-
Capital Expenditure Financed from UCR	-	-	(19.9)	-	-	-	-	**(19.9)**	-	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	**(0.3)**	-	-	-
Revenue provision for the repayment of debt	-	-	(23.1)	-	-	-	-	**(23.1)**	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(27.9)	-	-	-	-	**(27.9)**	-	-	-
Net Increase/Decrease before Transfers & Other Movements	**(1.5)**	**-**	**21.7**	**1.3**	**0.5**	**(53.8)**	**23.3**	**(8.5)**	**35.0**	***(4.8)***	***30.2***
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	**1.9**	**(11.5)**	**(414.1)**	**5.2**	**4.5**	**534.8**	**(186.1)**	**(65.3)**	**(161.5)**	**19.5**	**(142.0)**

2014/15 Part 1 – Usable Reserves

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward							
-As previously reported	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**
-Prior year adjustment (Refer to Note 5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-As restated	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**
Deficit on Provision of Services	**89.3**	**-**	**(24.9)**	**-**	**-**	**-**	**64.4**
Other Comprehensive Income and Expenditure							
Revaluations - Gains and losses	-	-	-	-	-	-	**-**
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	**-**
Re-measurements in the pensions reserve	-	-	-	-	-	-	**-**
Total Comprehensive Income and Expenditure	**89.3**	**-**	**(24.9)**	**-**	**-**	**-**	**64.4**
Adjustments between Accounting Basis & Funding Basis under Regulations							
Depreciation, amortisation & impairment of non-current assets	(57.5)	-	2.8	(22.3)	-	-	**(77.0)**
Movement in the market value of Investment Properties	(1.0)	-	0.1	-	-	-	**(0.9)**
Revenue Expenditure Funded from Capital under Statute	(18.2)	-	-	-	-	-	**(18.2)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(57.7)	-	(6.4)	-	-	-	**(64.1)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	8.2	-	8.0	-	(16.2)	-	**-**
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.4)	-	(0.1)	-	-	-	**(0.5)**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(2.7)	-	-	-	-	-	**(2.7)**

2014/15 Part 1 – Usable Reserves (Continued)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m
Net Charges made for retirement benefits in accordance with IAS 19	(48.3)	-	-	-	-	-	**(48.3)**
Capital Expenditure charged in the year to the General Fund	0.2	-	-	-	-	-	**0.2**
Transfer from UCR to meet payments to Housing Capital Receipts Pool	(1.9)	-	-	-	1.9	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	27.0	-	-	-	-	-	**27.0**
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	48.6	**48.6**
Capital grants and contributions unapplied credited to CIES	51.6	-	-	-	-	(51.6)	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.5	-	-	-	-	-	**2.5**
Capital Expenditure Financed from UCR	-	-	-	-	8.6	-	**8.6**
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	**0.3**
Revenue provision for the repayment of debt	2.8	-	20.5	-	-	-	**23.3**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	29.6	-	-	**29.6**
Net Increase/Decrease before Transfers & Other Movements	**(5.8)**	**-**	**-**	**7.3**	**(5.7)**	**(3.0)**	**(7.2)**
Transfers from/to other Reserves	22.8	(22.8)	-	-	-	-	**-**
Balance Carried Forward	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**

2014/15 Part 2 – Unusable Reserves and Reserves of Subsidiary

	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	*Reserves of Subsidiary £m*	*TOTAL (Group) £m*
Balance Brought Forward											
-As previously reported	**5.9**	**(12.1)**	**(537.3)**	**1.2**	**3.5**	**461.9**	**(177.9)**	**(254.8)**	**(387.3)**	***8.2***	***(379.1)***
-Prior year adjustment (Refer to Note 5)	**-**	**-**	**74.4**	**-**	**-**	**-**	**(19.3)**	**55.1**	**55.1**	**-**	***55.1***
-As restated	**5.9**	**(12.1)**	**(462.9)**	**1.2**	**3.5**	**461.9**	**(197.2)**	**(199.7)**	**(332.2)**	**8.2**	**(324.0)**
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64.4**	***0.9***	***65.3***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	(34.7)	**(34.7)**	**(34.7)**	-	***(34.7)***
Gains on Available-for-Sale Financial Assets	-	0.6	-	-	-	-	-	**0.6**	**0.6**	-	***0.6***
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	105.4	-	**105.4**	**105.4**	*15.2*	***120.6***
Total Comprehensive Income and Expenditure	**-**	**0.6**	**-**	**-**	**-**	**105.4**	**(34.7)**	**71.3**	**135.7**	***16.1***	***151.8***
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation & impairment of non-current assets	-	-	70.2	-	-	-	6.8	**77.0**	**-**	-	**-**
Movement in the market value of Investment Properties	-	-	0.9	-	-	-	-	**0.9**	**-**	-	**-**
Revenue Expenditure Funded from Capital under Statute	-	-	18.2	-	-	-	-	**18.2**	**-**	-	**-**
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	48.4	-	-	-	15.7	**64.1**	**-**	-	**-**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.5	-	-	**0.5**	**-**	-	**-**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	2.7	-	-	-	**2.7**	**-**	-	**-**

2014/15 Part 2 – Unusable Reserves and Reserves of Subsidiary (Continued)

	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	*Reserves of Subsidiary £m*	*TOTAL (Group) £m*
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	48.3	-	**48.3**	**-**	-	**-**
Capital Expenditure charged in the year to the General Fund	-	-	(0.2)	-	-	-	-	**(0.2)**	**-**	-	**-**
Transfer from UCR to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(27.0)	-	**(27.0)**	**-**	-	**-**
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(48.6)	-	-	-	-	**(48.6)**	**-**	-	**-**
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2.5)	-	-	-	-	-	-	**(2.5)**	**-**	-	**-**
Capital Expenditure Financed from UCR	-	-	(8.6)	-	-	-	-	**(8.6)**	**-**	-	**-**
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	**(0.3)**	**-**	-	**-**
Revenue provision for the repayment of debt	-	-	(23.3)	-	-	-	-	**(23.3)**	**-**	-	**-**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(29.6)	-	-	-	-	**(29.6)**	**-**	-	**-**
Net Increase/Decrease before Transfers & Other Movements	**(2.5)**	**0.6**	**27.1**	**2.7**	**0.5**	**126.7**	**(12.2)**	**142.9**	**135.7**	***16.1***	***151.8***
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Balance Carried Forward	**3.4**	**(11.5)**	**(435.8)**	**3.9**	**4.0**	**588.6**	**(209.4)**	**(56.8)**	**(196.5)**	**24.3**	**(172.2)**

9C – Description of Reserves

Name of Reserve	Description
Usable Reserves	
Revenue	
General Fund Balance	The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year (however, the balance is not available to be applied to funding HRA services: see Housing Revenue Account Balance below).
Housing Revenue Account Balance	The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.
Earmarked Reserves	Earmarked Reserves represent amounts that the Council has chosen to set aside to fund specific items of expenditure in the future. The most significant earmarked reserves are the Efficiency Reserve (£8.0 million), the Budget Contingency Reserve (£8.0 million), the Job Evaluation Reserve and the Budget Strategy Reserve (£12.6 million).
Capital	
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capital Grants Unapplied Account	The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Name of Reserve	Description
Unusable Reserves	
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 only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
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, or disposed of and the gains are realised.
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 for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties. It also 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.
Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
Pensions Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays 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.

Name of Reserve	Description
Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
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, for example annual leave entitlement not yet used at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

Reserves

The table below analyses the Council's earmarked reserves, in the format reported to the Cabinet.

	Balance at 31 March 2015 £m	Net Movements 2015/16 £m	Balance at 31 March 2016 £m
Specific Earmarked Reserves			
Efficiency Reserve (corporate)	5.9	2.0	7.9
Budget Contingency Reserve (corporate)	6.8	1.2	8.0
Job Evaluation Reserve (corporate)	2.6	(0.1)	2.5
Budget Strategy Reserve (corporate)	9.0	3.5	12.5
Other Earmarked Reserves			
People	5.0	(2.7)	2.3
Place	4.0	1.2	5.2
Corporate Services (including Education)	4.5	0.2	4.7
Corporate Budgets	12.5	3.4	15.9
Schools' Balances	16.2	(3.2)	13.0
Total Earmarked Reserves	**66.5**	**5.5**	**72.0**

Note 10 – Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

2. Recognition of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract.

- Where revenue and expenditure has 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Manual Accruals are only processed for amounts of £10,000 or more except where the expenditure is by schools or funded directly from external grants.

3. Accounting for Council Tax

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Authority's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is an Authority's precept or demand for the year, plus or minus the Authority's share of the surplus/deficit on the Collection Fund for the previous year.

- The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

- The cash collected by the Authority from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

4. Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

- The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

- The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

6. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

7. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change 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 or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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.

8. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations, however, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, known as Minimum Revenue Provision, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

9. Employee Benefits

Benefits Payable During Employment - Short-term employee benefits are those due to be settled in their entirety within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (and any other form of leave) earned by employees but not taken before the year end, and which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement in the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits - Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of the point at which the authority can no longer withdraw the offer of those benefits or when the authority recognises the costs of the restructure.

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 pensioner 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 pensioners 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;
- The NHS Pension Scheme administered by EA Finance NHS Pensions; and
- The Local Government Pensions Scheme, administered by West Midlands Pension Fund.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council. The arrangements, however, for the teachers' scheme and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line and Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme and NHS Pension Scheme in the year respectively.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the West Midlands 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 the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the redemption yields on AA-rated corporate bonds with a term corresponding to the term of the liabilities. The assets of West Midlands Pension Fund attributable to the Council are included in the Balance Sheet at their fair value, which varies depending on the type of asset:

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provisions of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;

- Net interest on the net defined benefit liability / asset, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability / asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is 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 / asset at the beginning of the period – taking into account any changes in the net defined benefit liability / asset during the period as a result of contribution and benefit payments.

Changes in valuations comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability / asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve and recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Contributions paid to the West Midlands Pension Fund – cash paid as the 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits - The Council 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.

10. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31 March 2016, and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

11. Financial Instruments

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 and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets - Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans the Council has made the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investments Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available–for-Sale Assets - Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Offsetting Financial Assets and Liabilities - A financial asset and a financial liability shall be offset and the net amount presented in the Balance Sheet when the Council has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

12. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into Sterling at the exchange rate applicable on the date the transaction was effective.

13. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the grant issuing body.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line, attributable Revenue Grants and Contributions, or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

14. 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 licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Expenditure on the development of websites is not capitalised if the websites are solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 Reverses Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

15. Interests in Companies and Other Entities

The Council is the sole owner of a company where its interest has the nature of a subsidiary (Wolverhampton Homes), which requires it to prepare group accounts. It has no other material interests in companies or other entities that have the nature of a subsidiary, associate or jointly-controlled entity.

Schools - The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

16. Inventories

Inventories are included on the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average costing formula. Any changes arising are adjustment in the surplus or deficit on provision of services.

17. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

Investment properties are measured initially at cost and subsequently at current value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure 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 transferred to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

18. Jointly Controlled Arrangements

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation the Council, as a joint operator, recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

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

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and a finance charge which is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

The Council as Lessor: Finance Leases - Where the Council grants a finance lease over a property or an item of plant or equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain representing the Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received) – and finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The write-off value of disposals is not a charge against Council Tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). 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:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in the SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

21. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition - Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement - Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, subject to a de-minimis value of £100,000 for land and property and heritage assets and £10,000 for new vehicles, plant and equipment. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value;
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), the depreciated historical cost basis is used 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. Gains are credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment - Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation - Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is charged on surplus assets.

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset;
- Infrastructure - straight-line allocation over 50 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line on the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow (the capital financing requirement)). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 amount and current 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 Comprehensive Income and Expenditure Statement. Gains in current 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

22. Private Finance Initiative (PFI) and Similar Contracts

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 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 current 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, from the Council and third parties where relevant, 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** - charged to the relevant service in the Comprehensive Income and Expenditure Statement;
- **Finance cost** - an interest charge on the outstanding Balance Sheet liability, charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Contingent rent** - increases in the amount to be paid for the property arising during the contract, charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Payment towards liability** - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);

- **Lifecycle replacement costs** – a 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.

Third party income is recognised in the Comprehensive Income and Expenditure Statement, reflecting the extent to which the asset and the service are financed by third party income.

23. Provisions, Contingent Liabilities and Contingent Assets

Provisions - Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party e.g. from an insurance claim this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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

Contingent Assets - A contingent asset arises where an event has taken place that gives the authority 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 authority.

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.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of 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 appropriate service in that year against the Surplus or Deficit on the Provision for Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation or enhancement of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council determines to meet the cost of this expenditure from capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

26. Value Added Tax

VAT payable is only included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

27. Pension Fund Accounts

As a result of Local Government Reorganisation on 1 April 1986, the Council assumed responsibility for administering the West Midlands Pension Fund. The fund's accounts are separately prepared and are included within these accounts. The accounting policies for the pension fund can be found at note P3 in the accounts.

Copies of the fund's Accounts and Annual Report are available on request from the Director Finance, Civic Centre, Wolverhampton, WV1 1RL.

28. 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, with the following exceptions:

- Where there is no market-based evidence of fair value, insurance valuation is used as an estimate of current value;
- There is no cyclical revaluation of heritage assets, which instead are kept under review for impairment on an annual basis;
- The groupings used to classify property, plant and equipment assets are not used for heritage assets.

29. Accounting for the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the second year of its second phase which will last until 31 March 2019. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the Balance Sheet date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption. CRC scheme assets are classified as either current intangible assets or, if held for the purposes of trading, as current assets. The asset is initially measured at cost. Allowances that are issued for less than their fair value are initially measured at their fair value, with the difference between fair value and the purchase price recognised as income.

Note 10B – Changes in Accounting Policies from Previous Year

There have been no changes in accounting policies from 2014/15.

Note 10C – Critical Judgements Made When Applying the Accounting Policies

In applying the accounting policies set out in this note, the Council has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

Group Accounts

The Council is the sole shareholder of Wolverhampton Homes Limited, an arm's length management organisation that provides housing management services to the Council in respect of its HRA dwellings. It has been determined that the Council is able to control Wolverhampton Homes Limited, and it has therefore been consolidated within the Group Accounts.

Yoo Recruit Limited was formed as a wholly-owned subsidiary of the Council in the previous year. The turnover of this company for 2015-16 was approximately £7.4 million, of which £7.3 million was derived from the Council, with a net income after tax of £250,000. As the impact on the group accounts are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.

The Council is the main funder of Wolverhampton Grand Theatre (1982) Limited and, in practice, bears the risk of the Theatre going into overall deficit as well as having the power to appoint and remove directors of the company. Although the Council does have significant influence as the transactions and balances of this company are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.

During 2012/13, the Wolverhampton Schools' Improvement Partnership was established as a company limited by guarantee. The directors of the company are representatives of local schools and the senior substantive council officer for schools. Two Councillors are non-voting directors. Whilst in this way the Council exerts significant influence over the activities of the company, it has been determined that the transactions and balances of the company are not material to the Council's accounts, and it has therefore not been consolidated in the Group Accounts.

The Council, along with the other six West Midlands district Councils, holds shares in Birmingham Airport Holdings Limited. As the Council is of the view that it does not have the power to influence or control the airport it has not been consolidated in the Group Accounts.

Private Finance Initiative (PFI) Contracts

The Council provides services via private sector partners under a PFI or PFI-type contracts in four areas: the Waste Disposal Facility, the Bentley Bridge Leisure Centre, the Highfields and Penn Fields School contract and the St.Matthias School and Heath Park Academy contract. In the Waste Disposal Facility, the Bentley Bridge Leisure Centre and the Highfields and Penn Fields Schools contracts, it has been determined that the Council controls the use of the relevant non-current assets and, as a result the relevant assets and corresponding liabilities were recognised in the Council's balance sheet. Subsequent to the commencement of the Highfields and Penn Fields schools contract Highfields School converted to an Academy, in the 2014/15 financial year, and as the Council no longer has control over the asset and the services to be provided it was determined by the Council that the asset for Highfields School should be de-recognised. The contract for St. Matthias School and Heath Park Academy commenced during 2015/16 and as Heath Park School is an Academy and the Council has no control over the asset and services to be provided the asset for this school has not been recognised in the Council's Balance Sheet, however, St. Matthias School which is still under the control of the Council has been recognised on the Council's Balance Sheet.

Equal Pay Back Pay
Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendments) Regulations 2003, employees are entitled to equal pay for work of equal value. Where this has historically not been the case, the Council may be liable to make compensatory payments to employees who were disadvantaged by the prevailing rates of pay.

The timing and amount of any such compensation payments are not certain, however, a provision has been established based on high-level estimates of the total potential liability.

Property, Plant and Equipment Relating to Voluntary Aided Schools
The Council owns land which is leased to a number of voluntary aided schools who have, with its consent, erected school buildings. The school buildings belong to the foundation/controlling interest and, therefore, the Council cannot exercise control over those buildings. Until the tenant decides to remove or vacate and demolish those buildings there is no alternative use for this site and therefore no market value in the land. Whilst the schools provide a service to the City of Wolverhampton by delivering education from those sites, the cost of maintaining the schools falls upon the Dedicated Schools Grant or other entities. The land on which those buildings are sited is therefore not recognised as an asset of the Council.

Property, Plant and Equipment Relating to Academy Schools
When a school to converts to Academy status the Council enters into a long term lease which is classified as a finance lease since substantially all associated risks and rewards of ownership of the asset have been transferred to the Academy. As the Council would no longer control or maintain the asset for the majority of its economic life the buildings are removed from the balance sheet as a disposal with effect from when the Council's control over the services provided by the school ceases.

Accounting for the Voluntary Redundancy Programme
The Council undertook a further voluntary redundancy exercise during 2015/16, and there were a number of employees who were part-way through the approval process at the year end. The Council has taken a prudent approach to the treatment of the anticipated costs of such employees, recognising those costs as a provision in 2014/15 where it seemed likely that approval would be given and a redundancy would result.

Business Rates
Following the changes to business rates retention, which commenced on 1 April 2014, Councils have assumed the liability for refunding rate payers who successfully appeal against the rateable value of their properties, including amounts that were paid to the Government in 2012/13 and earlier. The Council has set aside a provision for these refunds, calculated using the Valuation Office list of ratings appeals data.

Note 10D – Major Assumptions about the Future

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. Because balances, however, cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Net Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The table below sets out the impact on the net pension liability if different assumptions had been made in certain key areas:

Variation to Assumptions	Impact on Net Liability	
	Council	*Group*
Discount Rate 0.1% higher	Decrease of £23.3 million	*Decrease of £26.2 million*
Rate of Inflation 0.1% p.a. higher	Increase of £21.4 million	*Increase of £24.0 million*
Rate of increase in salaries 0.1% p.a. higher	Increase of £21.5 million	*Increase of £30.1 million*
Life expectancy of scheme members 1 year higher	Increase of £43.2 million	*Increase of £47.5 million*

Property, Plant and Equipment

In accordance with the requirements of the Code, the Council re-values its property, plant and equipment assets on a five-yearly cyclical basis. As a result, it always carries a number of such assets at values which are not recent, however, based on a review of market conditions and other external data sources these are assumed to be materially correct.

Note 10E – Accounting Standards Issued but Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard or interpretation that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards and interpretations within the 2016/17 Code:

- **IAS 1 Presentation of Financial Statements.** This revised standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

- Other minor changes due to the annual improvement to IFRS's cycles including IFRS11 Joint Arrangements, IAS 16 Property Plant and Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

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

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

Housing Revenue Account Income and Expenditure Statement

2014/15 £m		Notes	2015/16 £m
(92.1)	Gross Rents - Dwellings		(94.1)
(1.7)	Gross Rents - Non Dwellings		(0.9)
(5.2)	Charges to Tenants for Services and Facilities		(5.1)
-	Contributions		-
(99.0)	**Total Income**		**(100.1)**
25.8	Repairs and Maintenance		25.8
18.1	Supervision and Management		19.1
0.4	Rents, Rates and Taxes		0.3
0.6	Increase in Allowance for Bad Debts		0.6
22.3	Depreciation of Property, Plant and Equipment	**H1**	22.2
67.2	**Total Expenditure**		**68.0**
(31.8)	**Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement**		**(32.1)**
0.2	HRA Share of Corporate and Democratic Core		0.2
(31.6)	**Net Cost of HRA Services**		**(31.9)**
-	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		0.2
(2.7)	Impairment of Property, Plant and Equipment	**H2**	77.9
(1.6)	(Gain) on Sale of Property, Plant and Equipment		(2.6)
(0.1)	(Gain) on the Fair Value of Investment Assets		(1.5)
11.2	Interest Payable		13.0
(0.1)	Interest and Investment Income		(0.1)

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

2014/15 £m		Notes	2015/16 £m
(24.9)	**(Surplus)/Deficit for the Year**		**55.0**

Movement on the Housing Revenue Account Balance Statement

2014/15 £m		Notes	2015/16 £m
(5.0)	**Opening HRA Balance**		**(5.0)**
	(Increase)/Decrease in the HRA balance for the year analysed between:		
(24.9)	- (Surplus)/Deficit for the year on the Income and Expenditure Account		55.0
24.9	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	**H3**	(55.0)
-	**(Increase)/Decrease in the HRA balance for the year**		**-**
(5.0)	**Closing HRA Balance**		**(5.0)**

Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2014/15 £m		2015/16 £m
21.9	Council Dwellings	21.8
0.2	Other Land and Buildings	0.2
0.2	Vehicles, Plant, Furniture and Equipment	0.2
22.3	**Total Depreciation Charge for the Year**	**22.2**

Under the Housing Revenue Account regulations, depreciation and impairment charges are reversed out and replaced with a provision for the repayment of debt.

Note H2 – Impairment

2014/15 £m		2015/16 £m
(2.7)	Council Dwellings	77.9
-	Other Land and Buildings	-
(2.7)	**Total Impairment Charge for the Year**	**77.9**

£45.1 million of this impairment is due to the five yearly valuation of HRA dwellings which took place in 2015. £33.3 million is due to a change in treatment of enhancements and new build to recognise this spend at Existing Use Value – Social Housing on an annual basis. The remaining £0.4 million relates to impairments to existing properties.

Note H3 – Analysis of the Movement on the HRA Balance Statement

2014/15 £m		Note	2015/16 £m
24.9	**Net additional amount required to be debited or credited to the HRA Balance**		**(55.0)**
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
1.6	- Net Gain on Sale of Property, Plant and Equipment		2.6
2.7	- Impairment of Property, Plant and Equipment	**H2**	(77.9)
-	- Capital Expenditure Funded by the HRA		(0.2)
0.1	- Net Gain / (Loss) on the Fair Value of Investment Assets		1.5
4.4	**Subtotal**		**(74.0)**
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
-	- HRA Share of Contribution to Pension Reserve	**H4**	-
-	- Adjustment for Premiums and Discounts		(0.3)
20.5	- Amount Set Aside for the Repayment of Debt		19.6
-	- Transfer to/(from) Earmarked Reserves		(0.3)
20.5	**Subtotal**		**19.0**
24.9	**Total**		**(55.0)**

Note H4 – Contribution to the Pension Reserve

Retirement benefits are offered to employees by the Council as part of the terms and conditions of employment. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments. This commitment needs to be disclosed at the time that employees earn their future entitlement. The pension reserve reflects the projected shortfall in the amount which may need to be provided in the future to current employees of the Housing Revenue Account. Further details on this may be found in Note 5 to the Core Financial Statements.

Note H5 – Housing Stock

The number of dwellings held or leased by the Council on the below dates (excluding properties earmarked for demolition or sale) are shown in the following table.

31 March 2015		31 March 2016
4,957	Low Rise Flats	4,924
2,967	Medium Rise Flats	2,937
2,124	High Rise Flats	2,122
12,911	Houses and Bungalows	12,749
22,959	**Total Dwellings Owned by the Council**	**22,732**
14	Homeless Dwellings (Leased)	14
22,973		**22,746**

Note H6 – Housing Revenue Account Property, Plant and Equipment

The following table shows the total Balance Sheet values of the land, houses and other property within the Housing Revenue Account at the end of the year.

31 March 2015 £m		31 March 2016 £m
654.6	- Council Dwellings	598.2
10.4	- Other Land and Buildings	8.6
-	- Vehicles, Plant, Furniture and Equipment	-
0.3	- Intangible Assets	1.6
665.3	**Total Property, Plant and Equipment**	**608.4**

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2016 (at 1 April 2015 prices) amounted to £1,759.4 million (31 March 2015: £1,925.3 million). The value of dwellings shown on the Balance Sheet is the existing use value (social housing), which is 34% of the vacant possession value (this ratio is set by the Government). The difference between the two values demonstrates the economic cost to Government of providing Council housing at less than open market rents.

Note H8 – Capital

Capital expenditure on land, houses and other property within the HRA during the year and how it was paid for is shown in the following table.

2014/15 £m		2015/16 £m
	Sources of Funding	
(12.0)	- Borrowing	(5.9)
(1.5)	- Usable Capital Receipts	(16.5)
(29.6)	- Major Repairs Reserve	(27.9)
(13.2)	- Government and EU Grants	(0.2)
(56.3)	**Total Capital Expenditure**	**(50.5)**

Capital receipts generated during 2015/16 from the disposal of HRA assets are detailed in the following table.

2014/15 £m		2015/16 £m
(7.1)	Sale of Council Houses (including Right-to-Buy)	(8.9)
(0.9)	Sale of Other Land and Buildings	(0.1)
-	Repaid Discounts	(0.1)
(8.0)	**Total Capital Receipts**	**(9.1)**

These receipts were split between the Council and the Government, as shown in the table below.

2014/15 £m		2015/16 £m
1.9	Paid over to Government	2.3
(9.9)	Available to Finance Capital Expenditure	(11.4)
(8.0)	**Total Capital Receipts**	**(9.1)**

Note H9 – Rent Arrears

During 2015/16, total rent arrears decreased by £0.4 million. Within total rent arrears, current tenants' arrears as a proportion of net rental income was 1.3%, as in 2014/15. The comparative total figures are shown in the following table.

31 March 2015 £m		31 March 2016 £m
1.0	Current Tenants	1.2
1.1	Former Tenants	0.5
2.1	**Total Arrears**	**1.7**

An allowance is maintained for these debts. The table below details the movement in the year.

2014/15 £m		2015/16 £m
1.6	**Allowance for Bad and Doubtful Debts Brought Forward**	**1.8**
(0.4)	Amounts Written Off during the Year	(0.8)
0.6	Increase in Allowance Charged to the HRA during the Year	0.6
1.8	**Allowance for Bad and Doubtful Debts Carried Forward**	**1.6**

Note H10 – Major Repairs Reserve

This is a discretionary reserve to which the Council's Major Repairs Allowance (MRA) is transferred, and that is used to finance major repairs to HRA property. The MRA was determined by the Government as part of the final HRA subsidy determination. Where total HRA depreciation charges are greater than the MRA it is a requirement that an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve.

2014/15 £m		2015/16 £m
(13.2)	**Balance Brought Forward**	**(5.9)**
(22.3)	Transfer of MRA from the Capital Adjustment Account	(22.2)
29.6	Capital Expenditure on Land and Property in the HRA	27.9
(5.9)	**Balance Carried Forward**	**(0.2)**

6. THE COLLECTION FUND STATEMENT

The Collection Fund Statement

2014/15 £m		Note	2015/16 £m
(0.7)	**Deficit/(Surplus) Brought Forward**		**6.3**
	Income		
(88.6)	Council Tax	**C1**	(94.4)
(72.5)	Non Domestic Rates	**C2**	(75.6)
0.2	Transition Protection Payments - NDR		0.3
1.0	Grant Income		-
(159.9)	**Total Income**		**(169.7)**
	Expenditure		
	Precepts and Demands		
76.6	City of Wolverhampton Council		81.0
6.0	West Midlands Police and Crime Commissioner		6.3
3.1	West Midlands Fire and Rescue Authority		3.2
85.7			**90.5**
	Non Domestic Rates		
37.1	Central Government		38.0
0.7	West Midlands Fire and Rescue Authority		0.7
36.3	City of Wolverhampton Council		37.4
0.3	Cost of Collection Allowance		0.3
74.4			**76.4**

6. THE COLLECTION FUND STATEMENT

2014/15 £m		Note	2015/16 £m
	Distribution of Council Tax Surplus/(Payment of Deficit)		
(0.7)	City of Wolverhampton Council		1.0
(0.1)	West Midlands Police and Crime Commissioner		0.1
-	West Midlands Fire and Rescue Authority		-
	Distribution of Business Rates Surplus/(Payment of Deficit)		
-	City of Wolverhampton Council		(0.9)
-	Central Government		(0.9)
-	West Midlands Fire and Rescue Authority		-
	Allowance for Bad and Doubtful Debts		
2.0	Council Tax		1.6
1.1	Non Domestic Rates		1.4
3.1	Total Allowance for Bad and Doubtful Debts		**3.0**
4.5	Provision for appeals		4.1
-	5 year spread adjustment		-
166.9	**Total Expenditure**		**173.3**
7.0	**Deficit/(Surplus) for the Year**		**3.6**
6.3	**Deficit/(Surplus) Carried Forward**		**9.9**

Notes to the Collection Fund Statement

Note C1 – The Council Tax Base

Council tax income derives from charges raised according to the residential properties, which have been classified into eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund for the forthcoming year and dividing this by the tax base. The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. Council tax bills were based on the following proportions for bands A to H.

Band	Total Number of Chargeable Dwellings after Effect of Discount	Ratio	Band D Equivalent Dwellings (After allowance for council tax support)	Council Tax (Single Person Household) £	Council Tax (Multiple Occupancy) £
A Disabled	67.14	5/9	37.3	637.97	850.63
A	31,967.12	6/9	21,311.41	765.56	1,020.75
B	17,473.90	7/9	13,590.81	893.16	1,190.88
C	13,202.80	8/9	11,735.82	1,020.75	1,361.00
D	5,545.43	9/9	5,545.43	1,148.35	1,531.13
E	2,578.66	11/9	3,151.69	1,403.54	1,871.38
F	1,536.49	13/9	2,219.38	1,658.72	2,211.63
G	807.78	15/9	1,346.30	1,913.91	2,551.88
H	82.92	18/9	165.83	2,296.77	3,062.26
			59,103.97		

Note C2 – Non-Domestic Rates

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set by Central Government.

Local authorities retain a proportion of the total collectable rates due. In Wolverhampton, the Council retain 49%, 50% is paid to Central Government and the remaining 1% is paid to West Midlands Fire Service and Rescue Authority.

The total non-domestic rateable value was £191.3 million as at 31 March 2016 (£192.8 million as at 31 March 2015). The national multipliers for 2015/16 were 48.0 p for qualifying small businesses, and the standard multiplier was 49.3 p for all other businesses (47.1 p and 48.2 p respectively in 2014/15).

7. WEST MIDLANDS PENSION FUND STATEMENTS

Fund Account

2014/15 £m		Note	2015/16 £m
	Contributions & Benefits		
(500.2)	Contributions Receivable	**P8**	(504.3)
(9.5)	Transfers In	**P9**	(11.1)
(15.7)	Other Income	**P10**	(15.5)
(525.4)	**Total Contributions and Other Income**		**(530.9)**
498.3	Benefits Payable	**P11**	514.7
261.5	Payments to and on Account of Leavers	**P12**	35.6
0.4	Other Payments		0.3
760.2	**Total Benefits and Other Expenditure**		**550.6**
86.3	**Management Expenses**	**P13**	**74.9**
	Returns on Investments		
(160.5)	Investment Income	**P14**	(168.6)
(947.6)	Changes in Value of Investments		429.4
(532.6)	Profits and Losses on Disposal of Investments		(552.1)
(1,640.7)	**Net Return on Investments**		**(291.3)**
(1,319.6)	**Net (Increase) in the Fund During the Year**		**(196.7)**
10,144.4	**Net Assets of the Fund at the Beginning of the Year**		**11,464.0**
11,464.0	**Net Assets of the Fund at the End of the Year**		**11,660.7**

7. WEST MIDLANDS PENSION FUND STATEMENTS

Net Assets Statement

31 March 2015 £m		Note	31 March 2015 £m
	Investment Assets (at Market Value)	**P15**	
185.9	Fixed Interest Securities		180.1
1,019.6	UK Equities		1,036.2
3,861.3	Overseas Equities		4,137.2
5,102.5	Pooled Investment Vehicles		4,921.5
656.4	Property		694.5
91.9	Foreign Currency Holdings		171.1
458.3	Cash Deposits		459.8
1.6	Other Investment Assets		-
44.3	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		35.7
11,421.8	**Investment Assets**		**11,636.1**
	Investment Liabilities (at Market Value)	**P15**	
-	Other Investment Liabilities		(2.6)
-	**Investment Liabilities**		**(2.6)**
11,421.8	**Net Investment Assets**		**11,633.5**
11.6	**Long-term Assets**	**P18**	**12.6**
54.8	**Current Assets**	**P19**	**52.6**
(24.2)	**Current Liabilities**	**P20**	**(38.0)**
11,464.0	**Net Assets of the Fund at the End of the Year**		**11,660.7**

7. WEST MIDLANDS PENSION FUND STATEMENTS

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial certificate/statement.

The notes form part of these financial statements.

Notes to the Pension Fund Statements

Note P1 – General

The description in this note is a high-level summary of the Fund's activities, and more detail is available in the Fund's Annual Report 2016, which can be found on its website at: http://www.wmpfonline.com/article/4764/Annual-Reports.

West Midlands Pension Fund is part of the Local Government Pension Scheme, and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region, together with employees of admitted bodies. At 31 March 2016, the Fund had 536 participating employers, and 287,874 members, as set out in the following table. A full list of participating employers can be found in the Fund's annual report.

31 March 2015 No.		31 March 2016 No.
104,250	Active Members	107,984
82,110	Pensioner Members	85,558
91,198	Deferred Members	94,332
277,558	**Total**	**287,874**

The Council's Pensions Committee has delegated responsibility for administering the Fund. It meets at approximately quarterly intervals, and has members from each of the seven metropolitan district councils in the West Midlands. An Investment Advisory Sub-Committee and a Pensions Board were also in operation during 2015/16.

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

(i) The Local Government Pension Scheme Regulations 2013 (as amended)
(ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
(iii) The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employer contribution rates during 2015/16 ranged from 5.0% to 45.3% of pensionable pay.

Major changes were introduced to the LGPS from 1 April 2014, in particular the move from basing pensions on final salaries to career-average revalued earnings (CARE), with an accrual rate of 1/49th, and pensions uprated annually in line with the Consumer Price Index. Pension entitlements accrued prior to this date continue to be based on final salary.

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note P6 of these accounts.

Note P3 - Statement of Accounting Policies

A. Fund Account

In the Fund Account, income and expenditure are accounted for in the year in which they arise by the creation of payables and receivables at the year-end where necessary. However, provision has not been made where the amount payable or receivable in relation to transfers was not agreed at the year-end (see Note P9).

B. Contribution Income

Contributions receivable have been included in the accounts on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Additional contributions as notified by employers for the period have also been included. Past service deficit contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset, with amounts due after the following year classed as long-term financial assets.

Where employing organisations have not submitted all of the certified returns of contributions payable by the due date for preparation of these accounts, an estimate has been made based on the monthly returns actually received from these bodies.

C. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who had either joined or left the scheme as at 31 March 2016, calculated in accordance with the Local Government Pension Scheme Regulations (see Notes P9 and P12). Transfers in respect of individuals are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis, and are reported within transfers in.

D. Investment Income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period, where known to be due, have been accrued for in the accounts.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Property-related income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

E. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

F. Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2016. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

G. Foreign Currency Transactions

Dividends, interest and purchases and sales of investments have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates have been used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at 31 March 2016.

H. Valuation of Investments

1. Quoted Securities
Securities have been valued at the bid-market price ruling on 31 March 2016 where a quotation was available on a recognised stock exchange or unlisted securities market.

2. Unquoted Securities
The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor report has not been received from the fund manager the security is valued at cost.

3. Pooled Investment Vehicles
Pooled Investment Vehicles are stated at the bid-point of the latest prices quoted or the latest single market prices. In the case of the pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

4. Freehold and Leasehold Properties
These have been valued at their open market value. Property is valued by the Fund's valuers on an annual basis. The market values included in these accounts are contained in a valuation report by Knight Frank LLP, chartered surveyors as at 31 March 2016. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Savills Plc, agricultural valuers, at the same date.

5. Foreign Currencies
Investments held in foreign currencies have been valued as set out in paragraph G above and translated at exchange rates ruling at 31 March 2016.

6. Movement in the net market value of investments
Any gains or losses arising on translation of investments into sterling are accounted for as a change in the market value of investments.

I. Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

J. Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

K. Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. The costs of Fund officers are recharged to the Fund, along with all other costs incurred directly on Fund activities, and an apportionment for corporate support services provided by the Council.

All investment management expenses are accounted for on an accruals basis. External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments, either being managed or in safe custody, and as such will fluctuate as the valuations change. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in Note P13.

Where a management fee notification has not been received by the time of preparing these accounts, an estimate based upon the market value of their mandate is used for inclusion in the Fund Account.

The cost of external investment advice is included in investment management expenses, as is the cost of the Fund's in-house investment management team.

L. Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note P5).

M. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the provider by employers and are specifically

for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note P21).

Note P4 - Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2016 was £1,319.1 million (£1,351.2 million at 31 March 2015).

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note P6. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note P5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Actuarial present value of promised retirement benefits

Uncertainties
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. Barnett Waddingham, the Fund's consulting actuaries, are engaged to provide expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions
The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, however an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's consulting Actuary below:

Change in assumptions – year ended 31 March 2016	Approx % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	10%	1,692.0
1 year increase in member life expectancy	3%	503.0
0.5% p.a. increase in salary increase rate	2%	354.0
0.5% p.a. increase in CPI inflation	8%	1,357.0

Private Equity

Uncertainties

Private equity investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Effect if actual results differ from assumptions

The total private equity investments in the financial statements are £1,319.1 million. There is a risk that this investment may be under-or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £66.0 million.

Hedge Funds

Uncertainties

Hedge funds valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the directors or independent administrators judge necessary. Where these investments are not publicly listed there is a degree of estimation involved in the valuation.

Effect if actual results differ from assumptions

The total hedge funds value in the financial statements is £4.6 million. There is a risk that these investments may be under-or overstated in the accounts. Given a tolerance of say +/- 5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £0.2 million.

Note P6 - Actuarial Valuation of the Fund

A full actuarial valuation of the Fund was made as at 31 March 2013 by the Fund's Actuary, P Middleman of Mercer Human Resource Consulting Limited. The Actuary has determined the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £9,886.0 million represented 70% of the funding target of £14,091.0 million at the valuation date. The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

Adopting the same method and assumptions as used for calculating the funding target, the deficit could be eliminated by an average additional contribution rate of 10.3% of pensionable pay for 22 years.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2014. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2014. For comparison purposes, the figures for the two preceding years are also shown. The rates payable by the seven councils were certified as follows:

	Future Service Rate (% of pay) plus lump sum (£)				
	2012/13	2013/14	2014/15	2015/16	2016/17
Birmingham City Council	12.1% plus £27,800,000	12.1% plus £29,100,000	12.3% plus £40,113,600	12.9% plus £41,870,400	13.4% plus £43,724,800
Coventry City Council	12.1% plus £6,600,000	12.1% plus £6,900,000	12.2% plus £9,467,000	12.7% plus £12,395,000	13.1% plus £15,518,000
Dudley MBC	11.8% plus £5,700,000	11.8% plus £6,000,000	12.1% plus £7,418,000	12.7% plus £9,174,000	13.2% plus £10,931,000
Sandwell MBC	11.7% plus £7,900,000	11.7% plus £8,300,000	13.1% plus £11,614,400	13.1% plus £15,323,200	13.1% plus £19,227,200
Solihull MBC	11.7% plus £4,300,000	11.7% plus £4,500,000	12.3% plus £17,217,000	12.9%	13.5%
Walsall MBC	11.7% plus £8,000,000	11.7% plus £8,400,000	13.2% plus £14,250,000	13.2% plus £14,835,000	13.2% plus £15,518,000
City of Wolverhampton Council	12.2% plus £7,400,000	12.2% plus £7,800,000	12.6% plus £9,000,000	13.1% plus £9,900,000	13.5% plus £10,900,000

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases	4.35% per annum*	4.35% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* Allowance was also made for short-term public sector pay restraint over a 3/5 year period depending on the individual employer.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, the following financial assumptions have been used:

	31 March 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.7% per annum
Rate of pay increases	3.75% per annum*	3.85% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.1% per annum

* Includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £17,603.0 million. The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2015 as described above is to reduce the liabilities by £1,343.3 million. Adding interest over the year increases the liabilities by £565.7 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £28.9 million, which includes any increase in liabilities arising as a result of early retirements/augmentations.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £16,796.5 million.

Note P7 - Taxation

1. Value Added Tax

The Fund (as part of the City of Wolverhampton Council) pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

2. Taxation of Overseas Investment Income

The Fund receives interest on its overseas bonds gross, but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets.

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

There are also markets where relief is not possible - either no double taxation agreements exists (e.g. Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g. Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

Note P8 – Contributions Receivable

Contributions Receivable by Type

2014/15 £m		2015/16 £m
	From Employers	
361.0	Contributions	365.6
-	Augmented Membership	0.2
28.6	Additional Cost of Early Retirement	28.4
389.6		**394.2**
	From Members	
109.9	Basic Contributions	109.4
0.7	Additional Contributions	0.7
110.6		**110.1**
500.2	**Total Contributions**	**504.3**

The additional contributions above represent the purchase of added membership or additional benefits under the Pension Scheme.

Contributions Receivable by Type of Member

2014/15 £m		2015/16 £m
35.9	Administering Authority	33.1
440.9	Scheduled Employers	447.2
23.4	Admitted Employers	24.0
500.2	**Total**	**504.3**

Note P9 – Transfers In

2014/15 £m		2015/16 £m
9.5	**Individual transfers in from other schemes**	**11.1**

Note P10 – Other Income

2014/15 £m		2015/16 £m
	Benefits Recharged to Employers	
8.5	Compensatory Added Years	8.5
7.2	Pensions Increases	7.0
15.7	**Total**	**15.5**

Note P11 – Benefits Payable

Benefits Payable by Type

2014/15 £m		2015/16 £m
	Pensions	
360.7	Retirement Pensions	375.9
27.4	Widows' Pensions	28.0
0.9	Children's' Pensions	0.9
3.9	Widowers' Pensions	4.3
0.1	Ex-Spouse	0.1
0.1	Equivalent Pension Benefits	0.1
0.1	Co-habiting Partners	0.1
393.2	**Total Pensions**	**409.4**
	Lump Sum Benefits	
92.2	Retiring Allowances	93.1
12.9	Death Grants	12.2
105.1	**Total Lump Sum Benefits**	**105.3**
498.3	**Total Benefits Payable**	**514.7**

Benefits Payable by Type of Employer

2014/15 £m		2015/16 £m
49.7	Administering Authority	45.7
415.8	Scheduled Employers	434.7
32.8	Admitted Employers	34.3
498.3	**Total**	**514.7**

Note P12 – Payments To and On Account of Leavers

2014/15 £m		2015/16 £m
10.0	Individual Transfers	25.7
247.8	Group Transfers	5.7
0.6	Refunds of Contributions	1.0
0.1	State Scheme Premiums	0.4
3.0	Bulk Transfer Pension Increases	2.8
261.5	**Total**	**35.6**

The amount for group transfers in 2014/15 is primarily made up of £246.0 million transferred to Greater Manchester Pension Fund in respect of Staffordshire and West Midlands Probation Trust, for which responsibility transferred on 1 June 2014.

Note P13 – Management Expenses

2014/15 £m		2015/16 £m
3.0	Administrative costs	3.3
81.2	Investment management expenses, comprising:	69.8
56.1	- Management Fees	47.6
24.1	- Performance-Related Fees	19.5
0.3	- Custody Fees	0.4
0.7	- Transaction Costs	2.3
2.1	Oversight and governance costs	1.8
86.3	**Total Management Costs**	**74.9**

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £19.5 million in 2015/16 and £24.1 million in 2014/15.

The guidance requires that external investment management fees that are deducted from asset values (rather than invoiced and paid directly) are shown gross. Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information.

Note P14 – Investment Income

2014/15 £m		2015/16 £m
	Dividends and Interest	
	Fixed Interest Securities	
8.7	UK Private Sector – Quoted	8.5
	Equities	
36.3	UK	37.2
80.8	Overseas	94.6
	Pooled Investment Vehicles	
3.5	UK	3.3
0.9	Overseas Equities	1.0
1.5	Interest on Cash Deposits	2.7
1.3	Stock lending	1.7
(2.5)	Overseas Taxation	(4.0)
130.5	**Total Dividends and Interest**	**145.0**
39.0	Property Management Income	31.6
(9.0)	Property Management Expenses	(8.0)
30.0	**Total Property Management**	**23.6**
160.5	**Total Investment Income**	**168.6**

Stock lending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £406.4 Million (2015: £314.0 Million) in exchange for which the custodian held collateral worth £442.3 Million (2015: £333.9 Million). Collateral consists of acceptable securities and government debt.

Note P15 - Net Investment Assets

31 March 2015 (Re-stated) £m		31 March 2016 £m
	Fixed Interest Securities	
185.9	UK Companies – Segregated (external)	180.1
185.9		**180.1**
	UK Equities	
1,019.6	Quoted	1,036.2
1,019.6		**1,036.2**
	Overseas Equities	
2,660.0	Quoted	2,901.8
1,201.3	Quoted – Segregated (external)	1,235.4
3,861.3		**4,137.2**
	Pooled Investment Vehicles	
	Managed Funds	
498.2	UK Fixed Interest	505.1
644.6	Other Fixed Interest	669.2
709.9	UK Quoted, Index Linked	723.1
281.2	UK Unquoted Equities	263.1
1,451.0	Overseas Unquoted Equities	1,396.5
626.3	UK Absolute Returns	480.4
82.0	Overseas Absolute Returns	129.7
54.3	UK Property	52.8
185.3	Foreign Property	156.3
	Unit Trusts	
83.1	UK Quoted Equities	96.8
481.4	Overseas Equities	442.5

31 March 2015 (Re-stated) £m		31 March 2016 £m
5.2	Overseas Property	6.0
5,102.5		**4,921.5**
	Property	
604.6	UK Freehold	638.6
51.8	UK Leasehold*	55.9
656.4		**694.5**
	Foreign Currency Holdings	
4.4	Australian Dollars	3.5
8.1	Canadian Dollars	2.3
0.7	Czech Koruna	0.7
0.4	Danish Kroner	1.5
23.0	Euro	7.4
6.4	Hong Kong Dollars	0.6
0.5	Hungarian Forints	0.5
1.9	Japanese Yen	1.9
0.2	New Zealand Dollars	0.2
0.5	Norwegian Kroner	1.3
0.2	Polish Zloty	0.4
2.0	Singapore Dollars	0.4
0.9	Swedish Kroner	0.7
6.6	Swiss Francs	2.8
0.6	Turkish Lira	0.6
35.5	United States Dollars	146.3
91.9		**171.1**

31 March 2015 (Re-stated) £m		31 March 2016 £m
	Cash Deposits	
458.3	UK	459.8
	Other Investments	
1.6	Broker Balances	(2.6)
44.3	Outstanding Dividend Entitlement and Recoverable with-holding Tax	35.7
11,421.8	**Total Net Investment Assets**	**11,633.5**

* All leasehold properties are held on long leases

Segregated accounts are held separately from the main account by the global custodian and contain assets managed by some of the Fund's external managers.

The following investment represents more than 5% of the net assets of the scheme:

31 March 2015			31 March 2016	
Market Value £M	% of total Market Value %		Market Value £M	% of total Market Value %
		Security		
709.9	6.2	Legal & General - All Stocks Index-Linked Gilts Fund	723.1	6.2

The proportion of the market value of investment assets managed in-house and by each external manager at the year-end is set out below.

31 March 2015			31 March 2016	
Market Value £m	% of total Market Value %		Market Value £m	% of total Market Value %
4,878.5	42.9	In-house	5,260.9	45.3
40.1	0.4	Managers: UK Quoted	35.1	0.3
-	-	Managers: US Quoted	-	-
-	-	Managers: European Quoted	-	-
-	-	Managers: Japanese Quoted	-	-
-	-	Managers: Pacific Basin	-	-
826.0	7.3	Managers: Emerging Markets	859.7	7.4
856.8	7.5	Managers: Global Equities	818.2	7.1
2,047.7	17.9	Managers: Fixed Interest	2,077.5	17.9
287.8	2.5	Managers: Indirect Property	276.8	2.4
-	-	Managers: Commodities	-	-
381.0	3.4	Managers: Infrastructure Funds	340.4	2.9
708.4	6.2	Managers: Absolute Return	610.1	5.3
1,351.2	11.9	Managers: Private Equity	1,319.1	11.4
11,377.5	**100.0**		**11,597.8**	**100.0**
44.3		Outstanding Dividend Entitlement and Recoverable With-Holding Tax	35.7	
11,421.8		**Total Investment Assets**	**11,633.5**	

Note P16 – Investment Market Value Movements Analysis

	Value at 31 March 2015 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2016 £m
Fixed Interest Securities	185.9	-	(0.2)	(5.6)	180.1
UK Equities	1,019.6	279.6	(105.9)	(157.1)	1,036.2
Overseas Equities	3,861.3	496.3	(137.9)	(82.5)	4,137.2
Pooled Investment Vehicles	5,102.5	1,237.0	(1,188.3)	(229.7)	4,921.5
Property	656.4	16.2	(23.6)	45.5	694.5
	10,825.7	**2,032.3**	**(1,455.9)**	**(429.4)**	**10,969.5**
Broker Balances	1.6				(2.6)
Outstanding dividend entitlement and recoverable With-holding tax	44.3				35.7
Foreign Currency	91.9				171.1
Cash Deposits	458.3				459.8
Total Investments	**11,421.8**				**11,633.5**

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profits and losses on the sale of investments shown in the Fund Account include an additional £552.1 million which represents profit realised on sale of the Fund's assets.

Purchases also include transfers in of investments, take-over of shares etc. and invested income. Sales proceeds include all receipts from sales of investments, transfers out of investments, take-over proceeds etc. and reductions in cash deposits including profits or losses realised on the sale.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £2.3 million (2014/15: £0.7 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

31 March 2015 £m		31 March 2016 £m
0.7	Equities - Overseas Quoted	2.3
0.7		**2.3**

The volatility of investment markets is an ever-present and longstanding feature of pension fund management and valuations may vary, either up or down, throughout each day when exchanges are open.

The change in the value of investments during 2014/15 is set out below:

	Value at 31 March 2014 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2015 £m
Fixed Interest Securities	171.3	-	(5.4)	20.0	185.9
UK Equities	971.3	52.7	(17.2)	12.8	1,019.6
Overseas Equities	3,155.9	1,744.5	(1,256.7)	217.6	3,861.3
Pooled Investment Vehicles	4,908.2	762.4	(1,206.3)	638.2	5,102.5
Property	629.8	51.3	(83.7)	59.0	656.4
	9,836.5	**2,610.9**	**(2,569.3)**	**947.6**	**10,825.7**
Broker Balances	(3.3)				1.6
Outstanding dividend entitlement and recoverable With-holding tax	4.9				44.3
Foreign Currency	42.2				91.9
Cash Deposits	211.6				458.3
Total Investments	**10,091.9**				**11,421.8**

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profits and losses on the sale of investments shown in the Fund Account include an additional £532.6 million which represents profit realised on sale of the Fund's assets.

Note P17 – Investment Capital Commitments

Investment commitments at the end of the financial year in respect of future payments were:

31 March 2015 £m		31 March 2016 £m
768.4	Non-Equities	692.2
172.4	Property	132.8
940.8	**Total**	**825.0**

These amounts relate to outstanding commitments due on funds held in the private equity, fixed interest, absolute return and alternative investment portfolios.

Note P18 - Other Long-Term Assets

This balance is in respect of amounts due from employers to meet early retirement costs, for which the Fund has agreed to those employers deferring payment over a number of years. These are amounts due after the following financial year (with the amounts due next year reported in Current Assets), and can be analysed as follows.

31 March 2015 £m		31 March 2016 £m
4.0	Administering Authority	-
7.6	Other Local Authorities	12.6
11.6	**Total**	**12.6**

Note P19 – Current Assets

31 March 2015 £m		31 March 2016 £m
	Receivables and Prepayments	
	Contributions Receivable	
14.4	- Employers	17.6
7.0	- Members	6.2
33.0	Other Receivables	27.8
54.4	**Total Receivables and Prepayments**	**51.6**
0.4	Cash	1.0
54.8	**Total Current Assets**	**52.6**

Note: Following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it was calculated by Mercer Limited that the Fund is due to receive a total of £27.7 million. This is to be paid in 10 equal and annual instalments commencing on 15 April 2011 and finishing on 15 April 2020 together with interest payments resulting in annual income of £3.3 million. The balance due included in Other Receivables at 31 March 2016 is £12.9 million (31 March 2015: £16.1 million).

31 March 2015 £m		31 March 2016 £m
	Analysis of Receivables	
4.9	Administering Authority	3.2
16.6	Other Local Authorities	14.9
32.9	Other Entities and Individuals	33.5
54.4	**Total**	**51.6**

Note P20 – Current Liabilities

31 March 2015 £m		31 March 2016 £m
	Payables and Receipts In Advance	
(2.4)	Pensions and Lump Sum Benefits	(2.0)
(21.8)	Other Payables	(36.0)
(24.2)	**Total**	**(38.0)**

31 March 2015 £m		31 March 2016 £m
	Analysis of Payables	
(3.7)	Central Government Bodies	(3.8)
(10.5)	Administering Authority	(7.9)
(0.1)	Other Local Authorities	-
(9.9)	Other Entities and Individuals	(26.3)
(24.2)	**Total**	**(38.0)**

Note P21 – Additional Voluntary Contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC providers.

The contributions are not included within the fund accounts, in line with regulation 4 (2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

31 March 2015			31 March 2016	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
2.4	**35.8**	**Opening Value of the Fund**	**2.1**	**38.7**
-	7.2	Income	0.1	6.2
(0.4)	(8.4)	Expenditure	(0.3)	(7.7)
0.1	4.1	Change in Market Value	-	0.2
2.1	**38.7**	**Closing Value of the Fund**	**1.9**	**37.4**

Note P22 – Post Year End Transactions

There were no post year end transactions that require disclosure in the accounts.

Note P23 – Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2015 (Re-stated) £m		31 March 2016 £m
	Financial Assets	
(888.6)	Fair value through profit and loss	474.9
(888.6)	**Total**	**474.9**

Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below:

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Midlands Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Value at 31 March 2016	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	7,121.1	884.4	2,269.6	**10,275.1**
Loans and Receivables	730.3	-	-	**730.3**
Financial Liabilities at Amortised Cost	(36.7)	-	-	**(36.7)**
Total Financial Assets	**7,814.7**	**884.4**	**2,269.6**	**10,968.7**

Value at 31 March 2015	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	6,796.4	932.3	2,440.5	**10,169.2**
Loans and Receivables	662.6	-	-	**662.6**
Financial Liabilities at Amortised Cost	(20.4)	-	-	**(20.4)**
Total Financial Assets	**7,438.6**	**932.3**	**2,440.5**	**10,811.4**

Note P24 – The Nature and Extent of Risks Arising From Financial Instruments

Risk Management

The Fund's activities expose it to a variety of financial risks including:

Investment Risk -	The possibility that the Fund will not receive the expected returns.
Credit Risk -	The possibility that the other parties might fail to pay amounts due to the Fund.
Liquidity Risk -	The possibility that the Fund might not have funds available to meet its commitments to make payments.
Market Risk -	The possibility that financial loss might arise as a result of stock market movements. Currency risk, other price risk and interest rate risk are types of market risk.

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Policies covering specific areas relating to the Fund are as follows:

Investment Risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to liabilities through the triennial actuarial valuation

followed by an appropriate asset allocation. During the year, the Fund targeted a 90% exposure to return seeking assets such as equities, property, and other alternatives with equity-like returns, including emerging market debt and higher return fixed interest investments. The remaining 10% being allocated to stabilising assets, such as UK Government bonds or gilts, both index linked and conventional.

Risks in return-seeking assets include market risk (the greatest risk), issuer risk and volatility, which are partly mitigated by diversification across asset classes, global markets and investments funds. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of return-seeking assets would increase the costs of funding. Stabilising assets backed by the UK Government are considered low risk. However, corporate bonds carry some additional issuer risk.

Counterparty Risk

In deciding to effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by Fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund specific requirements.

Credit Risk

The Fund's deposits with financial institutions as at 31 March 2016 totalled £452.6 million in respect of temporary loans and treasury management instruments (31 March 2015: £449.3 million). The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Proposed counterparties are assessed using an amalgamation of credit ratings and market research with the resulting 'score' determining the suitability and individual limit in each case. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite. A credit rating sensitivity analysis as at 31 March 2016 is shown below:

Credit Rating Sensitivity Analysis			
Summary	**Rating**	**Value at 31 March 2015 £m**	**Value at 31 March 2016 £m**
Money Market Funds			
AIM STIC Global Sterling Portfolio		45.0	35.0
HSBC Sterling Liquidity Fund		263.2	230.2
Short-Term Deposits			
Nationwide Building Society	A	25.0	2.4
Principality Building Society	BBB+	10.0	10.0
Nottingham Building Society	Baa1	10.0	10.0
Leeds Building Society	A-	10.0	10.0
Newcastle Building Society	BB+	10.0	10.0
Barclays	A	10.0	35.0
Skipton Building Society	BBB+	10.0	-
West Bromwich Building Society	B1	5.0	5.0
Santander UK	A	-	35.0
Lloyds Bank Plc	A+	-	-
Coventry Building Society	A	-	-
Bank Deposit Accounts			
NatWest Corporate Cash Manager Account		49.8	50.0
GBP Current Accounts		1.3	1.0
HSBC Global Active		-	19.0
Total		**449.3**	**452.6**

Liquidity Risk

The Fund has a comprehensive daily cash flow management procedure which seeks to ensure that cash is available as needed. Due to the cash flow management procedures and the liquidity of certain asset types held, there is no significant risk that the Fund will be unable to raise cash in order to meet its liabilities. The Fund actually uses this liquidity risk to its benefit, taking advantage of the illiquidity premium found in investments such as private equity.

Foreign Exchange Risk

The Fund's exposure to foreign exchange risk is managed through the diversification of portfolios across sectors, countries and geographic regions, along with continuous monitoring and management of holdings. In addition, the Fund's currency exposure is managed in line with the daily cash management policy.

Securities Lending

As at 31 March 2016, £406.4 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2015: £314.0 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £442.3 million, giving a margin of 8.8% (2014/15, £333.9 million, margin of 6.3%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Income from stock lending amounted to £1.7 million during the year (2014/15: £1.3 million) and is detailed in Note P14 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers; therefore, the value of that collateral is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance, ensures that reputational risk is kept to a minimum.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk, which arises from investments held by the fund for which the future price is uncertain. The Fund mitigates price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

Market Risk – Other Price Risk

Asset Type	Price Risk Value as at 31 March 2016 £	% Change	Value on Increase £	Value on Decrease £
UK equities	1,071.3	17.1%	1,254.5	888.1
Global equities (ex UK)	4,579.8	19.6%	5,477.4	3,682.2
Property*	1,009.2	14.7%	1,157.6	860.8
Fixed Interest**	2,705.8	8.0%	2,922.3	2,489.3
Private Equity	1,319.1	28.7%	1,697.7	940.5
Alternatives***	912.6	15.5%	1,054.1	771.1
Total Fund (See Note Below)	**11,597.8**	**12.3%**	**13,024.3**	**10,171.3**

* Includes exposure to forestry (£37.9 million)

** Includes exposure to fixed interest gilts, index-linked gilts, corporate bonds, cash, high yield debt, emerging market debt, mezzanine debt, convertibles and senior loans

*** Includes exposure to absolute return (£610.1 million) and infrastructure (£302.6 million)

The total Fund volatility, taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.3%. On this basis, the total value on increase is £13,024.3 million, and the total value on decrease is £10,171.2 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Currency Risk - Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2016:

Currency Risk (by Asset Class)

Asset Type	Value as at 31 March 2016 £m	% Change	Value on Increase £m	Value on Decrease £m
Global Equities (ex. UK)	4,579.8	10.0%	5,037.8	4,121.8
Private Equity	1,143.1	10.0%	1,257.4	1,028.8
Fixed Interest	391.2	10.0%	430.3	352.1
Alternatives	383.1	10.0%	421.4	344.8
Property Funds	162.3	10.0%	178.5	146.1
Liquid Assets	171.1	10.0%	188.2	154.0
Total	**6,830.6**		**7,513.6**	**6,147.6**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The fund's consulting actuary has advised that the assumed interest rate volatility is 100 basis points per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/-100 BPS change in interest rates:

Asset Type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£m	£m	£m
Index-linked Gilts	723.1	(147.9)	147.9
Gilts	155.4	(15.3)	15.3
Corporate Bonds	529.8	(43.0)	43.0
Total	**1,408.3**	**(206.2)**	**206.2**

Note P25 – Impairment for Bad and Doubtful Debts

The following additions and write offs of pension payments were reported in this financial year, in line with the Fund's policy:

Additions Analysis		
Individual Value	Number	Total £
Less than £100	29	1,080.62
£100 - £500	6	968.48
Total	**35**	**2,049.10**

Write off Analysis		
Individual Value	Number	Total £
Less than £100	12	736.99
£100 - £500	49	10,304.43
Over £500	13	15,479.52
Total	**74**	**26,520.94**

Note P26 - Related Parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council, and the costs shown in Note P13 above are recharged to the Fund. Contributions of £33.1 million were receivable from the City of Wolverhampton Council for 2015/16 (2014/15: £36.0 million). Balances owed by and to the Council at the year-end are shown in Notes P18, P19 and P20.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund (including one substitute member), as set out below:

Pensioner: Councillors Inston, Page, Sparks and Thompson

Active: Councillors Brookfield, Hevican, McGregor and T Singh

Each member of the Pensions Committee is required to declare any interests relevant to the matters being discussed at each meeting.

There are five employing bodies of the Fund in which a member of the Committee has declared an interest for 2015/16. Contributions receivable from each of these are set out below.

Contributions Receivable 2014/15 £000		Contributions Receivable 2015/16 £000
358	Birmingham Museum Trust	457
-	Black Country Housing Group	115
19	Kingswood Trust	20
3,140	Walsall Housing Group	3,465
3,503	West Midlands Fire and Rescue Service	3,331

Key Management Personnel

The Fund's senior management comprises six individuals: the Strategic Director of Pensions, the Assistant Director (Investments), the Assistant Director (Actuarial and Pensions), the Head of Client and Funding Management, the Head of Governance and the Head of Finance. The total salary paid to the senior management team in 2015/16 was £454,000 (2014/15: £369,000, for five individuals). In addition to this, employer's pension contributions of £98,000 (2014/15: £75,000) were met from the Fund in respect of these individuals.

8. ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The City of Wolverhampton is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This code is incorporated within the Council's Constitution, which is available for review on the Council's website.

The Council is also responsible for the strategic management and administration of the *West Midlands Pension Fund* with the Council's Managing Director, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting both the members of the Pensions Committee and the Local Pension Board in their role.

Wolverhampton Homes is the Council's Arm's Length (Housing) Management Organisation (ALMO) and is a company wholly owned by the Council. The control of the ALMO is through the Board which has representatives drawn from 1/3 Council, 1/3 tenants and 1/3 independent. There is a Management Agreement between the Council and Wolverhampton Homes which sets out the contractual and governance arrangements between the parties.

The Purpose of the Governance Framework

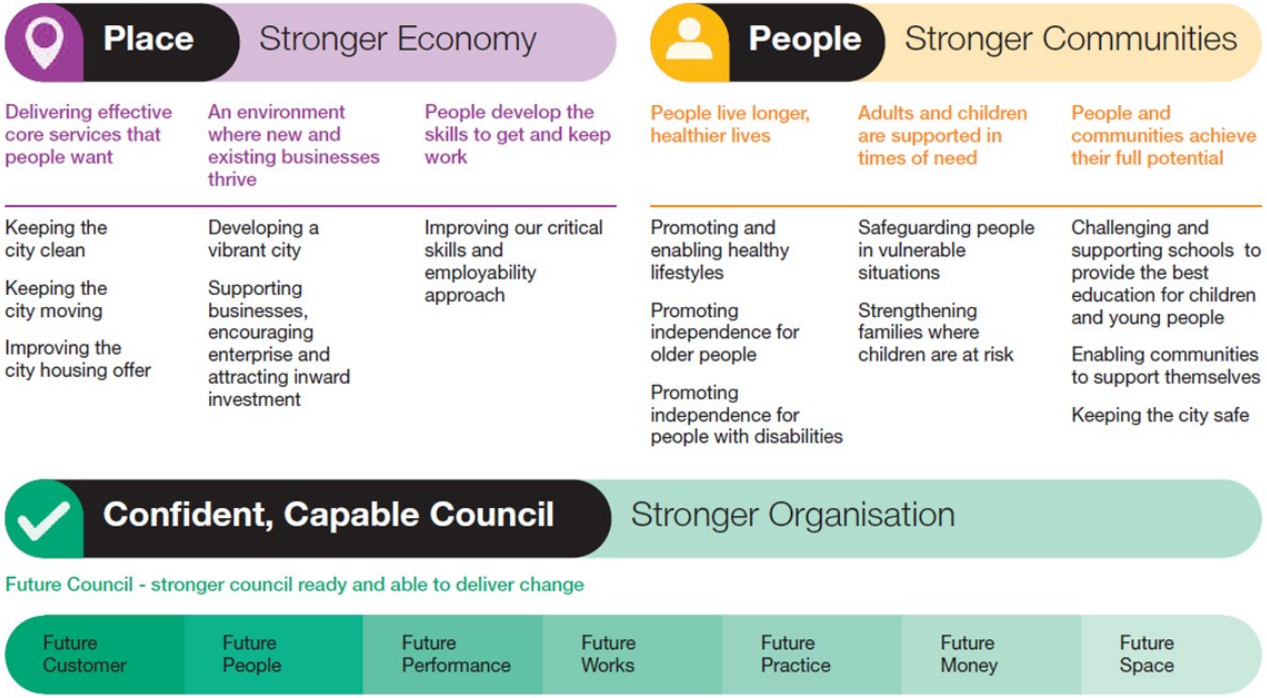
The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives and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

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They 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 systems of risk management and internal control are based on an on-going process designed to identify and prioritise the risks to the achievement of the 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 the Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework and Review of Effectiveness throughout 2015/16

The Council has a Corporate Plan with the following aims and themes.



These are underpinned by the governance environment. This environment is consistent with the six core principles of the CIPFA/ SOLACE framework. In reviewing the Council's priorities and the implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The key elements of the systems and processes that comprise the Council's governance framework, and where assurance against these is required, are described below.

Key changes to the governance framework

During the year, the Chief Executive of Wolverhampton Homes took on an additional role within the Council as the Strategic Director of Housing. The Council also played an active role in the the establishment of the governance arrangements for the Combined Authority across the West Midlands region.

West Midlands Pension Fund

The West Midlands Pension Fund has completed its own "Assurance Framework – Supporting the Annual Governance Statement" which identified that there had been no adverse matters arising from the work behind their assurance framework.

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company's Financial Statements for 2015/16. This states that the control framework has been reviewed by the Company's Audit Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company's internal auditors.

Managing the risk of Fraud and Corruption

With regards to the CIPFA Code of practice on managing the risk of fraud and corruption - having considered all the principles, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The activities undertaken in this area were primarily led during the year by the Audit and Risk Committee.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government

The role of the Council's Section 151 Officer has been assessed against the CIPFA Statement and found to be compliant.

8. ANNUAL GOVERNANCE STATEMENT

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members and senior officers within the Council who have responsibility for the development and maintenance of the governance framework, Internal Audit's annual report, the Scrutiny function and also by reports made by the Council's external auditors and other review agencies and inspectorates, as noted above.

Internal Audit has concluded that based on the work undertaken during the year of areas key risk, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes". Key areas of concern have been included within the governance issues noted below.

A number of issues were identified in the 2014/5 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas is included below. Where sufficient progress has not been made, the issues have been included in the 2015/16 statement.

Progress on the Governance Issues from 2014/15

The table below describes the governance issues identified during 2014/15 and the progress made against these during 2015/16. While a number of issues from 2014/15 have been carried forward to 2015/16, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2014/15 - Key areas for Improvement	Update on position and implication for the 2015/16 Annual Governance Statement
Future Space An updated business case for the works to the Civic Centre clarifying the scope and intention of the programme and the resources it wishes to deploy, will be prepared and submitted to Councillors in June 2015. Further work will be required to then develop the programme in line with the decision made by Councillors.	Work on the refurbishment and development of the Civic Centre is now underway, with a clear and timetabled project plan for completion.
Corporate Landlord The Corporate Landlord model continues to be embedded within the Council's policies. The proposed work plan to continue this is as below:	Following the transfer of the service in January 2015 the opportunity was taken to further evaluate many of the management, operational and governance arrangements put in place when the Corporate

• Stabilising the service following changes in leadership and transition to the Place Directorate • Address the financial challenge and seek performance improvements within the existing scope, resources and operating model • Review the operating model for 2016/17 onwards • Present to SEB for comment • Develop a proposal which will be consulted upon and progressed through the decision making process to agree and then implement • Implement the agreed operating model and organisational structures • New model in place	Landlord model was first established. This process was intended to further embed the Strategic Asset Management function and will ultimately establish a Strategic Asset Management Plan. The management structure is now in place for all key operational areas/responsibilities now within the Corporate Landlord service, specifically with the Head of Corporate Landlord supported by the Head of Assets, Head of Facilities Management and Service Support and Head of Projects and Works. Governance has been established primarily through a dedicated monthly Corporate Landlord Board responsible for all corporate operational, commercial investment and schools land and property assets. The role of the Corporate Landlord is further endorsed through the Council's constitution and is accountable to the Confident Capable Council Scrutiny Panel (Corporate). Detailed service reviews are underway for various areas of operation to embed lean working practices, with a proposal to commission a company and former advisors in implementing the corporate landlord service delivery model, to ensure the new service delivery is relevant and effective in supporting the Council's priorities and objectives. It is proposed to undertake this 'health check' by September 2016. The Strategic Asset Plan is currently under development and is the key focus for the recently established assets team (responsibility of the Head of Assets) for which a detailed structure is proposed to be developed with external advisors prior to the end of July 2016. *Carried forward to 2016/17*
Savings Targets This continues to be a key area for the Council to manage as it is faced with finding savings of £46 million over the next four years. As part of this	The settlement figures included an overall reduction in funding of £3.6 million in 2016/17 in addition to that previously reported. The MTFS assumptions as reported to Cabinet on 21 October included

process £20 million of additional savings is to be identified for 2016/17 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2016/17. Also, the recommendations identified as on-going, made in the recent independent review of 'the process for the medium term financial strategy and budget report' will need to continue to be addressed.	assumptions which were broadly in line with the confirmed cut in grant. As a result the Council was able to follow the strategy approved in October 2015 and on 3 March 2016 Council approved a balanced budget for 2016/17 without calling on reserves. The Council is now faced with finding further budget reductions estimated at £54.6 million over the next three years. Cabinet approved that work would start immediately to identify additional budget reductions to address the projected £22.2 million budget deficit for 2017/18 with an update on progress to be reported to Cabinet in July 2016. The July 2016 report will also include a high level strategy for tackling the estimated additional budget reductions totalling £32.4 million required between 2018/19 and 2019/20, taking the total additional budget reductions to be identified to £54.6 million, in order to address the projected budget deficit over the medium term to 2019/20. It is important to note that the updated projected budget deficit assumes the achievement of budget reduction proposals amounting to £37.4 million over the four year period to 2019/20. *Carried forward to 2016/17*
Procurement, Contract Management and Monitoring A revision of the 'Procurement Code' is in progress and will need completion in order to meet the requirements of the new Public Contracts Regulations and a standard approach to Contract Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.	New Contract Procedure Rules were adopted into the Council's constitution in December 2015 and the contract management training programme commences in June 2016. A Service Director for Commercial Services post has been created including responsibility for contract management strategy and development. *Carried forward to 2016/17*

Better Care Fund There will be a range of on-going performance management/ governance / pooled budget financial management issues that will need close monitoring through the early stages of the Fund.	The Better Care Fund Programme Board monitors progress and performance on a monthly basis. A full progress report went to Senior Executive Board (SEB) on 27 October 2015 and the Cabinet Performance Management Panel on 23 November. Performance reports were prepared for the Health and Wellbeing board meetings through the business year, and robust joint governance arrangements covering Wolverhampton Clinical Commissioning Group, Royal Wolverhampton Trust, Black Country Partnership Foundation Trust, and the City Council were implemented to ensure the ongoing delivery of performance targets and associated financial targets.
Future Works Although the Agresso element of the Future Works Programme was formally closed in December 2014, the system and associated procedures and processes will continue to be developed and streamlined on an on-going basis in order to maximise the benefits from the investment. The next steps for Agresso future development is to implement an upgrade from Milestone 3 to Milestone 4 plus the added functionality of seven experience packs. This work is expected to be completed by December 2015 alongside the continual development and enhancement of reporting functionality. Following the formal closure the Future Works Programme was re-established in April 2015 as the governance board for the Council's ICT programme of work. The programme will maintain an oversight of all the Council's significant ICT initiatives including the development of the Council's ICT and Digital Strategies in addition to the delivery of improved Business Intelligence capability, Master Data Management solutions and the continuing delivery of mobile and agile solutions such as Office 365 during 2015 /2016.	A number of end user improvements have been implemented in the Agresso solution along with improvements in reporting. Further reporting enhancements have been provided to the Council's Budget Managers through the introduction of a financial dashboard using technology introduced by the Digital Transformation Programme. Upgrade planning for Agresso has commenced with an upgrade to Milestone 5 or Milestone 6 anticipated before the end of 2016. Consideration is being given to the use of Cloud hosting technologies as part of the upgrade so as to increase the availability of the solution. Future Works continues to oversee the delivery of the Council's Digital Transformation Programme. A new CRM solution to support the transformation of Customer Services has been introduced along with a single view of the citizen and improved reporting capability. Further digital deliverables through 2016 include the introduction of an authenticated citizen portal, redesigned digital citizen services, single views of employees and properties as well as further dashboards and improved analytics capability. Future Works will focus on the provision of mobile and agile working

	solutions with the introduction of tablet devices with Windows 10, supporting the delivery of Future Space with network and wifi redesigns and the provision of audio visual solutions and the introduction of a Unified Communications solution to consolidate mobile, fixed line telephony, email and other digital communications.
Partnership Governance While the City Board, Growth Board and Inclusion Board, are now fully operating, a systematic approach to identifying all of the other significant partnerships and in determining the level of review of the governance arrangements alongside the 'health' of each partnership, is still being rolled out.	Work is continuing to codify governance arrangements across partnership arrangements and will continue in what is a dynamic and continually expanding area of work. *Carried forward to 2016/17*
Combined Authority The Council is in the process of estabalishing a Combined Authority (CA) with partners in the West Midlands and potentially other local authorities that make up the three Local Enterprise Partnerships that cover the area. The Council needs to ensure it plays a key part in the development of the CA, in order to ensure that the interests of, and the maximum benefit for the City of Wolverhampton, is achieved. At key points in the process of establishing the CA reports will be taken to either full Council or Cabinet as appropriate for approval.	The Combined Authority has now been established. As a platform for devolution, the Combined Authority arrangements enabled the Combined Authority Shadow Board to negotiate a devolution agreement, signed by the Leader on 17 November 2015, and ratified by Council on 2 March 2016. The Council continues to play a major role in the Combined Authority. The appointment of the Managing Director to the role of Monitoring Officer of the Combined Authority (on a part time basis) was confirmed at its AGM. The next steps are to process the required governance arrangements to deliver the devolution deal and preparing for an elected Mayor. The proposed governance arrangements are made up of two key structures - Officer Governance Structure and Councillors and LEPs Structure.

	These structures consist of a series of boards, committees, working groups and commissions, each of which has had their own governance statement prepared. The proposed structure and governance statements was discussed at the AGM on 10 June. Continuing officer and member involvement in the Combined Authority is crucial to delivering the first devolution deal, and developing future deals.
Corporate Peer Challenge The Council undertook a Corporate Peer Challenge in December 2014, and the final feedback provided to the Council in March 2015. The focus of the peer review was strategic planning and there was both an internal focus around what organisation we want to be, and an external focus around what kind of role we want to have in the city. There was an acknowledgement of the enormous amount of change at rapid pace and that the organisation as a whole was supporting that journey. There was also recognition that there is an ambitious agenda to improve the city, and that stronger collective ownership on the savings challenges is required. It was also found that partnership working in Wolverhampton is a real strength to be built on. In 2015/16, we will continue to respond to the areas of feedback, including continuing to discuss our future role and purpose, review our governance structures and processes and continue to lead on the Combined Authority for the West Midlands region.	The Council continues to transform, using feedback from the Corporate Peer Challenge and other Peer Reviews and feedback. The Corporate Plan has been refreshed for 2016/19 and developed an outcomes based planning approach. 'Vision 2030' for the City of Wolverhampton has been launched, and outlines the shared vision for Wolverhampton amongst key partners in the City. The City of Wolverhampton Council has continued to lead on the creation of the West Midlands Combined Authority, and has worked across the region to progress important issues such as devolution.

Action Plan for the Significant Governance Issues identified during 2015/16 which will need addressing in 2016/17

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2015/16 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2015/16 - Key areas and actions for implementation	Responsibility and expected implementation date
Savings Targets This continues to be a key area for the Council to manage as it is faced with finding savings of £56.4 million by 2019/20. As part of this process £22.2 million of additional savings is to be identified for 2017/18 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2017/18.	Director of Finance July 2016
Combined Authority The West Midlands Combined Authority (CA) has been formally vested. The Council needs to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that the CA is a success and that it benefits the City of Wolverhampton. Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro Mayor in May 2017. This will include public consultation (in the Summer of 2016) on the powers to be conferred on the Mayor by Central Government. Continuing officer and member involvement in the Combined Authority is crucial to making it a success, in delivering the first devolution deal, and developing future deals.	Managing Director Ongoing
Corporate Landlord A Strategic Asset Plan for the Council is to be developed. Detailed service reviews to ensure the new service delivery is relevant and effective in supporting the Council's priorities and objectives are underway and due to be completed in-year.	Strategic Director – Place September 2016

Procurement, Contract Management and Monitoring A standard approach to Contract Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.	Service Director for Commercial Services. Implementation from June 2016.
Partnership Governance Update to follow	

Future Assurance

A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit and Risk Committee during 2016/17.

Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Roger Lawrence, Leader of the Council

Date:

Keith Ireland, Managing Director

Date:

9. GLOSSARY

Academy
A school which chooses to opt out of a local authority's control and maintain its own funding.

Accruals (Accrual Accounting)
Refers to the fundamental accounting principle that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
See Receivables, Payables

Actuarial / Actuary
The science and profession of using mathematical techniques to model and quantify the financial effects of uncertain future events. For the Council, this is relevant in the context of accounting for the Pension Fund, where future transactions of the fund will occur so far into the future that they cannot yet be known with certainty.

Arm's Length Management Organisation
An organisation which is, according to legislation, controlled by (i.e. a subsidiary of) a parent organisation, but whose management structures mean that control is loose and rarely manifests it directly on day-to-day operations of the subsidiary.

Amortisation
The way in which an asset or liability is accounted for over more than one period (other than property, plant and equipment, for which depreciation applies).
See Depreciation

Asset
An item that is owned by and can be used by the Council.
See Non-Current Asset

Bad Debt Provision
Bad debts are amounts owed to the Council which it does not believe will be repaid. The Council makes a provision for the amount of bad debt it expects to incur.

9. GLOSSARY

Budget
A budget is a plan of approved spending during a financial year.

Business Rate or National Non-Domestic Rates (NNDR)
Businesses across the country have to pay business rates. The government decides how much they should pay and Local Authorities collect the money. In Wolverhampton the amount collected is shared on the following basis:

- Central Government 50%
- City of Wolverhampton Council 49%
- West Midlands Fire and Rescue Authority 1%

Capital Adjustment Account
An account whose purpose is to serve as a balancing mechanism between the different rates at which assets are depreciated in line with the Code of Practice, and are financed under the capital controls regime. It is shown in the Balance Sheet as a reserve, although it does not represent funds available for future expenditure.
See Capital Financing Requirement

Capital Expenditure
Expenditure on the acquisition of property, plant and equipment, or expenditure which adds to, and not merely maintains, the value of an existing asset.
See Deferred Charge, Property, Plant and Equipment

Capital Financing Requirement
An amount calculated as Non-Current Assets less the balances on the Capital Adjustment Account.
See Minimum Revenue Provision

Capital Programme
The plan of approved spending on fixed assets (which includes assets that do not belong to the Council, under certain circumstances.)

Capital Receipt
Money received from the disposal of land and other assets, and from the repayment of grants and loans made by the Council.

9. GLOSSARY

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is a UK accountancy body, specialising in the finances of the public sector. CIPFA is responsible for determining the accounting rules and procedures that apply to local authorities.
See Statement of Recommended Practice, Code of Practice

Code of Practice on Local Authority Accounting
The set of accounting principles and practices developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.
See International Financial Reporting Standards, Chartered Institute of Public Finance and Accountancy (CIPFA)

Collection Fund
A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of National Non Domestic Rates collected and payments to the General Fund and other public bodies.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

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

Contingent Asset
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability
A contingent liability is either:

a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or

b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax
A tax paid by residents of the authority to the Council, based on the value of their property, to be spent on local services.

Current Asset
An asset held for a short period of time, for example cash in the bank, stocks and receivables.

Dedicated Schools Grant
Schools are funded separately from other Council services. The Council receive a Dedicated Schools Grant (DSG) direct from the Government, which is paid over to schools.

Deficit
This occurs when spending exceeds income (opposite of surplus).

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

De Minimis
The minimum value below which expenditure and income in respect of assets is not capitalised, but is charged or credited to revenue in full in the period it was incurred or earned.
See Capital Expenditure

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.
See Impairment

Disclosure
Additional information required by the Code of Practice if a set of conditions are met. If the Council judges that the conditions have not been met in its case, they will make no disclosure.
See Code of Practice

Discount
A reduction given by a lender in the amount to be repaid on early redemption of a loan. This is generally where the terms of the loan (relative to current market conditions) are favourable to the borrower.
See Premium

Dividend
A payment made by a company out of profits to its shareholders.

Earmarked Reserve
A sum set aside for a specific purpose.
See Usable and Unusable Reserves

Events after the Reporting Period
Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible officer.

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

Existing Use Value (Social Housing)
The value of a dwelling, given that, were it to be sold, the new purchaser must rent out the property, and set rents at social housing (i.e. below open market) levels.
See Vacant Possession Value

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges
Income arising from the provision of services, for example the use of leisure facilities.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of property, plant and equipment to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
See Operating Lease

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

Financial Year
This runs from 1 April to 31 March.

General Fund
The fund to which the cost of all services of the Council (except for Housing Revenue Account services) is charged. The net cost of the General Fund is met by Council Tax, Governments Grants and NNDR.

Going Concern
The concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-governmental agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets
Assets that the Council intends to hold for the purpose of informing or educating the public about their heritage, and which are not held for their investment value. Examples include collections of antiques in museums.

Housing Revenue Account (HRA)
A ring-fenced account detailing the expenditure and income arising from the provision of council housing, as required by the Local Government and Housing Act 1989.

Impairment
A diminution in value of a property, plant and equipment resulting from amongst other things, obsolescence or physical damage. To comply with accounting standards the Council undertakes annual reviews of its assets to identify any assets which have been impaired.
See Property, Plant and Equipment

Income and Expenditure Account / Statement
This describes the expenditure made in a single year by an entity, in accordance with the accounting standards that apply at that time to that body in order to generate a view of its year end position in relation to its profit or usable reserves. The following terms are synonymous: "The Income and Expenditure Account", "Comprehensive Income and Expenditure Statement", "Income and Expenditure Statement".

Infrastructure Assets
These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Intangible Assets
An item which does not have physical substance (for example, software licenses) but can be identified and used by the Council over a number of years.

International Accounting Standards (IAS)
These standards were issued by the International Accounting Standards Committee (IASC) - founded in 1973 as a private enterprise initiated by national accounting companies. This committee issued International Accounting Standards for private companies to follow. These standards have now largely been replaced by International Financial Reporting Standards.
See International Financial Reporting Standards

International Financial Reporting Standards (IFRS)
These standards are issued by the International Accounting Standards Board (IASB), established on 1 April 2001 with EU support to be the successor to the IASC. The IASB adopted the International Accounting Standards and then began issuing its own International Financial Reporting Standards. These became mandatory for all private companies quoted on the Stock Exchange in 2004.

Inventories
Goods owned by the Council which have not been used by the end of the financial year.

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investment Properties
Interest in land and/or buildings:
(i) in respect of which construction work and development have been completed.
(ii) is held for its investment potential, any rental income being negotiated at arm's length.

Levy
A payment made by the Council to another local service, for example, local transport and the Environment Agency.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.
See Accruals, Payables

Major Repairs Reserve
A reserve to pay for large scale repairs to council houses.

Materiality
An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Provision for the Redemption of Debt (MRP)
A minimum amount, determined according to a formula approved by the Council, which must be charged to the revenue account, for debt redemption or for the discharge of other credit liabilities.
See Capital Financing Requirement

National Non-Domestic Rates (NNDR)
Rates which are levied on business properties and collected by the Council and accounted for on an agency basis. These funds are then distributed between the General Fund and other public bodies.

Net Book Value
The amount at which property plant and equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
See Property Plant and Equipment

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

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

Net Worth
A monetary value, defined as the value of the Council's assets less the value of its liabilities. This is the "bottom line" of the Balance Sheet.

Non-Current Asset
An item, for example land, buildings and vehicles, which yield benefits to the Council and the services it provides over a period of more than one year.

Obsolescence
The term used to describe an asset which no longer has any value to an organisation due to changes in the organisation's operating environment or the emergence of overwhelmingly superior alternatives to that asset.
See Impairment

Operational & Non-Operational Assets
Operational Assets are those that are used directly in providing Council services. Non-operational assets are assets held for any other purpose, for example for investment or where they are no longer used and have been earmarked for disposal.
See Property Plant and Equipment

Operating Leases
Leases other than a finance lease.
See Finance Leases

Payables
An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.
See Accruals, Receivables

Precept
The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the Council on their behalf. A body which can set a precept is called a preceptor.

Premium
An amount charged by a lender (over and above the outstanding principal) on early redemption of a loan. This is generally where the terms of the loan (relative to current market conditions) are favourable to the lender.
See Discount

Prior Year Adjustments
Those material adjustments applicable to prior 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.

Private Finance Initiative (PFI)
A government initiative which enables authorities to carry out capital projects through partnership with the private sector.

Property, Plant and Equipment
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.
See Capital Expenditure

Provisions
Amounts set aside in respect of a liability of uncertain timing or amount, where a reliable estimate of the potential value can be made.

Prudence
This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

Receipts in Advance
Money received before the end of the financial year, but which relates to the following financial year.

Receivables
Sums of money owed to the Council but not received at the end of the year.
See Accruals, Payables

Related Party
There is a detailed definition of related parties in FRS 8. For the Council's purposes, related parties are deemed to include:
(i) the elected members of the Council and their partners.
(ii) the chief officers of the Council.
(iii) the companies in which the Council has an interest.
(iv) central government and preceptors of Wolverhampton's Collection Fund.
(v) other entities which the Council has the ability to control or influence.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either;
(i) an employer's decision to terminate an employee's employment before the normal retirement date; or
(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure
Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

Revenue Expenditure Funded From Capital Under Statute
Spending on assets that have a lasting value but are not owned by the Council, for example, improvement grants.

Revenue Support Grant (RSG)
Grant from central government towards the cost of providing General Fund services.

Ring fenced
Certain accounts, such as the Collection Fund, must be maintained separately outside the General Fund as a statutory requirement.

Service Reporting Code of Practice (SERCOP)
This guidance is issued by CIPFA and determines the costs which should be shown in the service lines in the Consolidated Income and Expenditure Statement, by determining which types of cost and income should be shown against which service. This promotes comparison between authorities by readers of the accounts.
See Income and Expenditure Account/Statement

Trust Fund
A fund administered by the Council on behalf of others for such purposes as charities and specific projects.

Usable Reserves
Reserves that can be applied to fund expenditure or reduce local taxation.

Unusable Reserves
Amounts that have come about purely from accounting adjustments and are not therefore available to spend.

Useful life
The period over which the Council will derive benefits from the use of an asset.

Vacant Possession Value
The market value of a property, were it to be sold with no unusual restrictions on the occupation of the property, or the level of any rents or charges made for its use.
See Existing Use Value (Social Housing)

Work In Progress
Expenditure in respect of assets that are not yet ready to be put into use or sold (as appropriate).

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Agenda Item No: 9

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

4 July 2016

Report title	Strategic Risk Register and Strategic Assurance Map	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Narinder Phagura Tel Email	Strategic Risk Manager 01902 554580 narinder.phagura@wolverhampton.gov.uk
Report has been considered by	Strategic Executive Board	21 June 2016

Recommendations for noting:

The Committee is asked to note:

1. The strategic risk register at Appendix A.

2. The reduction in the assessment of the following risks:

    - Risk 1 – Looked After Children, from red to amber as a result of the progress made in 2015/16.
    - Risk 4 – Medium Term Financial Strategy (MTFS), from red to amber as a result of the progress made against the delivery of the MTFS combined with the positive outcome from the recent LGA Finance Peer Review.
    - Risk 16- Equal Pay as a result of the significant progress made in identifying and dealing with first and second generation claims over recent months.

3. The reduction and transfer of risk 17 – Employee Management from the strategic risk register to operational risk registers, reflecting the results of the recent employee survey which demonstrated employees have a good understanding of the council's priorities.

4. The closure of the following risks:

    - Risk 19a - Devolution Deal, following the consent given by the Council on 2 March 2016.

- Risk 12 – Better Care Fund, as a result of the removal of the national performance indicator in respect of accident and emergency admissions, combined with the positive outcome in 2015/16 and the sign off of the 2016/17 BCF Plan.

5. The main sources of assurance available to the Council against its strategic risks.

1.0 Purpose

1.1 To keep members of the Audit and Risk Committee aware of the key risks the Council faces, and how it can gain assurance that these risks are being mitigated.

2.0 Background

2.1 The Council is no different to any organisation, and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.

2.2 The strategic risk register report was last presented to the Committee in March 2016. Since this time we have met with the risk owners in order to review and update the risks and risk management action plans.

2.3 The strategic risk register does not include all of the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within operational, programme, project or partnership risk registers in line with the Council's corporate risk management framework and strategy.

2.4 A summary of the strategic risk register is included at Appendix A of this report which sets out the status of the risks as at June 2016. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.

2.5 Appendix C provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown below). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

The three lines of defence model:

First line	Second line	Third line
The first level of the control environment is the business operations which perform day to day risk management activity	Oversight functions such as Finance, HR and Risk Management set directions, define policy and provide assurance	Internal and external audit are the third line of defence, offering **independent** challenge to the levels of assurance provided by business operations and oversight functions

3.0 Progress, options, discussion

3.1 The strategic risk register will be updated as required, and presented at approximately quarterly intervals to the Committee. The Committee also takes the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee requested risk 8 – Business Continuity Planning to be called in for the July 2016 meeting. Details of this risk are attached at Appendix D.

4.0 Financial implications

4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the strategic risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual corporate risks, but these will be evaluated and reported separately if required. [GE/17062016/V]

5.0 Legal implications

5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct legal implications arising from this report. [TS/17062016/R]

6.0 Equalities implications

6.1 Although there may be equalities implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct equalities implications arising from this report.

7.0 Environmental implications

7.1 Although there may be some environmental implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct environmental implications arising from this report.

8.0 Human resources implications

8.1 Although there may be some human resource implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct human resource implications arising from this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendations made in this report.

10.0 Schedule of background papers

10.1 None

Strategic Risk Register
@June 2016

CITY OF WOLVERHAMPTON COUNCIL

Our mission:
Working as one to serve our city

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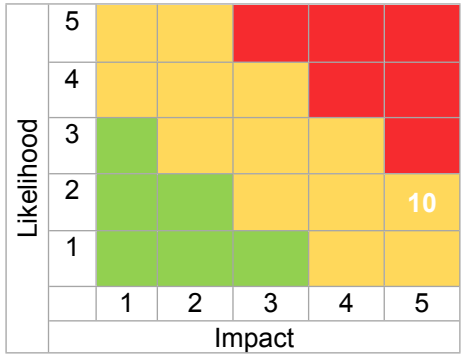
Profile of current strategic risks

Red	2,
Amber	1, 3, 4, 7, 8, 9, 10, 14, 15, 16

The following are the reported strategic risks that are currently/ were previously assessed as high/medium (10 +) that the Council faces in delivering its corporate priorities

Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
1 01/14	**Looked After Children (LAC)** If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services. Risk owner: Linda Sanders (Emma Bennett) Cabinet Member: Cllr Val Gibson  	15 Red		10 Amber	5 Amber March 2017	Overseen by the Transforming Children's Services Board, this risk continues to be managed through the Families r First work. The 2016/17 savings target for LAC is £2 million. £1.1 million of this target is expected to come through a LAC target for March 2017 in the range of 580 - 550 (currently 650) children, and the balance of £0.9 million expected from further reductions in the cost of placements. The actions being taken to achieve these targets include: • The Fostering for Wolverhampton Team taking part in foster care fortnight, the UK's biggest foster carer recruitment campaign during May and June 2016. The aim is for the Council to recruit an additional 30 carers during the year. • The resource panel continues to review expensive placements and has extended its remit to looking at early intervention and edge of care services. A governance structure and revised Terms of Reference for the panel is currently being established. • Legal Services continue to look at process improvements to shorten the timeframes for adoption hearings. This is against the backdrop of having no control over the time taken for courts to hear individual cases. • The majority of the Multi Agency Safeguarding Hub (MASH) work to date has concentrated on Children In Need and Child Protection cases. The reduction in the risk score reflects the underspend achieved in Children and Young People in 2015/16, through the delivery of the children's transformation work and the associated reduction in LAC.

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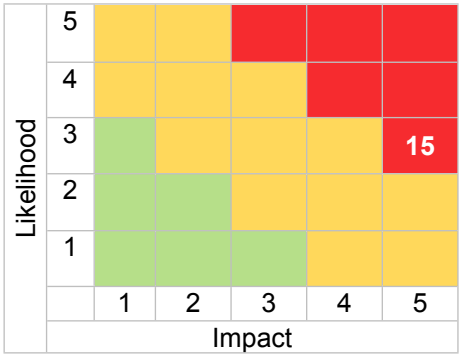
Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
2 01/14	**Skills for Work** If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on Council services. Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds  	15 Red		15 Red	10* Amber March 2017	This risk is currently managed through the City Board. The Wolverhampton Skills and Employment Action Plan which is the City's response to the independent report and recommendations from the independent Skills and Employment Commission, chaired by Professor Tony Travers from the London School of Economics, has been completed and was presented to the City Board. Compilation of the Plan was led by the Council in collaboration with a range of local partners. The Plan consists of three programmes: • The City Workplace: support to employers to obtain the skills and workforce they need to grow. • City Workbox: an on-line system providing information needs assessment, career choices and signposting local people to the right progression routes. • Learning City: focused on creating a dynamic learning environment across the city centre with strong connections into local communities. This will form an integral part of the City centre Regeneration programme, and as such is a longer term ambition. The Plan will be reviewed in detail for its resource implications, and a report on resourcing will be presented to the City Board in due course. It is envisaged that a number of the actions can be delivered within existing resources. The report will also explore the opportunities for securing external funding and partner contributions in addition to re-prioritising existing Council resources. The West Midlands Devolution Agreement and in particular the devolution of the 19+ adult skills budget will be critical to the delivery of the Plan. The plan will be overseen and co-ordinated by the newly established Skills and Employment Board which will report into the City Board. A majority of the key actions within the Plan are deliverable by March 2017 and the target risk date reflects this position.

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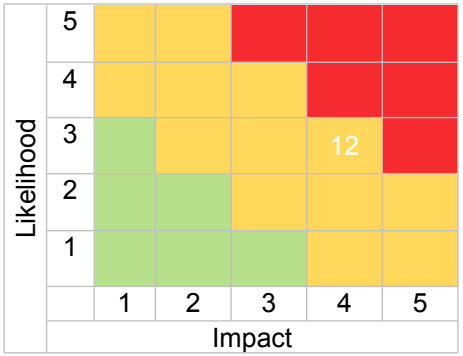
Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
4 01/14	**Medium Term Financial Strategy** If the Council is unable to agree and operate within its medium term financial strategy (MTFS) this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties. Risk owner: Keith Ireland Cabinet Member: Cllr Andrew Johnson  	15 Red		12 Amber	8* Amber Ongoing	The MTFS 2016/17 to 2019/20 was presented to full Council in March. The report detailed the following matters: • A balanced budget for 2016/17 which does not necessitate the use of contingency reserves was approved. • The budget is based upon a 3.99% increase in council tax, which includes the 2% precept for adult social care announced by the Chancellor in the last comprehensive spending review. • At this stage, the Council is looking to accept in principle the government's offer of a four year settlement by October 2016 and will begin to prepare a financial plan and efficiency strategy for approval by Cabinet prior to accepting the offer. • Savings of £54.6 million need to be identified for the three year period from 2017/18 to 2019/20 to address the projected budget deficit. • Budget assumptions over the MTFS continue to be subject to significant change and are adjusted based upon the most up to date information available. • Work has begun to identify savings of £22.2 million for 2017/18 and proposals will be presented to Cabinet on 20 July. The Council invited the Local Government Association (LGA) to carry out a Finance Peer review to provide some assurance over this risk. The review took place over three days in June and the findings will be reported to the Committee. The review looked at how the Council is setting financial strategies, making the relevant decisions required and implementing changes that will give it the best chance of balancing the books in the medium and long term. The risk assessment has been reduced to reflect the progress made to date in the delivery of the MTFS, combined with the positive outcome from the recent LGA Finance Peer Review, whilst still recognising the financial challenges the Council needs to address over the coming years.

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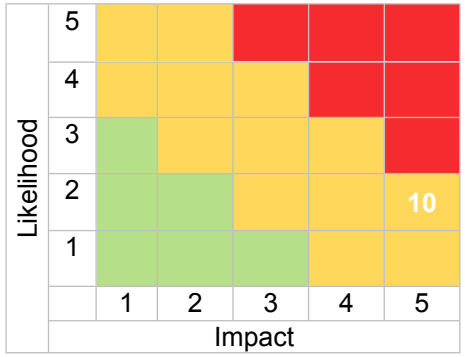
Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
7 01/14	**Safeguarding** If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage. Risk owner: Linda Sanders Cabinet Member: Cllr Val Gibson and Cllr Sandra Samuels  				Next Ofsted inspection	• A self - assessment has been completed for the Children's Safeguarding Board against the Ofsted descriptors. This has identified some improvements that are required in areas including challenge, audits and annual reporting. An action plan has been developed for approval by the Safeguarding Board in June who will also monitor progress in implementing the actions. • Although the adults safeguarding board meets all statutory requirements, governance of the Board continues to be developed in terms of its constitution and sub committees, to reflect similar structures that are in place for the children's safeguarding board. • Work continues to address the increases in Deprivation of Liberty Safeguards (DoLS) referrals and resulting assessments. As a result, the interim arrangement for a team of Best Interest Assessors which was created in July 2015 has been made a permanent arrangement since March 2016. Significant improvements have been made in clearing the backlog which is expected to be cleared by December 2016. • The Wolverhampton's children Multi-Agency Safeguarding Hub (MASH) which was launched at the start of the year, is now firmly embedded and regular progress reported to the MASH Board which in turn reports to the Safeguarding Board. Audits and reports to date confirm that decision making is consistent, information is being readily shared and that there is a swifter response to referrals. • A project is also underway to ensure that as of September 2016 those agencies providing support to adults become part of the MASH, resulting in the only MASH in the region which includes adults and children. • The safeguarding schools officer contract has been extended as a result of a number of schools taking up the service through SLA's. • The Council's safeguarding manager is starting a piece of work to raise safeguarding awareness amongst parents who use tutoring services. This is alongside work being done to develop a toolkit for safeguarding in Madrassahs.

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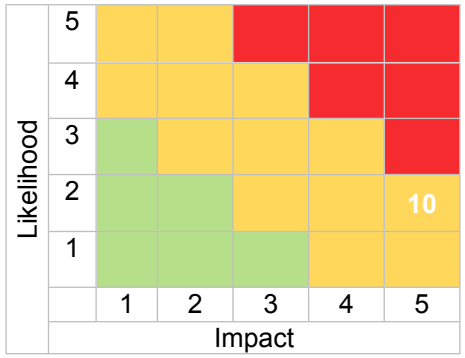
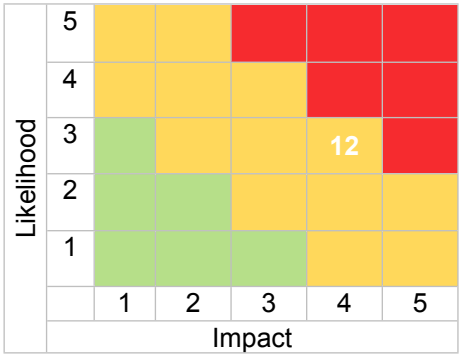
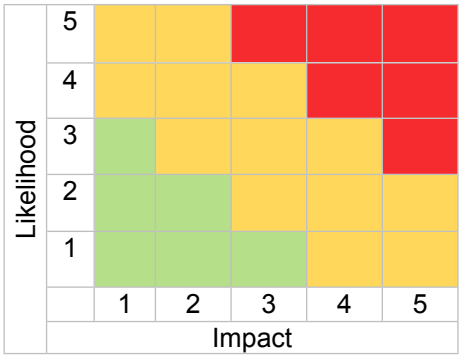
Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
8 01/14	**Business Continuity Management (BCM)** Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services. Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Paul Sweet 	10 Amber		10 Amber	8 Amber December 2016	See Appendix C for the update on this risk which will be presented to the Committee by the risk owner.

This report is PUBLIC [NOT PROTECTIVELY MARKED]

Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
10 01/14	**Economic Inclusion** If the Council and its partners do not work effectively together to promote and enable growth then the risk of economic exclusion will materialise and demand for Council services will continue to increase. Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds  	12 Amber		12 Amber	8* Amber September 2017	The measures to successfully manage this risk continue to be in place as noted previously and include: • The Inclusion Board which continues to manage the risks associated with unemployment, economic inactivity and the wider barriers for economic inclusion. • The skills and employment action plan (set out under risk 2 Skills for Work) that includes the City Workbox. This is being developed as an on-line system providing information, needs assessment, career choices and signposting local people to the right progression routes. The focus will be on supporting those furthest away from the labour market and employment. • European Union Strategic Investment Funds provide considerable resources for local partners and the Council to tackle youth unemployment. • The establishment of the West Midlands Land Commission (WMLC), part of the West Midlands Combined Authority (WMCA) will identify and assist understanding of how to address the barriers to development across the region and deliver the WMCA's strategic economic plan. For Wolverhampton, the WMLC will provide important evidence to inform the development of a package of CA wide interventions that can help to unlock investment opportunities. The City has a pipeline of regeneration and development opportunities which have the potential to secure significant levels of growth over the next 10-15 years. The WMLC will provide an opportunity to raise the profile of our regeneration pipeline and City priorities through the development of CA programmes.

This report is PUBLIC [NOT PROTECTIVELY MARKED]

Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
12 01/14	**Better Care Fund (BCF)** If the Council and its partners fail to deliver the improved outcomes required by the Better Care Fund, demand on acute services will not be reduced, the reward money will not be received and the Council will not receive the additional resources promised by the Better Care Fund. Risk owner: Linda Sanders Cabinet Member: Cllr Sandra Samuels  	10 Amber	N/A	Closed	N/A	The risk noted reflected the risks associated with the Better Care Plan for the 2014/15 and 2015/16 year. This Plan involved performance targets to be met in respect of reductions to accident and emergency admissions, in order for additional funds / reward money to be received from NHS England. The new 2016/17 Plan is not dependent on reward money for national conditions around emergency to be met. This combined with the positive outcome in 2015/16 and the sign off of the 2016/17 BCF Plan has resulted in, this risk being closed. The key risk around the 2016/17 Plan is around the £2 million savings that the programme is required to make. The Council's maximum exposure to this risk is £800,000. This is now being considered within the MTFS strategic risk.

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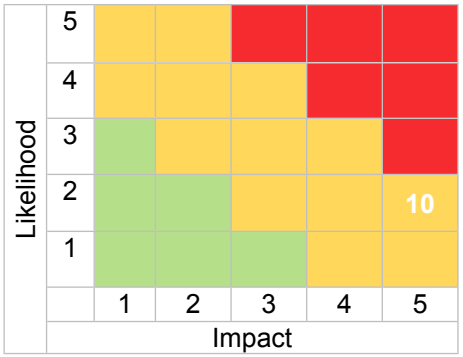
Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
14 01/14	**School Improvement** If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence. Risk owner: Julien Kramer Cabinet Member: Cllr Claire Darke  	10 Amber		10 Amber	5 Amber From July to September 2016	The risk continues to be managed by the Assistant Director (School Standards). Since last reported, the following has been noted: • The Wolverhampton School Improvement and Governance Strategy 2014 has been reviewed and updated based on the experience gained from the first 12 months of the strategy being implemented and in consultation with headteachers and officers. The Strategy continues to have a positive impact on the improvements in Ofsted outcomes. As at April 2016 the City has 79% good or better schools (63% in September 2013). The aim is for this to increase to 83% and 95% by September 2016 and 2018 respectively. The date for the target risk score to be achieved reflects this. • All of the schools at the highest risk are now working in strong local partnerships. Where schools 'Require Improvement' and have not demonstrated the capacity to improve themselves, these are being moved into local partnerships that can support school improvement and ensure that no schools in the City fall into Special Measures moving forward. • A self- assessment of the Council's school improvement services has been carried out and reported to SEB in April. An action plan to address the key areas for development is being developed and progress against this plan will be monitored by the Assistant Director (School standards). • The Council's Local Education Partnership Board- Inspire continues to fund and monitor the accredited programme of training and support that transforms the leadership of Wolverhampton schools. The programme runs parallel to the Council's School Improvement and Governance Strategy and positive outcomes can be demonstrated and evidenced after the first year of this programme. The feedback so far has been positive with clear impact already being seen in schools. The Council will continue to work with Schools to embed benefits in subsequent years. • In terms of the performance of Academies in the City, the Council has now developed an Academies Protocol for the City which outlines the expectations for information sharing, admissions processes, etc.

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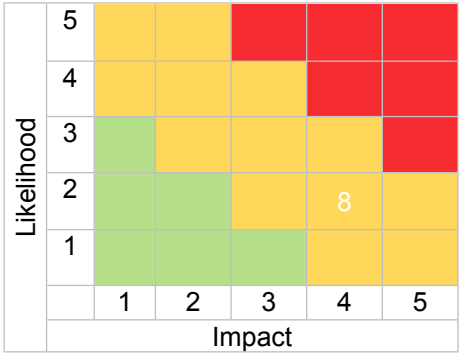
Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date	Comment
16 01/14	**Equal Pay** Significant equal pay liabilities have been dealt with over recent years. However, equal pay will remain a potentially significant risk until: • the second generation claims, from trade union members, have been dealt with. • six years after the implementation of single status, until that time "Abdullah" type claims can still be brought. Risk owner: Mark Taylor Cabinet Member: Cllr Andrew Johnson  	12 Amber		8 Amber	4 Amber March 2017	This risk continues to be managed by the Equal Pay Project Group, which is chaired by the Director of Finance and has representation from Audit, Legal and HR services. The risk has two strands and relates to: • Second generation claims which involve additional claims made by claimants who had their original equal pay claim settled in 2007/08 on the basis that single status would be implemented by the Council within a year of this time. However delays encountered meant that single status was not implemented until April 2013. There is a risk in dealing with these claims that further claims from the 2007/08 group could be prompted. • The Abdullah type claims which have been brought by employees following a Supreme Court ruling which allows claimants to bring equal pay claims for up to six years after the termination of their employment (as opposed to the previous case where the time limit for presenting an equal pay claim to an employment tribunal was, in the majority of cases, six months from the end of employment. In the Council's case therefore, despite the level of risk reducing with time, and there not being any recent activity evidencing additional claims being brought, equal pay claims may continue to be brought until March 2019 when six years will have lapsed from the implementation of single status. In terms of mitigation, the Council continues to be is in dialogue with the claimants' legal representatives, as well as unrepresented claimants. Progress over recent months has been significant in terms of settling or rejecting these claims and the likelihood of significant further claims is considered lower, albeit it is anticipated that new claims can continue to be made for a number of years. In terms of finances, the Council has set aside an equal pay reserve to deal with any such claims, which is audited independently annually by the Council's external auditors as part of the Statement of Accounts.

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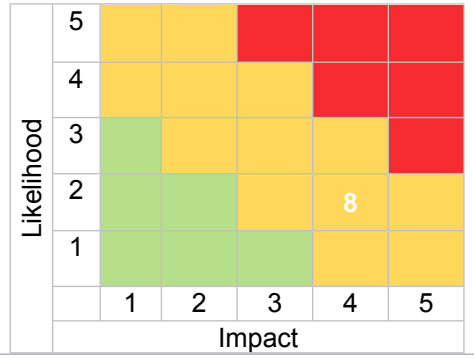
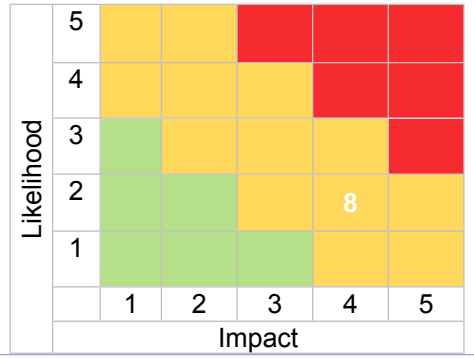
- The following are/ were the medium/ low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.

Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score June 2016)	Target score and date
3 01/14	**Information Governance (IG)** If the Council does not put in place appropriate policies, procedures and technologies to ensure: • that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998; • compliance with the Freedom of Information Act and Environmental Information Regulations then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information. Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal 	8 Amber		8 Amber	4 Amber March 2017

Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score June 2016)	Target score and date
9 01/14	**City Centre Regeneration** If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including: • the attraction of private sector investment • the creation of space to accommodate new businesses and economic growth • the enhancement and creation of visitor attractions • the creation of well paid employment • retention of skilled workers • the creation of residential opportunities • a functioning city centre offer that serves the residents of the City • increased prosperity and • a reduced demand on Council services Risk owner: Tim Johnson Cabinet Member: Cllr John Reynolds  	8 **Amber**		8 **Amber**	8* **Amber**
15 01/14	**Emergency Planning** Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of major a incident. Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Roger Lawrence and Cllr Paul Sweet	6 **Amber**		6 **Amber**	4 **Amber** June 2016

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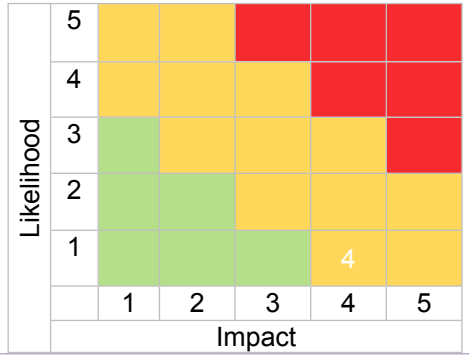
Risk ref	Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score June 2016)	Target score and date
17 10/14	**Employee Management** If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then: • employees may not be fully aware of the Council's objectives and their contribution to the achievement of them, and • employees may not have the appropriate training and support to achieve high standards of performance • the Council may not have the required capability to deliver its objectives. Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal  	8 **Amber**		4 **Amber** (Appendix B)	Achieved Transferred to operational register
19a 11/15	**Devolution Deal** There is a risk that if issues arise or should the process leading up to formal consent of the devolution deal not include sufficient engagement with members and stakeholders then the Council may not be able to ratify the proposed deal and the Council's objectives in respect of growth in the regional economy, employment and skills, business investment and regeneration may not be fully realised. Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence	8 **Amber**		Closed	

* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such these risks may not have target dates.

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CITY OF WOLVERHAMPTON COUNCIL

Appendix B

Update on Selected Risk for Review

Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date
Employee Management If policies dealing with employee management and in particular appraisals are not effectively implemented and complied with then: • employees may not be fully aware of the Council's objectives and their contribution to the achievement of them, and • employees may not have the appropriate training and support to achieve high standards of performance • the Council may not have the required capability to deliver its objectives. Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal	8 Amber		4 Amber	Achieved Transfer to operational registers

Background

1.1 At the March 2016 meeting of the Audit and Risk Committee, members requested further information and assurances in respect of strategic risk 17 – employee management be provided to the Committee. This note updates the Committee on the progress made by the Council in this area and the further actions required to manage the risk and the corporate performance indicator in respect of the number of appraisals completed.

1.2 The risk was first identified for inclusion in the strategic risk register by the Committee in October 2014, following an internal audit review at the time which found that the completion rate of appraisals was very low. At this time, the risk was assessed as amber.

1.3 In February 2015 the Audit and Risk Committee was provided with a further update on the progress that had been made against the corporate performance indicator, which showed approximately 63% of appraisals had been carried out across the Council.

2 Current position

2.1 The Cabinet (Performance Management) Panel meeting of 8 June 2016 received an update on the progress made against this indicator. The following information was reported.

2.2 All line managers across the council are responsible for completing their individual employee appraisals and ensuring that they follow the current guidelines, processes and use the appropriate templates. They are also responsible for uploading and updating this information directly onto the council's system.

2.3 The system used to record appraisal activity and performance is Agresso. The performance management system used to extract data for the quarterly reporting is QlikView. Management and development of the Agresso system was the responsibility of the Hub, until 1 May 2016, when responsibility transferred to Finance. QlikView is currently being developed as part of the C3 Digital Transformation Programme and the Council's Transformation Team.

2.4 The performance against the corporate indicator at the end of 2015/16, Quarter 4 was 70.8% (73.4% previous year) of our eligible workforce who have a current appraisal. This is against an annual target of 100%.

2.5 Progress against the target earlier in 2015/16 was noticeably slow. This raised concerns at the time as managers were informally reporting more progress than the figures recorded on the system. This matter was investigated and identified a number of issues which the Transformation team believe have contributed to this as follows:

- The performance indicator is reported as a cumulative figure over a set financial year i.e. April to March. However; appraisals are recorded on a rolling basis and therefore can produce a deficit figure as they exceed the 12 month period from the previous financial year.
- Over recent years there have been a significant number of post and team changes across the Council. If an existing employee moves to a new post or has their current post (e.g. title) changed, the system automatically reset their appraisal timeline to start from that date. Unless the information is manually transferred to the new post, this remains the case. Equally, if the previous post is neither deleted nor modified for the new holder, it will register as overdue once the 12 month deadline originally set is reached. This could have added to the deficit figures.

3. Risk mitigation

3.1 To address the above issues the following actions have been/ are being taken:

- Development of a facility to schedule future appraisals on the system. This will produce a baseline forecast for those appraisals due and produce a quarterly target to performance manage against. This means the outturn target of 100% can be used.
- Regular reporting will be set up for managers to highlight how many employees are due a scheduled appraisal, whether appraisals have been carried out in accordance with the schedule and which ones are overdue.
- Managers will be required to take responsibility for checking their reports and ensuring any highlighted issues are addressed. These reports will reflect data and information as recorded on Agresso. If the reports identify any issues with incorrect

establishment lists, it will be responsibility of managers to raise this with the Hub and ensure that they are addressed.

- Service Directors will receive regular reports, identifying the position by the different services within their area to enable them to proactively address any issues.
- Following feedback from managers there are modifications being considered to improve ease of use of the current systems.
- The entire appraisal process is being reviewed in conjunction with the Council's refresh of the Corporate Plan. The review will focus on the actual value of appraisals to the individual employee, the council and our communities and will take into account the completion rate alongside the quality and effectiveness of appraisals.
- The results of the recent employee survey demonstrated employees have a good understanding of the council's priorities.

3.2 As a result of the above the risk assessment has been reduced. Any on-going actions are being dealt with at an operational level and the risk has therefore been transferred to the relevant operational risk registers.

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Appendix C

Strategic Risk Assurance Map – June 2016

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
1	**Looked After Children (LAC)** If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.	10 Amber	Performance indicator- number of LAC per 10,000 population Audit and Risk Committee review of risk – September 2015 Internal audit review 2015/16 – External Placements (substantial assurance)	Scrutiny review of Corporate Parenting and Children in Care Council – September 2015 Resources panel reviews Update to Children's Trust Board- September 2014 Care pZanel reviews of placement costs Report to Cabinet (Performance Management Panel) September 2014 Scrutiny review of LAC February 2014	Children's Services self- assessment December 2015 Reports to LAC Budget Monitoring Group (every two months) Controls Assurance Statement	Present sources will continue to provide assurance regarding the changes in number of LAC and progress made against the Families r First programme. Assurances regarding the cost of LAC need to be continually provided to ensure effective management of the budgetary pressures associated with this risk.
2	**Skills for Work** If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on council services.	15 Red	Audit and Risk Committee review of risk – September 2015 Wolverhampton Skills Commission Review – November 2014 to April 2015 Internal audit review – City of Wolverhampton College- Learners with learning difficulties post 16, December 2014 Internal audit review - Employment Opportunities 2013/14 (Satisfactory assurance) Black Country performance management framework	Scrutiny review of "Employability and Skills in Wolverhampton" report to Cabinet 11 March 2015 Report to SEB – November 2015 Scrutiny review of "Employability and Skills" September 2014 – January 2015 Performance indicator - % of residents with no qualification Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided Monthly unemployment briefings	Reports to the Wolverhampton Skills and Employment Board Controls Assurance Statement	In addition to the performance indicators in place, the review undertaken by the Wolverhampton Skills Commission and the successful monitoring and delivery of the city skills and employment action plan will provide suitable assurances over the effectiveness of the various measures and initiatives in place to manage this long term risk.
3	**Information Governance** If the council does not put in place appropriate policies, procedures and technologies to ensure: • that the handling and protection of its data is undertaken in a secure manner and consistent with the provision of the Data Protection Act 1998; • compliance with the Freedom of Information Act and Environmental Information risk Act then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.	8 Amber	Internal audit review 2014/15 – Information sharing agreements (Satisfactory assurance) Internal audit review– Protective marking compliance, September 2014 (Limited assurance) Internal audit review 2013/14 - Management of information sharing agreements (Satisfactory assurance) Information Commissioner audit (July 2012) Internal audit review 2015/16- Information Governance	Information risk register and reports to Information Governance Board Performance reports to Cabinet, Scrutiny Board and SEB Performance indicators reported to Cabinet- Number of data breaches Performance indicator - % of Freedom of Information (FOI) requests met within timescales Performance indicator- % of Subject Access Requests (SAR) met within timescales	Senior Risk Information Officer Annual Report 2014/15 Controls Assurance Statements	The Council's ongoing dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to provide assurance over this risk.

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4	**Medium Term Financial Strategy** If the council is unable to agree and operate within its medium term financial strategy (MTFS) this may result in insufficient reserves to remain solvent, the potential loss of democratic control and the inability of the council to deliver essential services and discharge its statutory duties.	12 Amber	PwC report: Report to those charged with governance (ISA 260) September 2015 Independent review of process for MTFS and budget- E Sullivan, May 2014 Internal audit review Budgetary Control - 2014/15 (Satisfactory assurance) Internal audit review – 2014/15 Assumptions of the MTFS Peer review- Financial Management June 2016 Internal audit review- MTFS 2016/17	MTFS risk register Reports to Budget Working Party Reports to Cabinet	Management accounts Controls Assurance Statements	Ongoing internal and external reviews will continue to provide assurances over the achievement of efficiency savings and the resilience of the MTFS.
7	**Safeguarding** If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.	10 Amber	West Midlands Association of Directors of Adult Social Services peer review – Adult safeguarding September 2014 West Midlands Association of Directors of Children's Services peer review- children's safeguarding September 2014 Peer review – Local safeguarding Children's board 2013 Ofsted inspection safeguarding services- June 2011 Internal audit review 2015/16 – Safeguarding in schools (satisfactory assurance) Internal audit review 2016/17 - MASH	Scrutiny review- Child Sexual Exploitation 2015/16 Wolverhampton Local Safeguarding Adults Board Annual Report 2014/15 Wolverhampton Local Children's Safeguarding Board Annual Report 2014/15 Annual reports from adults and children's local safeguarding boards 'Our Story' report to Cabinet Member for Children and Families National and local Wolverhampton performance indicators in relation to social care Self- audits confirmation by schools of s175 compliance	Children's Services self- assessment December 2015 Children's safeguarding self - assessment- September 2014 Adults safeguarding self- assessment – September 2014 Quality Assurance Framework and assessments Controls Assurance Statement	Up to date assurance from Ofsted is required to confirm risk is being effectively managed. In addition, further assurances continue to be sought by the Wolverhampton Safeguarding Children's Board in respect of the adequacy and effectiveness of the safeguarding arrangements in schools.
8	**Business Continuity Management** Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.	10 Amber	Internal audit review 2015/16 – Business continuity and resilience management (satisfactory assurance)	Reports from Wolverhampton Resilience Board to SEB	Incident management: St Alban's Church of England School February 2015 Incident management : e.g. industrial action July 2014 Reports to Wolverhampton Resilience Board Controls Assurance Statement	The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. Given the continual reductions in the Council's workforce, ongoing testing will be required to provide assurance over the resilience of the provision of Council services.
9	**City Centre Regeneration** If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including: • creation of well paid employment • retention of skilled workers • sector and economic growth • increased prosperity and • reduced demand on council services	8 Amber	Internal audit review 2015/16- City centre development (Satisfactory assurance)	Programme and project risk registers Project reports to Cabinet and Scrutiny Monthly reporting to the City Centre Regeneration Programme Board Monthly programme reports to Corporate Programme Office	Reports to Programme Board from project managers Controls Assurance Statement	Regular update reports to the Programme Board and Cabinet continue to provide assurance on the management of this risk.
10	**Economic Inclusion** If the Council and its partners do not work effectively together to promote and enable growth then the risk of economic exclusion will materialise and demand for Council services will continue to increase.	12 Amber	Reports to the Black Country Local Enterprise Partnership and City Board National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc. Wolverhampton Skills Commission Review – November 2014 to April 2015	Report to SEB – City Board – Monthly unemployment briefings	Controls Assurance Statement	National indicators will demonstrate the effectiveness of the measures in place to manage this long term risk.

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14	**School Improvement** If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.	10 Amber	Ofsted annual report – Schools 2014/15, December 2015 Ofsted inspections 2015/16 School internal audit reviews 2013/14 and 2014/15 and 2015/16 Internal audit review 2015/16 – Scholl Improvement and Governance Strategy (satisfactory assurance) Internal audit review 2016/17 – Vulnerable Pupils	Performance indicator – gaps in educational performance Performance indicator – end of key stage outcomes Report to Children and Young People and Families Scrutiny Panel- Primary School Organisation strategy July 2015 Report to Children and Young People and Families Scrutiny Panel- Academy Partnership Protocol April 2016 Report to Children and Young People and Families Scrutiny Panel – Secondary School Sufficiency Strategy April 2016 Report to Children and Young People and Families Scrutiny Panel – Improving Our Schools Annual Report 2016 April 2016 Audits carried out by School Support Advisors and External Governance reviews	Reports to Cabinet Controls Assurance Statement	The Ofsted inspections continue to be the primary source of assurance for this risk. A review on the effectiveness of the School Improvement Strategy in 2016 will provide further assurance on the measures in place to manage this risk.
15	**Emergency Planning** Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of major a incident.	6 Amber	Follow up of internal audit recommendations, January 2014 Internal audit review - Resilience management and Business continuity planning August 2013 (Limited assurance)	Reports to Wolverhampton Resilience Board (WRB) Regular reports from WRB to SEB and C3 Scrutiny Panel	Incident management, e.g. weather incidences 2014, Public disorders Summer 2012, Hickman Avenue fire September 2014 Test exercise "Exercise Chillout" August 2014 Debrief report to SEB on mosque incident – 24 July 2013 Winter debrief report to WRB – June 2014 Controls Assurance Statement	The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. In the meantime, unplanned incidences and the lessons learned from these exercises continue to provide some level of assurance over this risk.
16	**Equal Pay** If schools do not comply with the Collective agreement and agree local pay scales and conditions then there is a potential for significant equal pay claims to materialise.	8 Amber	PwC report: Report to those charged with governance (ISA 260) September 2015 Ongoing Internal audit assurance in 2015/16 to Equal Pay Project. Internal audit review - Equal Pay claims, September 2014 (Substantial assurance) External legal advice from Browne Jacobson on claims Internal audit review 2016/17 – Equal Pay	Reports to Equal Pay Project Board	Controls Assurance Statement	Ongoing review by management of the level of claims continues to provide assurance on this risk, over which the Council has little control.

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CITY OF WOLVERHAMPTON COUNCIL

Appendix D

Update on Selected Risk for Review

Risk title and description	Previous score (Feb 2016)	Direction of travel	Current score (June 2016)	Target score and date
Business Continuity Management (BCM) Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services. Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Paul Sweet	10 Amber		10 Amber	8 Amber December 2016

1. Background

1.1 At the March 2016 meeting of the Audit and Risk Committee, members requested further information and assurances in respect of strategic risk 8 – business continuity management (BCM) be provided to the Committee by the risk owner. This note updates the Committee on the progress made by the Council in this area and the further actions required to manage the risk. The Council's resilience manager will also attend the meeting to address any further assurances that the Committee may require.

1.2 The BCM risk was first identified for inclusion in the strategic risk register by SEB in January 2014. At this time, the risk was assessed as 15 (red).

2. Definition and legal requirement

1.1 The Civil Contingencies Act 2004 requires the Council as a 'Category 1' responder to perform seven duties that seek to improve the resilience of the Council and our local community. One of these duties is to:

"maintain plans for the purpose of ensuring, so far as is reasonably practicable, that if an emergency occurs the person or body is able to continue to perform his or its functions" (Civil Contingencies Act 2004, Section 2(1)c.)

2.2 The plans to maintain functions are known as Business Continuity Plans and they are designed to be utilised when an emergency overwhelms the Council's existing response arrangements and cannot be dealt with within normal resources or procedures.

3 Risk Mitigation

3.1 The following measures have been put in place by the Council to mitigate the risk:

Governance

3.2 In the Council, all work to meet the duties under the Civil Contingencies Act is overseen by the Resilience Board. This Board is chaired by the Director of Public Health and attended by senior representatives from key services such as ITC, Facilities and Communications. The board meets quarterly and reports to SEB twice a year.

Work Plan

3.3 Following a risk assessment and gap analysis conducted in Jan 2014, a Resilience Board work plan was produced to meet aims and objectives that address the key resilience capability gaps that were identified. The following aims, objectives and deliverables from the Resilience Board's work plan relate to business continuity.

Aim: To improve the Council's ability to maintain delivery of critical services during a disruptive event.

Objectives:

- To progress and improve the council's existing business continuity programme management.
- To sign off the existing Business Impact Analysis and rank the existing priority functions.
- To determine the Council's business continuity response strategy.
- To develop a programme for exercising, maintaining and reviewing the Council's business continuity arrangements.

Key Deliverables:

- A business continuity governance structure with appointed leads and accountable officers.
- A list of the Council's priority functions that has been signed off by the Resilience Board.
- A suite of plans ranging from the strategic to individual service level.
- Appropriate communications and coordination systems to manage disruption and recover services.
- A Wolverhampton City Council training and exercise programme.

4 Current position

1.3 Good progress has been made since the establishment of the Resilience Board with all but one (relating to strategic and service level plans) of the key deliverables now in place. While the council does have a Strategic BC plan the individual service level plans have

been delayed due to problems with ICT developing a planning system that integrates with the council's HR records.

1.4 However, this bespoke service level planning and response tool, Service Resilience, is now fully integrated with the council's HR records on Agresso so it will start to be used to prepare plans for our Priority 1 functions from June.

1.5 In addition to the planned key deliverables the following improvements have been achieved.

- Council Business Continuity Plan significantly revised.
- Major Incident Control Room built.
- Electronic logging and coordination system developed.
- All grades 11 and above have been trained in its use.
- Business Continuity clauses signed off for addition to contracts with key suppliers.
- Business continuity policy written to align the council with ISO 22301.

2 Future Work

2.1 At the last Resilience Board meeting in April 2016 overall progress with the work plan was discussed and the following new business continuity objectives were agreed.

- To assist the preparation of service level plans (using Service Resilience) for the Council's Priority 1 functions.
- To highlight resource/capability shortfalls that impede feasible BC plans.
- To identify the council's critical suppliers and introduce BC clauses to their contracts.
- To develop a programme for exercising, maintaining and reviewing the council's business continuity arrangements.

2.2 The separate aim to improve the council's cyber security and enhance our ability to invoke IT Disaster Recovery, is new for the 2016-18 Resilience Board work plan and complements efforts to improve business continuity.

3 The Assurance Framework

6.1 Additional assurances on the effective management of the strategic risks include:

a. Regular reporting to SEB.
b. Quarterly updates to the Resilience Board.
c. Regular internal audits.

6.2 An internal audit review of Resilience Management was last carried out in December 2015 and a 'Satisfactory' level of assurance was provided. The following amber issues were identified:

- The feasibility of delivering service resilience plans by April 2016.
- The delivery of significant training requirements by the Resilience team with limited resources.

- The integration of work undertaken by the Resilience team and the Public Health Emergency Planning Manager.

6.3 The Audit Report was discussed at the Resilience Board meeting in December 2015 where the issues were considered.