[NOT PROTECTIVELY MARKED]

CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee Meeting** Monday, 22 July 2019

Dear Councillor

AUDIT AND RISK COMMITTEE - MONDAY, 22ND JULY, 2019

I am now able to enclose, for consideration at next Monday, 22nd July, 2019 meeting of the Audit and Risk Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
5	**Audited Statement of Accounts 2018-2019 (Pages 3 - 316)** [To receive the update from the Council's external auditor's findings in relation to the Statement of Accounts 2018-2019]
7	**Exclusion of the press and public** [To pass the following resolution: That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information falling within paragraph 1 of Schedule 12A of the Act]
8	**Audited Statement of Accounts 2018-2019** [To receive the update from the Council's external auditor's findings in relation to the Statement of Accounts 2018-2019][**To be tabled]**

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

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Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** 22 July 2019

Report title	Audited Statement of Accounts 2018-2019
Cabinet member with lead responsibility	Councillor Louise Miles Resources
Accountable director	Claire Nye, Finance
Originating service	Strategic Finance
Accountable employee(s)	Emma Bland Finance Business Partner Tel 01902 553928 Email Emma.Bland2@wolverhampton.gov.uk
Report to be/has been considered by	None

Recommendations for decision:

The Committee is recommended to:

1. Approve the formal publication of the 2018-2019 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 31 July 2019.

2. Approve the draft Management Representation letter which will be signed by the Director of Finance on behalf of the Council.

3. Delegate authority to the Chair of the Audit and Risk Committee to agree subsequent changes to the Statement of Accounts and Management Representation letter in consultation with the Director of Finance, should there be any audit adjustments.

Recommendations for noting:

The Committee is asked to note:

1. The 2018-2019 report to those charged with governance from the Council's External Auditors, Grant Thornton.

2. That the Council's external auditors intend to issue an unqualified opinion on the Statement of Accounts 2018-2019, subject to the outcomes of remaining elements of audit work.

3. That the external auditors have identified no material errors which are expected to remain unadjusted in the amended Statement of Accounts.

1.0 Purpose

1.1 To update the Committee on Grant Thornton's audit findings in relation to the Statement of Accounts for 2018-2019.

2.0 Background

2.1 The draft Statement of Accounts was certified by the Director of Finance on 31 May 2019, in accordance with the 31 May 2019 deadline set by the Accounts and Audit Regulations 2015. It was subsequently presented to the Audit and Risk Committee on 10 June 2019.

2.2 The draft was subject to audit by the Council's external auditors, Grant Thornton, which has been taking place during the last two months and is now nearing completion. The Council is required by law to publish the Statement of Accounts by 31 July 2019 (Accounts and Audit Regulations 2015).

2.3 Under the Council's financial procedure rules, Audit and Risk Committee has responsibility for the approval of the financial statements.

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).

3.0 Outcome of the audit

3.1 The key outcome of the audit of the Statement of Accounts is:

- A report which summarises the issues arising from the audit of the statements and issues which they are formally required to report to Members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK & Ireland) (ISA(UK&I)) 260 - "Communication of audit matters". This report is attached at Appendix A. [Please note the council's financial statements include the accounts of the West Midlands Pension Fund. A separate Audit Findings Report will be presented to and considered by the Pensions Committee on 25 September 2019.]

3.2 The Committee can draw assurance from Grant Thornton's intention to issue an unqualified opinion on the financial statements, subject to the outcomes of the remaining elements of audit work. This will be included in the published Statement of Accounts.

3.3 As a result of their work on the draft Statement of Accounts, Grant Thornton have recommended that some changes be made to the content of the accounts. These changes are listed in detail in Grant Thornton's Audit Findings report, attached at Appendix 1 and have been reflected in the updated version of the accounts, attached at Appendix 2.

Grant Thornton's report includes recommendations in the form of an action plan. Management have reviewed these and included their responses, responsible officers and implementation dates. Updates on progress against the action plan will be reported to future meetings of the Audit and Risk Committee.

3.4 The revised Statement of Accounts reflecting adjustments agreed with Grant Thornton will be published here: http://www.wolverhampton.gov.uk/article/3049/Corporate-finance

3.5 At the time of preparing this report, Grant Thornton are completing their work. Any further developments prior to this meeting will be the subject of a verbal update. If there are any further changes to the statements, a revised version will be presented.

3.6 In accordance with international auditing standards, the council is required to confirm to the external auditor that it has complied with all relevant requirements and provided all relevant information to the auditor. This takes the form of a Management Representation letter, included in Appendix 3, which has been prepared and which will be signed by the Director of Finance prior to submission to the auditor.

4.0 Financial implications

4.1 The statement, and audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.
[EB/018072019/F]

5.0 Legal implications

5.1 The Accounts and Audit Regulations 2015 require the 2018-2019 Statement of Accounts be produced in accordance with proper practice. 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 31 May 2019 and published by 31 July 2019.
[TC/18072019/O]

6.0 Equalities implications

6.1 There are no equality implications arising from this report

7.0 Environmental implications

7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

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

9.0 Corporate landlord implications

9.1 There are no implications for the council's property portfolio arising from this report

10.0 Health and Wellbeing implications

10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers

10.1 Draft Statement of Accounts 2018-2019, report to Audit Committee, 10 June 2019.

12.0 Appendices

12.1 Appendix 1 – External Auditors Audit Findings report

12.2 Appendix 2 – Statement of Accounts 2018 - 2019

12.3 Appendix 3 - Management Representation Letter

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Grant Thornton

The Audit Findings for City of Wolverhampton Council

Year ended 31 March 2019

23 July 2019

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of City of Wolverhampton Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements: • give a true and fair view of the financial position of the group and Council and the group and Council's/its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 22. We have identified 2 adjustments to the financial statements that have resulted in a £13.4m adjustment to the Council's Comprehensive Income and Expenditure Statement and a £15.6m adjustment to the Group's Comprehensive Income and Expenditure statement. This relates to additional pension liabilities following the McCloud Appeal judgement in July 2019. This has increased the pension liabilities of the Council and one of its subsidiary companies. All audit adjustments are detailed in Appendix C. We have identified a number of unadjusted errors. These include: • A potential understatement of PPE balances of £12.2m in assets as at 31 March 2019. • An understatement of pension liabilities by approximately £1.7m in relation to the GMP pension ruling • An understatement of borrowing in relation to PFI schemes of approximately £2.2m. • A potential overstatement of fees and charges of £2.1m due to the inclusion of internal recharges in the CIES. We are in the process of extending our testing to decrease the level of projected error. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following items listed on page 6 being resolved satisfactorily. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unmodified.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of City of Wolverhampton Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements with regard to its Medium Term Financial Resilience and Strategic Asset Management. We have no issues to report to you on this matters. Our work relating to the Civic Hall is ongoing. We will report this to a later committee. As such we have not concluded our work on the Council's Use of Resources. Our findings are summarised on pages 23 to 28.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We do not expect to be able to certify the conclusion of the audit yet as we do not anticipate having completed our work on the Council's Whole of Government Accounts return. The deadline for this submission is 13 September 2019. Additionally, we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. As the Pension Fund has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group and Council's business and is risk based, and in particular included:

- An evaluation of the group and Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. {eg From this evaluation we determined that an audit of Wolverhampton Homes Limited and specified audit procedures for City of Wolverhampton Housing Company Limited. The Wolverhampton Homes audit has been undertaken by a separate team of Grant Thornton auditors, and the pertinent transactions for City of Wolverhampton Housing Company have been audited by the Council's audit team; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 10 December 2019, except for a slight alteration to our group materiality thresholds, as reported to you in our progress report of 10 June 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries listed overleaf being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Risk Committee meeting on 23 July 2019, as detailed in Appendix E.

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Summary

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan, supplemented by the additional information provided in our June progress report. In our audit plan we reported that the materiality applied would be £16m for both the Council as a single entity as well as the group. This was amended slightly to ensure that the materiality applied to the group is larger. The group materiality was adjusted to £16.04m.

We detail in the table below our determination of materiality for City of Wolverhampton Council.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,040,000	16,000,000	We determined materiality for the audit of the Council's financial statements as a whole to be £16,000,000, which is approximately 1.9% of the Councils gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	12,030,000	12,000,000	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the financial statements. • Our consideration of performance materiality is based upon a number of factors: • We have not historically identified significant control deficiencies as a result of our audit work • We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Council • Senior management and key reporting personnel in the finance function has remained stable from the prior year audit
Trivial matters	802,000	£800,000	We determined the threshold at which we will communicate misstatements to the Audit and Risk Committee to be £800,000, which is 5% of materiality.
Materiality for specific transactions, balances or disclosures	Remuneration of senior officers: £35k		In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

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Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification to the proposed audit opinion and VFM conclusion, subject to the outstanding matters detailed below.

- Completion of our work on pensions, namely receipt of assurances from the auditor of the West Midlands Pension Fund
- Review of the Expenditure and Funding Analysis
- Completion of our work on senior officers' remuneration and employees earning in excess of £50k
- Receipt and consideration of remaining samples in respect of our work on operating expenditure, grants, fees and charges, asset additions and disposals, debtors and creditors
- Review of the Council's bad debt provision
- Receipt and consideration of samples for the extended testing we have performed on fees and charges to address the errors identified
- Comparison of the Waste PFI disclosures output from the Council's model to those from the Grant Thornton model
- Review of the group consolidation subsequent to the IAS19 pension adjustments being made
- Completion of our work on financial instruments
- Receipt and subsequent review of the Council's revised Movement in Reserves Statement
- Consideration of the work of the Council's valuers and sample testing of properties revalued to supporting information
- Final manager and engagement lead review of all of the above once completed

- obtaining and reviewing the updated financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
❶ **The revenue cycle includes fraudulent transactions (rebutted)** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined as part of our planning procedures that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for City of Wolverhampton Council. In terms of this risk and how it relates to the Group we have also determined that the risk of fraud arising from revenue recognition in the Group can be rebutted because the majority of income of Wolverhampton Homes Limited (approximately 97%) arises from the Council and is therefore eliminated on consolidation. The remainder of the income stream of Wolverhampton Homes Limited is sourced from third parties but given the subsidiary's close relationship with the Council, we believe the above bullet points also apply from a Group perspective.	**Auditor commentary** We have not altered our assessment as reported in the audit plan and therefore have no issues to report n this regard.

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Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
2 **Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Group faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as one of the most significant assessed risks of material misstatement for both the Group and Authority.	**Auditor commentary** We have: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. We identified from our review of the journal control environment that both the Chief Accountant and the Director of Finance have the ability to post journals. In our opinion these posting rights are incompatible with the duties of these posts. This does not constitute best practice and as such we engineered our testing to obtain an appropriate level of assurance that this weakness did not give rise to a possible material misstatement. From the testing performed to date we are content that journals posted are appropriate, eligible and valid, and can be agreed to supporting evidence. For more in-depth consideration of the Council's judgements and estimates please refer to pages 13 to 17.

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Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
3 **Valuation of land and buildings** The Authority revalues all assets over £1m on an annual basis with the remainder being revalued on a cyclical basis or as considered necessary in order to ensure that all assets are revalued at least every five years. This is in line with the Code requirements. This is to ensure that carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at the balance sheet date. We therefore identified the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have: • documented and evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer, with follow up discussions as necessary, to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding **Conclusions** We cannot conclude upon this area as at the time of writing as: • We are in the process of evaluating the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value, though based on the work done to date we have identified a potential understatement of £12.2m. • We are testing on a sample basis, revaluations made during the year to ensure they are consistent with the valuer's report and have been input correctly into the Authority's asset register.

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Significant findings – audit risks

Risks identified in our Audit Plan	Commentary

4 Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

We note that from a group point of view this risk is only applicable to the City of Wolverhampton Council and Wolverhampton Homes Limited, as the City of Wolverhampton Housing Company Limited does not have any employees and therefore carries no such liability.

Auditor commentary

We have:

- documented our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and,
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Findings

We have nothing to report in respect of the planned work above. However, during the course of the audit, the Council has sought a revised report from the actuary in order to account for the impact of the recent "McCloud" judgement. In January 2017, the Employment Tribunal ruled that transitional provisions in the New Judicial Pension Scheme (NJPS) were unlawfully age discriminatory because they were not objectively justified. The Tribunal found that a group of claimant judges had been subject to age discrimination when they were transferred to the NJPS established in April 2015 while under transitional provisions older colleagues were able to remain in the existing Judicial Pension Scheme (JPS). The JPS is a final salary scheme whereas the NJPS is a career average revalued earnings scheme.

Firefighters (the Sargeant case) had brought a similar age discrimination case and the Employment Tribunal ruled that similar transitional provisions were a proportionate means of achieving a legitimate aim and so did not give rise to unlawful age discrimination. Firefighters appealed the ruling and in December 2018 the Court of Appeal looked at both the judges and firefighters' cases and ruled that transfers to the new schemes established in 2015 were discriminatory on the basis of age. This case is referred to as McCloud versus Sergeant.

Where the transitional provisions are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. The Government applied to the Supreme Court for permission to appeal and on 27 June 2019 it was announced this was denied.

This has led the Council to conclude that it is now probable that members of the LGPS (for whom an underpin was introduced when the scheme changed on 1 April 2014) would also be impacted by the judgment and it therefore requested an updated report from its actuary to take into account the above decision. This was provided in July and the accounts updated accordingly. The net pension liability on the balance sheet has therefore moved from £568m to £581m. We are satisfied that these adjustments have been reflected in the revised financial statements.

Conclusion

We have requested but not yet obtained assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Subject to satisfactory receipt of this we are not anticipating an impact upon our audit opinion but are unable to conclude on this risk as at the time of writing.

Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Wolverhampton Homes Limited	Grant Thornton UK LLP (separate audit team to group audit team)	• We have reviewed the workpapers of the component auditor to identify whether further procedures are required to gain the necessary assurance. • We are satisfied with the level of work performed. • The accounts are likely to be signed off by the Wolverhampton Homes Ltd (WHL) Board in September and an unmodified audit opinion is proposed	• This company participates in the local government pension scheme, and as such has been affected by the McCloud judgement as referred to on the previous page. • The WHL accounts as well as the Group accounts have therefore been updated in this respect. For the subsidiary the scheme liabilities have increased from £198,451m to £200,512m leading to an increase in the net liability of £2,061m from £37,817m to £39,878m.
City of Wolverhampton Housing Company Limited (trading as WV Living)	Grant Thornton UK LLP (separate audit team to group audit team – note that while the two teams are separate, the relevant audit procedures in respect of the group audit were undertaken by the group audit team, as the audit of the company is not taking place until later in the year)	We have conducted substantive testing in the following areas, where we deemed there to be an impact in relation to the group accounts: • Stock ("work in progress" built homes) • Cash • Creditors • Reserves • Operating Expenditure • Turnover	• From the work conducted there are no findings to bring to your attention, relevant to the group audit

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Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals	The Council are responsible for repaying a proportion of successful rateable value appeals. Management use historic data relating to appeal success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required.	Our work in this area is ongoing as at the time of writing. We are in the process of: • Considering the approach taken by the Council to determine the provision • Reviewing the disclosure of the estimate in the financial statements	TBC
Land and Buildings – Council Dwellings - £751.4m	The Council owns 20,009 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged the Valuation Office Agency (VOA) to complete the valuation of these properties. The year end valuation of Council Housing was £751.4m, a net increase of £13.8m from 2017/18 (£737.6m).	We have: • Assessed the objectiveness and competency of management's expert • Determined the accuracy of the underlying information used to determine the estimate • Compared the consistency of estimate against a report from Gerald Eve setting out indices movements in the year • Tested the value of the properties by comparing a sample to publicly available market information to enable us to assess the reasonableness of the increase in the estimate • Reviewed the adequacy of disclosure of estimate in the financial statements While some of this work is ongoing, as at the time of writing we have identified nothing to date to bring to your attention.	TBC
Investment Property - £34.3m	Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date.	Investment Properties are valued by the Council as at 1 April 2018 rather than the financial statement date. We have applied indices to the valuation performed as at 1 April 2018 to assess whether the Investment Property valuations in the financial statements are correct. The indices indicate a range of movement between 1 April 2018 and 31 March 2019 from -3% to 1.5%. The valuation difference is therefore in the region of -£1m to £0.5m misstated. We note that one asset does not appear to have been valued since 2015. The max impact is an undervaluation of circa 20% or £180k. These potential differences are not material and we are therefore not reporting them as unadjusted misstatement but we recommend that the Council value its investment properties at 31 March.	●

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Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £454.7m	Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its own internal valuer to complete the valuation of properties as at 31 March 2019 on a five yearly cyclical basis. The valuation of properties valued by the valuer has resulted in a net decrease of £50m.	We have: • Assessed the objectiveness and competency of management's expert • Determined the accuracy of the underlying information used to determine the estimate • Compared the consistency of estimate against a report from Gerald Eve setting out indices movements in the year • tested the value of the properties by comparing a sample to enable us to assess the reasonableness of the increase in the estimate • Reviewed the adequacy of disclosure of estimate in the financial statements We have applied indices uplifts to the valuations provided by the valuers as at 1 April 2018 to determine if there is a material misstatement as at 31 March 2019. The valuation of assets is also impacted by the rolling 5 year programme, as it means there is always a quantum of assets which are not valued at all in any one year. (For 2018/19 £50.918m were not subject to a formal valuation). This is permitted by the Code but it requires additional work to be undertaken in respect of those assets to determine that the value they are rolled forward at, continues to be appropriate. We are unable to conclude our work on this area as work is ongoing as at the time of writing. Using this methodology we have identified a potential understatement of £12.2m, which we are satisfied is not a material difference. However, we have raised a recommendation for the Council to assess its approach to its valuations to ensure it is obtaining assurance that such variances are not material.	

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Assessment
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £568m – (Scheme Liabilities £1,858m, Scheme Assets £1,290m), revised to £581m (Scheme Liabilities £1,872m, Scheme Assets £1,290m)	The Authority's total net pension liability at 31 March 2019 per the draft accounts was £568m (PY £621m). The Authority uses Barnett Waddingham LLP to provide actuarial valuations of the Authority's assets and liabilities derived from the Local Government Pension Scheme in which it participates, (which is the West Midlands Pension Fund, administered by the Council itself). A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. Since the draft accounts were produced an updated actuarial report incorporating asset valuations as at March 2019 has been received. The financial statements have been updated in this regard. This led to an increase of £13.4m in the net pension liability: the liability in the updated financial statements is now £581.4m.	PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2019. We use this report to inform our assessment of the valuation of the pension fund liability in the Authority's accounts. We have compared the assumptions used by the Authority's actuary against industry benchmarks. Based on the work performed we are able to conclude that management's assumptions overall are reasonable.	**Green**

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4%-2.5%	(G)
Pension increase rate	2.4%	2.4% to 2.5%	(G)
Salary growth	3.9%	3.10%-4.35%	(G)
Life expectancy – Males currently aged 45 / 65	20.9 years	20.6-23.4 years	(Y)
Life expectancy – Females currently aged 45 / 65	23.2 years	23.2-24.8 years	(Y)

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability - continued	continued	The High Court has ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements (GMP) have had on members benefits. The Government announced an "interim solution" for members in public service schemes who reach State Pension Age (SPA) between 6 April 2016 and April 2021. We have reviewed the approach of the scheme's actuary, Barnett Waddingham (BW), in estimating the impact of these on the Council's pension liability. BW have not made allowance for pre 2021 retirements in their estimate. Utilising the 2018/19 PwC report and our own actuary we believe this would mean that liabilities are understated by approximately 0.3% (£1.7m). This is within our acceptable range and we are therefore satisfied that the Council's estimation methodology is reasonable. We have also reviewed the: • Completeness and accuracy of the underlying information used to determine the estimate • Reasonableness of the Authority's share of LGPS pension assets. • Reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements We have no findings to being to your attention in this regard.	

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 2/3 investments	The Council have financial assets relating to shares in Birmingham Airport Holdings. These investments are not traded on an open exchange/market and the valuation of the investment is subjective as it is not based on observable data. They have therefore been assigned as level 3 in the fair value hierarchy. Management have determined the fair value through use of an expert. We have appointed our own internal experts to review the valuation and are satisfied that the methodology applied is appropriate. The fair values of loan held by the Council have been assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the loan. The assessment of loans uses Level 2 inputs, ie inputs other than quoted prices that are observable for the financial instrument. We consider this to be an appropriate designated hierarchy.	We have: • Considered the reasonableness of increase/decrease in estimate • Reviewed the adequacy of disclosure of estimate in the financial statements	Green
Other accruals and estimates	The Council continues to apply estimates and judgements in a number of areas, such as: • accruals of income and expenditure; • recognition of school assets; and • the preparation of group accounts.	• The policies for these items are in line with accounting standards and the requirements of the Code of Practice on Local Authority Accounting. • Disclosure of the estimates in the financial statements is considered adequate. • As part of our testing, we have reviewed the judgements applied by the Council relating to these items, and significant balances within these have been discussed with management in detail. • We have found no material misstatements in the financial statements relating to these balances.	Green

Assessment

- (Red) We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- (Amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- (Yellow) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- (Green) We consider management's process and key assumptions to be reasonable

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Significant findings - Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Preparation of income and expenditure budgets for the year ended 31 March 2019	Going Concern is defined as "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.' The Authority's financial statements are prepared on going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due. Audit procedures undertaken have not found any indication of the existence of going concern events or conditions which may cast significant doubt on the Authority's ability to continue as a going concern. The Council budget more than a year in advance: at the Council meeting in March the 2019/20 budget was agreed, which is a balanced budget without the use of reserves. The report accompanying the budget notes that work will start on developing budget reductions and income generation proposals for 2020/2021 onwards in line with the Five Year Financial Strategy, and progress will be reported to Cabinet in imminently
Work performed	**Auditor commentary**
	We have reviewed the budgetary processes in place and would note the following: • We are satisfied from our review of the Council's reserves balance that it has sufficiency of usable reserves (i.e. general fund and earmarked reserves) to bolster its finances should its savings plans not be delivered, but clearly reserves can only be used once. • The Council is rightly concerned that there are a number of unknowns in its funding, especially with regard to the long-awaited social care green paper, which has been delayed for approximately 18 – 24 months, and is critical, given the ever-increasing demand in adult social care. However, in and of itself, this is not considered to cast significant doubt on the Council's ability to continue as a going concern. We therefore agree with the Council's conclusion that the going concern assumption is appropriate.

PFI scheme disclosures

The Council has 4 PFI schemes covering a leisure centre, schools and a waste incinerator which are disclosed in the financial statements. The operators financial close and accounting models for PFI schemes are highly complex and produce accounting estimates for disclosures within the accounts. The unitary charge levied by the PFI supplier contains various elements including cost of services, additions of new equipment, energy and contract inflation which needs to be apportioned by use in the financial model. The application of the model in apportioning these costs is reported in the Council's accounts.

The accounting model requires judgements to be made in a number of areas by the Council. We have assessed the inputs from the Operator's models to produce an audit estimate for each disclosure within the financial statements. We then compare this with the Council's figures for its accounting estimate. Where the difference between the Council's and the audit accounting estimate falls within our trivial range (£0 to £800k) we are not required to report this. Where the Council's accounting estimate falls outside of this range this is reported below.

Issue	Commentary	Recommendations
Disclosures	**Note 10D – PFI liability** Liability classifications – • Highfield and Penn Fields schools – the Council’s liability is £1.488m lower than the audit estimate. £1.032m of the liability should be classified as a current liability rather than a non-current liability, as it falls due within 12 months of the balance sheet date. • Waste disposal facility – no issues to report on the overall liability: however £1.465m should be classified as a current liability rather than a non-current liability as it falls due within 12 months from the balance sheet date • St Matthias and Heath Park – the Council’s liability is £1.737m lower than the audit estimate. £1.326m should be classified as a current liability rather than a non-current liability, as it falls due within 12 months from the balance sheet date. • Bentley Bridge - no issues to report on the overall liability: however £303k should be classified as a current liability rather than a non-current liability, as it falls due within 12 months from the balance sheet date. This is trivial in and of itself, but reported, as it forms part of a bigger balance which is set out as an unadjusted misstatement at Appendix C. We note that in all instances above the balance sheet is showing the correct classification. The differences identified are in the disclosure at Note 10D only. The disclosure is being updated accordingly. **Comprehensive income and expenditure account** Entries within the statement of comprehensive income & expenditure account in relation to service charges, interest and the impact of RPI fall within our range of estimates, therefore no issues identified. **Disclosures** The Code requires a number of disclosures in relation to the future commitments of the PFI schemes. **Future payments for services** For Bentley Bridge the total future service costs disclosed are different from the audit estimate in the range of £0.700m to £0.854m lower on the individual periods disclosed within the note. In total for Bentley Bridge the disclosure is £2.503m lower than the audit estimate.	The differences identified against our range of estimates for the PFI scheme have been discussed with the Council. Differences in each line of the disclosures have been detailed within the Commentary box. The total future payments disclosed for all PFI schemes are in line with the audit estimates. The differences are due to the way in which the indexation is allocated within the accounting models The Council have determined not to amend the financial statements in this regard. We have accepted the Council's estimate, as the degree of variation is not material, given the nature of the schemes and the basis of the estimate.

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PFI scheme disclosures continued

Issue	Commentary	Recommendations
Disclosures	**Future interest costs** St Matthias and Heath Park - In terms of each period for interest, figures are different from the audit estimate in the range of £3.200m higher to £1.100m lower on the individual periods disclosed within the note. In total the disclosure is £2.700m higher than the audit estimate. For Bentley Bridge the total interest costs disclosed are different from the audit estimate in the range of £0.550m to £2.209m higher on the individual periods disclosed within the note. In total for Bentley Bridge the disclosure is £6.438m higher than the audit estimate. For Highfields and Penn the total interest costs disclosed are different from the audit estimate in the range of £0.100m lower to £1.800m higher on the individual periods disclosed within the note. In total for Highfields and Penn the disclosure is £2.193m higher than the audit estimate. **Repayment of liability** St Matthias and Heath Park - The amounts disclosed are different from the audit estimate in the range of £0.800m higher to £3.200m lower on the individual periods disclosed within the note. The total liability disclosed is £2.527m lower than the audit estimate. **Conclusion** In total, we have identified when comparing the Council's model with the Grant Thornton model, that there is a potential understatement of liability of £2.236m. This has been taken to Appendix C as an unadjusted misstatement.	As per previous page.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Risk Committee in private session. We have not been made aware of any other incidents in the period and are aware that the Council is following up the incident previously reported. We are satisfied that there is no material impact on the financial statements.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. • We did review the Council's arrangements on two matters. We have reported these matters separately to the Council. We are satisfied that they to not represent breaches in the law or regulations. Rather they represent non compliance with the Council's procedures and/or areas where the Council's governance can be strengthened.
4	**Written representations**	• A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is appended.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to those organisations with which it banks, invests and borrows. permission was granted and the requests were sent. All of these requests were returned with positive confirmation..
6	**Disclosures**	• See Appendix C for the most significant amendments made to disclosures. In addition these a small number of amendments were made to improve clarity for the reader.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided.

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Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. • Note that work is not yet completed as the submission deadline is 13 September 2019.
4	**Certification of the closure of the audit**	We are unable to certify the closure of the 2018/19 audit of City of Wolverhampton Council in the audit opinion, as detailed in Appendix E.

Value for Money

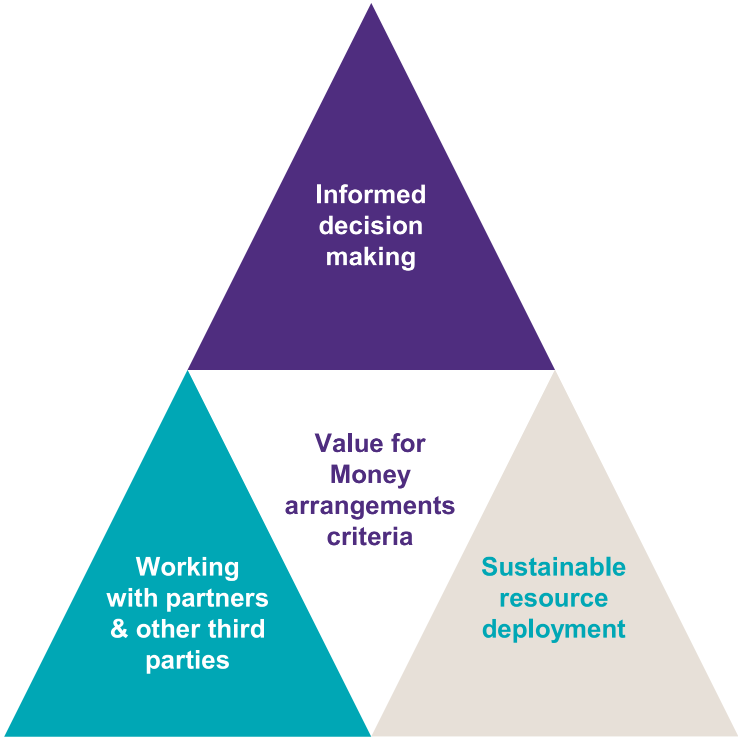
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in November 2018 and identified three significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 10 December 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements: our main considerations were the progress throughout the 2018/19 financial year of the Council in relation to its arrangements to ensure financial resilience as well as strategic asset management and the refurbishment of the Civic Halls.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 25 to 28.

Overall conclusion

We have completed our risk based review of the Council’s value for money arrangements with regard to its Medium Term Financial Resilience and Strategic Asset Management. We have no issues to report to you on this matters. Our work relating to the Civic Hall is ongoing. We will report this to a later committee. As such we have not concluded our work on the Council’s Use of Resources.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Medium Term Financial Resilience

The Authority has historically managed its finances well, achieving financial targets. The Budget and Medium Term Financial Strategy considered by Cabinet on 20 February 2018 and approved by Full Council on 7 March 2018 identified that the budget for 2018-19 was in balance without the use of general reserves. However, in common with other authorities, pressures on demand led services, particularly in Children’s Social Care, continue to put impact finances and the Authority is forecasting an overspend against the general fund of £1.7m for 2018/19.

The scale and pace of change for local government will affect future projections and it is important the Authority is on track to identify and produce savings required to deliver balanced budgets in the future. The Authority is faced with finding further budget reduction and income generation proposals totalling £19.5 million over the period to 2019/20. There is therefore still a gap to address in terms of future funding and savings solutions.

We have reviewed the Council's Medium Term Financial Strategy and financial monitoring reports and assessed the assumptions used.

Findings

- In the most recent Revenue Budget Monitoring report available as at the time of our initial risk assessment, which was presented to Cabinet Resources Panel in November 2018, it was noted that the overall projected outturn for the General Fund for 2018/19 was an overspend of approximately £1.7m (an improvement on the position as at July 2018 which projected an overspend of £2.7m). In order to address the remaining forecast overspend, directorates were issued with in-year budget reduction stretch targets. In addition, Strategic Directors undertook an in-depth review and challenge of all service budgets, both revenue and capital, to identify both in year and future budget reduction proposals.
- The position for quarter 3 reported an improved underspend in the region of £95k, although this planned to involve the use of reserves to offset redundancy costs, including the cost of pension strain, of around £3 million to £4 million.
- The actual outturn was a net underspend of £265,000 (-0.12%) was achieved against the General Fund net budget requirement of £229.1 million.

The timeline in the previous paragraphs demonstrates the resilience that the Council has in terms of being able to identify and action savings and budget reduction proposals in year.

However, whilst the positive General Fund outturn position during 2018-2019, and the resulting adjustments to reserves, will help to support the Council’s short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely identifying further projected budget reductions estimated at £27.3 million in 2020-2021, rising to £40-50 million over the medium term to 2023-2024. Cabinet was presented with a report in July 2019 detailing the progress towards identifying budget reduction and income generation proposals to address the financial challenge. This is considered further in the next section.

Consideration of 2019/20 budget

We have discussed your financial plans with key officers and reviewed the Final Budget Report for 2019/20 and the Council’s Financial Strategy for beyond 2019/20 (which were presented to Council in March 2019) . We are satisfied that the Council has firm plans in place for 2019/20. The budget for 2019/20 is in balance without the use of general reserves and the section 151 Officer has indicated that the 2019/20 budget estimates are robust.

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Medium Term Financial Resilience Findings (continued)

We have reviewed the assumptions applied and compared then to prior year: we note that the significant changes between years are council tax which has increased from 1.99% to 2.99%. However we acknowledged as part of our review last year 2019-20 MTFS that consideration was being given as part of the 2019-20 MTFS to increasing Council Tax by a further 1% in 2019-2020 to 2.99% as part of the 2019-2020 budget consultation process, so this is not unexpected.

Consideration of future savings plans

A further £27.3 million needs to be identified for 2020-21 and £40 to £50 million over the medium term in order to address the projected future budget deficits.

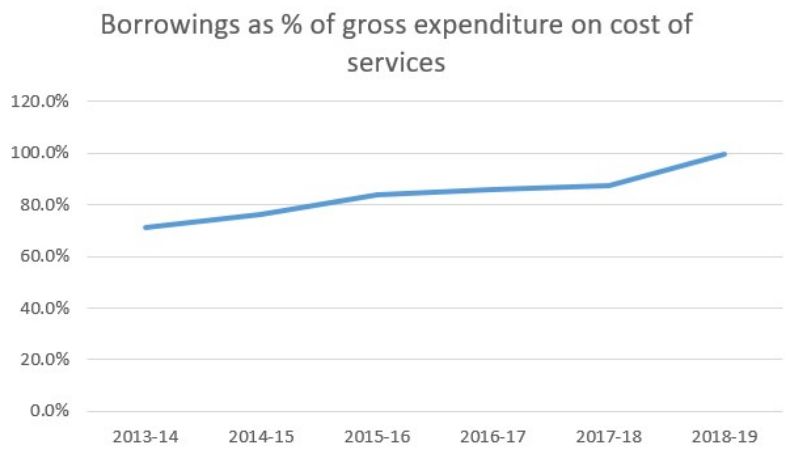
The Council are looking at developing savings schemes to fill gaps in future years. There are initial plans in place at a project level, which have dedicated assigned officers accountable for each saving. Even after taking these savings into account, there is still a gap of approximately £4m to fill but given that this is as at July 2019 and equates to 1.5% of a net expenditure budget of £258.6m in relation of the 2020/21 financial year, this is considered reasonable. There will be an updated report presented to Cabinet in October 2019 detailing budget reduction and income generation proposals that will be subject to formal budget consultation during October to December 2019.

The Council will need to maintain on delivering its budget in 2019/20 and focussing on savings for 2020/21 and thereafter if it is to remain financially resilient.

Reserves and Borrowing

We are satisfied from our review that the Council has sufficiency of reserves to bolster its finances should its savings plans not be delivered, but clearly reserves can only be used once.

We have also considered the Council's borrowing levels compared to its metropolitan neighbours within the West Midlands and also how its borrowing has moved historically. This graph shows that for this year the levels of borrowing are almost equivalent to the gross expenditure incurred for the year. While we note that the Council has reported to Cabinet in its Treasury Management Report that it is operating within the Prudential Code, we would advise the Council to monitor its borrowing levels, especially given the plans as noted in the Narrative Report to undergo further borrowing during 2019-20 of £166.1m.



Auditor View

On the basis of the work performed we have concluded that the risk was sufficiently mitigated and we are therefore satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Strategic Asset Management

The Council's 2014/15 Annual Governance Statement noted that following the transfer of Corporate Landlord to City Assets (Place Directorate) in January 2015 the opportunity was being taken to further embed the Strategic Asset Management function. It was intended to ultimately establish a Strategic Asset Management Plan, rationalise the property base, and dispose of unneeded assets. It was noted in the 2015/16, 2016/17 and 2017/18 Annual Governance Statement that a Strategic Asset Plan had yet to be developed.

We reported last year that while we though arrangements were adequate, the speed of implementation was slow. We have revisited the Council's progress against this for 2018/19 through discussion with officers and review of relevant documents.

Findings

The Strategic Asset Plan was approved at Cabinet in October 2018 and has since been published on the Council's internet site. The plan comprises three documents:

- Asset Management Policy (5 year outlook)
- Asset Management Strategy (3 year outlook)
- Asset Management Action Plan (live document with continuous monitoring).

As part of the Corporate Plan there is a principal called ‘Our Assets’, which is to be an enabler for public service reform, through better utilisation of the collective public sector assets in the city. This will oversee the rationalisation of the estate, improve effectiveness and efficiency of services through co-location of service delivery and reduce ongoing maintenance costs. Objectives for this include: property portfolio strategy of the operational estate; disposals strategy and reduction in Council-owned buildings; increase occupancy and utilisation of buildings; delivery of a ‘One Public Estate’ through co-location of Health and Social Care Hubs, creation of a Public Sector Hub and public sector campus type arrangements (successful OPE funding obtained to deliver feasibilities); co-location of public sector providers to rationalise public sector estate; and co-location of services to support service provision to communities

In commencing ‘Our Assets’, the Council has recently established a Public Sector Asset Management Board seeing to deliver a place-based asset transformation approach, enabling collaborative working and ongoing rationalisation and disposal programmes across the public sector estate and borders. Members include University of Wolverhampton, LGA, Cabinet Office, WMCA, NHS, Blue Light services, Voluntary Sector Council, Justice Service and internal Council services

Auditor View

On that basis of the work undertaken by the Council during 2018/19 and our findings above, we are satisfied that the Council has proper arrangements in place for managing and utilising assets effectively to support the delivery of strategic priorities in this respect.

Civic Halls Refurbishment Findings

Auditor View

Our work on the Civic Halls is in progress.

Value for Money Arrangements Conclusion

As we have not completed our work on the Civic Halls we are unable to conclude our work on the Council's Use of Resources.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work, while yet to be confirmed is likely to be relatively small in comparison to the total fee for the audit of £145,860 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The fee for the equivalent work in 2017/18 was £2,600.
Grant certification of Housing Benefit Subsidy Claim	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit of £145,860 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The fee for the housing benefit subsidy claim certification in 2017/18 was £14,128.
Certification of Teachers Pension Return	4,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit of £145,860 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. This fee was £4,200 in 2017/18.
Non-audit related			
None	-	-	-

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Committee. None of the services provided are subject to contingent fees.

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Action plan

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	●	• The Council amended its date of valuation from 31 March to 1 April, meaning that both valuers have provided their valuations as at 1 April 2018. • We have undertaken additional work to satisfy ourselves that the values in the balance sheet as at 31 March 2019 are not materially misstated, but we recommend that the Council revisit this decision for next year.	• We recommended that the Council either perform a formal exercise each year to either ensure that all land and buildings reflect market value as at the year end where required (which includes investment and surplus properties), or otherwise are able to demonstrate that the value at which they are carried in the accounts is not materially misstated, either individually or in aggregate. **Management response** • We intend to change the valuation date in future to the end of December, in order to reduce the risk of material misstatement.
2	●	• We identified from our review of the journal control environment that both the Chief Accountant and the Director of Finance have the ability to post journals. • In our opinion these posting rights are incompatible with the duties of these posts. The Council has a large finance team and we would therefore expect all postings to the ledger to be executed by these lower levels of staff. Directors and Deputies have direct responsibility for the financial performance of the Council and journals posting access is considered to be an enabling factor to the risk of management override of controls.	• The ability of a senior officer to raise journals is not best practice. We therefore recommend eliminating this access. **Management response** • The Chief Accountant and Director of Finance have never actioned journals, however access to be able to do so has now been removed.

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

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Follow up of prior year recommendations

We identified the following issues in the audit of City of Wolverhampton Council's 2017/18 financial statements, which resulted in 2 recommendations being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	• We note that the Council does not update its accounting models on an annual basis to reflect the actual unitary payment made and the impact of actual RPI. If the Council's models enable this to be done it would be good practice to model the impact on the future committed payments. • The Code does not state whether the details should specify an estimate of the cash amount that will actually be paid or an estimate based on prices at the Balance Sheet date. Council's are therefore free to choose which (or both) will be more informative.	• The Council has updated its models. Recommendation therefore considered closed.
2	✓	• The Council did not apply the correct percentage to the valuation of Council Dwellings to reflect the existing use value for social housing, which has resulted in an understatement of £109.6m. • We recommended that the Council put robust quality assurance mechanisms in place to ensure that the valuations within the financial statements are correct.	• The error in valuation adjustment in prior year has been superseded by the current year's valuation. We have identified no such error in the current year and therefore recommendation considered closed.

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Assessment
✓ Action completed
X Not yet addressed

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Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1	Revised pensions report to take into account the impact of McCloud on the Council's accounts • Increase in past service cost of £13.4m • Increase in net defined liability of £13.4m	£13.4m	-£13.4m	-
2	Revised pensions report to take into account the impact of McCloud on the net defined liability of Wolverhampton homes Limited which impacts on the group accounts • Increase in past service cost of £2.1m • Increase in net defined liability of £2.1m	£2.1m	-£2.1m	
	Overall impact	**£15.5m**	**£15.5m**	**-**

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Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Note 1G: Expenditure and Income Analysed by Nature	A number of expenditure line items with Note 1G have been amended as follows: • Other service expenses has increased by £13.4m • Depreciation has increased by £0.4m • Loss on disposal has increased by £3.0m • Interest payments have increased by £1,2m • Levies have decreased by £45.2m Two income line items within Note 1G have been amended as follows: • Fees and charges have decreased by £12.9m • Interest and investment income has increased by £12.9m	TBC
Movement in Reserves	• There were a number of challenges raised in relation to the internal consistency of the financial statement via our review of the movement in reserves statement. The finance team are reviewing our queries and we await their response as at the time of writing. • Aside from the adjustments referred to above, the MIRs has been updated to show: • adjustment between the group and authority figures • Total usable and unusable reserves excluding the reserves of the subsidiary • Total for the general fund • To show the increase/ decrease before adjustments between accounting and funding basis.	TBC
Business acquisition	Following the termination of the waste contract with Amey on 1st September 2018, waste collection and recycling facilities were transferred back to the Council. Through audit procedures this has been identified as a business acquisition and appropriate disclosures are to be added to the financial statements in accordance with IFRS 3 to explain the transaction that has been undertaken.	TBC
Pooled budgets	Accounting policy to be included and Note 2c to be amended to include how the pooled budget has been accounted for.	TBC
Schools transfers	Accounting policy updated to confirm that on transfer of schools to academy status, any related assets are derecognised.	TBC

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Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Financial instruments	In the draft financial statements the narrative report refers to LOBOs but they were not disclosed explicitly in the financial instruments note. Disclosure is being included to set out the relevant interest rates, method of valuation and any risks associated with them.	TBC
New standards	Narrative added to the financial statements to explain transition to new accounting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers	TBC

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2017/18 financial statements.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	**PFI liability value** The liability disclosed in relation to St Matthias and Heath Part is £1.033m lower than the audit estimate The liability disclosed in relation to Highfields and Penn is £1,598m lower than the audit estimate.	-	-2,061	-	This was not adjusted on the grounds of materiality. There will be no impact on the current year accounts as it will be superseded by the results of our review of the current year disclosure
	Overall impact	**-**	**-2,061**	**-**	

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Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	We identified two errors within our sample testing of fees and charges relating to incorrectly coded internal recharges, which has the effect of overstating income in the comprehensive income and expenditure statements. When projected across the whole population, this gives a potential misstatement of £2.1m. We are in the process of extending our testing to decrease the level of projected error.	TBC	TBC	TBC	TBC
2	The Council undertook its valuations as at 1 April 2018, with the exception of Council Dwellings which were valued as at 31 March 2019. We have considered the valuations of all assets and compared them to market indices. We have identified a potential understatement of £12.2m.		Non-current assets £12.2m Revaluation reserve £12.2m	-	Not considered to be material
3	Understatement of PFI borrowings by £2.236m which if adjusted for would have the effect of increasing the Council's liability		-£2.2		Not considered to be material
4	An understatement of pension liabilities by approximately £1.7m in relation to the GMP pension ruling		-£1.7		Not considered to be material
	Overall impact	TBC	£8.5	TBC	TBC

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Fees

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

Audit Fees

	2017/18 Final Fee	2018/19 Proposed fee	2018/19 Final fee
Council Audit	£189,428	£145,860	£TBC
Total audit fees (excluding VAT)	**£189,428**	**£145,860**	**£TBC**

The final audit fee represents a year on year reduction of £34,568.

Required Additional Audit Work	Description of Work Required	Proposed fee
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of IAS 19. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	£2,000
PPE – additional work	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of PPE. We have increased the volume and scope of our audit work to reflect this.	£2,000
VFM – Civic Hall	We undertook additional work to assess the Council's arrangements with regard to the Civic Hall.	£TBC
Governance	We undertook additional work in relation to laws and regulations as reported on page 21.	£2,500
Total additional estimated audit fees (excluding VAT)		**£9,500**

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Other Fees

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

Other audit Fees

	Proposed fee	Final fee
Audit of subsidiary company Wolverhampton Homes Limited	27,000	27,000
Audit of subsidiary company City of Wolverhampton Housing Company Limited, (trading as WV Living) *	20,000	TBC
Audit of subsidiary company Yoo Recruit Limited (not consolidated on grounds of materiality) *	13,500	TBC
Total audit fees (excluding VAT and those fees to be confirmed)	**60,500**	**27,000**

* The audit of these companies have yet to take place in respect of the year ending 31 March 2019 and as the audit plans have not yet been issued, the fees are yet to be confirmed. The fees charged in the prior year for City of Wolverhampton Housing Company Limited and Yoo Recruit Limited were £12,000 and £13,000 respectively. Fees payable in 2017-18 in respect of these companies was therefore £39k.

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Housing capital receipts **	TBC
• Housing Benefit Subsidy Claim	16,000
• Teachers Pension Return	4,500
Non-audit services Final bill for Telecoms project for work undertaken in previous years, as reported in our 2015-16 Audit Findings Report	2,500
Total excluding those fees to be confirmed	**23,000**

The audit-related services in relation to housing capital receipts has yet to be planned in respect of the year ending 31 March 2019 an therefore the fees are yet to be confirmed. The fee charged in the prior year was £2,600.

Audit opinion

We anticipate we will provide the Group with an unmodified audit report, with an except for VFM conclusion. Wording of the opinion will be confirmed in due course.

Management Letter of Representation

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
BIRMINGHAM
B4 6AT

[Date]

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Dear Sirs

City of Wolverhampton Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of City of Wolverhampton Council and its subsidiary undertakings, City of Wolverhampton Housing Company Limited and Wolverhampton Homes Limited for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Group Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

i. We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.

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

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

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

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

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

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

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have

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Management Letter of Representation

been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

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

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

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent Council financial statements for these misstatements brought to our attention as they are **[either]** immaterial to the results of the group and parent Council and its financial position at the year-end **[or]** for the reasons noted on the schedule **[or]** for the reasons noted below. The group and parent Council financial statements are free of material misstatements, including omissions.

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

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

xiv. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

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

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

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

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

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

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

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

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the group and parent

Management Letter of Representation

c. Council financial statements.

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

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

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

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

Annual Governance Statement

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

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Risk Committee at its meeting on 23 July 2010.

Yours faithfully

Name.................................

Position..............................

Date.................................

Signed on behalf of the Governing Body

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Appendix 2

Statement of Accounts

2018-2019

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

CONTENTS

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 items which must be in the accounts per 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 the Council's internal reporting and decision-making is based purely on accounts prepared under the legal rules. 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.

Purpose and Contents of this Document
The purpose of this document is to show the Council's and Group's financial performance over the course of the year, and their financial position at the end of the year. It also provides some information about factors 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 3**. This report draws reader's attention to any important information they might need to consider 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.

The Balance Sheet – this shows all the Council's assets, liabilities and reserves at the end of the financial year. Assets are either items that the Council owns and can use or sell in the future, or money that it is owed by other parties. Liabilities are money owed by the Council to other parties. 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 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 Expenditure and Funding Analysis - notes showing how expenditure is allocated for decision making purposes between the Authority's directorates and how the Comprehensive Income and Expenditure Statement reconciles to the General Fund.

Note 2 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 3 Other Operating Expenditure.

Note 4 Financing and Investment Income and Expenditure.

Note 5 Taxation and Non-Specific Grant Income and Expenditure.

Note 6 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 parties.

Note 7 Provisions, Contingent Liabilities and Guarantees – this note provides information about things for which the Council knows it will (or may have to) pay money to other parties, 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 8 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 9 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 10 Financial Instruments – this note provides information about the Council's financial instruments, which are assets or liabilities entered into under contracts.

Note 11 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. This note provides information about these relationships.

Note 12 Trust Funds – this note provides information about the trust funds that the Council manages on behalf of other people.

Note 13 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 uses to manage its finances. This detailed note analyses all those differences for interested readers.

Note 14 Notes to the Cash Flow Statement - these notes provide more detail relating to certain items included in the cash flow statement.

Note 15 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 in applying these 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 must 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 the amount retained by the Council and allocated to the Fire authority.

Section 7 provides the financial statements of West Midlands Pension Fund. These are separate from the Council's accounts, but because the Council is the administering body it is required 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 three other organisations: Wolverhampton Homes Limited, Yoo Recruit Ltd and WV Living (City of Wolverhampton Housing Company Limited). As a result of this the Council is required to produce group accounts. Yoo Recruit Ltd became a wholly-owned subsidiary of the Council in 2013-2014. As the impact on the group accounts is considered by the Council, to not be material – Yoo Recruit Ltd has not been consolidated into the group accounts. 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; WV Living became a wholly-owned subsidiary of the Council in 2016-2017 and was set up in response to housing demand in Wolverhampton, to provide good quality homes for sale and rent. Wolverhampton Homes Limited and WV Living's accounts have been wholly consolidated in the group elements of the financial statements.

The group accounts combine the accounts of the Council, Wolverhampton Homes Limited and WV Living (City of Wolverhampton Housing Company Limited) and shows them as if they were one. Throughout the financial statements (Section 4) the numbers in italics relate to the group. Non-italic numbers relate to the Council only. These figures are usually combined in the same table, but occasionally owing to space, they are shown in separate tables. Where there is only one figure given, this means that the figure is the same for the group and the Council.

Where the Council determines that the overall balance of control of schools lies with the Council, 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 the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. Academies and other schools such as voluntary aided schools, where control does not lie with the Council, are excluded from the Council's financial statements.

The Council Plan

In collaboration with partners across Wolverhampton, the Vision 2030 document captures the aspirations and priorities for the City. It is in this context that the City of Wolverhampton Council Plan is developed. In March 2019, the Council launched its Council's Plan 2019-2024, building on the transformation journey with a focus on improving outcomes for the City. The plan sets out how, by working together, how the Council will deliver on the priorities of the people of our city over the next five years. The Council intents to develop and improve its services in conjunction with other plans and partners and plays an important role in ensuring that the Council's strategic objectives are achieved for the people of the City of Wolverhampton.

The Council Plan does not cover everything that the Council does, but it focuses on a combination of those issues that matter most to the 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 Council Plan can be found on the Council's website.

The plan is a key component of the Council's 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.

Financial Performance 2018-2019

General Fund

In March 2018, the Council approved a budget incorporating a budget reduction target of £24.5 million for 2018-2019. The following table compares the Council's General Fund outturn for 2018-2019 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 2018-2019 was a net underspend of £265,000. After taking into account net transfers to/from earmarked reserves, the General Fund Balance remains at £10.0 million and earmarked reserves total £58.8 million at the end of the financial year.

Service	2018-2019 Net Controllable Budget £m	2018-2019 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Place	51.4	51.4	-
People	118.1	118.9	0.8
Corporate	53.3	52.3	(1.0)
Education	6.3	6.2	(0.1)
Net Budget Requirement	**229.1**	**228.8**	**(0.3)**
Funding:			
Council Tax (including Adult Social Care Precept)	(97.0)	(97.0)	-
Enterprise Zone Business Rates	(1.9)	(1.4)	0.5
Business Rates (net of WMCA growth payment)	(72.4)	(72.5)	(0.1)
Business Rates Autumn Statement Compensation	(7.8)	(8.2)	(0.4)
Government Grant (General)	(48.3)	(48.3)	-
Collection Fund Surplus	(1.7)	(1.7)	-
Total Funding	**(229.1)**	**(229.1)**	**-**
Net Budget (Surplus)/Deficit	**-**	**(0.3)**	**(0.3)**

Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £21.5 million, compared to a budgeted surplus of £15.2 million. This position is net of a revaluation adjustment of £1.2 million and a £2.0 million Gain on Sale of Property, Plant and Equipment included in the income and expenditure statement but not in the HRA balance. £20.7 million of the surplus has been set aside by the council as provision for the redemption of debt.

The operating surplus compared to the budgeted surplus was primarily due to the impact of accounting treatment of depreciation calculated on a componentised basis, lower than budgeted income and a lower than budgeted increase to the bad debt provision.

	Budget 2018-2019 £m	Outturn 2018-2019 £m	Variance Over/(Under) £m
Income	(96.5)	(95.4)	1.1
Expenditure	70.9	64.5	(6.4)
Net Cost of Services	**(25.6)**	**(30.9)**	**(5.3)**
Net Cost of Borrowing and Investments	10.4	10.2	(0.2)
Surplus for the Year	**(15.2)**	**(20.7)**	**(5.5)**
Allocation of Surplus for the Year			
Provision for Redemption of Debt	(15.2)	(20.7)	(5.5)
Transfer to/(from) Reserves	-	-	-
Total	**-**	**-**	**-**

Capital Programme

Capital expenditure by the Council during 2018-2019 totalled £119.3 million, as set out in the following table. This was £31.0 million under budget primarily due to slippage into future years and cost reductions.

Expenditure	Approved Budget 2018-2019 £m	Outturn 2018-2019 £m	Variation Over/(Under) £m
General Fund			
Corporate	19.7	11.2	(8.5)
People	15.9	14.9	(1.0)
Place	64.9	50.4	(14.5)
Total General Fund	**100.5**	**76.5**	**(24.0)**
Housing Revenue Account	**49.8**	**42.8**	**(7.0)**
Total Expenditure	**150.3**	**119.3**	**(31.0)**

Items of Interest in the Accounts

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

Provisions, Contingent Liabilities and Guarantees

The Council's total level of provisions reduced by £5.2 million (net) over the course of the year. Total provisions at 31 March 2019 stood at £9.5 million: further details are provided in Note 7A to the Financial Statements.

Capital Expenditure

The Council once again successfully managed a large capital expenditure programme in 2018-2019, resulting in additions to non-current assets of £89.6 million, together with other capital expenditure of £29.8 million. The main additions were on council dwellings (£42.8 million), other land and buildings (£27.9 million) and infrastructure assets (£9.2 million), which reflects investment in the highway network. Information about non-current assets held by the Council can be found in Note 8.

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 £57.4 million during 2018-2019, made up of an increase of £11.0 million in liabilities, countered by an increase of £68.4 million in assets. The main reasons for the net movement were gains of £47.8 million resulting from changes in actuarial assumptions, net interest payable of £15.4 million, and other net expenditure of £25.0 million. Note 9 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 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 15 to the Financial Statements.

In 2018-2019 the Council made an upfront payment of £24.7 million in respect of pension contributions, in order to reduce interest costs. The full £24.7 million payment was accounted for as a reduction in the Council's net pension liability in 2018-2019, however accounting regulations require that the actual amount due in relation to 2018-2019, of £36.6 million, is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement (Note 13A) and also in the Employee Pensions note (Note 9).

This means that there is a difference between the net pension liability and the pension reserve, equal to this upfront amount that has been paid in relation to employer's contributions for 2019-2020. This difference will remain until the upfront payment is drawn down by actual amounts due.

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 2019, its total borrowing portfolio stood at £740.9 million, of which £629.1 million is owed to the Public Works Loan Board, £103.8 million to private sector lenders and £8.0 million temporary loans. The Council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA). Please note borrowings on the balance sheet are higher due to £5.3 million accrued interest and a £5.3 million difference between the LOBO principal cash value and amortised cost (under the Code of Practice).

The Medium Term Financial Strategy 2019-2020 to 2023-2024

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. Several 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 2007-2008, 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 259,926 (2017 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, circa 4.5% (approximately 11,700 extra residents) between 2019 and 2029 (2016-based population projections). This growth rate is on par with the Black Country average yet below the English average (circa 5.2%) which, therefore, suggests that if population remains a dominant factor for the distribution of Government grants 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 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 medium term. 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 2019 is summarised in the table below.

	2019-2020 £m	2020-2021 £m	2021-2022 £m	2022-2023 £m	2023-2024 £m
Net Expenditure Budget	**234.9**	**258.6**	**270.0**	**279.4**	**289.7**
General Funding	**(234.9)**	**(231.3)**	**(234.1)**	**(238.5)**	**(243.2)**
Cumulative Projected Deficit	**-**	**27.3**	**35.9**	**40.9**	**46.5**
Annual Projected Deficit	**-**	**27.3**	**8.6**	**5.0**	**5.6**

The Council has been able to set a balanced budget for 2019-2020 without the use of general reserves, however, as the table above shows, the Council forecast that it will need to save a further £27.3 million by 2020-2021, rising to £40 - £50 million over the medium term. These budget reductions are in addition to £9.6 million of budget reductions and income generation targets that are already planned and built into the Medium Term Financial Strategy. Further to this, the Council has already identified budget reductions in excess of £220 million over the last eight financial years.

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 Council has developed a Five Year Financial Strategy which is aligned to the Council Plan 2019-2024, providing the strategic framework to address the budget challenge facing the Council. The Council's strategic approach to address the deficit is aligned to the core workstreams contained within the Financial Strategy: The workstreams are:

- Promoting Digital Innovation
- Reducing Demand
- Targeted Service Delivery
- Sustainable Business Models
- Prioritising Capital Investment
- Generating Income
- Delivering Efficiencies
- Maximising Partnerships and External Income

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, further helped by the abolition of the HRA borrowing cap in October 2018.

An updated HRA business plan was approved in January 2019. The HRA is expected to have sufficient resources to fund £1.9 billion of capital works over the next 30 years, as well as meeting its management and maintenance obligations over the same period. Capital expenditure includes a major high rise infrastructure renewal programme and £157.3 million for new build programmes over the next five years.

In terms of 2019-2020, the plan includes an average rent decrease of 1% in line with the requirements of the Welfare Reform and Work Bill. The table below shows the approved budget for 2019-2020, along with forecasts for the next two years.

	Budget 2019-2020 £m	Forecast 2020-2021 £m	Forecast 2021-2022 £m
Income			
Gross Rents – Dwellings	(89.7)	(91.1)	(94.0)
Gross Rents - Non-Dwellings	(0.5)	(0.5)	(0.6)
Charges to Tenants for Services and Facilities	(6.3)	(6.4)	(6.5)
Total Income	**(96.5)**	**(98.0)**	**(101.1)**
Expenditure			
Management and Maintenance	45.4	46.2	47.1
Depreciation of Long Term Assets	22.0	21.8	21.6
Net Financing Costs	10.8	13.1	15.5
Provision for Bad Debts	1.5	2.0	2.0
Total Expenditure	**79.7**	**83.1**	**86.2**
Balance	**(16.8)**	**(14.9)**	**(14.9)**

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 parties, 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 City Development, New Build Programme, Decent Homes Stock Condition Improvements, Primary and Secondary School Expansion Programmes. The table below shows the Council's capital programme for the next five years, as approved by Full Council.

	2019-2020 £m	2020-2021 £m	2021-2022 £m	2022-2023 £m	2023-2024 £m	TOTAL £m
Forecast Expenditure	270.1	150.2	84.8	64.0	60.9	630.0

The following table lists some of the main projects in 2019-2020:

Project	Forecast Expenditure 2019-2020 £m
Corporate	
WV Living loans	17.0
Corporate Initiatives	3.0
Corporate Services - Contingency	2.6
	22.6
People	
Secondary School Expansion Programme	16.9
Primary School Expansion Programme	15.2
Schools Modernisation, Suitability and Condition	1.4
Special Education Needs Capital Fund Programme	0.8
Public Health	0.2
Sports Investment Strategy	0.2
	34.7

Project	Forecast Expenditure 2019-2020 £m
Place	
City Development	67.5
Land and Property Investment Fund	15.7
ICT Developments	5.1
Operational Maintenance	4.9
Highway Capital Maintenance	4.0
Highway Improvements & Active Travel	2.4
Fleet Services	2.4
i54 Western Extension	1.5
Corporate Asset Management	1.1
Development of Cultural Estate	1.0
Queen Street Townscape Heritage	0.8
Energy Efficiency Measures	0.4
Parks Strategy & Open Spaces	0.3
Smart & Accessible City	0.2
War Memorial Restoration	0.1
	107.4
Housing Private Sector	**6.0**
Housing Revenue Account	
New Build Programme	40.3
Decent Homes Stock Condition	36.8
Other Stock Condition Improvements	12.5
Estate Remodelling	6.6
Service Enhancements & Miscellaneous	2.2

Project	Forecast Expenditure 2019-2020 £m
Adaptations for People with Disabilities	1.0
	99.4
Grand Total	**270.1**

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

Source of Funding	Forecast Expenditure 2019-2020 £m
Borrowing	166.1
Grants and Contributions	60.8
Reserve Funds	22.0
Capital Receipts	20.8
Capital Expenditure Financed from the Revenue Account	0.4
Total	**270.1**

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.

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 2019 and its income and expenditure for the year ended on the same date.

Claire Nye
Director of Finance

Date:

Councillor Approval for the Accounts

Responsibility for councillor approval of the Council’s Statement of Accounts lies with the Audit and Risk Committee. The Statement of Accounts was presented by the Dirctor of Finance to the Audit and Risk Committee on 22 July 2019, and was formally approved at that meeting subject to final amendments being agreed by the Chair of the Committee.

Councillor Alan Butt
Chair, Audit and Risk Committee

Date:

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

Comprehensive Income and Expenditure Statement (Council only)

2017-2018 Restated Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	2018-2019 Gross Expenditure £m	Gross Income £m	Net Expenditure £m
4.9	(0.4)	4.5	Strategic Director People		4.8	(0.2)	4.6
132.9	(65.9)	67.0	Adult Services		135.8	(69.3)	66.5
68.3	(17.1)	51.2	Children & Young People		69.0	(11.1)	57.9
23.5	(21.9)	1.6	Public Health & Wellbeing		20.6	(21.2)	(0.6)
229.6	**(105.3)**	**124.3**	**People**		**230.2**	**(101.8)**	**128.4**
1.7	-	1.7	Managing Director		3.8	(0.2)	3.6
10.4	(4.9)	5.5	Governance		2.2	(0.9)	1.3
128.3	(115.4)	12.9	Corporate Services		111.3	(102.1)	9.2
6.6	(9.6)	(3.0)	Corporate Accounts		11.3	(15.4)	(4.1)
147.0	**(129.9)**	**17.1**	**Corporate**		**128.7**	**(118.6)**	**10.1**
1.5	(4.4)	(2.9)	Corporate Resources		1.8	(4.2)	(2.4)
1.5	**(4.4)**	**(2.9)**	**Corporate Resources**		**1.8**	**(4.2)**	**(2.4)**
158.3	(146.5)	11.8	Director of Education		191.5	(151.9)	39.6
158.3	**(146.5)**	**11.8**	**Education**		**191.5**	**(151.9)**	**39.6**
1.0	-	1.0	Strategic Director Place		0.8	(0.1)	0.7
20.5	(7.0)	13.6	Regeneration		21.9	(5.0)	16.9
23.3	(11.0)	12.3	Commercial Services		26.4	(12.9)	13.5
4.9	(1.2)	3.7	City Housing		5.2	(1.3)	3.9
58.4	(16.8)	41.8	City Environment		65.8	(21.3)	44.5
0.1	(0.1)	-	Land Property Investment Fund		7.1	(0.5)	6.6
0.1	-	0.1	Public Service Reform		5.4	(0.6)	4.8
108.5	**(36.1)**	**72.4**	**Place**		**132.6**	**(41.7)**	**90.9**
136.6	**(208.6)**	**(72.0)**	**Housing Revenue Account**		**68.5**	**(98.0)**	**(29.5)**
781.3	**(630.8)**	**150.5**	**Net Cost of Services**		**753.3**	**(516.2)**	**237.0**
39.3	(15.8)	23.5	Other operating expenditure	3	67.4	(15.5)	51.9

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

2017-2018 Restated Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	2018-2019 Gross Expenditure £m	Gross Income £m	Net Expenditure £m
60.9	(4.5)	56.4	Financing and investment income and expenditure	4	54.5	(2.2)	52.3
-	(257.4)	(257.4)	Taxation and non-specific grant income and expenditure	5	-	(263.7)	(263.7)
881.5	**(908.5)**	**(27.0)**	**Deficit on Provision of Services**		**875.2**	**(797.6)**	**77.6**
		(27.9)	Gain/(loss) on Revaluation of Non-Current Assets				5.9
		(30.3)	Re-measurement of the net defined benefit liability				(47.8)
		0.5	Surplus or deficit on revaluation of available for sale financial assets				-
		-	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				(0.1)
		(57.7)					**(42.0)**
		(57.7)	**Other Comprehensive Income and Expenditure**				**(42.0)**
		(84.7)	**Total Comprehensive Income and Expenditure**				**35.6**

Comprehensive Income and Expenditure Statement (Group)

2017-2018 Restated					2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
4.9	(0.4)	4.5	Strategic Director People		4.8	(0.2)	4.6
132.9	(65.9)	67.0	Adult Services		135.8	(69.3)	66.5
74.2	(17.1)	57.1	Children & Young People		69.0	(11.1)	57.9
23.5	(21.9)	1.6	Public Health & Wellbeing		20.6	(21.2)	(0.6)
235.5	**(105.3)**	**130.2**	**People**		**230.2**	**(101.8)**	**128.4**
1.7	-	1.7	Managing Director		3.8	(0.2)	3.6
10.4	(4.9)	5.5	Governance		2.2	(0.9)	1.3
128.3	(115.4)	12.9	Corporate Services		111.3	(102.1)	9.2
6.6	(9.6)	(3.0)	Corporate Accounts		11.3	(15.4)	(4.1)
147.0	**(129.9)**	**17.1**	**Corporate**		**128.7**	**(118.6)**	**10.1**
1.5	(4.4)	(2.9)	Corporate Resources		1.8	(4.2)	(2.4)
1.5	**(4.4)**	**(2.9)**	**Corporate Resources**		**1.8**	**(4.2)**	**(2.4)**
152.4	(146.5)	5.9	Director of Education		191.5	(151.9)	39.6
152.4	**(146.5)**	**5.9**	**Education**		**191.5**	**(151.9)**	**39.6**
1.0	-	1.0	Strategic Director Place		0.8	(0.1)	0.7
20.5	(7.0)	13.5	Regeneration		21.9	(5.0)	16.9
23.3	(11.0)	12.3	Commercial Services		26.4	(12.9)	13.5
9.0	(1.2)	7.8	City Housing		7.5	1.0	8.5
58.4	(16.8)	41.6	City Environment		65.8	(21.3)	44.5
0.1	(0.1)	-	Land Property Investment Fund		7.1	(0.5)	6.6
0.1	-	0.1	Public Service Reform		5.4	(0.6)	4.8
112.4	**(36.1)**	**76.4**	**Place**		**134.9**	**(39.4)**	**95.5**
136.6	**(208.6)**	**(72.0)**	**Housing Revenue Account**		**68.5**	**(98.0)**	**(29.5)**
785.1	**(630.8)**	**154.3**	**Net Cost of Services**		**755.6**	**(513.9)**	**241.7**
39.3	(15.8)	23.5	Other operating expenditure	3	67.4	(15.5)	51.9

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Comprehensive Income and Expenditure Statement (Group) (continued)

2017-2018 Restated Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	2018-2019 Gross Expenditure £m	Gross Income £m	Net Expenditure £m
61.8	(4.5)	57.3	Financing and investment income and expenditure	4	55.7	(2.3)	53.5
-	(257.4)	(257.4)	Taxation and non-specific grant income and expenditure	5	-	(263.7)	(263.7)
886.2	**(908.5)**	**(22.3)**	**Deficit on Provision of Services**		**878.7**	**(795.4)**	**83.4**
		(27.9)	Gain/(loss) on Revaluation of Non-Current Assets				5.9
		(32.0)	Re-measurement of the net defined benefit liability				(51.1)
		0.5	Surplus or deficit on revaluation of available for sale financial assets				-
		-	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				(0.1)
		(59.4)					**(45.3)**
		(59.4)	**Other Comprehensive Income and Expenditure**				**(45.3)**
		(82.0)	**Total Comprehensive Income and Expenditure**				**38.0**

Balance Sheets

31 March 2018 Restated*				31 March 2019	
Council £m	Group £m		Note	Council £m	Group £m
1,440.4	*1,440.4*	Property, Plant & Equipment	8	1,387.8	*1,387.8*
11.6	*11.6*	Heritage Assets	8	11.6	*11.6*
36.2	*36.2*	Investment Property	8	34.3	*34.3*
5.6	*5.6*	Intangible Assets	8	5.3	*5.3*
-	-	Assets Held for Sale	8	-	-
24.7	*24.7*	Long-term Investments		24.7	*24.7*
1.3	*1.3*	Long-term Debtors		1.3	*1.3*
-	-	Long-term Loans to External Bodies		0.1	*0.1*
1,519.8	***1,519.8***	**Long-term Assets**		**1,465.1**	***1,465.1***
7.6	*7.6*	Short-term Investments		25.3	*25.3*
0.4	*2.6*	Inventories		0.5	*8.2*
66.5	*65.6*	Short-term Debtors	6A	80.8	*74.9*
2.2	*16.3*	Cash and Cash Equivalents		2.8	*14.8*
76.7	***92.1***	**Current Assets**		**109.4**	***123.2***
(10.7)	*(10.7)*	Short-term Borrowing		(13.3)	*(13.3)*
(80.3)	*(84.3)*	Short-term Creditors	6C	(81.9)	*(84.4)*
(14.7)	*(14.7)*	Provisions	7A	(9.5)	*(9.5)*
(105.7)	***(109.7)***	**Current Liabilities**		**(104.7)**	***(107.2)***
(672.4)	*(672.4)*	Long-term Borrowing		(738.4)	*(738.4)*
(640.7)	*(678.3)*	Net Pension Liability	9	(594.6)	*(634.5)*
(107.1)	*(107.1)*	Other Long-term Liabilities		(101.3)	*(101.3)*
(4.8)	*(4.8)*	Grant Receipts in Advance – Capital		(5.4)	*(5.4)*
(1,425.0)	***(1,462.6)***	**Long-term Liabilities**		**(1,439.7)**	***(1,479.6)***

31 March 2018 Restated* Council £m	Group £m		Note	31 March 2019 Council £m	Group £m
65.8	***39.6***	**Net Assets**		**30.1**	***1.5***
(80.8)	***(54.5)***	**Usable Reserves**	13A	**(89.6)**	***(61.0)***
15.0	***15.0***	**Unusable Reserves**	13A	**59.5**	***59.5***
(65.8)	***(39.6)***	**Total Reserves**		**(30.1)**	***(1.5)***

The notes, Housing Revenue Account Statements and Collection Fund Statement on pages 149 to 156 form part of these financial statements.

Movement in Reserves Statement 2018-2019

(For a detailed breakdown of the figures in this Statement, see Note 13A)

	General Fund Balance £m	General Fund Earmarked Reserves £m	Total General Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Total Unusable Reserves £m	TOTAL (Council) £m	Reserves of the Subsidiary £m	TOTAL (Group) £m
Balance Brought Forward	(10.0)	(55.8)	(65.8)	(7.0)	(4.2)	(0.4)	(3.4)	(80.8)	15.0	(65.8)	27.0	*(38.8)*
	-	-	-	-	-	-	-	-	-		(0.8)	*(0.8)*
As Restated	(10.0)	(55.8)	(65.8)	(7.0)	(4.2)	(0.4)	(3.4)	(80.8)	15.0	(65.8)	26.2	*(39.6)*
Surplus/(Deficit) on Provision of Services	99.0	-	99.0	(21.5)	-	-	-	77.5	-	77.5	5.8	*83.3*
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(41.9)	(41.9)	(3.3)	*(45.2)*
Total Comprehensive Income and Expenditure	99.0	-	99.0	(21.5)	-	-	-	77.5	(41.9)	35.6	2.5	*38.1*
Net Decrease/(Increase) before Transfers & other Movements	99.0	-	99.0	(21.5)	-	-	-	77.5	(41.9)	35.6	2.5	*38.1*
Adjustments between Accounting Basis & Funding Basis under Regulations	(101.8)	-	(101.8)	21.5	(4.7)	(0.4)	(1.0)	(86.4)	86.4	-	-	-
Transfers to/from earmarked Reserves	2.9	(2.9)	-	-	-	-	-	-	-	-	-	-
(Increase)/decrease for the Year	0.1	(2.9)	(2.8)	-	(4.7)	(0.3)	(1.0)	(8.8)	44.5	35.6	2.5	*38.1*
Balance Carried Forward	(10.0)	(58.6)	(68.6)	(7.0)	(8.9)	(0.7)	(4.4)	(89.6)	59.5	(30.1)	28.7	*(1.5)*

Movement in Reserves Statement 2017-2018

(For a detailed breakdown of the figures in this Statement, see Note 13A)

Restated	General Fund Balance £m	General Fund Earmarked Reserves £m	Total General Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Unusable Reserves £m	TOTAL (Council) £m	Reserves of the Subsidiary £m	TOTAL (Group) £m
Balance Brought Forward	**(10.0)**	**(61.3)**	**(71.3)**	**(5.1)**	**(6.8)**	**(0.1)**	**(2.8)**	**(86.1)**	**105.0**	**18.9**	**24.3**	***43.2***
Surplus/(Deficit) on Provision of Services	**39.0**	**-**	**39.0**	**(66.0)**	**-**	**-**	**-**	**(27.0)**	**-**	**(27.0)**	**4.4**	***(22.6)***
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(57.7)**	**(57.7)**	**(1.7)**	***(59.4)***
Total Comprehensive Income and Expenditure	**39.0**	**-**	**39.0**	**(66.0)**	**-**	**-**	**-**	**(27.0)**	**(57.7)**	**(84.6)**	**2.7**	***(82.0)***
Net Decrease/(Increase) before Transfers & Other Movements	**39.0**	**-**	**39.0**	**(66.0)**	**-**	**-**	**-**	**(27.0)**	**(57.7)**	**(84.6)**	**2.7**	***(82.0)***
Adjustments between Accounting Basis & Funding Basis under Regulations	**(33.9)**	**-**	**(33.9)**	**64.4**	**2.6**	**(0.3)**	**(0.6)**	**32.4**	**(32.4)**	**-**	**-**	**-**
Transfers to/from earmarked Reserves	(5.1)	5.5	0.4	(0.4)	-	-	-	-	-	-	-	-
(Increase)/decrease for the Year	**-**	**5.5**	**5.5**	**(1.9)**	**2.6**	**(0.3)**	**(0.6)**	**5.3**	**(90.0)**	**(84.6)**	**2.7**	***(82.0)***
Balance Carried Forward	**(10.0)**	**(55.8)**	**(65.8)**	**(7.0)**	**(4.2)**	**(0.4)**	**(3.4)**	**(80.8)**	**15.0**	**(65.7)**	**27.0**	***(38.7)***

Cash Flow Statement

2017-2018 (Restated) Council £m	Group £m		Note	2018-2019 Council £m	Group £m
82.6	*87.3*	Net deficit on the provision of services		77.4	*83.4*
(154.6)	*(157.5)*	Adjustment for non-cash movements	14A	(122.0)	*(125.9)*
45.3	*45.3*	Adjustment for items that are investing and financing activities	14B	52.7	*52.7*
(26.7)	***(24.9)***	**Net cash flows from operating activities**	**14C**	**8.1**	***11.1***
		Investing activities			
80.9	*80.9*	Purchase of property, plant and equipment, investment property and intangible assets		89.6	*89.6*
496.1	*496.1*	Purchase of short-term and long-term investments		476.0	*476.0*
(15.8)	*(15.8)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(15.5)	*(15.5)*
(495.2)	*(495.2)*	Receipts from sale of short-term and long-term investments		(458.2)	*(458.2)*
(0.1)	*(0.1)*	Other receipts from investing activities		(0.6)	*(0.6)*
(29.5)	*(29.5)*	Capital grants received		(37.2)	*(37.2)*
36.4	***36.4***	**Net cash flows from investing activities**		**54.1**	***54.1***
		Financing activities			
(105.0)	*(105.9)*	Cash receipts of short-term and long-term borrowing		(79.4)	*(79.4)*
7.1	*7.1*	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		5.8	*5.8*
-	*(1.0)*	Cash receipts from Called Up Share Capital		-	-
87.1	*87.1*	Repayments of short-and long-term borrowing		10.8	*10.8*
(10.8)	***(12.7)***	**Net cash flows from total financing activities**		**(62.8)**	***(62.8)***
(1.1)	***(1.2)***	**Net (increase) or decrease in cash and cash equivalents**		**(0.6)**	***1.5***
		Cash and cash equivalents at the start of the year:			
0.2	*0.2*	- Cash held by the council		0.6	*0.6*
0.9	*14.8*	- Bank current accounts		1.6	*15.7*
1.1	***15.0***			**2.2**	***16.3***
		Cash and cash equivalents at the end of the year:			
0.6	*0.6*	- Cash held by the council		0.9	*0.9*
1.6	*15.7*	- Bank current accounts		1.9	*13.9*
2.2	***16.3***			**2.8**	***14.8***

Note 1A Prior Period Restatement of Service Expenditure and Income 2017-2018

In 2018-2019 a senior management internal restructure resulted in ‘Corporate Landlord and ‘City Economy’ being reclassified under ‘Director of Education’, ‘City Environment’, ‘Regeneration’ and ‘Commercial Services’. The CIES and accompanying Expenditure & Funding Analysis notes have been restated for comparability. The table below shows the amounts of the reclassifications.

Net Cost of Services	As reported in the Comprehensive Income & Expenditure Statement 2017-2018 £m	As restated 2018-2019 £m			
		Director of Education	City Environment	Regeneration	Commercial Services
City Economy	16.5	2.6	0.3	13.6	-
Corporate Landlord	12.3	-	-	-	12.3
Total 2017-2018 as restated in the Comprehensive Income and Expenditure Statement 2018-2019	**28.8**	**2.6**	**0.3**	**13.6**	**12.3**

Note 1B - Expenditure and Funding Analysis

2017-2018					2018-2019		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement			Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£m	£m	£m		Note	£m	£m	£m
4.2	0.3	4.5	Strategic Director People		4.2	0.4	4.6
62.3	4.7	67.0	Adult Services		63.8	2.7	66.5
49.7	7.4	57.1	Children & Young People		51.0	6.9	57.9
-	1.6	1.6	Public Health & Wellbeing		-	(0.6)	(0.6)
116.2	**14.0**	**130.2**	**People**		**119.0**	**9.4**	**128.4**
1.4	0.3	1.7	Managing Director		4.8	(1.2)	3.6
23.8	(10.9)	12.9	Corporate Services		12.5	(3.3)	9.2
8.0	(2.6)	5.4	Governance		2.8	(1.5)	1.3
28.7	(31.7)	(3.0)	Corporate Accounts		32.4	(36.5)	(4.1)
61.9	**(44.9)**	**17.0**	**Corporate**		**52.5**	**(42.5)**	**10.1**
(222.9)	220.0	(2.9)	Corporate Resources		(229.1)	226.7	(2.4)
(222.9)	**220.0**	**(2.9)**	**Corporate Resources**		**(229.1)**	**226.7**	**(2.4)**
3.8	(0.4)	3.4	Education		**6.2**	**33.4**	**39.6**
(194.2)	**188.3**	**(5.9)**	**Education**		**6.2**	**33.4**	**39.6**
0.6	0.4	1.0	Strategic Director Place		0.5	0.2	0.7
1.5	2.3	3.8	City Housing		1.1	2.8	3.9
23.2	18.0	41.2	City Environment		21.8	22.7	44.5
7.8	8.7	16.5	Regeneration		5.6	11.3	16.9
7.9	4.4	12.3	Commercial Services		18.8	(5.3)	13.5
-	-	-	Land Property Investment Fund		-	6.6	6.6
-	-	-	Public Service Reform		3.6	1.2	4.8
41.0	**33.8**	**74.8**	**Place**		**51.4**	**39.5**	**90.9**
(2.0)	**(69.9)**	**(71.9)**	**Housing Revenue Account**		**-**	**(29.5)**	**(29.5)**

(2.0)	**152.6**	**150.6**	**Net Cost of Services**		**-**	**237.0**	**237.0**
-	**(177.5)**	**(177.5)**	**Other Income and Expenditure**		**-**	**(159.5)**	**(159.5)**
(2.0)	**(24.9)**	**(26.9)**	**Surplus or Deficit**		**-**	**77.5**	**77.5**

The Expenditure and Funding Analysis notes have been restated in 2017-2018 to reflect the prior period restatement outlined in Note 1A.

Note 1C – Note to the Expenditure and Funding Analysis 2018-2019

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments between Funding and Accounting			
	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Strategic Director People	-	0.1	0.3	**0.4**
Children & Young People	0.6	0.8	5.5	**6.9**
Adult Services	1.4	0.6	0.7	**2.7**
Public Health & Wellbeing	-	-	(0.6)	**(0.6)**
People	**2.0**	**1.5**	**5.9**	**9.4**
Managing Director	-	0.1	(1.3)	**(1.2)**
Corporate Services	2.3	0.4	(6.0)	**(3.3)**
Governance	-	0.1	(1.6)	**(1.5)**
Corporate Accounts	4.7	5.1	(46.3)	**(36.5)**
Corporate	**7.0**	**5.7**	**(55.2)**	**(42.5)**
Education	28.2	1.7	3.5	**33.4**
Education	**28.2**	**1.7**	**3.5**	**33.4**
Corporate Resources	-	-	226.7	**226.7**
Corporate Resources	**-**	**-**	**226.7**	**226.7**
Strategic Director Place	-	-	0.2	**0.2**
City Economy	-	-	-	**-**
City Assets	-	-	-	
City Housing	2.6	-	0.2	**2.8**
Corporate Landlord	-	-	-	**-**
City Environment	18.0	0.6	4.1	**22.7**
Regeneration	7.5	0.2	3.6	**11.3**
Commercial Services	13.2	0.5	(19.0)	**(5.3)**
Land Property Investment Fund	6.6	-	-	**6.6**
Public Service Reform	-	0.1	1.1	**1.2**

			Adjustments between Funding and Accounting	
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Place	47.9	1.4	(9.8)	39.5
Housing Revenue Account	0.2	-	(29.7)	(29.5)
Net Cost of Services	85.3	10.3	141.4	237.0
Other income and expenditure	-	-	(159.4)	(159.4)
Total	85.3	10.3	(18.0)	77.6

Note 1D – Note to the Expenditure and Funding Analysis 2017-2018

			Adjustments between Funding and Accounting	
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Strategic Director People	-	-	0.3	**0.3**
Children & Young People	1.5	-	5.9	**7.4**
Adult Services	1.0	-	3.7	**4.7**
Public Health & Wellbeing	-	-	1.6	**1.6**
People	**2.5**	**-**	**11.5**	**14.0**
Managing Director	-	-	0.3	**0.3**
Corporate Services	2.4	-	(13.3)	**(10.9)**
Governance	0.1	-	(2.7)	**(2.6)**
Education	4.4	1.1	(5.9)	**(0.4)**
Corporate Services	6.9	1.1	(21.6)	**(13.6)**
Corporate Accounts	3.9	-	(35.7)	**(31.8)**
Corporate Resources	-	-	220.0	**220.0**
Corporate Accounts	**3.9**	**-**	**184.3**	**188.2**
Strategic Director Place	-	-	0.4	**0.4**
Regeneration	3.5	-	5.1	**8.7**
City Assets	2.5	-	(0.3)	**2.3**
Commercial Services	11.7	0.1	(7.3)	**4.4**
City Environment	16.0	0.1	2.0	**18.0**
Place	**33.7**	**0.2**	**(0.1)**	**33.8**
Housing Revenue Account	**(38.6)**	**-**	**(31.4)**	**(69.9)**
Net Cost of Services	**8.4**	**1.3**	**142.9**	**152.5**
Other income and expenditure	**-**	**-**	**(177.5)**	**(177.5)**
Total	**8.4**	**1.3**	**(34.6)**	**(25.0)**

Note 1E – Other Differences Analysis 2018-2019

Other Differences	Reserve £m	Grants £m	External trading operations £m	Financing and investment income and expenditure £m	Other operating expenditure £m	Taxation and non-specific grant income and expenditure £m	Other £m	Total £m
Strategic Director People	-	-	-	-	-	-	0.3	**0.3**
Adult Services	(3.7)	0.5	-	-	-	-	3.9	**0.7**
Children & Young People	(0.1)	-	-	-	-	-	5.6	**5.5**
Public Health & Wellbeing	(0.8)	-	-	-	-	-	0.2	**(0.6)**
People	**(4.6)**	**0.5**	**-**	**-**	**-**	**-**	**10.0**	**5.9**
Managing Director	-	0.1	-	-	-	-	(1.4)	**(1.3)**
Corporate Services	(2.1)	(1.5)	-	-	-	-	(2.4)	**(6.0)**
Governance	-	-	-	-	-	-	(1.6)	**(1.6)**
Corporate Accounts	(7.2)	-	-	(16.7)	(10.3)	-	(12.1)	**(46.3)**
Corporate	**(9.3)**	**(1.4)**	**-**	**(16.7)**	**(10.3)**	**-**	**(17.5)**	**(55.2)**
Corporate Resources	-	(1.6)	-	-	-	228.0	0.3	**226.7**
Corporate Resources	**-**	**(1.6)**	**-**	**-**	**-**	**228.0**	**0.3**	**226.7**
Education	0.6	-	-	-	-	-	2.9	**3.5**
Education	**0.6**	**-**	**-**	**-**	**-**	**-**	**2.9**	**3.5**
Strategic Director Place	0.1	-	-	-	-	-	0.1	**0.2**
City Housing	(0.1)	(0.1)	-	-	-	-	0.4	**0.2**
City Environment	(0.3)	-	0.4	-	-	-	4.0	**4.1**
Regeneration	**(0.1)**	**-**	**-**	**-**	**-**	**-**	**3.7**	**3.6**
Commercial Services	**0.3**	**-**	**-**	**-**	**-**	**-**	**(19.3)**	**(19.0)**
Public Service Reform	**-**	**0.4**	**-**	**-**	**-**	**-**	**0.7**	**1.1**
Place	**(0.1)**	**0.3**	**0.4**	**-**	**-**	**-**	**(10.4)**	**(9.8)**
Housing Revenue Account	**(21.5)**	**-**	**-**	**(10.2)**	**2.0**	**-**	**-**	**(29.7)**
Net Cost of Services	**(34.9)**	**(2.2)**	**0.4**	**(26.9)**	**(8.3)**	**228.0**	**(14.7)**	**141.4**

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Note 1F – Other Differences Analysis 2017-2018

Other Differences	Reserve £m	Grants £m	External trading operations £m	Financing and investment income and expenditure £m	Other operating expenditure £m	Taxation and non-specific grant income and expenditure £m	Other £m	Total £m
Strategic Director People	-	-	-	-	-	-	0.3	0.3
Adult Services	(1.3)	0.1	-	-	-	-	4.9	**3.7**
Children & Young People	0.6	-	-	-	-	-	5.3	**5.9**
Public Health & Wellbeing	1.3	0.1	-	-	-	-	0.2	**1.6**
People	**0.6**	**0.2**	**-**	**-**	**-**	**-**	**10.7**	**11.5**
Managing Director	0.1	-	-	-	-	-	0.2	**0.3**
Corporate Services	0.3	(0.3)	(0.1)	-	-	-	(13.2)	**(13.3)**
Governance	(0.3)	-	0.6	-	-	-	(3.0)	**(2.7)**
Education	2.1	0.1	-	-	-	-	(8.0)	**(5.8)**
Corporate Services	**2.2**	**(0.2)**	**0.5**	**-**	**-**	**-**	**(24.0)**	**(21.5)**
Corporate Accounts	(1.0)	(0.1)	-	(14.2)	(11.0)	-	(9.3)	**(35.6)**
Corporate Resources	1.1	14.6	-	-	-	204.4	-	**220.1**
Corporate Accounts	**0.1**	**14.5**	**-**	**(14.2)**	**(11.0)**	**204.4**	**(9.3)**	**184.5**
Strategic Director Place	0.4	-	-	-	-	-	-	**0.4**
Regeneration	0.6	(0.1)	-	-	-	-	4.6	**5.1**
City Housing	(0.5)	(0.1)	-	-	-	-	0.3	**(0.3)**
Commercial Services	0.6	-	-	-	-	-	(7.9)	**(7.3)**
City Environment	1.3	0.2	-	-	-	-	0.5	**2.0**
Place	**2.4**	**-**	**-**	**-**	**-**	**-**	**(2.5)**	**(0.1)**
Housing Revenue Account	**(21.2)**	**-**	**-**	**(10.2)**	**-**	**-**	**-**	**(31.4)**
Net Cost of Services	**(15.9)**	**14.5**	**0.5**	**(24.4)**	**(11.0)**	**204.4**	**(25.1)**	**143.0**

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Note 1G Expenditure and Income Analysed by Nature

The table below discloses information on the nature of the Council's income and expenditure.

2017-2018 Restated £m		**2018-2019 £m**
	Expenditure	
231.0	Employee benefits expenses*	227.1
515.1	Other service expenses	477.5
44.6	Depreciation, amortisation and impairment	48.1
26.1	Loss on disposal of non-current assets	54.8
53.7	Interest payments	45.9
11.0	Levies	10.3
881.5		**863.8**
	Income	
(632.7)	Fees and charges and other service income	(516.2)
(167.5)	Income from Council tax and Business Rates	(170.0)
(89.9)	Government grants and contributions	(93.7)
(15.8)	Gain on disposal of non-current assets	(15.5)
(2.5)	Interest and investment income	(2.2)
(908.4)		**(797.6)**
(26.9)	**Surplus/Deficit on provision of services**	**66.2**

* Employee benefits expenses include direct and indirect employee costs, including employer pensions costs.

Note 1I Prior Period Adjustments

None

Note 2 Income and Expenditure

2A Acquired and Discontinued Operations

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

On 31 August 2018, responsibility for carrying out waste management services was transferred from Enterprise Managed Services Ltd ""EMS") to the Council.

Previously EMS had won a contract to deliver the Council's waste collection, as a strategic partnership with the Council on 1 April 2007; the contract was due to end in 2021. In order to transform the waste collection service, making it more easily accessible and more efficient to residents by enabling them to self-serve and book specialist services provided by the Council, the Council decided to terminate the contract early under a settlement agreement.

No assets or liabilities were acquired in the transfer; EMS were occupying Council buildings and the Council already owned the waste collection vehicles used by EMS, charging a monthly hire cost. The transfer did involve the TUPE of 172 employees of EMS, who performed the services under the waste collection contract.

In accordance with IFRS 3 (Business Combinations) we considered the below and are satisfied that none of these apply in this case:

- equity interests
- goodwill
- gains and losses
- contingent assets and liabilities

2B Trading Operations

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, 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.

2017-2018			2018-2019	
Turnover £m	Deficit/ (Surplus) £m	Trading Operation	Turnover £m	Deficit/ (Surplus) £m
(1.6)	(0.2)	Markets	(1.6)	(0.1)
(4.9)	0.7	Cleaning of Buildings	(5.1)	0.4
(7.1)	0.3	Schools and Welfare Catering	(6.3)	0.2
(0.3)	0.1	Civic Centre and Other Catering	(0.3)	0.1
(13.9)	**0.9**	**Total**	**(13.3)**	**0.6**

2C Pooled Budgets

The Council takes part in two pooled budget schemes with Wolverhampton Clinical Commissioning Group (CCG). The first scheme relates to the integrated service for Child Placements with External Agencies for children with social care, education and health needs. The scheme is administered by the Council who incur the expenditure and then receive a contribution from CCG according to a funding formula. Contributions are summarised in the following table.

2017-2018				2018-2019		
Council Contribution £m	CCG Contribution £m	Total Expenditure £m	Scheme	Council Contribution £m	CCG Contribution £m	Total Expenditure £m
2.5	1.7	4.2	Child Placements with External Agencies	2.4	1.5	3.9

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The second scheme relates to a pooled budget arrangement with Wolverhampton Clinical Commissioning Group (CCG) entered on 1 April 2015. This is a section 75 (NHS Act 2006) partnership agreement relating to the commissioning of health and social care services under the Better Care Fund (BCF). The BCF has been established by the Government and it is a requirement of the Fund that that the CCG and the Council establish a pooled fund for this purpose. The BCF is made up of CCG funding as well as local government grants, including the Improved Better Care Fund (BCF), which was first announced in the 2015 Spending Review and is a direct grant which must be pooled into the local BCF plan. Revenue grants received through the Better Care Fund and Improved Better Care Fund are included within the Council's CIES.

The Host Partner is the City of Wolverhampton Council. The partners' contribution to the Fund is outlined below. The share of any over/ (under) spend is allocated according to the Section 75 agreement.

2017-2018 £m	Better Care Fund	2018-2019 £m
	Expenditure	
54.5	Adult Community Services	52.2
2.9	Dementia	2.9
9.8	Mental Health & CAMHS	10.9
-	Intermediate Care/ Reablement	-
67.2	**Total Expenditure**	**66.0**
	Gross Funding	
37.5	Wolverhampton Clinical Commissioning Group	36.5
29.3	City of Wolverhampton Council	28.4
66.8	**Total Funding**	**64.9**

2017-2018 £m	Better Care Fund	2018-2019 £m
0.4	**Net Over Spend**	**1.1**
	Allocation of Over/(Under) Spend	
0.5	Wolverhampton Clinical Commissioning Group	0.8
(0.1)	City of Wolverhampton Council	0.3
0.4	**Total Allocation**	**1.1**

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2D Councillors' Allowances and Expenses

The Council paid £923,000 in Councillors' allowances during 2018-2019 (2017-2018: £914,000).

2E Senior Officers' Remuneration

The following table sets out remuneration disclosures for Senior Officers (with reference to notes where applicable).

Post Title		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Employers' Pension Contribution £	TOTAL REMUNERATION £
Managing Director (Head of Paid Service) [1]	**2018-2019**	**148,007**	**-**	**-**	**11,681**	**159,688**
	2017-2018	147,915	-	-	42,038	189,953
Strategic Director of People/Deputy Managing Director [2 & 5]	**2018-2019**	**131,995**	**-**	**-**	**37,780**	**169,775**
	2017-2018	140,871	-	-	20,929	161,800
Strategic Director of Place [3]	**2018-2019**	**41,448**	**88,725**	**-**	**-**	**130,173**
	2017-2018	136,183	-	-	29,027	165,210
Director of Pensions [4 & 24]	**2018-2019**	**114,455**	**-**	**-**	**34,531**	**148,986**
	2017-2018	120,791	-	-	33,218	154,009
Director of Finance (Section 151 Officer) [2, 5 & 19]	**2018-2019**	**104,050**	**-**	**-**	**31,683**	**135,733**
	2017-2018	97,982	-	-	27,847	125,829
Director of Governance (Monitoring Officer) [6]	**2018-2019**	**111,022**	**-**	**-**	**-**	**111,022**
	2017-2018	108,845	-	-	-	108,845
Director of Education [7]	**2018-2019**	**114,360**	**-**	**-**	**34,823**	**149,183**
	2017-2018	51,497	-	-	14,635	66,132
Director of Children's Services [8 & 25]	**2018-2019**	**107,537**	**-**	**-**	**32,745**	**140,282**
	2017-2018	59,506	-	-	16,912	76,418
Director of Adult Services [9 & 26]	**2018-2019**	**107,537**	**-**	**-**	**32,745**	**140,282**
	2017-2018	59,506	-	-	16,912	76,418
Director of Public Health [10 & 27]	**2018-2019**	**107,246**	**-**	**-**	**32,657**	**139,903**
	2017-2018	42,504	-	-	12,080	54,584
Director of Regeneration [11]	**2018-2019**	**67,968**	**79,463**	**-**	**20,696**	**168,127**
	2017-2018	-	-	-	-	-

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Post Title		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Employers' Pension Contribution £	TOTAL REMUNERATION £
Service Director - City Economy [12]	**2018-2019**	**8,194**	**-**	**-**	**2,495**	**10,689**
	2017-2018	98,328	-	-	27,945	126,273
Service Director - City Environment	**2018-2019**	**92,027**	**-**	**-**	**28,022**	**120,049**
	2017-2018	88,742	-	-	25,221	113,963
Service Director - Housing [13]	**2018-2019**	**108,653**	**-**	**-**	**33,085**	**141,738**
	2017-2018	20,881	-	-	5,935	26,816
Service Director - City Health [14]	**2018-2019**	**51,603**	**-**	**-**	**15,713**	**67,316**
	2017-2018	12,120	-	-	3,445	15,565
Director of Commercial Services [15]	**2018-2019**	**83,266**	**-**	**-**	**-**	**83,266**
	2017-2018	81,940	20,700	-	-	102,640
Service Director - Strategy and Change [16]	**2018-2019**	**72,968**	**-**	**-**	**23,653**	**96,621**
Service Director - Public Service Reform	2017-2018	51,878	-	-	14,744	66,622
Assistant Director - Investments and Finance [4, 17 & 28]	**2018-2019**	**100,280**	**-**	**-**	**30,255**	**130,535**
	2017-2018	46,326	-	-	12,740	59,066
Head of Corporate Landlord [18]	**2018-2019**	**32,282**	**-**	**-**	**9,830**	**42,112**
	2017-2018	75,957	-	-	21,587	97,544
Chief Accountant [19]	**2018-2019**	**64,333**	**-**	**-**	**19,590**	**83,923**
	2017-2018	31,649	-	-	8,995	40,644
Head of Corporate Communications [20]	**2018-2019**	**77,476**	**-**	**-**	**23,591**	**101,067**
	2017-2018	73,549	-	-	20,903	94,452
Head of Business Management [21]	**2018-2019**	**61,008**	**-**	**-**	**18,577**	**79,585**
	2017-2018	54,234	-	-	15,143	69,377

Post Title		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Employers' Pension Contribution £	TOTAL REMUNERATION £
Head of Strategic Commissioning [22]	**2018-2019**	**71,387**	**-**	**-**	**20,355**	**91,742**
	2017-2018	54,542	36,025	-	14,919	105,486
Head of Human Resources [23]	**2018-2019**	**64,802**	**-**	**-**	**19,489**	**84,291**
	2017-2018	62,601	-	-	17,677	80,278
Strategic Director of Pensions [4 & 24]	**2018-2019**	**-**	**-**	**-**	**-**	**-**
	2017-2018	75,632	-	-	18,489	94,121
Service Director - Children and Young People [25]	**2018-2019**	**-**	**-**	**-**	**-**	**-**
	2017-2018	37,593	-	-	10,684	48,277
Service Director - Adult Social Care [26]	**2018-2019**	**-**	**-**	**-**	**-**	**-**
	2017-2018	40,754	-	-	11,582	52,336
Service Director - Public Health and Wellbeing [27]	**2018-2019**	**-**	**-**	**-**	**-**	**-**
	2017-2018	28,848	77,285	282	4,148	110,563
Chief Investment Officer [4 & 28]	**2018-2019**	**-**	**-**	**-**	**-**	**-**
	2017-2018	49164	-	-	13520	62,684

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

	2018-2019				
	Number of Employees				
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50000 - £54999	29	3	75	107	4
£55000 - £59999	26	-	26	52	4
£60000 - £64999	9	2	27	38	4
£65000 - £69999	24	1	10	35	1
£70000 - £74999	8	-	2	10	1
£75000 - £79999	4	-	2	6	1
£80000 - £84999	4	-	-	4	-
£85000 - £89999	1	-	-	1	-
£90000 - £94999	1	-	-	1	-
£95000 - £99999	1	-	1	2	-
£100000 - £104999	-	-	1	1	1
£105000 - £109999	1	-	-	1	-
Total	**108**	**6**	**144**	**258**	**16**

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	2017-2018				
	Number of Employees				
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50000 - £54999	37	4	61	102	5*
£55000 - £59999	22	3	26	51	8
£60000 - £64999	14	2	28	44	3
£65000 - £69999	20	-	2	22	1
£70000 - £74999	7	-	2	9	2
£75000 - £79999	4	-	3	7	3
£80000 - £84999	3	-	3	6	3
£85000 - £89999	2	-	-	2	-
£90000 - £94999	1	-	2	3	1
£95000 - £99999	1	-	3	4	3
£100000 - £104999	-	-	-	-	-
£105000 - £109999	-	-	-	-	-
£110000 - £114999	-	-	-	-	-
£115000 - £119999	-	-	-	-	-
£120000 - £124999	-	-	1	1	1
Total	**111**	**9**	**131**	**251**	**30**

* 2017-2018 figure has been restated from 7

Note 1: The Managing Director post was held by two individuals during 2018-2019. The current post holder, with an annualised salary of £152,500 for 2018-2019, was appointed from the Strategic Director of Place post with effect from 17 July 2018. The previous post holder held the post, with an annualised salary of £153,449 for 2018-2019, until 30 June 2018. Between April 2018 and March 2019 pay costs of £20,920, 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. This is for the Managing Director's work as Chief Executive of the West Midlands Pension Fund.

Note 2: The Strategic Director of People assumed the role of Deputy Managing Director from 1 October 2018 with no changes to remuneration. The post holder uses the title of Strategic Director of People or Deputy Managing Director as necessary depending on the circumstances and the audience. The Strategic Director of People post was held by two individuals during 2017-2018. The current post holder, with an annualised salary of £126,245 for 2017-2018, was appointed from the Director of Finance post with effect from 1 September 2017. The previous post holder held the post on a fixed term contract, with an annualised salary of £136,183 for 2017-2018, until 31 August 2017 and the amount shown includes a Market Forces Supplement of £10,485.

Note 3: The Strategic Director of Place was held by two individuals during 2018-2019. The current post holder was appointed on 24 September 2018 and was held on an interim basis until 31 March 2019; the costs shown are the full fees paid to the interim management agency and not the payment to the post holder. The previous post holder, with an annualised salary of £138,910 for 2018-2019, was appointed to the Managing Director post with effect from 17 July 2018. The post was deleted on 31 March 2019 following a review of the Senior Management Structure.

Note 4: The pay costs of these officers were fully funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 5: Between April 2018 and March 2019 pay costs of £14,890, included in the table against the Director of Finance, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund. The Director of Finance post was held by two individuals during 2017-2018. The current post holder, with an annualised salary of £90,223 for 2017-2018, had been redesignated from the Chief Accountant post with effect from 1 September 2017. The previous post holder, with an annualised salary of £108,845 for 2017-2018, was appointed to the Strategic Director of People post with effect from 1 September 2017. Between April 2017 and March 2018 pay costs of £13,810, included in the table against the Director of Finance, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund.

Note 6: Between April 2018 and March 2019 pay costs of £12,520, included in the table against the Director of Governance, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund.

Note 7: The Director of Education took up position on 11 October 2017 and had an annualised salary of £108,845 for 2017-2018.

Note 8: The Director of Children's Services post was created on 1 September 2017 from the deleted Service Director Children and Young People post. The post had an annualised salary of £102,010 for 2017-2018.

Note 9: The Director of Adult Services post was created on 1 September 2017 from the deleted Service Director Adult Social Care post. The post had an annualised salary of £102,010 for 2017-2018.

Note 10: The Director of Public Health post was created on 1 November 2017 from the deleted Service Director Public Health and Wellbeing post. The post had an annualised salary of £102,010 for 2017-2018.

Note 11: The Director of Regeneration post was created on 1 April 2018 and was held by two individuals during 2018-2019. The current post holder, with an annualised salary of £104,050 for 2018-2019, was appointed on 6 August 2018. The previous post holder held the post between 1 April 2018 and 30 September 2018 on an interim basis and the costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 12: The Service Director City Economy post became vacant on 30 April 2018 and was deleted. The post had an annualised salary of £98,328 during 2018-2019.

Note 13: The Service Director Housing post was redesignated from the Head of Housing post with effect from 1 October 2017 and had an annualised salary of £98,328 for 2017-2018. The Service Director Housing post was filled on 15 January 2018.

Note 14: The Service Director City Health took up position on 2 January 2018 and had an annualised salary of £49,008 for 2017-2018. The current post holder occupies the post of Service Director City Health on a part time basis.

Note 15: The Service Director Commercial Services was re-designated to the post of Director of Commercial Services as of 1 April 2018. The Director of Commercial Services post became vacant on 21 December 2018 and had an annualised salary of £111,022 for 2018-2019. The post was deleted on 31 March 2019 following a review of the Senior Management Structure.

Note 16: The Service Director Strategy and Change post holder is required to report directly to the Managing Director. The Service Director Public Service Reform post was re-designated to the post of Service Director Strategy and Change as of 1 April 2018. The Service Director Strategy and Change post became vacant on 27 January 2019 and had an annualised salary of £92,027 for 2018-2019. The post was deleted on 31 March 2019 following a review of the Senior Management Structure. The Service Director Public Service Reform took up position on 4 September 2017 and had an annualised salary of £90,223 for 2017-2018.

Note 17: The Assistant Director Investments and Finance took up position on 1 October 2017 and had an annualised salary of £93,152 for 2017-2018.

Note 18: The Head of Corporate Landlord post became vacant on 31 August 2018 and had an annualised salary of £77,476 for 2018-2019. The post remains vacant until the review of the service has been completed.

Note 19: The Chief Accountant took up position on 1 April 2018. The previous Chief Accountant was redesignated to the Director of Finance post with effect from 1 September 2017 and had an annualised salary of £75,957 for 2017-2018.

Note 20: The Head of Corporate Communications post holder is required to report directly to the Managing Director.

Note 21: The Head of Business Management post holder is required to report directly to the Managing Director.

Note 22: The Head of Strategic Commissioning post became vacant on 3 March 2019 and had an annualised salary of £75,020 for 2018-2019. The post was deleted on 31 March 2019 following a review of the Senior Management Structure. The Head of Strategic Commissioning took up position on 1 July 2017 and had an annualised salary of £71,142 for 2017-2018. The post was held on an interim basis until 30 June 2017; the costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 23: The Head of Human Resources post holder is required to report directly to the Managing Director as of 1 April 2018.

Note 24: The Strategic Director of Pensions post became vacant on 30 September 2017 and £8,399 relates to pay in lieu of leave and had an annualised salary of £134,467 for 2017-2018. The Strategic Director of Pensions post was redesignated to Director of Pensions with effect from 1 October 2017.

Note 25: The Service Director Children and Young People post was deleted on 31 August 2017 after a restructure. The post had an annualised salary of £90,223 for 2017-2018.

Note 26: The Service Director Adult Social Care post was deleted on 31 August 2017 after a restructure. The post had an annualised salary of £98,328 for 2017-2018.

Note 27: The Service Director Public Health and Wellbeing post became vacant on 16 July 2017 and had an annualised salary of £98,453 for 2017-2018. The post was then held on an interim basis between 1 July 2017 and 30 November 2017 before being deleted following a restructure. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 28: The Chief Investment Officer post became vacant on 30 September 2017 and was replaced with the Assistant Director Investments and Finance post. The Chief Investment Officer post had an annualised salary of £98,328 for 2017-2018.

2F 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.

2017-2018*						Value of Individual Package	2018-2019					
Compulsory		Other		Total			Compulsory		Other		Total	
Number	£m	Number	£m	Number	£m		Number	£m	Number	£m	Number	£m
-	-	1	0.3	1	0.3	£300,001 to £350,000	-	-	-	-	-	-
-	-	-	-	-	-	£250,001 to £300,000	-	-	-	-	-	-
-	-	-	-	-	-	£200,001 to £250,000	-	-	1	0.2	1	0.2
-	-	1	0.2	1	0.2	£150,001 to £200,000	-	-	1	0.2	1	0.2
-	-	5	0.6	5	0.6	£100,001 to £150,000	2	0.3	2	0.2	4	0.5
-	-	6	0.5	6	0.5	£80,001 to £100,000	-	-	2	0.2	2	0.2
-	-	5	0.4	5	0.4	£60,001 to £80,000	2	0.1	5	0.4	7	0.5
2	0.1	12	0.6	14	0.7	£40,001 to £60,000	2	0.1	10	0.5	12	0.6
7	0.2	31	0.9	38	1.1	£20,001 to £40,000	4	0.1	22	0.6	26	0.7
72	0.6	100	0.9	172	1.5	Less than £20,000	22	0.1	76	0.7	98	0.8
81	**0.9**	**161**	**4.4**	**242**	**5.3**	**Total**	**32**	**0.7**	**119**	**3.0**	**151**	**3.7**

*2017-2018 figures restated due to excluding Pay In Lieu of Leave (PILOL) only payments

2G Amounts Payable to the Auditors

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

2017-2018 £m		2018-2019 £m
	Grant Thornton UK LLP	
0.189	External audit (Council)	0.146
0.021	Certification of grant claims and returns	0.021
0.039	Additional work (*)	0.047
0.249	**TOTAL**	**0.214**

* The fee payable to Grant Thornton UK LLP for additional work relates to: -

- WV Living Audit Fee £20,000 (2017-2018 - £12,000)
- Wolverhampton Homes Audit Fee £27,000 (£27,000 2017-2018)

2H Grants

The table below shows the grants and contributions that have been credited to the CIES during the year.

2017-2018 £m		2018-2019 £m
	Credited to Net Cost of Services	
(74.7)	DSG Schools Block	(65.1)
(50.7)	Mandatory Rent Rebates Subsidy	(43.7)
(50.6)	Mandatory Rent Allowance	(43.5)
(25.1)	DSG High Needs Block	(28.9)
(21.3)	Public Health Grant	(20.8)
(16.3)	DSG Early Years Block	(18.2)
(9.1)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(9.0)	Pupil Premium	(8.5)
(2.9)	Further Education	(3.6)
(2.7)	HeadStart Wolverhampton	(2.3)
(2.1)	Housing & Council Tax Benefit Administration	(2.0)
-	DSG Central Services Block	(2.0)
(2.2)	6th Form Funding	(1.8)
(1.0)	Troubled Families Grant	(1.8)
(1.8)	Universal Infant Free School Meals	(1.5)
-	Winter Pressures Grant 2018-2019	(1.4)
(0.9)	Impact ESF	(1.4)
(1.4)	SBRR Threshold Changes Grant linked to 2017-2018 Revaluation	-
(1.1)	Discretionary Rent Allowances	(1.0)
(1.0)	Independent Living Fund Grant	(1.0)
(0.1)	16-18 Bursary Fund	(0.1)
(0.6)	Education Support Grant	-
(7.4)	Other Grants	(12.1)
(282.0)	**Total Credited to Net Cost of Services**	**(269.9)**

2H Grants (Continued)

2017-2018 £m		2018-2019 £m
	Credited to Taxation and Non-Specific Grant Income	
	Non Ring-Fenced Government Grants	
-	Revenue Support Grant	-
(3.7)	New Homes Bonus (including adjustment grant)	(2.7)
(5.6)	Business Rates Autumn Statement Compensation	(8.2)
(6.4)	DCLG – Additional Improved Better Care Fund	(3.9)
(1.2)	DCLG – Improved Better Care Fund	(6.5)
(1.4)	DCLG – Adult Social Care Grant	(0.9)
(42.1)	Local Business Rates Top Up Grant	(34.3)
(60.4)		**(56.5)**
	Capital Grants and Contributions	
(3.5)	Section 31 Grant - Department of Transport	(4.5)
(3.2)	Schools Basic Needs Grant	(6.7)
(3.0)	Disabled Facilities Grant	(3.3)
(2.6)	HM Challenge Fund (Network Renewal)	(0.1)
(1.7)	Schools Condition Allocation	(2.1)
(1.5)	Local Growth Fund - Civic Halls Improvement	-
(0.5)	National Productivity Investment Fund (NPIF)	-
(0.3)	Football Foundation	-
(3.5)	Local Growth Fund – Interchange	-
(2.8)	Local Growth Fund - Access to Growth	(1.4)
(0.5)	Local Growth Fund Feasibility	-
(0.3)	Regeneration Zone	-

2017-2018 £m		2018-2019 £m
(0.7)	Devolved Formula Funding	(0.6)
(0.3)	Pennkids – Capacity Grant 30 Hours Free Childcare	-
-	Land Property Investment Fund	(6.6)
-	Homes England Development Grant	(1.2)
(0.4)	ERDF Black Country Gold	(0.7)
(0.7)	Devolved Formula Funding	(0.6)
-	ERDF Blue Network	(0.4)
(0.1)	Care and Support specialised Housing (CASSH) II	(0.3)
-	SEND Special Provision Capital Fund	(0.3)
0.1	ERDF Bilston Public Open Space	(0.3)
-	Prevention of Repossession Grant	(0.2)
-	Local Growth Fund i54 Western Extension	(0.2)
(4.0)	Other Grants and Contributions	(7.8)
(29.5)		**(37.3)**
(371.9)	**Total Grants Credited to the CIES**	**(363.6)**

2l 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). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools & Early Years Finance (England) Regulations 2015. 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.

	2017-2018				2018-2019	
Central Expenditure £m	Individual Schools Budget £m	Total £m		Central Expenditure £m	Individual Schools Budget £m	Total £m
(6.7)	(218.9)	(225.6)	Final DSG for the year before academy recoupment	(13.5)	(224.8)	(238.3)
	107.7	107.7	Academy figure recouped		122.6	122.6
(6.7)	**(111.2)**	**(117.9)**	**Total DSG after academy recoupment for the year**	**(13.5)**	**(102.2)**	**(115.7)**
-	1.8	1.8	Brought forward from previous year	1.8	(1.8)	-
-	-	-	Carry-forward to following year agreed in advance	-	-	-
(6.7)	**(109.4)**	**(116.1)**	**Agreed initial budgeted distribution in the year**	**(11.7)**	**(104.0)**	**(115.7)**
(6.7)	**(109.4)**	**(116.1)**	**Final budgeted distribution for the year**	**(11.7)**	**(104.0)**	**(115.7)**
8.5	-	8.5	Less actual central expenditure	11.1	-	11.1
-	107.6	107.6	Less actual ISB deployed to schools	-	101.2	101.2
1.8	**(1.8)**	**-**	**(Under) Overspend carried forward to following year**	**(0.6)**	**(2.8)**	**(3.4)**

Note 2J Exceptional Items

There were no exceptional items of expense or income in 2018-2019.

2K Events after the Reporting Period

There have been no significant events occurring between the Balance Sheet date and the approval of the accounts that require adjustment or additional disclosures.

Note 3 Other Operating Expenditure

2017-2018 Gross Expenditure £m	2017-2018 Gross Income £m	2017-2018 Net Expenditure £m		2018-2019 Gross Expenditure £m	2018-2019 Gross Income £m	2018-2019 Net Expenditure £m
11.0	-	11.0	Levies	10.3	-	10.3
2.2	-	2.2	Payments to the Housing Capital Receipts Pool	2.2	-	2.2
26.1	(15.8)	10.3	Losses/(gains) on the Disposal of Non-Current Assets	54.8	(15.5)	39.3
39.3	**(15.8)**	**23.5**		**67.3**	**(15.5)**	**51.8**

Note 4 Financing and Investment Income and Expenditure

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2017-2018 Gross Expenditure £m	2017-2018 Gross Income £m	2017-2018 Net Expenditure £m		2018-2019 Gross Expenditure £m	2018-2019 Gross Income £m	2018-2019 Net Expenditure £m
3.1	(2.1)	1.0	External Training Organisations	0.4	-	0.4
36.9	-	36.9	Interest Payable	37.0	-	37.0
16.8	-	16.8	Net Interest Expense-Pensions	15.4	-	15.4
-	(0.5)	(0.5)	Interest Receivable	-	(0.9)	(0.9)
4.1	-	4.1	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	1.8	-	1.8
-	(1.9)	(1.9)	Other Investment Income	-	(1.3)	(1.3)
60.9	**(4.5)**	**56.4**		**54.5**	**(2.2)**	**52.3**

Note 5 Taxation and Non-Specific Grant Income and Expenditure

2017-2018				2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
-	(70.5)	(70.5)	National Non-Domestic Rates	-	(72.8)	(72.8)
-	(97.0)	(97.0)	Council tax	-	(97.2)	(97.2)
-	(60.4)	(60.4)	Non ring-fenced Revenue Grants Receivable	-	(56.5)	(56.5)
-	(29.5)	(29.5)	Capital Grants Receivable	-	(37.2)	(37.2)
-	**(257.4)**	**(257.4)**	**Taxation and non-specific grant income and expenditure**	**-**	**(263.7)**	**(263.7)**

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Note 6 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.

6A Current Receivables

31 March 2018		Type of Organisation	31 March 2019	
Council £m	*Group £m*		Council £m	*Group £m*
4.6	*4.6*	Central government bodies	3.8	*3.8*
1.8	*1.8*	Other local authorities	0.9	*0.9*
5.6	*5.6*	NHS bodies	7.2	*7.2*
54.5	*53.6*	Bodies external to general government	68.7	*62.8*
66.5	***65.6***	**Total**	**80.6**	***74.7***

6B Current Receivables for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Council Tax

31-Mar-18 Council £m	Type of Organisation	31-Mar-19 Council £m
3.6	Less than one year	4.3
1.5	1-2 years	1.4
-	2-6 years	-
-	More than 6 years	-
5.1	**Total**	**5.7**

Non-domestic Rates

31-Mar-18 Council £m	Type of Organisation	31-Mar-19 Council £m
0.1	Less than one year	0.4
-	1-2 years	-
-	2-6 years	-
-	More than 6 years	-
0.1	**Total**	**0.4**

6C Current Payables

31 March 2018 Council £m	31 March 2018 *Group £m*	Type of Organisation	31 March 2019 Council £m	31 March 2019 *Group £m*
(3.8)	*(5.4)*	Central government bodies	(3.9)	*(5.5)*
(1.7)	*(1.7)*	Other local authorities	(0.6)	*(0.6)*
(0.7)	*(0.7)*	NHS bodies	0.1	*0.1*
(74.1)	*(76.5)*	Bodies external to general government	(77.5)	*(78.2)*
(80.3)	***(84.3)***	**Total**	**(81.9)**	***(84.2)***

Note 7 Provisions, Contingent Liabilities and Guarantees

7A Provisions

Balance at 31 March 2018 £m	Provision Name	Provision Details	Amounts Used in 2018-2019 £m	Contribution to/from Provisions 2018-2019 £m	Balance at 31 March 2019 £m
(1.5)	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.	0.3	-	(1.2)
(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)
(1.0)	Termination Benefits	During 2018-2019, the Council continued to accept applications for voluntary redundancy. 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.	1.0	(0.3)	(0.3)
(0.1)	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.	-	-	(0.1)
(7.2)	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 2019.	2.5	(0.7)	(5.4)
(2.3)	Waste and Recycling	Costs relating to the waste and recycling service.	2.3	-	-

Balance at 31 March 2018 £m	Provision Name	Provision Details	Amounts Used in 2018-2019 £m	Contribution to/from Provisions 2018-2019 £m	Balance at 31 March 2019 £m
(0.2)	Court costs	Court costs relating to a case settled out of court.	0.1	-	(0.1)
(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)
(14.7)	**Total**		6.2	(1.0)	(9.5)

7B Contingent Liabilities

At 31 March 2019, 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 2019 is £4.1 million (31 March 2018: £5.1 million).

- A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £1.1 million (31 March 2018: £1.5 million). The potential costs of any further cases not addressed by this provision cannot be reliably quantified at this stage.

- There are several 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 2019 is estimated at £180,000 (31 March 2018: £700,000).

- During 2018-2019, the Council continued to accept applications for voluntary redundancy. There were a number of applications for voluntary redundancy that were approved prior to the balance sheet date for payment during 2018-2019 for which a provision of £344,000 (31 March 2018: £1.0 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 Severn 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 clawback of both previous and future paid claims. A payment of £208,836 was made in 2015-2016 based on a 25% levy applied taking the total paid to date to £503,587. Further payments are anticipated. If the levy was increased to 50% the clawback is estimated to be approximately £568,000.

- 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. It is not possible to place a reliable estimate on the number of claims, and therefore the value of any resulting liability.

7B Contingent Assets

The Council and Staffordshire County Council have agreed to jointly fund and sign a 50:50 Joint Venture Agreement for i54 Western Extension. Upon signing of the agreement an amount of £179,000 will be due to the Council, from Staffordshire County Council, for costs incurred to 31/03/19.

7C Guarantees

The Council has provided guarantees to a number of organisations at the point they were admitted to West Midlands Pension Fund, to fund any potential pension liability. The organisations with a pension liability in excess of £195,000 (which the Council considers to be material for these purposes) are: -

- Wolverhampton Homes (£37.6 million as per IAS19 calculation at 31 March 2018)
- Black Country Consortium (£1.6 million as per FRS102 calculation at 31 March 2018)
- Wolverhampton Voluntary Sector Council (£200,000 as per the 2016 Valuation)
- Bushbury Hill Estate Management Board (£672,000 as per FRS102 calculation at 31 March 2018)

There are a further 13 organisations with a pension liability less than £195,000.

The Council has applied the liability adequacy test to determine whether recognition is appropriate. The Council has considered various factors in determining the probability of the guarantees being called, including risk of failure of the business as informed by Dun and Bradstreet Business Failure Scores and membership profile. As a result, the Council is satisfied that the guarantees do not represent a significant potential liability for the Council and therefore there is no recognition in the Comprehensive Income and Expenditure Statement.

During 2018-2019 the Council has provided a new guarantee in respect to Walsall Metropolitan Borough Council for the University of Wolverhampton. The guarantee relates to grant funding through the Black Country Local Enterprise Partnerships (LEP) – Growth Deal totalling £13.6 million. The Council has considered the probability of the guarantee being called and the likely amount payable under the guarantee. The probability of the guarantee being called is not considered to be significant and as a result the fair value is not considered material. Therefore, the guarantee is not recognised in the Comprehensive Income and Expenditure Statement.

7D Financial Guarantee Contract

The Council has provided a guarantee to the City of Wolverhampton College in respect of bank loans. In accordance with IFRS9, the fair value of the guarantee has been estimated by considering the probability of the guarantee being called and the likely amount payable under the guarantee. As a result a provision of £0.2million has been made.

Note 8 Non-Current Assets

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Property Plant and Equipment Subtotal £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Assets Held for Sale £m	Total £m
Gross Value												
At 31 March 2018												
-As previously reported	737.6	531.6	85.4	305.9	15.8	18.1	**1,694.4**	37.9	13.0	11.6	-	**1,756.9**
-Prior year adjustment	-	-	-	-	-	-	**-**	-	-	-	-	**-**
-As restated	**737.6**	**531.6**	**85.4**	**305.9**	**15.8**	**18.1**	**1,694.4**	**37.9**	**13.0**	**11.6**	**-**	**1,756.9**
Additions	42.8	27.9	6.3	9.2	0.5	-	**86.7**	0.9	2.0	-	-	**89.6**
Disposals	(10.0)	(43.6)	-	-	-	-	**(53.6)**	(2.2)	-	-	-	**(55.8)**
Revaluations / Fair Value Gains/(Losses)												**-**
-Recognised in revaluation reserve	-	(14.6)	-	-	0.3	-	**(14.3)**	(1.5)	-	-	-	**(15.8)**
-Recognised in surplus/(deficit) on provision of services	(19.0)	(36.1)	0.1	-	-	-	**(55.0)**	-	-	-	-	**(55.0)**
Impairments	-	(0.3)	-	-	-	-	**(0.3)**	-	-	-	-	**(0.3)**
Other Changes - Gross Value	-	(0.9)	-	-	-	-	**(0.9)**	0.9	-	-	-	**-**
Gross Value as at 31 March 2019	**751.4**	**464.0**	**91.8**	**315.1**	**16.6**	**18.1**	**1,657.0**	**36.0**	**15.0**	**11.6**	**-**	**1,719.6**
Accumulated Depreciation / Impairment												
At 31 March 2018												
-As previously reported	-	8.6	74.0	169.1	0.8	1.5	**254.0**	1.7	7.4	-	-	**263.1**
-Prior year adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-As restated	**-**	**8.6**	**74.0**	**169.1**	**0.8**	**1.5**	**254.0**	**1.7**	**7.4**	**-**	**-**	**263.1**
							-					**-**
Disposals	-	(0.7)	-	-	-	-	**(0.7)**	-	-	-	-	**(0.7)**
Depreciation/amortisation	17.5	14.0	3.9	10.0	-	0.1	**45.5**	-	2.3	-	-	**47.8**
Depreciation writeback on revaluation												**-**
-Recognised in the Revaluation Reserve	-	(8.6)	-	-	-	-	**(8.6)**	-	-	-	-	**(8.6)**
-Recognised in the Surplus/Deficit on the Provision of Services	(17.5)	(4.0)	-	-	-	-	**(21.5)**	-	-	-	-	**(21.5)**
Other Changes	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Accumulated Depreciation / Impairment at 31 March 2019	**-**	**9.3**	**77.9**	**179.1**	**0.8**	**1.6**	**268.7**	**1.7**	**9.7**	**-**	**-**	**280.1**
Net Book Value As at 31 March 2019	**751.4**	**454.7**	**13.9**	**136.0**	**15.8**	**16.5**	**1,388.3**	**34.3**	**5.3**	**11.6**	**-**	**1,439.5**
Net Book Value As at 31 March 2018	**737.6**	**523.0**	**11.4**	**136.8**	**15.0**	**16.6**	**1,440.4**	**36.2**	**5.6**	**11.6**	**-**	**1,493.8**

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Property Plant and Equipment Subtotal £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Assets Held for Sale £m	Total £m
Gross Value												
At 31 March 2017												
-As previously reported	687.8	516.8	80.9	295.7	15.8	23.0	1,620.0	41.8	11.6	11.5	0.3	**1,685.2**
-Prior year adjustment	-	-	-	-	-	-	-	-	-	-		-
-As restated	**687.8**	**516.8**	**80.9**	**295.7**	**15.8**	**23.0**	1,620.0	**41.8**	**11.6**	**11.5**	**0.3**	**1,685.2**
							-					-
Additions	36.3	25.4	4.7	10.2	0.2	0.3	77.1	2.4	1.4	-	-	**80.9**
Disposals	(7.9)	(15.3)	-	-	(0.2)	(2.1)	(25.5)	(1.7)	-	-	(0.3)	**(27.5)**
Revaluations / Fair Value Gains/(Losses)												-
-Recognised in revaluation reserve	-	12.8	-	-	-	1.8	14.6	-	-	0.1	-	**14.7**
-Recognised in surplus/(deficit) on provision of services	21.4	(9.9)	(0.1)	-	-	(1.3)	10.1	(4.6)	-	-	-	**5.5**
Impairments	-	(1.8)	(0.1)	-	-	-	(1.9)	-	-	-	-	**(1.9)**
Other Changes - Gross Value	-	3.6	-	-	-	(3.6)	-	-	-	-	-	-
Gross Value as at 31 March 2018	**737.6**	**531.6**	**85.4**	**305.9**	**15.8**	**18.1**	**1,694.4**	**37.9**	**13.0**	**11.6**	**-**	**1,756.9**
Accumulated Depreciation / Impairment												
At 31 March 2017												
-As previously reported	**-**	**20.3**	**70.5**	**160.0**	**0.8**	**2.3**	253.9	**1.8**	**5.2**	**-**	**-**	**260.9**
							-					-
Disposals	-	(1.0)	-	-	-	(0.3)	(1.3)	(0.1)	-	-	-	**(1.4)**
Depreciation/amortisation	17.0	12.5	3.5	9.1	-	0.3	42.4	-	2.2	-	-	**44.6**
Depreciation writeback on revaluation												-
-Recognised in the Revaluation Reserve	-	(13.6)	-	-	-	(0.3)	(13.9)	-	-	-	-	**(13.9)**
-Recognised in the Surplus/Deficit on the Provision of Services	(17.0)	(9.9)	-	-	-	(0.2)	(27.1)	-	-	-	-	**(27.1)**
Other Changes	-	0.3	-	-	-	(0.3)	-	-	-	-	-	-
Accumulated Depreciation / Impairment at 31 March 2018	**-**	**8.6**	**74.0**	**169.1**	**0.8**	**1.5**	254.0	**1.7**	**7.4**	**-**	**-**	**263.1**
Net Book Value As at 31 March 2018	**737.6**	**523.0**	**11.4**	**136.8**	**15.0**	**16.6**	1,440.4	**36.2**	**5.6**	**11.6**	**-**	**1,493.8**
Net Book Value As at 31 March 2017	**687.8**	**496.5**	**10.4**	**135.7**	**15.0**	**20.7**	1,366.1	**40.0**	**6.4**	**11.5**	**0.3**	**1,424.3**

Asset Disposals

The total net book value of assets disposed of in the year of £55.8 million (2017-2018: £26.1 million) includes £41.2 million (2017-2018: £13.3 million) in respect of assets derecognised in respect of schools that have converted to Academies for which no consideration was received.

Depreciation/Amortisation

Property, plant and equipment assets are depreciated on a straight-line basis over the estimated useful economic life of the asset. Council dwellings are depreciated according to the useful economic life of their major components. 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. The following asset lives are used to determine the depreciation charge:

Council Dwellings	Up to 30 years
Infrastructure assets	1-49 years
Surplus assets	1-49 years
Other buildings	1-57 years
Plant and equipment	1-37 years
Vehicles	1-7 years
Intangible assets	1-5 years

Revaluations

The Council has all property, plant and equipment assets required to be valued at current value and with a current Net Book value in excess of £1.0 million valued annually and carries out a rolling programme that ensures the remainder are revalued at least every five years. The Council seeks assurance for the assets not valued that there is no material change to their value. These valuations are accurate as of 31 March 2019. 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.

The following statement shows the value of assets that have been revalued in the financial years 2014-2015 to 2018-2019.

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Property Plant and Equipment Subtotal £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Assets Held for Sale £m	Total £m
Carried at Historical Costs			**13.9**	**136.0**	**15.8**	**0.4**	**166.1**		**5.3**	**11.6**		**183.1**
Valued at fair or nominal value as at:			-	-	-		-					-
31st March 2015	**751.4**	**2.0**	-	-	-		**753.3**	**0.9**				**754.3**
31st March 2016		**2.8**	-	-	-	**0.5**	**3.4**					**3.4**
31st March 2017		**8.1**	-	-	-	**2.2**	**10.3**					**10.3**
31st March 2018		**28.8**	-	-	-	**5.3**	**34.1**					**34.1**
Valued @ 31st March 2019		**413.0**	-	-	-	**8.1**	**421.1**	**33.3**				**454.4**
Total Cost or Valuation	**751.4**	**454.7**	**13.9**	**136.0**	**15.8**	**16.5**	**1,388.3**	**34.3**	**5.3**	**11.6**	**-**	**1,439.5**

Council Dwellings are valued every 5 years via a beacon valuation. A sample of beacons are revalued each year by the District Valuation Office and the portfolio is adjusted for the market forces.

In addition, a desktop review is carried out by the council's external valuers Brunton Knowles of the remaining assets not revalued in 2018-2019 to test for any material movement in market value.

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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 Head of Assets.

Basis of Valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2018-2019, 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. 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	Fair value estimated at highest and best use from a market participant’s perspective using level 2 inputs.
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 fair value. Fair values have been determined by multiplying estimated net income by an appropriate investment yield or by reference to the value of similar assets. All investment properties have been valued using level 2 inputs.
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 2019, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018-2019 and future years with an estimated total value of £60.0 million (31 March 2018: £71.7 million). The major commitments are: Heath Town Regeneration (£21.7 million), Interchange (£12.8 million), Expansion of Primary School Places (£5.2 million), Housing - New Build (£3.8 million), Burton Crescent (£3.0 million), Secondary Expansion Programme (£2.2 million), Tower & Fort Works (£1.7 million), Tapworks (£1.4 million) and Civic and Wulfrun Halls (£1.3 million).

Investment Properties

During the year, the Council had £3.6 million of income receivable from investment properties (2017-2018: £3.7 million) and spent £674,000 on managing and maintaining those properties (2017-2018: £500,000). 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 it to carry out repairs, maintenance or enhancements.

Impairment

Impairments to non-current assets totalling £0.3 million were recognised in year, resulting mainly from building demolitions.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £893.4 million at 31 March 2019 (31 March 2018: £876.5 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.

2017-2018 £m		2018-2019 £m
863.1	**Opening Capital Financing Requirement**	**876.5**
	Capital Investment	
77.2	Property, Plant and Equipment	86.7
2.4	Investment Properties	0.9
1.4	Intangible Assets	2.0
20.4	Revenue Expenditure Funded from Capital under Statute	22.8
-	WV Living Loans	7.0
	Sources of finance	
(16.3)	Capital Receipts	(10.8)
(28.9)	Government Grants and other Contributions	(36.2)
-	Sums set aside from Revenue:	-
(17.6)	Direct Revenue Contributions	(18.9)
(25.2)	MRP/Loans Fund Principal	(36.6)
876.5	**Closing Capital Financing Requirement**	**893.4**
	Explanation of movements in year	
13.3	Increase in underlying need to borrow (unsupported by government financial assistance)	16.8
-	Assets acquired under finance leases	-
0.1	Assets acquired under PFI contracts	0.1
13.4	**Increase/(decrease) in Capital Financing Requirement**	**16.9**

Note 9 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 three post-employment schemes and provides a further local discretionary scheme:

- The Local Government Pension Scheme, administered locally by the West Midlands Pension Fund. From 1 April 2014 the LGPS moved from a defined benefit final salary scheme to a Career Average Revalued Earnings (CARE) scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The benefits a member builds up from 1 April 2014 will be based on the CARE scheme calculation; the benefits built up to 31 March 2014 will be protected under the Final Salary calculation.

- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pension 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 £5.4 million which was a contribution rate of 16.48% (2017-2018: £5.4 million; 16.48%).

- There are a number of employees transferred from the NHS, when certain public health services were transferred to the Council 4 years ago, who are members of the NHS pension scheme.

- 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.

Both the Teachers' and NHS pension schemes are unfunded, and it is not possible to identify the Council's share of the liabilities. As a result, these schemes are accounted for as defined contribution schemes.

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:

2017-2018				2018-2019		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
£m	£m	£m		£m	£m	£m
			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT			
			Cost of Services:			
(39.5)	-	(6.0)	- Current service cost	(37.3)	-	(6.2)
-	-	-	- Past service costs	-	-	-
4.4	-	(0.2)	- Settlements and curtailments	(9.6)	-	(2.3)
(0.5)	-	(0.1)	- Administration Expenses	(0.5)	-	(0.1)
			Financing and Investment Income and Expenditure:			
(15.5)	(1.2)	(1.0)	- Net Interest cost	(14.0)	(1.3)	(0.9)
(51.1)	**(1.2)**	**(7.3)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(61.4)**	**(1.3)**	**(0.9)**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
32.2	(1.8)	1.7	- Remeasurements (liabilities and assets)	46.5	1.3	3.3
(18.9)	**(3.0)**	**(5.6)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(14.9)**	**-**	**(6.2)**
			MOVEMENT IN RESERVES STATEMENT			
(51.1)	(1.2)	-	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(61.4)	(1.3)	-
			Actual amount charged against the General Fund Balance for pensions in the year:			
39.4	-	3.6	- Employer's contributions payable to scheme	56.6	-	3.9
-	4.3	-	- Retirement benefits payable to pensioners	-	4.3	-
(11.7)	**3.1**	**3.6**	**Total Movement in Reserves**	**(4.8)**	**3.0**	**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:

2017-2018		Assets	2018-2019	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
1,059.3	**151.2**	**Opening balance at 1 April 2018**	**1,061.1**	**153.0**
28.6	4.3	Interest Income	27.4	3.9
(27.9)	(4.2)	Remeasurement Gain/(Loss)	12.7	1.8
39.4	3.6	Employer contributions	56.6	3.9
6.8	1.1	Contributions by scheme participants	6.8	1.2
(44.5)	(2.9)	Benefits paid	(51.3)	(3.0)
(0.2)	-	Settlements	16.6	-
(0.4)	(0.1)	Admin Expenses	(0.4)	(0.1)
1,061.1	**153.0**	**Closing balance at 31 March 2019**	**1,129.5**	**160.6**

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 gain of £40.1 million (2017-2018: Gain £0.7 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 £594.6 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's actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are paid.
- The Council works with the West Midlands Pension Fund to ensure that employer contributions are at a rate which is affordable, given current economic pressures which are being experienced by many local authorities. The Council has agreed a strategy with the Fund and its actuaries

whereby the Future Services Contribution is determined based upon a percentage of the monthly payroll payment and the Past Service Deficit totalling £2.7 million (based on the 2016 triennial valuation) will be recovered over the period from 2017-2018 to 2019-2020.

- The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 are £32.1 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2020 are £1.4 million.

The Discretionary Benefits arrangements have no assets to cover their liabilities. The Local Government Pension Scheme's assets are set out in the table below. It is estimated that the Council has 7% of the share of the assets of the fund and that Wolverhampton Homes Limited has 1%.

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

2017-2018					2018-2019			
	Council		Subsidiary			Council		Subsidiary
Funded: LGPS £m	Unfunded: LGPS £m	Unfunded: Teachers £m	Funded: LGPS £m	Liabilities	Funded: LGPS £m	Unfunded: LGPS £m	Unfunded: Teachers £m	Funded: LGPS
(1,639.7)	**(23.1)**	**(58.7)**	**(186.8)**	**Opening balance at 1 April**	**(1,622.6)**	**(21.7)**	**(57.4)**	**(190.6)**
(39.5)	-	-	(6.0)	Current service cost	(37.3)	-	-	(6.2)
(43.8)	(0.5)	(1.2)	(5.2)	Interest cost	(41.1)	(0.4)	(1.3)	(4.8)
(6.8)	-	-	(1.1)	Contributions - participants	(6.8)	-	-	(1.2)
59.7	0.3	(1.8)	5.8	Remeasurement Gain/(Loss)	33.3	0.5	1.3	1.5
42.9	1.6	4.3	2.9	Benefits paid	49.4	1.9	4.3	3.0
-	-	-	-	Past service costs	-	-	-	-
(2.4)	-	-	(0.2)	Curtailments	(13.3)	-	-	(2.3)
7.0	-	-	-	Settlements	(12.9)	-	-	-
(1,622.6)	**(21.7)**	**(57.4)**	**(190.6)**	**Closing balance at 31 March**	**(1,651.3)**	**(19.7)**	**(53.1)**	**(200.6)**

2017-2018 LGPS		Asset Category	2018-2019 LGPS	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
678.2	97.8	Equities	667.6	95.0
77.5	11.2	Government Bonds	108.5	15.4
40.6	5.8	Other Bonds	43.5	6.2
81.7	11.8	Property	95.9	13.6
26.1	3.7	Cash/ liquidity	35.8	5.1
157.0	22.6	Other	178.2	25.3
1,061.1	**152.9**	**Total**	**1,129.5**	**160.6**

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 variables such as mortality rates and salary levels. Both the Teachers' Discretionary Pension Scheme and the West Midlands Pension Fund liabilities have been assessed by Barnett Waddingham, 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 2016. The principal assumptions used by the actuary are set out in the following table.

2017-2018				2018-2019		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
			Mortality assumptions:			
			Longevity at 65 for current pensioners (years):			
21.9	21.9	21.9	- Men	20.9	20.9	20.9
24.3	24.3	24.3	- Women	23.2	23.2	23.2
			Longevity at 65 for future pensioners (years):			
24.0	n/a	24.0	- Men	22.6	n/a	22.6
26.6	n/a	26.6	- Women	25.0	n/a	25.0
2.4	2.4	2.3	Rate of inflation	2.4	2.5	2.4
3.9	n/a	3.8	Rate of increase in salaries	3.9	n/a	3.9
2.4	2.4	2.3	Rate of increase in pensions	2.4	2.5	2.4
2.6	2.4	2.6	Rate for discounting scheme liabilities	2.4	2.2	2.4

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2018			31 March 2019	
Local Government Pension Scheme £m	Discretionary Pension Scheme £m		Local Government Pension Scheme £m	Discretionary Pension Scheme £m
		Estimated Liabilities in Scheme		
(1,644.3)	(57.4)	City of Wolverhampton Council	(1,671.0)	(53.1)
(190.6)	-	Wolverhampton Homes Limited	(200.5)	-
(1,834.9)	**(57.4)**	**Total Liabilities**	**(1,871.5)**	**(53.1)**
		Estimated Assets in Scheme		
1,061.1	-	City of Wolverhampton Council	1,129.5	-
152.9	-	Wolverhampton Homes Limited	160.6	-
1,214.0		**Total Assets**	**1,290.1**	
(620.9)	**(57.4)**	**Net Liabilities**	**(581.4)**	**(53.1)**

Impact on the Council's future cash flows

The Council's arrangements with the West Midlands Pension Fund was subject to a triennial review in 2016 and covered pension payments for the period from 2017-2018 to 2019-2020; the agreed payments have been built into the budget and the authority's medium term financial plans. As part of this, the Council has made annual advance payments of pension contributions to the Fund in order to reduce the total costs and will continue to explore the options to accelerate contribution payments to secure additional savings. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 are £31.7 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2020 are £2.3 million.

Note 10 Financial Instruments

The following table shows the financial instruments at their carrying value in the Balance Sheet.

31 March 2018 Long-Term £m	31 March 2018 Current £m		31 March 2019 Long-Term £m	31 March 2019 Current £m
		Financial assets held at FVOCI		
24.7	-	Equity instruments – Birmingham Airport and WV Living Shareholding	24.7	-
24.7	**-**	**Total Financial assets held at FVOCI**	**24.7**	**-**
		Financial assets held at amortised cost		
1.3	-	Finance Leases	1.3	-
-	7.6	Investments	-	25.3
-	2.2	Cash and Cash Equivalents	-	2.8
-	37.2	Current Receivables	-	53.2
1.3	**47.0**	**Total Financial assets held at amortised cost**	**1.3**	**81.3**
		Financial Liabilities held at amortised cost		
(672.5)	(10.8)	Borrowings	(738.4)	(13.3)
	(64.2)	Currrent payables		(72.2)
(13.7)		Debt arising from the County Council Reorganisation	(12.5)	
(4.8)		Grant Receipts in Advance - Capital	(5.4)	
(691.0)	**(75.0)**	**Total Financial Liabilities held at amortised cost**	**(756.3)**	**(85.5)**
		Other Financial Liabilities		
(93.2)	(3.8)	PFIs	(88.8)	(4.1)
	(12.4)	Current payables		(5.5)
	(14.7)	Provisions		(9.4)
(93.2)	**(30.9)**	**Total Other Financial Liabilities**	**(88.8)**	**(19.0)**

		Other Financial Assets		
	29.3	Current receivables		27.6
	29.3	**Total Other Financial Assets**		**27.6**

10A Financial Assets Held at Amortised Cost - Investments

As at 31 March 2019, the Council was holding £24.4 million in money market funds and £0.9 million in a deposit account. The fair value of these investments are valued by calculating the net present value of cash flows that are expected to take place over the remaining life of the investments.

10B Lender Option Borrower Option loans (LOBOs)

The Council held the below LOBOs as at 31 March 2019

Date raised	Lender	Original Principal £m	Rate %	Maturity date	Step up details	Next two step up dates
Loans with no step ups remaining						
23/05/2002	Commerzbank AG	4.0	4.95	23/05/2066		
24/01/2003	Dexia Credit Local	5.0	4.26	26/07/2066		
30/01/2003	Dexia Credit Local	5.0	4.29	29/01/2066		
04/07/2003	Just retirement Ltd	3.0	4.40	04/07/2066		
30/06/2004	Danske Bank	5.0	4.63	30/06/2066		
01/12/2004	Danske	5.0	4.81	01/12/2066		
08/10/2004	Commerzbank AG	7.0	4.60	10/04/2066		

Loans still subject to step ups						
31/05/2006	Commerzbank AG	7.0	3.60	31/05/2066	31 May 2009 and each period of 5 years thereafter	31/05/2019 31/05/2024
31/07/2006	Commerzbank AG	7.0	3.60	31/07/2066	31 July 2010 and each period of 5 years thereafter	31/07/2020 31/07/2025
Loans converted to Fixed Rate wef 30/06/2016						
30/03/2004	Barclays Bank	2.3	4.58	30/03/2066		
30/04/2004	Barclays Bank	2.5	4.58	28/04/2066		
31/08/2004	Barclays Bank	5.0	4.58	28/02/2066		
29/10/2004	Barclays Bank	5.0	4.58	28/04/2066		
13/10/2004	Barclays Bank	7.0	4.58	13/04/2066		
03/12/2004	Barclays Bank	2.0	4.39	05/06/2066		
23/05/2005	Barclays Bank	5.0	4.78	23/05/2066		
15/06/2005	Barclays Bank	5.0	4.78	15/06/2066		
04/07/2005	Barclays Bank	5.0	4.78	04/07/2066		
15/08/2005	Barclays Bank	5.0	4.39	15/02/2066		
15/09/2005	Barclays Bank	5.0	4.39	15/03/2066		

31/10/2006	Barclays Bank	7.0	3.60	31/10/2066		

During 2004 to 2006 the Council entered into £55.8 million LOBOs with Barclays Bank Plc, repayable in 2066. In June 2016, Barclays decided to waive its right permanently under the lenders option of the LOBO feature to change interest rates in the future and converted them into fixed rate loans. No other terms or conditions of the loans were amended and the loans will still mature in 2066.

LOBOs are valued by calculating the net present value of cash flows that are expected to take place over the remaining life of the loan. The key inputs for this valuation model are contractual future cash flows which are discounted using a discount rate. The discount rate used for LOBOs range from 1.48% to 2.29%.

LOBOs carry the risk that the lender can change certain conditions of the loan such as the dates and the interest rate. If this occurs, the Council then has the option of either continuing with the loan or redeeming it in full without a penalty, so long as this is done within the allowed timescale.

10C Leases and Lease-Type Arrangements

The Council has a significant number of properties including car parking facilities, shops and offices, industrial units, sport and recreational facilities and community centres which are leased out for the following purposes:

a) The provision of community services such as sport and recreation facilities and community centres; and
b) For economic development purposes to provide suitable accommodation for local businesses.

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.

2017-2018					2018-2019			
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	**0.5**	**-**	**3.5**	**Payable/receivable in the year**	**-**	**0.5**	**-**	**2.7**
0.1	0.4	-	3.3	Due within one year	-	**0.5**	-	2.6
0.1	1.1	-	11.0	Due in one to five years	-	**1.0**	-	9.8
-	0.4	5.9	23.4	Due after five years	-	-	5.9	21.2
0.2	**1.9**	**5.9**	**37.7**	**Total due in future years**	**-**	**1.5**	**5.9**	**33.6**

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

31 March 2018 £m		31 March 2019 £m
0.1	Vehicles, Plant, Furniture and Equipment	-
0.1	**Total**	**-**

10D Equity instruments designated as Fair Value Through Other Comprehensive Income - Birmingham Airport Shareholding

West Midlands Local Authorities collectively own 49% of Birmingham Airport Holdings Limited. The Council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. The shares are not quoted on a stock exchange. On behalf of the West Midlands Authorities, Solihull Council undertakes a valuation review using Level 3 Inputs using an Earnings Based Approach. Earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry. The valuation review resulted in an increase of £68,000 in the shareholding of the Council.

(Previously the shares were categorised as Level 2 in the Council's accounts as some of the inputs used to determine the valuation were observable. However, because some of the inputs are unobservable (i.e. a calculation of an earnings multiple using non-quoted information), these override the observable inputs and Level 3 should be used.)

No Active Market (Valuation)

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2018 £m	31 March 2019 £m
Birmingham Airport Holdings Ltd				
- Ordinary shares	Level 3	Earning based valuation	22.2	22.3
- Preference shares			1.5	1.5
	Total		**23.7**	**23.8**

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised Within Level 3 of the Fair Value Hierarchy for Financial Assets.

2018-2019	Unquoted Shares £m	Other £m	Total £m
Opening balance at 1 April	-	-	-
Transfers into Level 3	23.7	-	23.7
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	0.1	-	0.1
Additions	-	-	-
Disposals	-	-	-
Closing Balance	**23.8**	**-**	**23.8**

Investments in equity instruments designated at fiar value through other comprehensive income

2018-2019	Fair value £m	Change in fair value during 2018-2019 £m	Dividends received during 2018-2019 £m
Birmingham Airport Holdings Ltd	23.8	0.1	1.3

10E Expected Credit Loss Provision

It is determined that the carrying amount for short term investments, cash and cash equivalents and trade receivables is a reasonable approximation of fair value. Further information on Accounts Receivable can be found in Note 6.

An allowance is made for expected credit losses within the balance reported on the Balance Sheet. The following provides a summary of the changes in allowance made.

2017-2018 £m		2018-2019 £m
21.5	**Allowance for Expected Credit Losses Brought Forward**	**25.2**
(2.9)	Amounts Written Off during the Year	(3.8)
6.6	Increase in Allowance during the Year	5.0
25.2	**Allowance for Expected Credit Losses Carried Forward**	**26.4**

10F Private Finance Initiative (PFI) 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, St. Matthias School and Heath Park Academy. In each of these contracts the Council pays an annual unitary charge over the life of the contract which is allocated between the fair value of the services provided by the operator, interest on the lease liability and repayment of the lease liability which increases annually in line with inflation based on the Retail Price Index. These allocations are determined using an accounting model which is derived from the operators' financial close models which includes estimates of the impact of inflation on the unitary charge.

Bentley Bridge Leisure Centre: In 2006-2007 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 People Leisure Limited 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 £56.4 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	1.1	0.3	**1.8**
Payable within two to five years	2.5	4.3	0.9	**7.7**
Payable within six to ten years	3.6	5.2	1.3	**10.1**
Payable within eleven to fifteen years	2.8	5.0	3.0	**10.8**
Payable within sixteen to twenty years	1.6	2.2	2.4	**6.2**
Total	**10.9**	**17.8**	**7.9**	**36.6**

The following tables below shows the movements on the balances for property, plant and equipment and the long-term liability over the current and previous year:

	Property, Plant and Equipment £m	Liability £m	Total £m
Balance at 31 March 2018	**10.4**	**(8.1)**	**2.3**
Depreciation/Revaluation	-	-	**0**
Capital Expenditure/Principal Redemption	-	0.2	**0.2**
Balance at 31 March 2019	**10.4**	**(7.9)**	**2.5**

The currently liability for the Bentley Bridge PFI in 2018-2019 was £0.3m.

	Property, Plant and Equipment £m	Liability £m	Total £m
Balance at 31 March 2017	**9.9**	**(8.2)**	**1.7**
Depreciation	0.4	-	**0.4**
Capital Expenditure/Principal Redemption	0.1	0.1	**0.2**
Balance at 31 March 2018	**10.4**	**(8.1)**	**2.3**

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 £149.6 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	5.5	0.5	1.5	**7.5**
Payable within two to five years	5.7	0.5	1.6	**7.8**
Total	**11.2**	**1.0**	**3.1**	**15.3**

The following tables below show the movements on the balances for property, plant and equipment and the long-term liability over the current and previous year:

	Property, Plant and Equipment £m	Deferred Income £m	Liability £m	Total £m
Balance at 31 March 2018	**3.0**	**(0.9)**	**(4.4)**	**(2.4)**
Depreciation/Revaluation	0.3	0.3	-	**0.6**
Capital Expenditure/Principal Redemption	-		1.4	**1.4**
Balance at 31 March 2019	**3.3**	**(0.7)**	**(3.0)**	**(0.4)**

The currently liability for the Waste Disposal PFI in 2018-2019 was £1.5m.

	Property, Plant and Equipment £m	Deferred Income £m	Liability £m	Total £m
Balance at 31 March 2017	**2.9**	**(1.4)**	**(5.7)**	**(4.2)**
Depreciation and amortisation	0.1	0.4	-	**0.5**
Capital Expenditure/Principal Redemption	-	0.1	1.3	**1.4**
Balance at 31 March 2018	**3.0**	**(0.9)**	**(4.4)**	**(2.3)**

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 £198.5 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	1.9	4.6	1.1	**7.6**
Payable within two to five years	9.1	17.1	4.8	**31.0**
Payable within six to ten years	11.9	18.5	9.7	**40.1**
Payable within eleven to fifteen years	15.4	11.6	15.0	**42.0**
Payable within sixteen to twenty years	12.1	3.5	14.4	**30.0**
Total	**50.4**	**55.3**	**45.0**	**150.7**

The following tables below shows the movements on the balances for property, plant and equipment and the long-term liability over the current and previous year:

	Property, Plant and Equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2018	**11.5**	**(41.2)**	**(29.7)**
Depreciation	0.5		**0.5**
Capital Expenditure/Principal Redemption	0.1	0.9	**1.0**
Balance at 31 March 2019	**12.1**	**(40.3)**	**(28.2)**

The currently liability for Highfields and Penn Fields PFI in 2018-2019 was £1.03m.

	Property, Plant and Equipment	Long-Term Liability	Total
	£m	£m	£m
Balance at 31 March 2017	**11.0**	**(41.9)**	**(30.9)**
Depreciation	0.4		**0.4**
Capital Expenditure/Principal Redemption	0.1	0.7	**0.8**
Balance at 31 March 2018	**11.5**	**(41.2)**	**(29.7)**

During 2015-2016 Highfields School converted to an academy and entered 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 Fields Special School which has not converted to an academy. The terms of the PFI contract and level of unitary payment remains unchanged, however, during 2018-2019 the Council received a contribution of £2.2 million from the Academy representing the balance of the unitary payment not funded by capital grants from Central Government.

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 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 £156.8 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	1.6	2.8	1.3	**5.7**
Payable within two to five years	6.7	10.7	6.2	**23.6**
Payable within six to ten years	10.1	11.8	8.8	**30.7**
Payable within eleven to fifteen years	12.3	9.5	10.6	**32.4**
Payable within sixteen to twenty years	18.5	6.3	9.4	**34.2**
Payable within twenty-one to twenty-five years	5.3	1.4	3.3	**10.0**
Total	**54.5**	**42.5**	**39.6**	**136.6**

The following table below shows the movements on the balances for property, plant and equipment and the long-term liability over the current year:

	Property, Plant and Equipment £m	Liability £m	Total £m
Balance at 31 March 2018	**24.5**	**(40.9)**	**(16.4)**
Depreciation	(11.8)	-	**(11.8)**
Capital Expenditure/Principal Redemption	-	1.3	**1.3**
Balance at 31 March 2019	**12.7**	**(39.6)**	**(26.9)**

The currently liability for St Matthias and Heath Park PFI in 2018-2019 was £1.3m.

	Property, Plant and Equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2017	**23.6**	(42.2)	**(18.6)**
Depreciation	0.9		**0.9**
Capital Expenditure/Principal Redemption		1.3	**1.3**
Balance at 31 March 2018	**24.5**	**(40.9)**	**(16.4)**

Heath Park Academy 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. 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, however, during 2018-2019 the Council received a contribution of £1.2 million from Heath Park Academy representing the balance of the unitary payment not funded by capital grants from Central Government.

10G Financial Liabilities at Amortised Cost

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

31 March 2018					31 March 2019			
Carrying Value		Fair Value			Carrying Value		Fair Value	
Long-Term	Current	Long-Term	Current		Long-Term	Current	Long-Term	Current
£m	£m	£m	£m		£m	£m	£m	£m
(672.4)	(10.7)	(879.2)	(10.9)	Borrowings	(738.4)	(13.3)	(964.7)	(13.4)
(13.7)	-	(13.7)	-	Debts arising from the County Council Reorganisation	(12.5)	-	(12.5)	-
(94.5)	-	(94.5)	-	PFIs	(92.9)	-	(92.9)	-

Basis of Fair Value Valuation

The fair values of the loans have been assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the loan. The assessment of loans uses Level 2 Inputs- inputs other than quoted prices that are observable for the financial instrument.

For PWLB loans fair value has been calculated using new loan rates. The Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated.

For non-PWLB loans, PWLB new loan rates have been applied.

10H Debt Arising from the West Midlands County Council Reorganisation

The Council recognises debt arising from residual liabilities of the West Midlands County Council. The debt is managed by Dudley Metropolitan Borough Council and will mature by 31 March 2026.

10I Gains and Losses

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

2017-2018					2018-2019			
Financial Assets: Loans and Receivables	Financial Assets: Equity Instruments	Financial Liabilities Measured at Amortised Cost	Total		Financial Assets: Loans and Receivables	Financial Assets: Equity instruments	Financial Liabilities Measured at Amortised Cost	Total
£m	£m	£m	£m		£m	£m	£m	£m
-	-	36.9	**36.9**	Interest Expense	-	-	37.0	**37.0**
(0.5)	-	-	**(0.5)**	Interest Income	(0.9)	-	-	**(0.9)**
-	0.5	-	**0.5**	Gain or loss on valuation of unquoted equity investment	-	(0.1)	-	**(0.1)**
(0.5)	**0.5**	**36.9**	**36.9**	**Net (Income)/Expense**	**(0.9)**	**(0.1)**	**36.9**	**35.9**

10J Reconciliation of Liabilities Arising From Financing Activities

	31 March 2018	Financing cash flows	Non-cash changes		31 March 2019
			Acquisition	Other non-cash changes	
	£m	£m	£m	£m	£m
Long-term borrowings	(672.4)	(66.0)	-	-	(738.4)
Short-term borrowings	(10.7)	(2.0)	-	(0.6)	(13.3)
On balance sheet PFI liabilities	(94.5)	3.9	-	-	(90.6)
Total liabilities from financing activities	**(777.6)**	**(64.1)**	**-**	**(0.6)**	**(842.3)**

	31 March 2017	Financing cash flows	Non-cash changes		31 March 2018
			Acquisition	Other non-cash changes	
	£m	£m	£m	£m	£m
Long-term borrowings	(573.2)	(99.0)	-	(0.2)	(672.4)
Short-term borrowings	(91.6)	81.1	-	(0.3)	(10.7)
Finance lease liabilities	(0.1)	-	-	-	-
On balance sheet PFI liabilities	(97.9)	3.4	-	-	(94.5)
Total liabilities from financing activities	**(762.8)**	**(14.5)**	**-**	**(0.5)**	**(777.6)**

10K 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.

Amounts Arising from Expected Credit Losses

The changes in the loss allowance for each class of financial asset during the year are as follows:

	Short-term investments - loans 12 month expected credit losses £m	Short-term investments - loans Lifetime expected credit losses –credit impaired £m	Financial guarantee Lifetime expected credit losses – not credit impaired £m	Trade receivables and lease receivables Lifetime expected credit losses – simplified approach £m	Total £m
Opening balance as at 1 April 2018	**-**	**-**	**-**	**8.2**	**8.2**
Transfers:					
• Individual financial assets transferred to 12-month expected credit losses	0.3	-	0.2	-	0.5
• Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-
• Individual financial assets transferred to lifetime expected credit losses credit impaired	-	0.1	-	-	0.1
New financial assets originated or purchased	-	-	-	-	-
Amounts written off	-	-	-	(0.3)	(0.3)
Financial assets that have been derecognised	-	-	-	-	-
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes in models/risk parameters	-	-	-	0.2	0.2
Other changes	-	-	-	-	-
As at 31 March 2019	**0.3**	**0.1**	**0.2**	**8.1**	**8.7**

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. To form this assessment, the Council applies a creditworthiness model supplied by its external treasury advisors Link 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 2019 was £110.0 million (31 March 2018: £77.6 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 2018-2019 or 2017-2018.

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

2017-2018 £m	Time until Repayment	2018-2019 £m
6.0	Payable next year	8.0
30.7	Payable within two to five years	29.8
35.1	Payable within six to ten years	52.4
65.3	Payable within eleven to fifteen years	80.9
61.1	Payable within sixteen to twenty years	51.0
59.9	Payable within twenty-one to twenty-five years	73.3
45.9	Payable within twenty-six to thirty years	69.5
76.2	Payable within thirty-one to thirty-five years	107.6
59.3	Payable within thirty-six to forty years	61.6
81.6	Payable within forty-one to forty-five years	78.0
151.8	Payable within forty-six to fifty years	128.8
-	Payable within fifty-one to sixty years	-
672.9	**Total**	**740.9**

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 2018-2019, the Council's interest payable would have increased by £7.2 million, and its interest receivable would have increased by £227,000, resulting in an increase in net expenditure of £7.0 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £7.0 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 £23.7 million in Birmingham Airport Holdings Ltd. 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 11 Members of the City of Wolverhampton Council Group and Other Related Parties

Subsidiaries

The Council has three subsidiary entities: Wolverhampton Homes Limited, Yoo Recruit Ltd and WV Living (City of Wolverhampton Housing Company 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. It is wholly owned by the Council. The company's accounts have been wholly consolidated into 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 £39.5 million in 2018-2019 (£38.5 million in 2017-2018). 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 £47.0 million in 2018-2019 (2017-2018: £45.0 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £6.5 million (2017-2018: £5.0 million). At the year end, Wolverhampton Homes Limited owed the Council £3.3 million (2017-2018: £2.5 million), and the Council owed Wolverhampton Homes Limited £2.7 million (2017-2018: £4.4 million).

Yoo Recruit Ltd is a wholly-owned subsidiary which was formed in 2014. The Council does not consider the transactions and balances of this company to be material, so they have not been consolidated into the Group Accounts. Payments by the Council to Yoo Recruit Ltd amounted to £9.1 million (2017-2018: £8.7 million) while payments by Yoo Recruit Ltd to the Council totalled £124,820 (2017-2018: £183,616).

At 31 March 2019, the amount owing to Yoo Recruit Ltd, included in current payables, was £538,439 (2017-2018: £246,343) while an amount, included in current receivables, of £113,864 (2017-2018: £93,555) was owed to the Council.

WV Living was formed as a wholly-owned subsidiary of the Council in 2017-2018. During 2018-2019 the company has incurred expenditure of £8.4 million and has stock assets of £7.7 million at 31 March 2019. £0.7 million of expenditure relates to transactions with the Council. Turnover in 2018-2019 was £2.5 million, £0.2 million of this being transactions with the Council. At the year-end WV Living owed the Council £7.4 million of which £7.0 million was loan financing and £0.4 million for services provided. (2017-2018: £3.1 million of which £2.2 million was loan financing and £0.9 million for services provided). As the impact on the group accounts is considered by the Council, to be material this year, the company's accounts have been wholly consolidated in the Group Accounts in 2018-2019 and also in 2017-2018, for comparison.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Wolverhampton City Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

The West Midlands Pension Fund paid £0.355m of set-up costs in relation to LGPS Central Limited in 2018/19 bringing the Pension Fund's total share of set-up costs to £0.502m. These set up costs have been reimbursed by LGPS Central Limited in full to the Pension Fund in 2018/19.
LGPS Central Limited launched its first products on 3 April 2018, a range of passive equity funds which the Fund has invested in from launch. Additionally, the Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £1.699m in 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.202m (2017/18: £nil).
The Pension Fund was invoiced £2.071m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.370m (2017/18: £nil).

LGPS Central Limited has let office space from Wolverhampton City Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by Wolverhampton City Council from LGPS Central Limited in 2018/19 totalled £81,798 and the reimbursement of associated utilities and maintenance charges for 2018/19 totalled £8,021. In addition, West Midlands Pension Fund provided graphic design services to LGPS Central Limited for a fee of £11,770.

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Consequently, LGPS Central Limited paid contributions to the Fund on behalf of staff totalling £274,764 (2017/18: £8,582).
The Pension Fund has invested £1.315m in LGPS Central Limited class B shares and £0.685m in class C shares in 2017/18 and these are both balances at this year end.

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.

2017-2018 £m	Grant	2018-2019 £m
(74.7)	DSG Schools Block	(65.6)
(50.7)	Mandatory Rent Rebates Subsidy	(46.1)
(51.1)	Mandatory Rent Allowance	(44.9)
(42.1)	Top Up Grant	(34.3)
(25.1)	DSG High Needs Block	(29.0)
(21.3)	Public Health Grant	(20.8)
(18.1)	DSG Early Years Block	(19.1)
(9.1)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(9.0)	Pupil Premium	(8.5)
(5.6)	Business Rates Autumn Statement Compensation	(8.2)
(1.2)	Improved Better Care Fund	(6.5)
(3.7)	Section 31 Grant - DfT	(4.6)
(6.4)	Additional Improved Better Care Fund	(3.9)
-	Interchange - LGF	(3.5)
(3.0)	Disabled Facilities Grant	(3.3)
(3.0)	EFA FE +19	(3.0)
(3.7)	New Homes Bonus	(2.7)
(2.7)	Access To Growth - LGF	(2.4)
(7.6)	Schools Basic Needs Grant	(2.2)
-	DSG Central Services Block	(2.0)
(2.1)	Housing & Council Tax Benefit Administration	(2.0)
(2.2)	6th Form Funding	(1.8)
(1.8)	Universal Infant Free School Meals	(1.5)
-	SBRR Threshold Changes Grant linked to 2017-18 Revaluation	(1.4)
(0.2)	Schools Condition Allocation (SCA)	(1.4)
-	Winter Pressures Grant 2018-19	(1.4)
-	Homes England Development Grant	(1.2)

2017-2018 £m	Grant	2018-2019 £m
-	Levy Account Surplus Grant	(1.2)
-	Managing Short Trips - LGF	(1.2)
-	Business Rates Reconciliation Payment	(1.1)
(0.2)	AIM ERDF	(1.0)
(0.1)	Devolved Formula Funding	(1.0)
(1.3)	Independent Living Fund Grant	(1.0)
(1.1)	Discretionary Rent Allowances	(1.0)
(1.7)	Troubled Families Grant	(0.9)
(1.4)	Adult Social Care Grant	(0.9)
(2.3)	Civic Halls Improvement - LGF	-
(1.6)	Bilston Urban Village - LGF	-
(9.6)	Other grants (each less than £1.0 million)	(10.0)
(363.7)	**TOTAL**	**(349.8)**

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 2D. The register of Councillors' interests is available on the Council's website.

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.

2017-2018 Expenditure £m	2017-2018 Income £m	Entity and Nature of Relationship	2018-2019 Expenditure £m	2018-2019 Income £m
-	(1.6)	**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 2018-2019 the Council received a preference dividend of £93,000, ordinary dividends of £1,217,000 and rental income of £84,000.	-	(1.3)
-	-	**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.	-	-
0.7	(0.1)	**ConnectEd Partnership Limited** ConnectEd Partnership Limited (previously known as 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.	0.7	(0.3)
-	(1.4)	**i54** The Council is party to a joint arrangement with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	0.1	(1.6)
14.1	(2.1)	**Inspired Spaces Wolverhampton Limited** The Council is a 10% shareholder in this company as well as a 10% shareholder in each of the operating companies (Inspired Spaces Wolverhampton (Project Co 1) Limited and Inspired Spaces Wolverhampton (Project Co 2) Limited set up for the administration of the 2 schools (Highfields and Penn Fields Schools and St. Matthias 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.	13.8	(0.4)
		Entities in which Members/Senior Officers Have Declared an Interest and other Government Bodies		
0.3	-	African Caribbean Community Initiative	-	-
0.7	(0.4)	Amethyst Academies Trust	0.8	-
0.2	-	Base 25	0.1	(0.3)

2017-2018 Expenditure £m	2017-2018 Income £m	Entity and Nature of Relationship	2018-2019 Expenditure £m	2018-2019 Income £m
0.2	-	Bilston Business Improvement District Ltd	0.2	-
0.1	(0.1)	Birmingham City Council	0.2	-
0.4	(0.1)	Black Country Consortium Limited	0.4	-
0.5	-	Black Country Partnership NHS Foundation Trust	0.4	-
-	-	Bury Metropolitan Borough Council	0.1	-
1.3	-	Bushbury Hill EMB	1.4	-
0.4	-	Canal & River Trust	0.1	-
0.1	(0.3)	Central Learning Partnership Trust	-	-
0.1	(0.1)	Central Learning Partnership Trust – Woden Primary School	0.1	(0.2)
0.7	(0.1)	City of Wolverhampton College	0.6	(0.1)
-	-	Coventry City Council	-	(0.1)
0.4	-	Department of Energy & Climate Change	0.1	-
1.1	-	Dovecotes TMO	1.1	-
0.1	-	Dudley & Walsall Mental Health Partnership Trust	-	-
0.1	-	Dudley Group NHS Foundation Trust	0.1	-
1.1	(1.3)	Dudley Metropolitan Borough Council	0.9	(1.9)
-	-	Education & Skills Funding Agency	-	(0.1)
0.2	(0.1)	Edward the Elder Primary School Academy	0.1	(0.1)
0.1	-	Environment Agency	0.1	-
0.4	-	FBC Manby Bowdler LLP	-	-
0.1	-	Gazebo Theatre in Education Company Ltd	-	-
-	(0.1)	Goldthorn Park Primary School	-	-
1.0	-	Hilton Main Construction Limited	2.0	-
0.1	-	Kingswood Trust	0.1	-
0.1	-	Lichfield Diocesan	-	-
0.2		London Borough of Barking & Dagenham	-	-
0.2	-	Mencap	0.1	-
0.1	-	New Outlook Housing Association Limited	-	-
0.4	-	New Park Village TMC	0.4	-
-	(0.1)	NHS Dudley CCG	-	-
-	(0.1)	NHS Property Services Ltd	-	(0.1)

2017-2018 Expenditure £m	2017-2018 Income £m	Entity and Nature of Relationship	2018-2019 Expenditure £m	2018-2019 Income £m
-	-	NHS Sandwell & West Birmingham CCG	-	(0.1)
-	-	NHS Shropshire CCG	-	0.3
-	(0.2)	NHS Stafford and Surrounds CCG	-	(0.4
39.1	(50.5)	NHS Wolverhampton CCG	38.1	(50.9)
1.7	(0.2)	Northern House Academy	-	-
0.1	-	Public Health England	0.1	-
0.3	-	Re-Entry Project	-	-
9.9	(0.6)	Royal Wolverhampton Hospitals NHS Trust	7.7	(1.5)
0.3	(0.1)	Sandwell Metropolitan Borough Council	1.6	(0.1)
0.3	-	Shropshire County Council	0.5	(0.1)
-	(0.2)	Smestow Academy	-	-
-	(0.2)	Solihull Metropolitan Borough Council	-	(0.2)
0.4	-	Springfield Horseshoe Co-op/Burton Rd.	0.4	-
0.2	(0.2)	St Barts CE Multi Acad (Woodfield Inf, Woodfield Jnr & St Barts CE Primary)	-	-
0.6	(0.1)	Staffordshire County Council	0.7	(0.5)
0.1	-	Telford & Wrekin Council	-	-
0.2	-	Tettenhall College	0.1	-
0.2	-	The Royal Wolverhampton School	-	-
0.2	-	The Way Youth Zone	0.2	-
0.1	-	University Hospitals Birmingham NHS Trust	-	-
0.1	(0.1)	University of Birmingham	-	-
0.5	(0.1)	University of Wolverhampton	-	-
0.1	-	Walsall Healthcare NHS Trust	0.1	-
0.2	(0.9)	Walsall Metropolitan Borough Council	0.3	(1.7)
0.8	(0.4)	West Midlands Combined Authority	0.9	(0.2)
3.7	-	West Midlands Fire Service	3.9	-
-	-	West Midlands Growth Company Ltd	0.2	(0.1)
10.9	-	West Midlands Integrated Transport Authority	10.3	-
5.1	(0.5)	West Midlands Pension Fund	6.1	(0.9)
7.2	-	West Midlands Police Authority	8.1	-
0.1	-	West Midlands Travel Limited	-	-

2017-2018 Expenditure £m	2017-2018 Income £m	Entity and Nature of Relationship	2018-2019 Expenditure £m	2018-2019 Income £m
0.4	-	Wolverhampton Bid Company Ltd	0.4	-
0.3	-	Wolverhampton Citizen's Advice	-	-
-	(0.1)	Wolverhampton Girls' High School (Academy)	-	(0.1)
-	-	Woodthorne Primary School	0.1	(0.1)
0.1	-	Worcestershire County Council	0.1	-
0.3	-	Youth Justice Board	0.1	-
109.0	**(62.4)**	**Total**	**104.0**	**(63.1)**

Note 12 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.

2017/2018				2018/2019		
Income £000	Expenditure £000	Fund Value at 31 March 2017 £000	Fund Name and Purpose	Income £000	Expenditure £000	Fund Value at 31 March 2018 £000
-	-	43	**Springfield Reading Room** In its capacity as trustee, the council is authorised to apply income in various ways.	-	-	43
-	-	29	**Greenway Benefaction** Established for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley.	1	-	30
-	-	17	**Butler Bequest Music in the Parks** To provide music in the parks.	-	-	17
39	20	32	**Mayoral Charities** Funds raised by the Mayor for their chosen local charities	52	55	29
1	-	13	**Monica Lloyd** To provide assistance with further education	-	-	13
-	-	26	**Other smaller funds**	1	-	27
40	**20**	**160**	**Total**	**54**	**55**	**159**

Note 13 Reserves

13A Detailed Analysis of Movement in Reserves Statement:

2018-2019 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance £m	General Fund Earmarked Reserves £m	Total General Fund Balance £m	HRA Balance £m	Major Repairs Reserve £m	Usable Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m
Balance Brought Forward	**(10.0)**	**(55.8)**	**(65.8)**	**(7.0)**	**(0.4)**	**(4.2)**	**(3.4)**	**(80.8)**
	-	-		-	-	-	-	-
As restated	**(10.0)**	**(55.8)**	**(65.8)**	**(7.0)**	**(0.4)**	**(4.2)**	**(3.4)**	**(80.8)**
Surplus or Deficit on Provision of Services	**99.0**	**-**	**99.0**	**(21.5)**	**-**	**-**	**-**	**77.5**
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**99.0**	**-**	**99.0**	**(21.5)**	**-**	**-**	**-**	**77.5**
Net Increase/Decrease before Transfers & Other Movements	**99.0**	**-**	**99.0**	**(21.5)**	**-**	**-**	**-**	**77.5**
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment and revaluation of non-current assets	(63.9)	-	(63.9)	-	(17.9)	-	-	(81.8)
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties & Council Dwellings	(0.3)	-	(0.3)	(1.2)	-	-	-	(1.5)
Revenue Expenditure Funded from Capital under Statute	(19.1)	-	(19.1)	-	-	-	-	(19.1)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(45.1)	-	(45.1)	(10.0)	-	-	-	(55.1)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	3.5	-	3.5	12.0	-	(15.5)	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	0.1	-	0.1	-	-	-	-	0.1
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(1.4)	-	(1.4)	-	-	-	-	(1.4)
Net Charges made for retirement benefits in accordance with IAS 19	(62.8)	-	(62.8)	-	-	-	-	(62.8)
Capital Expenditure charged in the year to the General Fund	1.4	-	1.4	-	-	-	-	1.4
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.2)	-	(2.2)	-	-	2.2	-	-

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	36.6	-	36.6	-	-	-	-	36.6
Transfers of HRA Balance	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	37.2	-	37.2	-	-	-	(37.2)	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	36.2	36.2
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	0.5	-	0.5	-	-	-	-	0.5
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	-	10.8	-	10.8
Other income that cannot be credited to the General Fund	0.4	-	0.4	-	-	-	-	0.4
Revenue provision for the repayment of debt	17.2	-	17.2	20.7	-	-	-	37.9
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	-	17.5	-	-	17.5
Capitalisation under Section 16(2)(b) directive	(3.7)	-	(3.7)	-	-	-	-	(3.7)
Loan receipts transferred to Capital Adjustment Account	-	-	-	-	-	(2.2)	-	(2.2)
Adjustments between Accounting Basis & Funding Basis under Regulations	**(101.8)**	**-**	**(101.8)**	**21.5**	**(0.4)**	**(4.7)**	**(1.0)**	**(86.4)**
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	2.9	(2.9)	-	-	-	-	-	-
Balance Carried Forward	**(10.0)**	**(58.6)**	**(68.6)**	**(7.0)**	**(0.7)**	**(8.9)**	**(4.4)**	**(89.6)**

2018-2019 Part 2 – Unusable Reserves

	Short-term Accumulating Compensated Absences Account	Financial Instruments Revaluation Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	*Reserves of Subsidiaries*	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*	*£m*
Balance Brought Forward	**3.6**	**(17.2)**	**(438.0)**	**(2.4)**	**5.3**	**640.7**	**(177.0)**	**15.0**	**(65.7)**	**27.0**	**(38.7)**
	-	-	-	-	-	-	-	-	-	*(0.8)*	(0.8)
As restated	**3.6**	**(17.2)**	**(438.0)**	**(2.4)**	**5.3**	**640.7**	**(177.0)**	**15.0**	**(65.7)**	**26.2**	**(39.5)**
Surplus or Deficit on Provision of Services	-	-	-	-	-	-	-	-	**77.5**	**5.8**	***83.3***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	5.9	5.9	5.9	-	*5.9*
Gains on Available-for-Sale Financial Assets	-	(0.1)	-	-	-	-	-	(0.1)	(0.1)	-	*(0.1)*
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(47.8)	-	(47.8)	(47.8)	(3.3)	*(51.1)*
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	-	**(0.1)**	-	-	-	**(47.8)**	**5.9**	**(41.9)**	**35.6**	**2.5**	***38.1***
Net Increase/Decrease before Transfers & Other Movements	-	**(0.1)**	-	-	-	**(47.8)**	**5.9**	**(41.9)**	**35.6**	**2.5**	***38.1***

Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	78.8	-	-	-	3.2	82.0	-	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties & Council Dwellings	-	-	1.5	-	-	-	-	1.5	-	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	19.1	-	-	-	-	19.1	-	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	43.8	-	-	-	11.3	55.1	-	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-	-

	Short-term Accumulating Compensated Absences Account £m	Financial Instruments Revaluation 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 Subsidiaries £m*	*TOTAL (Group) £m*
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	-	-	-	-	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	1.4	-	-	-	1.4	-	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	62.8	-	62.8	-	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(1.4)	-	-	-	-	(1.4)	-	-	-

	Short-term Accumulating Compensated Absences Account £m	Financial Instruments Revaluation 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 Subsidiaries £m*	*TOTAL (Group) £m*
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(36.6)	-	(36.6)	-	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(36.2)	-	-	-	-	(36.2)	-	-	-
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	(0.5)	-	-	-	-	-	-	(0.5)	-	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(10.8)	-	-	-	-	(10.8)	-	-	-
Other income that cannot be credited to the General Fund	-	-	(0.4)	-	-	-	-	(0.4)	-	-	-
Revenue provision for the repayment of debt			(37.9)	-	-	-	-	(37.9)	-	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(17.5)	-	-	-	-	(17.5)	-	-	-
Capitalisation under Section 16(2)(b) directive	-	-	3.7	-	-	-	-	3.7	-	-	-
Loan receipts transferred to Capital Adjustment Account	-	-	2.2	-	-	-	-	2.2	-	-	-
Adjustments between Accounting Basis & Funding Basis under Regulations	**(0.5)**	**-**	**44.7**	**1.4**	**-**	**26.2**	**14.5**	**86.4**	**-**	***-***	***-***
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	**3.1**	**(17.3)**	**(393.2)**	**(1.0)**	**5.3**	**619.1**	**(156.6)**	**59.6**	**(30.2)**	***28.7***	***(1.5)***

2017-2018 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	**(10.0)**	**(61.3)**	**(71.3)**	**(5.1)**	**(0.1)**	**(6.8)**	**(2.8)**	**(86.1)**
	-	-	-	-	-	-	-	-
As restated	**(10.0)**	**(61.3)**	**(71.3)**	**(5.1)**	**(0.1)**	**(6.8)**	**(2.8)**	**(86.1)**
Surplus or Deficit on Provision of Services	**39.0**	**-**	**39.0**	**(66.0)**	**-**	**-**	**-**	**(27.0)**
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-		-	-	-	-	-
Total Comprehensive Income and Expenditure	**39.0**	**-**	**39.0**	**(66.0)**	**-**	**-**	**-**	**(27.0)**
Net Increase/Decrease before Transfers & Other Movements	**39.0**	**-**	**39.0**	**(66.0)**	**-**	**-**	**-**	**(27.0)**
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment and revaluation of non-current assets	(30.1)	-	(30.1)	0.3	(17.3)	-	-	(47.1)
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties & Council Dwellings	(4.4)	-	(4.4)	38.4	-	-	-	34.0
Revenue Expenditure Funded from Capital under Statute	(14.3)	-	(14.3)	-	-	-	-	(14.3)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(17.9)	-	(17.9)	(8.2)	-	-	-	(26.1)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	3.2	-	3.2	12.5	-	(15.7)	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.2)	-	(0.2)	(0.1)	-	-	-	(0.3)
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	8.9	-	8.9	-	-	-	-	8.9
Net Charges made for retirement benefits in accordance with IAS 19	(52.4)	-	(52.4)	-	-	-	-	(52.4)
Capital Expenditure charged in the year to the General Fund	0.6	-	0.6	-	-	-	-	0.6
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.1)	-	(2.1)	-	-	2.1	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	43.7	-	43.7	-	-	-	-	43.7
Transfers of HRA Balance	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	0.6	-	0.6	-	-	-	(0.6)	-

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	28.9	-	28.9	-	-	-	-	28.9
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	(0.4)	-	(0.4)	-	-	-	-	(0.4)
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	-	16.3	-	16.3
Other income that cannot be credited to the General Fund	0.3	-	0.3	-	-	-	-	0.3
Revenue provision for the repayment of debt	4.7	-	4.7	21.6	-	-	-	26.3
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	-	17.0	-	-	17.0
Capitalisation under Section 16(2)(b) directive	(3.0)	-	(3.0)	-	-	-	-	(3.0)
Loan receipts transferred to Capital Adjustment Account	-	-	-	-	-	(0.1)	-	(0.1)
Adjustments between Accounting Basis & Funding Basis under Regulations	**(33.9)**		**(33.9)**	**(64.5)**	**(0.2)**	**2.6**	**(0.6)**	**32.3**
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	(5.1)	5.5	0.4	(0.4)	-	-	-	-
Balance Carried Forward	**(10.0)**	**(55.8)**	**(65.8)**	**(7.0)**	**(0.4)**	**(4.2)**	**(3.4)**	**(80.8)**

2017-2018 Part 2 – Unusable Reserves

	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*
Balance Brought Forward	**3.3**	**(17.7)**	**(397.2)**	**6.5**	**5.0**	**662.3**	**(157.1)**	**105.0**	**18.9**	***24.3***	**43.2**
	-	-	-	-	-	-	-	-	-	*(0.1)*	*(0.1)*
As restated	**3.3**	**(17.7)**	**(397.2)**	**6.5**	**5.0**	**662.3**	**(157.1)**	**105.0**	**18.9**	***24.2***	***43.1***
Surplus or Deficit on Provision of Services	-	-	-	-	-	-	-	-	**(27.0)**	***4.6***	***(22.6)***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	(27.9)	(27.9)	(27.9)	-	*(27.9)*
Gains on Available-for-Sale Financial Assets	-	0.5	-	-	-	-	-	0.5	0.5	-	*0.5*
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-	-
Remeasurements in the pensions reserve	-	-	-	-	-	(30.3)	-	(30.3)	(30.3)	*(1.7)*	*(32.0)*
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	-	**0.5**	-	-	-	**(30.3)**	**(27.9)**	**(57.7)**	**(84.7)**	***2.9***	***(82.0)***
Net Increase/Decrease before Transfers & Other Movements	-	**0.5**	-	-	-	**(30.3)**	**(27.9)**	**(57.7)**	**(84.7)**	***2.9***	***(82.0)***
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	44.0	-	-	-	3.1	47.1	-	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties & Council Dwellings	-	-	(34.0)	-	-	-	-	(34.0)	-	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	14.3	-	-	-	-	14.3	-	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	21.2	-	-	-	4.9	26.1	-	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-	-

	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 the Subsidiaries £m*	*TOTAL (Group) £m*
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.3	-	-	0.3	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	(8.9)	-	-	-	(8.9)	-	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	52.4	-	52.4	-	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.6)	-	-	-	-	(0.6)	-	-	-
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(43.7)	-	(43.7)	-	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(28.9)	-	-	-	-	(28.9)	-	-	-
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	0.3	-	-	-	-	-	-	0.3	-	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(16.3)	-	-	-	-	(16.3)	-	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-	-
Revenue provision for the repayment of debt	-	-	(26.3)	-	-	-	-	(26.3)	-	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-	-

Use of Major Repairs Allowance to Finance Capital Spend	-	-	(17.0)	-	-	-	-	(17.0)	-	-	-
Capitalisation under Section 16(2)(b) directive	-	-	3.0	-	-	-	-	3.0	-	-	
Loan receipts transferred to Capital Adjustment Account	-	-	0.1	-	-	-	-	0.1	-	-	
Adjustments between Accounting Basis & Funding Basis under Regulations	**0.3**	**-**	**(40.8)**	**(8.9)**	**0.3**	**8.7**	**8.0**	**(32.4)**	**-**	**-**	**-**
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	**3.6**	**(17.2)**	**(438.0)**	**(2.4)**	**5.3**	**640.7**	**(177.0)**	**15.0**	**(65.7)**	**27.2**	**(38.5)**

13B Description of Reserves

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.
General Fund Earmarked Reserves	General Fund 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 (£6.5 million), the Budget Contingency Reserve (£3.8 million), the Job Evaluation Reserve (£1.7 million) and the Budget Strategy Reserve (£9.1 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.
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.
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.
Short-term Accumulating Compensated Absences Account	The Short-term Accumulating Compensated 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.

13C Movement in Specific Earmarked Reserves

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

2017-2018				Reserve	2018-2019			
31 March 2017 £m	Transfers Out £m	Transfers In £m	31 March 2018 £m		31 March 2017 £m	Transfers Out £m	Transfers In £m	31 March 2018 £m
				Specific Earmarked Reserves				
(6.8)	1.4	(0.7)	(6.1)	Efficiency Reserve (Corporate)	(6.1)	0.4	(0.8)	(6.5)
(5.6)	4.1	(1.9)	(3.4)	Budget Contingency Reserve (Corporate)	(3.4)	0.6	(0.2)	(3.0)
(2.1)	0.4	-	(1.7)	Job Evaluation Reserve (Corporate)	(1.7)	-	-	(1.7)
(12.6)	3.5	-	(9.1)	Budget Strategy Reserve (Corporate)	(9.1)	-	-	(9.1)
				Other Earmarked Reserves				
(1.9)	1.6	(1.7)	(2.0)	People	(2.0)	0.4	(5.0)	(6.6)
(5.6)	2.4	(2.0)	(5.2)	Place	(5.2)	1.2	(1.5)	(5.5)
(20.0)	4.0	(7.1)	(23.1)	Corporate	(23.1)	7.8	(5.9)	(21.2)
-	-	-	-	Education	-	-	-	-
(6.7)	5.2	(3.6)	(5.1)	Schools	(5.1)	3.7	(3.6)	(5.0)
(61.3)	**22.6**	**(17.0)**	**(55.7)**	**Total Earmarked Reserves**	**(55.7)**	**14.1**	**(17.0)**	**(58.6)**

13D Financial Instruments Revaluation Reserve

Under accounting standard IFRS 9, all assets previously held within Available for Sale Financial Instruments Reserve have been elected as Fair Value through Other Comprehensive Income. As a result of this all balances held within the reserve have been transferred into the newly created Financial Instruments Reserve.

2017-2018			2018-2019	
Available for Sale Financial Instruments Reserve £m	Financial Instruments Revaluation Reserve £m		Available for Sale Financial Instruments Reserve £m	Financial Instruments Revaluation Reserve £m
(17.7)	**-**	**Balance as at 1 April**	**(17.2)**	**-**
-	-	Reclassification of assets under IFRS 9	17.2	(17.2)
(17.7)	**-**	**Restated balance as at 1 April**	**-**	**(17.2)**
0.5	-	(Upward) or downward revaluation of investments	-	(0.1)
(17.2)	**-**	**Balance as at 31 March**	-	**(17.3)**

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that have been elected as Fair Value through Other Comprehensive Income.

Note 14 Notes to the Cash Flow Statement

14A Adjustment for Non-Cash Movements

2017-2018 Council £m	2017-2018 *Group £m*		2018-2019 Council £m	2018-2019 *Group £m*
(0.1)	*2.1*	Increase in Inventories	0.2	5.6
2.5	*5.6*	Decrease/(Increase) in Current Receivables	14.2	9.3
4.2	*(1.3)*	(Decrease)/Increase in Current Payables	(1.6)	(0.1)
(45.7)	*(45.7)*	Depreciation, amortisation and impairment of non-current assets	(48.1)	(48.1)
(77.1)	*(77.1)*	Revaluations of non-current assets	(35.1)	*(35.1)*
(26.1)	*(26.1)*	Net book value on disposal of property, plant and equipment, investment property and intangible assets	(55.1)	(55.1)
(52.4)	*(58.7)*	Net Charges made for retirement benefits in accordance with IAS 19	(62.8)	(72.5)
43.7	*47.3*	Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	61.1	65.0
(3.4)	*(3.4)*	Net Movement in Provisions	5.2	5.2
(0.2)	*(0.2)*	Non-current borrowing revaluation amounts	-	-
(154.6)	***(157.5)***		**(122.0)**	**(125.9)**

14B Adjustment for Items that are Investing and Financing Activities

2017-2018 Council £m	2017-2018 *Group £m*		2018-2019 Council £m	2018-2019 *Group £m*
15.8	*15.8*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15.5	*15.5*
29.5	*29.5*	Capital grants received	37.2	*37.2*
45.3	***45.3***		**52.7**	***52.7***

14C Net Cash Flows from Operating Activities

The cash flows from operating activities include the following items:

2017-2018 Council £m	2017-2018 *Group* *£m*		2018-2019 Council £m	2018-2019 *Group* *£m*
36.9	*37.8*	Interest paid	37.0	37.4
(0.5)	*(0.5)*	Interest received	(0.9)	(0.9)
(2.0)	*(2.0)*	Dividends received	(1.3)	(1.3)
34.4	***35.3***		**34.8**	**35.2**

Note 15 Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018-2019 financial year and its position at 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-2019 and the Service Reporting Code of Practice 2018-2019, 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. Group Accounts

The group accounts combine the accounts of the Council, Wolverhampton Homes Limited and WV Living (City of Wolverhampton Housing Company Limited) and shows them as if they were one. Throughout the financial statements (Section 4) the numbers in italics relate to the group. Non-italic numbers relate to the Council only. These figures are usually combined in the same table, but occasionally owing to space, they are shown in separate tables. Where there is only one figure given, this means that the figure is the same for the group and the Council.

3. 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 contracts with service recipients whether for the provision of goods or services is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.

The above is in accordance with IFRS 15 *'Revenue from Contracts with Customers'* which became effective this financial year, superseding IAS 18 *'Revenue'*. IFRS 15 applies to all contracts with customers (apart from some exceptions which fall under the scope of other accounting standards e.g. leases, financial instruments, insurance contracts). The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The key difference between IFRS 15 and IAS 18 is that whereas IAS 18 focused on risks and rewards of ownership, IFRS 15 focuses on the satisfaction of performance obligations; IFRS 15 provides a standardised five-step model to recognise all types of revenue earned from customer contracts, whereas IAS 18 considers different recognition criteria for different types of income received. In transitioning from IAS 18 to IFRS 15, the Council has considered all of its revenue streams (including any potential staged receipts and receipts spanning financial years) across the group, however the Council does not believe there are any revenue streams that are materially impacted by IFRS 15.

4. 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 detailedves 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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 Young People line and Public Health & Wellbeing 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.
- 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits 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.

11. 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 2019, 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.

12. 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are two main classes of financial assets measured at;

- Amortised costs,
- Fair Value through Other Comprehensive Income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the 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 most of the financial assets held by the authority, this means that 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets (except where the counterparty is central government or a local authority) held at amortised cost or FVOCI, either on a 12-month or lifetime basis.

A simplified approach has been applied to trade receivables, finance lease receivables and operating lease receivables, whereby impairment losses are automatically based on lifetime expected credit losses.

Impairment losses on loans and financial guarantees are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in other comprehensive income and expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the financial asset is derecognised.

The fair value measurements of the financial assets are based on the following techniques:

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

When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from reserves to Surplus or Deficit on the Provision of Services as a reclassification adjustment.

Under accounting standard IFRS 9 *'Financial Instruments'*, all assets previously held within the Available for Sale Financial Instruments reserve have been elected as Fair Value through Other Comprehensive Income. As a result of this all balances held within the reserve have been transferred into the newly created Financial Intruments Revaluation Reserve, shown in note 13D.

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 has three subsidiary entities: Wolverhampton Homes Limited, Yoo Recruit Ltd and WV Living (City of Wolverhampton Housing Company Limited). Due to materiality only, Wolverhampton Homes Limited and WV Living are required to be consolidated in the group accounts statements. The council has no other material interests in companies or other entities that have the nature of a subsidiary, associate or jointly-controlled entity.

Investments in limited by guarantee companies – The Council has investments in companies limited by guarantee, for example ConnectEd Partnership, Black Country Consortium, Wolverhampton Grand Theatre, Wolverhampton Homes. These investments are valued at cost in the Council’s accounts. Income and expenditure transactions are recognised in the Council’s financial statements.

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. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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 fair 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 write 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 non-current asset 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).

19. Overheads and Support Services

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

20. 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-minimus 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. Assets with a Net Book value over £1 million are valued annually and other assets at least 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 or component 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 in 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 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.

21. 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 fair value, based on the cost to purchase the property, plant and equipment, was balanced by the recognition of a liability for amounts due to the scheme operator, 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.

22. 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.

23. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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, local taxation retirement and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

24. 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.

25. Value Added Tax

VAT payable is 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.

26. 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 of Finance, Civic Centre, Wolverhampton, WV1 1RL.

27. 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.

28. 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 fourth 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.

29. Pension Guarantees

The Council has provided guarantees to a number of organisations at the point they were admitted to West Midlands Pension Fund, to fund any potential pension liability. These guarantees are treated as Insurance Contracts in accordance with IFRS 4, rather than financial guarantees under IFRS 9, as the Council considers that the non-financial risks covered by the guarantees (for example regarding mortality rates and demographics) are more significant than the financial risks. Each year, the Council assesses the probability of the guarantees being called using various factors: the pension liability is derived from the triennial valuation or the IAS19 statement (if available) and risk of failure of the business is derived from Dun and Bradstreet Business Failure Scores. Multiplying the pension liability by the risk of failure, if a significant potential liability arises, it is recognised in the Comprehensive Income and Expenditure Statement.

30. Pooled Budgets

The Council takes part in two pooled budget schemes with Wolverhampton Clinical Commissioning Group (CCG). The first scheme relates to the integrated service for Child Placements with External Agencies for children with social care, education and health needs. The Council incurs the expenditure and receives a contribution from CCG towards the costs. The second scheme relates to the commissioning of health and social care services under the Better Care Fund (BCF). Again the Council incurs the expenditure and receives funding through a contribution from CCG and local government grants. All income and expenditure is recorded in the Comprehensive Income and Expenditure Statement.

Note 15A Changes in Accounting Policies and Accounting Estimates from Previous Year

Whilst there were no changes in Accounting Policies from the previous year, there was a change in the accounting estimate used for the valuation of schools. In previous years, schools had been valued using Depreciated Replacement Cost – Modern Equivalent Asset, but following advice from the Council's valuers, in 2018-2019, the Modern Equivalent Asset basis used for schools was more prudently based on pupil numbers. This change had the impact of reducing the valuation of the schools by £43.4 million.

Note 15B 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.

WV Living was formed as a wholly-owned subsidiary of the Council in 2016-2017. As the impact on the group accounts are considered by the Council, to be material they have not been consolidated in the Group Accounts. During 2018-2019 the company has incurred expenditure of £8.4 million, £0.7 million of this being transactions with the council. Turnover in 2018-2019 was £2.5 million, £0.2 million of this being transactions with the Council.

Yoo Recruit Ltd was formed as a wholly-owned subsidiary of the Council in 2013-2014. The turnover of this company for 2018-2019 was approximately £10.6 million, of which £9.1 million was derived from the Council, with a net income after tax of £40,455. 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 2012-2013, ConnectEd Partnership Limited (previously 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 2014-2015 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 2015-2016. Both assets have been initially recognised in the Council's Balance Sheet, however, as Heath Park Academy is an existing Academy and the Council has no control over the asset and services to be provided the asset for this school has subsequently been de-recognised in the Council's Balance Sheet. St. Matthias School is still under the control of the Council and, accordingly, this asset remains on the Council's Balance Sheet. In the cases of both academies de-recognised the PFI liabilities remain on the Council's balance sheet, being funded by capital grants from central government and contributions from the Academies as detailed in note 10D.

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 2012-2013 and earlier. The Council has set aside a provision for these refunds, calculated using the Valuation Office list of ratings appeals data.

Schools

Schools within Wolverhampton are managed in a variety of ways including Council Community Schools, Voluntary Aided, Voluntary Controlled and Academies. The Council has reviewed each school on a case by case basis and considered the extent to which the Council has control over the school in respect to the employment of staff, governance arrangements, maintenance of the land and buildings and admissions, in order to assign them to one of the categories below.

Academy Schools – Academies are entirely separate entities of the Council and therefore the Council has no control over the operation of the school. Land and buildings are transferred to the academies through a standard 125 year lease. It is anticipated that these arrangements will continue and, therefore, substantially all associated risks and rewards of ownership are transferred. For Academy Schools the assets and liabilities are not consolidated into the City Council's balance sheet and the non-current assets are derecognised.

Voluntary Aided Schools – A separate trustee has substantial influence and control over the voluntary aided school. A Governing Body is appointed by the Trustee to manage the school's operation and maintenance. In Wolverhampton, the relevant trustees are The Archdiocese of Birmingham and the Diocese of Lichfield. Since the Council does not have substantial control over these schools the related assets are not consolidated in the balance sheet.

Voluntary Controlled Schools – It is determined that the Council has substantial control over these schools since the Council determines the admission criteria and maintains the land and buildings. The assets relating to Voluntary Controlled Schools are, therefore, consolidated in the balance sheet of the Council.

Note 15C 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 2019 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 £29.5 million	*Decrease of £33.5 million*
Rate of Inflation 0.1% p.a. higher	Increase of £27.4 million	*Increase of £30.8 million*
Rate of increase in salaries 0.1% p.a. higher	Increase of £2.7 million	*Increase of £3.3 million*
Life expectancy of scheme members 1 year higher	Increase of £66.0 million	*Increase of £73.0 million*

Property, Plant and Equipment

The Council has all property, plant and equipment assets required to be valued at current value and with a current Net Book value in excess of £1.0 million valued annually and carries out a rolling programme that ensures the remainder are revalued at least every five years. The Council seeks assurance for the assets not valued that there is no material change to their value. The valuations are carried out by external valuers. The housing stock is valued by the Valuation Office Agency and the remaining assets by registered RICS valuers Bruton Knowles.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.

1% fluctuation in council dwellings and other land and buildings values would amount to a £12.1m movement in Property Plant and Equipment balance shown on the Balance Sheet.

Arrears

At 31 March 2019, the Council had a receivables balance, before the expected credit loss allowance, of £74.9 million. An allowance has been made against these receivables based on the age of the debt outstanding and historical collection rates with a resultant expected credit loss allowance of £25.9 million that was considered to be appropriate. In the current economic climate, however, it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the expected credit loss allowance would be required.

Note 15D Accounting Standards Issued but Not Yet Adopted

- **Amendments to IAS40 Investment Property: Transfers of Investment Property** states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use and that a change of use only occurs if the property meets or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The Council has not transferred any properties to or from "investment property" during the financial year, but notes this clarification.
- **IFRIC 23 Uncertainty over Income Tax Treatments** clarifies the accounting for uncertainties in income taxes. The Council has noted the clarifications.
- **Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation** proposes an exception to IFRS9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not qualify for amortised cost or fair value through other comprehensive income measurement as a result of a prepayment feature (for example where the lender is forced to accept a prepayment amount that is less than unpaid amounts of principal and interest, constituting a payment to the borrower by the lender and not a compensation from the borrower to the lender). Such a financial asset would now be eligible to be measured at amortised cost or at fair value through other comprehensive income (depending on an organisation's business model) if certain conditions are met. The Council does not hold such assets, so is not currently impacted by the amendment.
- **Annual Improvements to IFRS Standards 2014 – 2016 Cycle** contains amendments to three IFRSs as a result of the IASB's annual improvements project:

- IFRS 1 First-time adoption of International Financial Reporting Standards – some short-term exemptions that relate to Disclosures about Financial Instruments (IFRS7), Employee benefits (IAS 19) and Investment entities (IFRS 12 and IAS 27) have been deleted because the reporting period to which these exemptions applied have already passed and as such these exemptions are no longer applicable.
- IFRS 12 Disclosure of Interests in other Entities – states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified or included in a disposal group that is classified as held for sale.
- IAS 28 Investments in Associates and Joint Ventures – clarifies that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture and that election should be made at initial recognition of the associate or joint venture.

The Council has considered these amendments; they do not currently impact the Council.

Housing Revenue Account Income and Expenditure Statement

2017-2018 £m		Notes	2018-2019 £m
(90.9)	Gross Rents - Dwellings		(88.8)
(0.8)	Gross Rents - Non-Dwellings		(0.8)
(5.4)	Charges to Tenants for Services and Facilities		(5.8)
-	Contributions		-
(97.1)	**Total Income**		**(95.4)**
25.8	Repairs and Maintenance		25.4
19.6	Supervision and Management		19.3
0.5	Rents, Rates and Taxes		0.3
0.4	Increase in Allowance for Bad Debts		1.4
17.2	Depreciation of Property, Plant and Equipment	**H1**	17.9
(38.6)	Revaluation/impairment of Property, Plant and Equipment	**H2**	1.2
24.9	**Total Expenditure**		**65.5**
(72.2)	**Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement**		**(29.9)**
0.2	HRA Share of Corporate and Democratic Core		0.2
(72.0)	**Net Cost of HRA Services**		**(29.7)**
-	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		-
(4.4)	(Gain) on Sale of Property, Plant and Equipment		(2.0)
-	(Gain) on the Fair Value of Investment Assets		-
10.4	Interest Payable		10.3
-	Interest and Investment Income		(0.1)
(66.0)	**(Surplus)/Deficit for the Year**		**(21.5)**

2017-2018 £m		Notes	2018-2019 £m

Movement on the Housing Revenue Account Balance Statement

2017-2018 £m		Notes	2018-2019 £m
(5.0)	**Opening HRA Balance**		**(7.0)**
	(Increase)/Decrease in the HRA balance for the year analysed between:		
(66.0)	- (Surplus)/Deficit for the year on the Income and Expenditure Account		(21.5)
64.0	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	**H3**	21.5
(2.0)	**(Increase)/Decrease in the HRA balance for the year**		**0**
(7.0)	**Closing HRA Balance**		**(7.0)**

Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2017-2018 £m		2018-2019 £m
17.0	Council Dwellings	17.5
0.2	Other Land and Buildings	0.4
0	Vehicles, Plant, Furniture and Equipment	0
17.2	**Total Depreciation Charge for the Year**	**17.9**

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 – Revaluation

2017-2018 £m		2018-2019 £m
(38.4)	Council Dwellings	1.5
(0.2)	Other Land and Buildings	(0.2)
(38.6)	**Total revaluation/Impairment Charge for the Year**	**1.3**

The revaluation is mainly made up of a £6.0 million uplift due to the annual review to reflect changes in value due to local market conditions

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

2017-2018 £m		Note	2018-2019 £m
64.0	**Net additional amount required to be debited or credited to the HRA Balance**		**21.5**
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
12.5	- Net Gain on Sale of Property, Plant and Equipment		12.0
38.6	- Impairment/revaluation of Property, Plant and Equipment	**H2**	(1.2)
-	- Capital Expenditure Funded by the HRA		-
(8.2)	- Net Gain / (Loss) on the Fair Value of Investment Assets		(10.0)
42.9	**Subtotal**		**0.8**
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
	- HRA Share of Contribution to Pension Reserve	**H4**	-
0.1	- Adjustment for Premiums and Discounts		0

21.6	- Amount Set Aside for the Repayment of Debt		20.7
(0.6)	- Transfer to/(from) Earmarked Reserves		-
21.1	**Subtotal**		**20.7**
64.0	**Total**		**21.5**

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 6 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 2018		31 March 2019
4,849	Low Rise Flats	4,827
2,897	Medium Rise Flats	2,882
2,111	High Rise Flats	2,109
11,357	Houses and Bungalows	12,177
22,214	**Total Dwellings Owned by the Council**	**21,995**
14	Homeless Dwellings (Leased)	14
22,228		**22,009**

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 2018 £m		31 March 2019 £m
737.6	- Council Dwellings	751.5
11.9	- Other Land and Buildings	11.8
-	- Vehicles, Plant, Furniture and Equipment	-
-	- Intangible Assets	-
749.5	**Total Property, Plant and Equipment**	**763.3**

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2018 (at 1 April 2016 prices) amounted to £1,858.9 million (31 March 2017: £1,719.6 million). The value of dwellings shown on the Balance Sheet is the existing use value (social housing), which is 40% 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.

2017-2018 £m		2018-2019 £m
	Sources of Funding	
(6.3)	- Borrowing	(19.2)
(12.8)	- Usable Capital Receipts	(4.5)
(17)	- Major Repairs Reserve	(17.5)
(0.1)	- Government and EU Grants	(1.6)
(0.1)	- Other Contributions	0
(36.3)	**Total Capital Expenditure**	**(42.8)**

Capital receipts generated during 2018-2019 from the disposal of HRA assets are detailed in the following table.

2017-2018 £m		2018-2019 £m
(9.9)	Sale of Council Houses (including Right-to-Buy)	(11.6)
(0.4)	Sale of Other Land and Buildings	(0.4)
-	Repaid Discounts	-
(10.3)	**Total Capital Receipts**	**(12.0)**

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

2017-2018 £m		2018-2019 £m
2.2	Paid over to Government	2.2
(12.5)	Available to Finance Capital Expenditure	(14.2)
(10.3)	**Total Capital Receipts**	**(12.0)**

Note H9 – Rent Arrears

During 2018-2019, there was an increase in total rent arrears of £0.5 million. Within total rent arrears, current tenants' arrears as a proportion of net rental income was 1.9%, 0.6% higher than in 2017-2018. The comparative total figures are shown in the following table.

31 March 2018 £m		31 March 2019 £m
1.3	Current Tenants	1.8
0.8	Former Tenants	0.8
2.1	**Total Arrears**	**2.6**

An allowance is maintained for these debts which also includes tenant recharges. The table below details the movement in the year.

2017-2018 £m		2018-2019 £m
1.9	**Allowance for Bad and Doubtful Debts Brought Forward**	**1.9**
(0.3)	Amounts Written Off during the Year	(0.9)
0.4	Increase in Allowance Charged to the HRA during the Year	1.4
2.0	**Allowance for Bad and Doubtful Debts Carried Forward**	**2.4**

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.

2017-2018 £m		2018-2019 £m
(0.2)	**Balance Brought Forward**	**(0.2)**
(17.0)	Transfer of MRA from the Capital Adjustment Account	(17.5)
17.0	Capital Expenditure on Land and Property in the HRA	17.5
(0.2)	**Balance Carried Forward**	**(0.2)**

The Collection Fund Statement

2017-2018 £m		Note	2018-2019 £m
	Deficit/(Surplus) Brought Forward		
6.2	City of Wolverhampton Council		(2.4)
(0.1)	West Midlands Police and Crime Commissioner		(0.1)
0.1	West Midlands Fire and Rescue Authority		-
7.0	Central Government		2.7
13.2			**0.2**
	Income		
(105.8)	Council Tax	**C1**	(111.6)
(72.7)	Non-Domestic Rates	**C2**	(72.2)
1.2	Transition Protection Payments - NDR		0.1
(177.3)	**Total Income**		**(183.7)**
	Expenditure		
	Precepts and Demands		
90.9	City of Wolverhampton Council		97.0
7.2	West Midlands Police and Crime Commissioner		8.1
3.5	West Midlands Fire and Rescue Authority		3.7
	Non-Domestic Rates		
-	Central Government		-
0.7	West Midlands Fire and Rescue Authority		0.7
70.5	City of Wolverhampton Council		72.9
0.3	Cost of Collection Allowance		0.3

6. THE COLLECTION FUND STATEMENT

2017-2018 £m		Note	2018-2019 £m
	Distribution of Council Tax Surplus/(Payment of Deficit)		
1.3	City of Wolverhampton Council		0.8
0.1	West Midlands Police and Crime Commissioner		0.1
0.1	West Midlands Fire and Rescue Authority		-
	Distribution of Business Rates Surplus/(Payment of Deficit)		
(4.2)	City of Wolverhampton Council		1.0
(4.3)	Central Government		(2.7)
(0.1)	West Midlands Fire and Rescue Authority		-
	Allowance for Bad and Doubtful Debts		
2.4	Council Tax		1.7
0.4	Non-Domestic Rates		1.1
(4.5)	Provision for appeals		(1.9)
164.3	**Total Expenditure**		**182.8**
(13.0)	**Deficit/(Surplus) for the Year**		**(0.9)**
	Deficit/(Surplus) Carried Forward		
(2.4)	City of Wolverhampton Council		(0.9)
(0.1)	West Midlands Police and Crime Commissioner		(0.1)
-	West Midlands Fire and Rescue Authority		-
2.7	Central Government		0.3
0.2			**(0.7)**

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 including Adult Social Care precept (Single Person Household) £	Council Tax including Adult Social Care precept (Multiple Occupancy) £
A Disabled	74.36	5/9	41.31	719.83	959.78
A	34,164.65	6/9	22,776.43	863.80	1,151.74
B	18,834.35	7/9	14,648.94	1,007.17	1,343.69
C	13,930.63	8/9	12,382.78	1,151.74	1,535.65
D	5,911.38	9/9	5,911.38	1,295.70	1,727.60
E	2,701.32	11/9	3,301.61	1,583.64	2,111.52
F	1,548.75	13/9	2,237.08	1,871.56	2,495.41
G	892.14	15/9	1,486.90	2,159.50	2,879.34
H	86.38	18/9	172.76	2,591.40	3,455.20
	78,143.96		**62,959.19**		

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 99% and the remaining 1% is paid to West Midlands Fire Service and Rescue Authority.

The total non-domestic rateable value was £194.8 million as at 31 March 2019 (£194.9 million as at 31 March 2018). The national multipliers for 2018-2019 were 48.0p for qualifying small businesses, and the standard multiplier was 49.3p for all other businesses (46.6p and 47.9p respectively in 2017-2018).

Independent auditor's report to Councillors of City of Wolverhampton Council on the pension fund financial statements

Opinion

Fund Account

2017-2018 £m		Note	2018-2019 £m
	Contributions & Benefits		
(1,205.9)	Contributions Receivable	**P8**	(272.7)
(25.6)	Transfers In	**P9**	(43.5)
(14.5)	Other Income	**P10**	(14.5)
(1,246.0)	**Total contributions and other income**		**(330.7)**
555.9	Benefits Payable	**P11**	589.7
41.0	Payments to and on account of leavers	**P12**	37.3
0.7	Other Payments		4.4
597.6	**Total benefits and other expenditure**		**631.4**
66.8	**Management Expenses**	**P13**	**87.4**
	Returns on Investments		
(248.7)	Investment Income	**P14**	(237.9)
7.7	Taxes on income		0.7
312.8	Changes in Value of Investments	**P16**	1,557.0
(615.6)	Profits and Losses on Disposal of Investments		(2,002.2)
(543.8)	**Net return on investments**		**(682.4)**
(1,125.4)	**Net (Increase) in the Fund During the Year**		**(294.3)**
14,294.4	**Net Assets of the Fund at the beginning of the year**		**15,419.8**
15,419.8	**Net Assets of the Fund at the end of the year**		**15,714.1**

New Assets Satement

2017-2018 £m		Note	2018-2019 £m
	Investment Assets (at Market Value)	**P15**	
188.5	Bonds		339.8
1,494.2	UK Equities		40.0
6,343.5	Overseas Equities		1,301.3
5,351.9	Pooled Investment Vehicles		11,481.8
862.8	Property		980.7
-	Derivatives - Futures		20.7
44.9	Derivatives - Forward Foreign Exchange		1.0
126.0	Foreign Currency Holdings		690.6
830.1	Cash Deposits		821.8
0.4	Other Investment Assets		51.8
45.2	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		0.5
15,287.5	**Investment Assets**		**15,730.0**
	Investment Liabilities (at Market Value)	**P15**	
	Derivatives - Forward Foreign Exchange		(2.8)
-	Other Investment Liabilities		(152.1)
-	**Investment Liabilities**		**(154.9)**
15,287.5	**Net Investment Assets**		**15,575.1**
0.1	**Long Term Investments**		**-**
25.1	**Long-Term Debtors**	**P19**	**113.7**
151.4	**Current Assets**	**P20**	**47.3**
(44.3)	**Current Liabilities**	**P21**	**(22.0)**
15,419.8	**Net Assets of the Fund at the end of the year**		**15,714.1**

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 present value of promised retirement benefits is disclosed at note 6.

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 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 scheduled and admitted bodies. At 31 March 2019, the Fund had 673 participating employers and 323,795 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 2018 No.		31 March 2019 No.
118,093	Active Members	121,035
91,741	Pensioner Members	95,991
103,565	Deferred Members	106,769
313,399	**Total**	**323,795**

The responsibility for administering the Fund is delegated to the Council's Pensions Committee . It meets at approximately quarterly intervals and has members from each of the seven metropolitan district councils in the West Midlands. A Pensions Board was also in operation during 2018/19. Membership of the Committee and Board can be found on the City of Wolverhampton Council website: http://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1

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 2016

The scheme is a contributory defined benefit pension scheme. 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 2019. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2018/19 contribution rates was conducted at 31 March 2016. Employer contribution rates during 2018/19 ranged from 10.2% to 44.7% 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.

Further to direction from government, local authority investment pools have been created to bring together the investment assets of local authority pension funds into eight Investment Pools. LGPS Central Limited (LGPSC), the company established to manage investments on behalf of nine LGPS funds including West Midlands Pension Fund, received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional asset Pool went live on 1 April 2018.

The Pool’s first 3 sub-funds covering passive equity assets were launched at the start of April and on 3 April 2018, following approval from Pensions Committee, West Midlands Pension Fund transitioned assets to the value of £4.886bn and cash of £247m to the LGPS Central sub-funds.

In January 2019, the Fund agreed to a commitment of £200m in the LGPS Central Limited - Private Equity Scottish Limited Liability Partnership. No investments were actually made during the 2018/19 financial year as the first call on the commitment came in April 2019.

In February, the Fund, along with five other LGPS Central Pool Partner Funds, transitioned a further £789m of assets to the LGPS Central Limited - Global Equity Active Multi-Manager sub-fund.

Work is underway to develop further LGPS Central Limited sub-funds in collaboration with LGPS Central Pool Partner Funds and the Fund will continue to review the decision to transition assets on a case by case basis dependent on the sub-fund meeting the strategic requirements of WMPF. The transition of the Fund’s remaining assets into products offered by LGPS Central Limited is expected to take several years.

Following the transfer of in-house investment and finance team members to LGPS Central Limited on 1 April 2018, West Midlands Pension Fund retained LGPS Central Limited to provide advice and execution services on a number of legacy portfolios. It is likely that some of these advisory and execution mandates will continue to remain in place for some period due to the illiquid nature of the investments and the cost effectiveness of transition.

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its financial position as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* (the Code) 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 accrue by the creation of payables and receivables at the year end where necessary. 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 (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in 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 transferred benefits in or out of the scheme as at 31 March 2019, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts).
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
i) Interest 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.

ii) Dividend Income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from Pooled Funds
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.

iv) Property-Related Income
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.

v) Changes in the Value of Investments
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.

vi) Stock lending income
Stock lending income is accounted for on a cash basis.

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 2019. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial assets
The LGPS Central Pool trading company, LGPS Central Limited, only became licensed to trade on 1 April 2018. The Pension Fund's view is that for 31 March 2019, cost is therefore an appropriate estimate of the fair value of shares held in this company.

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 17 to the accounts). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

H. 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 Savills plc (in accordance with Royal Institute of Chartered Surveyors valuation standards) as at 31 March 2019. 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 Browns, agricultural valuers, at the same date.

I. 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 2019.

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 2019.

J. Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

K. 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.

L. 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.

M. 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.

N. Management expenses
The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

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 administering authority.

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. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in a note to the accounts.

Where a management fee notification has not been received by the time of preparing these accounts, an estimate based upon the market value of the relevant 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 any 'in-house' Fund investment activity.

O. 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 (see note P5).

P. 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(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note P22).

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 2019 was £1,010.4 million (£1,191 million at 31 March 2018).

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:

Changes in assumptions - year ended March 2019	Approx. % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	9%	2,089.6
1 year increase in member life expectancy	4%	834.5
0.5% p.a. increase in salary increase rate	1%	217.4
0.5% p.a. increase in CPI inflation	8%	1,861.5

Fair value of investments

Uncertainties
Certain types of investments are not publicly listed and, as such, there is a degree of estimation involved in their valuation.

Effect if actual results differ from assumptions
The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £3,401.1m at 31 March 2019 (£3,265.3m at 31 March 2018). The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

Note P6 - Actuarial valuation of the Fund

A full actuarial valuation of the Fund was made as at 31 March 2016 by the Fund's Actuary, G Muir of Barnett Waddingham LLP. The Actuary has determined the contribution rates with effect from 1 April 2017 to 31 March 2020.
On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £11,569.0 million represented 81% of the funding target of £14,219.0 million at the valuation date. The valuation also showed that a primary rate of contribution of 18.6% 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.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2017. 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 2017. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils was certified as follows:

Future Service Rate (% of pay) plus lump sum (£)	2015/16	2016/17	2017/18	2018/19	2019/20
Birmingham City Council	12.9% plus £41,870,400	13.4% plus £43,724,800	15.3% plus £61,800,000 (£125.0m)	16.8% plus £61,800,000 (£124.0m)	18.3% plus £61,500,000 (£124.2m)
Coventry City Council	12.7% plus £12,395,000	13.1% plus £15,518,000	16.8% plus £12,000,000 (£31.1m)	16.8% plus £12,000,000 (£31.1m)	16.8% plus £12,000,000 (£31.1m)
Dudley MBC	12.7% plus £9,174,000	13.2% plus £10,931,000	15.4% plus £9,500,000 (£30.2m)	17.0% plus £9,700,000 (£31.3m)	18.6% plus £9,600,000 (£32.3m)
Sandwell MBC	13.1% plus £15,323,200	13.1% plus £19,227,200	14.7% plus £16,900,00 (£16.9m)	16.2% plus £17,000,000 (£17.0m)	17.7% plus £16,900,000 (£16.9m)
Solihull MBC	12.9%	13.5%	14.7% plus £5,000,000 (£15.6m)	16.5% plus £5,100,000 (£16.6m)	18.4% plus £5,100,000 (£17.4m)
Walsall MBC	13.2% plus £14,835,000	13.2% plus £15,518,000	15.4% plus £14,000,000 (£28.0m)	16.9% plus £14,800,000 (£30.2m)	18.3% plus £15,000,000 (£31.5m)
City of Wolverhampton Council	13.1% plus £9,900,000	13.5% plus £10,900,000	15.5% plus £13,300,000 (£29.2m)	16.8% plus £14,000,000	18.1% plus £14,600,000

The amounts shown in brackets are due in the year where the Council has opted to make a cash payment in advance. These amounts were received by the Fund in April 2017. 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:

	2016	2013
Rate of return on investments:	4.7% per annum	5.6% per annum
Rate of pay increases:	3.9% per annum	4.35% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4% per annum	2.6% per annum

The assets were assessed at market value.

The latest triennial actuarial valuation of the Fund was completed at 31 March 2016 and this was conducted by the Fund's Actuary Barnett Waddingham. Based on the results of this valuation, the contribution rates payable by the individual employers were revised with effect from 1 April 2017. The Actuarial Valuation 2016 report can be found on the Fund's website by following the link www.wmpfonline.com/CHttpHandler.ashx?id=12682&p=0

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 2018	31 March 2019
Rate of return on investments (discount rate)	2.55% per annum	2.40% per annum
Rate of pay increases	3.85% per annum*	3.90% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.35% per annum	2.40% 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 IAS 26 as at 31 March 2018 was estimated as £22,063.7 million. The effect of the changes in actuarial assumptions between 31 March 2018 and 31 March 2019 as described above is to increase the liabilities by £792.3 million. Adding interest over the year increases the liabilities by a further £557.4 million and allowing for net benefits accrued/paid over the period increases the liabilities by £273.3 million which includes any increase arising as a result of early retirements/augmentations. A change in mortality rates assumptions has decreased the liabilities by £1,265.2 million.
The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £22,421.5 million.

Note P7 – Taxation

1. Value added tax (VAT)

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 agreement 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

2017-2018 £m		2018-2019 £m
	From employers	
619.3	Contributions	105.3
440.0	Past service deficit	40.2
0.4	Augmented membership	-
34.6	Additional cost of early retirement	24.2
1,094.3		169.7
	From members	
111.0	Basic contributions	102.3
0.6	Additional contributions	0.7
111.6		103.0
1,205.9	Total contributions	272.7

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Following the actuarial valuation as at 31 March 2016, some employers chose to pay their full three-year future service and past service deficit contributions as a lump sum in 2017/18. The lump sums paid by the seven councils and accounted for last year are shown in the table in note 6. Additionally, having paid £5.5m on account in January 2018, City of Wolverhampton Council paid the balance of its 2018/19 and 2019/20 future service and past service deficit contributions by lump sum payment of £57.3m on 30 April 2018. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions receivable by type of employer

2017-2018 £m		2018-2019 £m
55.8	Administering authority	54.8
1,113.9	Scheme Employers	190.0
36.2	Admitted employers	27.9
1,205.9	**Total**	**272.7**

Note P9 - Transfers in

2017-2018 £m		2018-2019 £m
	Group transfers	14.9
25.6	Individual transfers	28.6
25.6	**Total**	**43.5**

Note P10 - Other income

2017-2018 £m		2018-2019 £m
	Benefits recharged to employers	
7.8	Compensatory added years	(7.7)
6.7	Pensions increases	(6.8)
14.5	**Total**	**(14.5)**

Note P11 - Benefits payable

Benefits payable by type

2017-2018 £m		2017-2018 £m
	Pensions	
410.3	Retirement pensions	434.7
28.5	Widows' pensions	29.2
1.0	Children's' pensions	1.0
5.1	Widowers' pensions	5.5
0.2	Ex-spouse	0.2
0.2	Equivalent pension benefits	0.2
0.2	Co-habiting partners	0.3
445.5	**Total pensions**	**471.1**
	Lump sum benefits	
98.8	Retiring allowances	106.0
11.6	Death grants	12.6
110.4	**Total lump sum benefits**	**118.6**
555.9	**Total benefits payable**	**589.7**

Benefits payable by type of employer

2017-2018 £m		2018-2019 £m
45.0	Administering authority	49.8
469.7	Other scheduled employers	490.6
41.2	Admitted employers	49.3
555.9	**Total**	**589.7**

Note P12 - Payments to and on account of leavers

2017-2018 £m		2018-2019 £m
36.4	Individual transfers	32.7
-	Group transfers	
1.7	Refunds of contributions	1.9
0.1	State scheme premiums	0.1
2.8	Bulk pension transfer increases	2.6
41.0	**Total**	**37.3**

Note P13 - Management expenses

2017-2018 £m		2018-2019 £m
3.8	Administrative costs	5.1
58.9	Investment management expenses, comprising:	79.9
44.6	- Management fees	47.5
11.4	- Performance-related fees	13.0
2.3	- Transaction costs	15.2
0.6	- Custody fees	0.4
-	- LGPS Central Limited	3.8
2.8	Oversight and governance costs	2.4
1.3	LGPS Central	-
66.8	**Total management costs**	**87.4**

Included in administrative costs of £5.1m above are external audit fees of £50,438 (2017/18: £48,618). The charge for 2018/19 comprises the current year audit fee of £37,438 and £13,000 invoiced by Grant Thornton for additional audit work required in 2017/18.

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £15.2 million in 2018/19 and £11.4 million in 2017/18.

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, the 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

2017-2018 £m		2018-2019 £m
	Dividends and Interest	
	Bonds	
7.7	UK private sector – quoted	7.5
	Equities	
58.0	UK private sector – quoted	9.2
142.9	Overseas	51.9
	Pooled Investment Vehicles	
14.9	UK private sector – quoted	103.1
0.3	Overseas equities	7.0
2.9	Interest on cash deposits	5.2
2.9	Stocklending	0.9
0.9	Other investment income	0.5
230.5	**Total dividends and interest**	**185.3**
23.8	Property management income	62.5
(5.6)	Property management expenses	(9.9)
18.2	**Total property management**	**52.6**
248.7	**Total investment income**	**237.9**

Stocklending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £215.8m (2018: £353m) in exchange for which the custodian held collateral worth £238.6m (2018: £394.8m) representing 111% of stock lent (2018: 112%). These equities continue to be recognised in the Fund's financial statements and the collateral consists of acceptable securities and government debt.

During the period the stock is on loan, the voting rights on the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

Other investment income

Other investment income includes the following; Class action income, liquidation proceeds and tax refunds.

Note P15 - Net investment assets

2017-2018 £m		2018-2019 £m
	Bonds	
188.5	UK companies – segregated (external)	187.9
	Overseas Sovereign - Index Linked	151.9
188.5		**339.8**
	UK equities	
1,492.2	Quoted	38.0
2.0	Unquoted	2.0
1,494.2		**40.0**
	Overseas equities	
4,627.8	Quoted	27.5
1,715.7	Quoted – segregated (external)	1,273.8
6,343.5		**1,301.3**
	Pooled investment vehicles	
	Managed funds	
563.1	UK fixed interest	584.8
820.1	Other fixed interest	1,112.3
872.3	UK quoted, index linked	920.6
	UK quoted equities (pooled assets)	1,244.1
-	Overseas quoted equities (pooled assets)	4,723.9
610.0	Infrastructure	818.5
1,191.0	Private equity	1,010.4
553.2	UK absolute returns	530.4
48.3	Overseas absolute returns	61.0
51.4	UK property	60.0
170.6	Overseas property	167.5
	Unit trusts	
162.1	UK quoted equities	162.8
302.7	Overseas equities	85.3
7.1	Overseas property	0.2
5,351.9		**11,481.8**
	Property	
806.8	UK freehold	934.2
56.0	UK leasehold*	46.5
862.8		**980.7**

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	Derivative contracts	
-	Futures	20.7
44.9	Forward currency contracts	1.0
44.9		**21.7**
	Foreign currency holdings	
2.2	Australian dollars	0.5
0.5	Canadian Dollars	0.6
0.5	Czech Koruna	1.0
0.7	Danish Kroner	0.5
11.5	Euro	208.8
0.6	Hong Kong Dollars	239.4
0.6	Hungarian Forints	0.5
1.1	Japanese Yen	5.4
0.6	New Zealand Dollars	0.5
0.6	Norwegian Kroner	0.5
0.5	Polish Zloty	0.5
0.6	Singapore Dollars	0.8
3.5	Swedish Kroner	2.9
4.1	Swiss Francs	3.1
0.6	Turkish Lira	0.6
97.8	United States Dollars	225.0
126.0		**690.6**
	Cash deposits	
830.1	UK	488.0
-	US	333.8
830.1		**821.8**
	Other investments	
0.4	Broker balances	51.8
45.2	Outstanding dividend entitlement and recoverable with-holding tax	0.5
45.6		**52.3**
15,287.5	**Total investment assets**	**15,730.0**

	Investment liabilities	
	Derivative contracts	
-	Forward currency contracts	(2.8)
-		**(2.8)**
	Other liabilities	
-	Amounts payable for purchases	(152.1)
-		**(152.1)**
-	**Total investment liabilities**	**(154.9)**
15,287.5	**Net investment assets**	**15,575.1**

* 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 investments represent more than 5% of the net assets of the Fund. All of these companies are registered in the UK.

2017-2018 Market value £m	% of total market value %		2018-2019 Market value £m	% of total market value %
		Security		
-	-	LGPS Central Global Ex UK Passive Equity Fund	3,649.8	23.5
-	-	LGPS Central Global UK Passive Equity Fund	1,244.1	8.0
-	-	LGPS Central Global Equity Active Multi-Manager Fund	791.2	5.1
773.9	5.1	Legal & General - All Stocks Index-Linked Gilts Fund	920.6	5.9

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

31 March 2018 Market value £m	% of total market value %		31 March 2019 Market value £m	% of total market value %
Investments managed by LGPS Central Limited regional asset pool:				
-	-	Global equities	4,723.9	30.4
-	-	UK equities	1,244.1	8.0
-	-		**5,968.0**	**38.4**
Investments managed outside of LGPS Central Limited regional asset pool:				
7,986.2	52.4	In-house	2,579.3	16.6
162.1	1.1	Managers: UK quoted	162.8	1.0
1,232.0	8.1	Managers: emerging markets	1,273.8	8.2
786.4	5.2	Managers: global equities	85.3	0.5
2,444.0	16.0	Managers: fixed interest	2,805.6	18.2
229.1	1.5	Managers: indirect property	227.7	1.5
610.0	4.0	Managers: infrastructure funds	818.5	5.3
601.5	3.9	Managers: absolute return	591.4	3.8
1,191.0	7.8	Managers: private equity	1,010.4	6.5
15,242.3	**100.0**		**9,554.8**	**61.6**
45.2		Outstanding dividend entitlement and recoverable with-holding tax	52.3	
15,287.5		**Net investment assets**	**15,575.1**	

ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

During the year the Fund approved the use of both forward foreign currency hedging and exchange traded futures contracts for the purpose of hedging exposures to reduce risk in the Fund and to gain exposure to assets more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

a) Futures

During the year, the Fund made a decision to transition assets out of an internal global equity portfolio and into a new sustainable global equities mandate. Recognising that there would be some lead time in implementing this strategy, as and when the existing portfolio was realised, proceeds were invested in global equity futures pending transition to the sustainables mandate. The Fund has also invested in gilt futures to help align the weighting in this area with its strategic target and as a tool for risk management. The use of futures enables the Fund to invest cash in higher returning assets at relatively lower cost whilst retaining flexibility to switch money cheaply into the income assets that the Fund may be targeting. The Fund will continue to use futures to manage transitions, ensuring efficient portfolio management and potentially manage active currency risk not covered by the passive hedging strategy. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place. The Fund commenced its currency hedging programme in September 2017 following approval by Committee to amend the Strategic Investment Allocation Benchmark to reflect the passive currency management programme. The Fund's hedging programme aims to protect returns in sterling terms and reduce currency risk by targeting a 50% hedge ratio based on the strategic weight of each region with a rebalancing taking place on a monthly basis to reflect changing market values.

c) Open forward currency contracts

Settlement	Currency Bought	Local value m	Currency Sold	Local value m	Asset value £m	Liability value £m
One to six months	GBP	700.1	EUR	809.3	1.0	-
One to six months	GBP	354.5	JPY	51,202.0	-	(1.3)
One to six months	GBP	1,992.0	USD	2,607.2	-	(1.5)
Open forward currency contracts at 31 March 2019					1.0	(2.8)
Net forward currency contracts at 31 March 2019						**(1.8)**

Prior year comparative

Open forward currency contracts at 31 March 2018	44.9	-
Net forward currency contracts at 31 March 2018	**44.9**	-

d) Open exchange traded futures contracts

Type	Expires	Economic exposure £m	Market value 31 March 2018 £m	Economic exposure £m	Market value 31 March 2019 £m
Assets					
UK equity	Under one year	-	-	59.9	1.1
Overseas equity	Under one year	-	-	730.4	19.3
UK bond	Under one year	-	-	150.0	0.3
Total assets					**20.7**

Note P16 - Investment market value movements analysis

	Value as at 31 March 2018	Purchases at cost	Sales at book value	Investment management fees deducted at source	Change in market value	Value as at 31 March 2019
	£m	£m	£m	£m	£m	£m
Bonds	188.5	151.3				339.8
UK equities	1,494.2	0.2	(1,091.0)	(0.8)	(362.6)	40.0
Overseas equities	6,343.5	13.9	(3,545.7)	(2.1)	(1,508.3)	1,301.3
Pooled investment vehicles	5,351.9	7,820.1	(1,861.4)	(59.3)	230.5	11,481.8
Property	862.8	120.5	(18.1)		15.5	980.7
	14,240.9	**8,106.0**	**(6,516.2)**	**(62.2)**	**(1,624.9)**	**14,143.6**
Derivative contracts						
Futures	-	51.7	(4.2)	-	(26.8)	20.7
Forward foreign exchange	44.9	167.0	(308.4)		94.7	(1.8)
	14,285.8	**8,324.7**	**(6,828.8)**	**(62.2)**	**(1,557.0)**	**14,162.5**
Broker balances	0.4					51.8
Outstanding dividend entitlement and recoverable with-holding tax	45.2					0.5
Amounts payable for purchases of investments						(152.1)
Foreign currency	126.0					690.6
Cash deposits	830.1					821.8
Total investments	**15,287.5**					**15,575.1**

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year.

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 Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £15.2 million (2017/18: £2.3 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 Fund.

31 March 2018 £m		31 March 2019 £m
2.3	Equities - Overseas Quoted	15.2
2.3		**15.2**

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 2017/18 is set out below:

	Value as at 31 March 2017 £m	Purchases at Cost £m	Sales at Book Value £m	Investment Management Fees Deducted at Source £m	Change in Market Value £m	Value as at 31 March 2018 £m
Bonds	192.4	-	-	-	(3.9)	188.5
UK Equities	1,368.4	329.2	(134.2)	-	(69.2)	1,494.2
Overseas Equities	5,920.3	983.1	(512.0)	-	(47.9)	6,343.5
Pooled Investment Vehicles	5,574.4	1,797.5	(1,657.0)	(46.2)	(316.8)	5,351.9
Property	756.4	75.6	(25.8)	(1.5)	58.1	862.8
	13,811.9	**3,185.4**	**(2,329.0)**	**(47.7)**	**(379.7)**	**14,240.9**
Derivative Contracts						
Futures	**-**	**1,394.5**	**(1,413.0)**	**-**	**18.5**	**-**
Forward Foreign Exchange	**-**	**15,453.6**	**(15,457.1)**	**-**	**48.4**	**44.9**
	13,811.9	**20,033.5**	**(19,199.1)**	**(47.7)**	**(312.8)**	**14,285.8**
Broker Balances	0.2					0.4
Outstanding dividend entitlement and recoverable With-holding tax	24.7					45.2
Foreign Currency	111.8					126.0
Cash Deposits	304.1					830.1
Total Investments	**14,252.7**					**15,287.5**

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 £616.3 million which represents profit realised on sale of the Fund's assets.

16 i) Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows:

2017-2018 £m		2018-2019 £m
756.4	**Opening balance**	**862.8**
75.6	Additions	120.5
(27.1)	Disposals	(18.1)
57.9	Net change in market value	15.5
862.8	**Closing balance**	**980.7**

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop any of these properties nor does it have any responsibility for any repairs, maintenance or enhancements.

The future minimum lease payments receivable by the Fund are as follows:

31 March 2018 £000		31 March 2019 £000
50,031	Within one year	40,056
192,879	Between one and five years	142,444
223,218	Later than five years	164,249
466,128	**Total future lease payments due under existing contracts**	**346,749**

The receivables above have been reduced by a credit loss allowance of 1% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This deduction is based on advice from the Fund's property letting agents.

Note P17 - Fair value - basis of valuation

The basis of the valuation of each class of investment assets is detailed below. There has not been any change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Asset type	Valuation level	Basis of valuation	Observable and unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2019.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields	n/a	n/a
Futures	1	Published exchange prices at 31 March 2019	n/a	n/a
Unquoted bonds	2	Average of broker prices	Evaluated price feeds	n/a
Pooled Investments- overseas unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net asset value (NAV) based pricing set on a forward pricing basis	n/a
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 2019	Exchange rate risk	n/a
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuatiuon reports of Savills Plc. 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 are valued by Browns at the year end.	Existing lease terms and rentals, independent market research, tenant covenannt strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations
Unquoted equity (includes Private Equity, Infrastructure and Absolute Return/Diversified Growth Funds)	3	Value 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.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occuring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of level 3 assets

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and,as set out below, the consequent potential impact on the closing value of investments at 31 March 2019.

Level 3 assets	Valuation range	Valuation at 31 March 2019	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	14.3	980.7	1,120.9	840.5
Private Equity	28.3	1010.4	1,296.3	724.5
Infrastructure	20.1	818.5	983.0	654.0
Absolute Return/Diversified Growth	12.5	591.5	665.4	517.6
Total		**3401.1**	**4,065.6**	**2,736.6**

17 i) Fair value hierarchy

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 interest 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 the determining appropriate assumptions.

The values of the investments in private equity, infrastructure and absolute return/diversified growth funds are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds. Valuations are undertaken quarterly and an adjustment is made to roll forward the latest available valuation to 31 March 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 fair value is observable.

Value at 31 March 2019	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	7,576.0	3,188.2	2,420.4	**13,184.6**
Non- financial assets at fair value through profit and loss			980.7	**980.7**
Financial liabilities at fair value through profit and loss		(2.8)		**(2.8)**
Net financial assets	**7,576.0**	**3,185.4**	**3,401.1**	**14,162.5**

Value at 31 March 2018	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	9,172.8	1,802.8	2,402.5	**13,378.1**
Non- financial assets at fair value through profit and loss			862.8	**862.8**
Net financial assets	**9,172.8**	**1,802.8**	**3,265.3**	**14,240.9**

Note 17 ii) - Reconciliation of fair value measurements within level 3

Period 2018/19	Market value 1 April 2018 £'000	Transfers into Level 3	Transfers out of level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains / losses £'000	Realised gains/losses £'000	Market value 31 March 2019 £'000
		-						
Freehold and Leasehold Property	862.8	-	-	120.5	(18.1)	8.1	7.4	980.7
Private Equity	1,191.0	-	-	220.1	(247.8)	(356.7)	203.8	1010.4
Infrastructure	610.0	-	-	239.6	(30.5)	(10.8)	10.2	818.5
Absolute Return/Diversified Growth	601.5	-	-	285.8	(261.3)	27.0	-61.5	591.5
Total	**3,265.3**	**0.0**	**0.0**	**866.0**	**(557.7)**	**(332.4)**	**159.9**	**3401.1**

Note P18 - Investment capital commitments

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

31 March 2018 £m		31 March 2019 £m
907.6	Non-publicly quoted equities and infrastructure	814.6
107.1	Property	103.9
1,014.7		**918.5**

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

Note P19 - Long term debtors

31 March 2018 £m		31 March 2019 £m
-	Private equity consolidation proceeds	82.6
25.1	Early retirement costs	28.9
	Reimbursement of lifetime tax allowances	2.2
25.1	**Total**	**113.7**

As part of a consolidation exercise, the Fund sold a number of small limited partnership private equity holdings in the secondary markets for the total sum of £184.6m. £102m of the proceeds were received by 31 March 2019 and the balance is receivable in two instalments of £29.3m due by 28 August 2020 and £53.3m due by 29 September 2020. The total outstanding of £82.6m is therefore included as long term debtors.
The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £28.9m is due after the following financial year (2017/18: £25.1m). The instalments due in 19/20 are reported in current assets.

Note P20 - Current Assets

	Receivables and prepayments	
	Contributions Receivable	
98.0	- Employers' future service	11.8
20.2	- Employers' past service deficit	4.7
11.7	- Members	9.6
24.8	Other Receivables	19.0
154.7	**Total Receivables and Prepayments**	**45.1**
(3.3)	Cash	2.2
151.4	**Total Current Assets**	**47.3**

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 2019 is £3 million (31 March 2018: £6.3 million).

Note P21 - Current liabilities

31 March 2018 £m		31 March 2019 £m
	Payables and receipts In advance	
(2.0)	Pensions and lump sum benefits	(5.9)
(42.3)	Other payables	(16.1)
(44.3)	**Total**	**(22.0)**

Note P22 - 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) (b) 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 2018			31 March 2019	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
1.9	**38.7**	**Opening value of the fund**	**1.8**	**37.8**
0.1	6.4	Income	-	5.9
(0.3)	(8.5)	Expenditure	(0.3)	(7.6)
0.1	1.2	Change in market value	0.1	1.5
1.8	**37.8**	**Closing value of the fund**	**1.6**	**37.6**

Note P23 Post year end transactions

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

Note P24 Financial instruments

Net gains and losses on financial instruments

31 March 2018 £m		31 March 2019 £m
	Financial assets	
419.3	Fair value through profit and loss	(1,545.7)
	Financial liabilities	
	Fair value through profit and loss	(26.8)
419.3	**Total**	**(1,572.5)**

Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category. No financial instruments were reclassified during the accounting period.

31 March 2018 Fair value through Profit and Loss £m	31 March 2018 Assets at amortised cost £m	31 March 2018 Financial liabilities at amortised cost £m		31 March 2019 Fair value through Profit and Loss £m	31 March 2019 Assets at amortised cost £m	31 March 2019 Financial liabilities at amortised cost £m
			Financial assets			
188.5			Bonds	339.8		
1,494.2			UK equities	40		
6,343.5			Overseas equities	1301.3		
5,351.9			Pooled investment vehicles	11,481.8		
44.9			Derivative contracts	21.7		
	952.8		Cash		1,514.6	
	70.8		Other investment balances		166.0	
	154.7		Debtors		45.1	
13,423.0	**1,178.3**			**13,184.6**	**1,725.7**	
			Financial liabilities			
			Derivative contracts	(2.8)		
			Other investment balances			(152.1)
		(44.3)	Creditors			(22.0)
13,423.0	**1,178.3**	**-44.3**		**13,181.8**	**1,725.7**	**(174.1)**
	14,557.0				**14,733.4**	

Note P25 - 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 an 86% exposure to return seeking assets such as equities, property, other alternatives with equity-like returns, including emerging market debt and higher return fixed interest investments. The remaining 14% is 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.

Credit risk

The Fund's deposits with financial institutions as at 31 March 2019 totalled £821.8 million in respect of temporary loans and treasury management instruments (31 March 2018: £830.1 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 2019 is shown overleaf:

Summary	Long term Fitch rating*	Value at 31 March 2018 £m	Value at March 2019 £m
Money market funds			
HSBC Sterling Liquidity Fund	Aaa-mf	100.0	157.4
HSBC USD Liquidity Fund Class H	Aaa-mf	-	333.8
LGIM Liquidity Fund	Aaa-mf	230.0	111.0
Insight Liquidity Fund	AAAmmf	250.0	0.9
Aberdeen Liquidity Fund (Lux)	Aaa-mf	153.2	-
Short-term deposits			
Principality Building Society	BBB+	25.0	-
Nottingham Building Society	Baa1	10.0	-
Leeds Building Society	A-	-	-
Barclays	A	-	-
Skipton Building Society	A-	-	-
Coventry Building Society	A	15.0	-
Northamptonshire County Council		-	-
Mid Suffolk County Council		-	-
Swindon City Council		-	-
The City of Liverpool Council		10.0	-
London Borough of Barking & Dagenham		10.0	-
Reading Borough Council		10.0	-
London Borough of Haringey		10.0	-
Bank deposit accounts			
NatWest Corporate Cash Manager Account			129.9
CBRE Client Account West Midlands Met Authority			15.7
GBP Current Accounts	AA-	2.9	-
HSBC Global Active	AA-	4.0	73.1
Total		**830.1**	**821.8**

* Moody's rating used if no Fitch rating available

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 cashflow 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 2019, £215.8 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 2018: £353 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £238.6 million, giving a margin of 10.6% (2017/18, £394.8 million, margin of 11.8%).
Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stocklending amounted to £0.9 million during the year (2017/18: £2.9 million) and is detailed in note 12 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, its value 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 compliance with 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 2018/19 reporting period (overleaf):

Market risk - Other price risk

Asset Type	Value at March 2019 £m	% Change	Value on increase £m	Value on decrease £m
UK equities	1,446.9	16.6%	1,687.1	1,206.7
Global equities (ex UK)	6,110.5	16.9%	7,143.2	5,077.8
Property	227.7	14.3%	260.3	195.1
Fixed interest*	2,957.5	8.3%	3,203.0	2,712.0
Private equity	1,010.4	28.3%	1,296.3	724.5
Alternatives**	1,409.9	16.8%	1,646.8	1,173.0
Total Fund (See note below)	**13,162.9**		**15,236.7**	**11,089.1**

*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 (£591.4m) and infrastructure (£818.5m)

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 10.5%. On this basis, the total value on increase is £14,545 million and the total value on decrease is £11,780.8 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.

Asset Type	Value as at 31 March 2018 £m	% Change	increase £m	decrease £m
UK equities	1,656.3	16.8%	1,934.6	1,378.0
Global equities (ex UK)	6,646.2	17.9%	7,835.9	5,456.5
Property	1,091.9	14.3%	1,248.0	935.8
Fixed interest*	2,444.0	8.3%	2,646.9	2,241.1
Private equity	1,191.0	28.3%	1,528.1	853.9
Alternatives**	1,211.5	16.2%	1,407.8	1,015.2
Total Fund (See note below)	**14,240.9**		**16,601.3**	**11,880.5**

*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 (£601.5m) and infrastructure (£610.0m)

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 2019 and 31 March 2018:

Asset Type	Value at 31 March 2019 £	% Change	Value on Increase £	Value on Decrease £
Global equities (ex UK)	6,110.5	10.0%	6,721.6	5,499.5
Private equity	1,010.4	10.0%	1,111.4	909.4
Fixed interest	2,957.5	10.0%	3,253.3	2,661.8
Alternatives	1,409.9	10.0%	1,550.9	1,268.9
Property funds	167.5	10.0%	184.3	150.8
Liquid assets	1,074.0	10.0%	1,181.4	966.6
Total	**12,729.8**		**14,002.9**	**11,457.0**

Asset Type	Value at 31 March 2018 £	% Change	Value on Increase £	Value on Decrease £
Global equities (ex UK)	6,646.2	10.0%	7,310.8	5,981.6
Private equity	1,191.0	10.0%	1,310.1	1,071.9
Fixed interest	2,444.0	10.0%	2,688.4	2,199.6
Alternatives	1,211.5	10.0%	1,332.7	1,090.4
Property funds	229.1	10.0%	252.0	206.2
Liquid assets	126.0	10.0%	138.6	113.4
Total	**11,847.8**		**13,032.6**	**10,663.1**

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 cashflows 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 2019 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 (BPS) 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	Carry amount as at 31 March 2019 £m	Change in year in the net assets available to pay benefits +100BPS £m	-100BPS £m
Index-linked Gilts	920.6	(203.5)	203.5
Gilts	172.7	(20.0)	20.0
Corporate Bonds	585.1	(49.6)	49.6
Gilt Future*	150.3	(13.1)	13.1
US TIPS	151.9	(18.5)	18.5
Total	**1,980.6**	**(304.7)**	**304.7**

* Economic exposure

Asset Type	Carrying amount as at 31 March 2018 £m	Change in year in the net assets available to pay benefits +100BPS £m	-100BPS £m
Index-linked Gilts	872.3	(183.2)	183.2
Gilts	166.6	(17.3)	17.3
Corporate Bonds	585.1	(50.1)	50.1
Total	**1,624.0**	**(250.6)**	**250.6**

Note P26 - 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	8	206.40
£100 - £500	1	106.71
Over £500	2	2,297.30
TOTAL	**11**	**2,610.41**

Write off analysis		
Individual Value	**Number**	**Total £**
Less than £100	2	150.56
£100 - £500	52	11,319.38
Over £500	21	66,268.39
TOTAL	**75**	**77,738.33**

Note P27 - 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 £64.1 million were receivable from the City of Wolverhampton Council for 2018/19 (2017/18: £35.8 million). Having paid £5.5m on account in January 2018, City of Wolverhampton Council paid the balance of its 2018/19 and 2019/20 future service and past service deficit contributions by lump sum payment of £57.3m on 30 April 2018. Balances owed by and to the Council at the year end are shown in Notes P19, P20 and P21.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund as set out below:

Pensioner: Councillors Bagri, Butt, Inston, Mutton and Underhill
Active: Councillor Hevican
Deferred: Councillors Brookfield and Simkins

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 2018/19. Contributions from each of these are set out below.

Contributions receivable 2017-2018 £000		Contributions receivable 2018-2019 £000
5,730	West Midlands Fire and Rescue Service	-
4,497	Wolverhampton Homes	4,890
174	Wolverhampton Girls High School	218
18	Kingswood Trust	21
-	Wolverhampton City Council	64,100
-	Birmingham Museums Trust	175

LGPS Central Limited

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Wolverhampton City Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

The West Midlands Pension Fund paid £0.355m of set-up costs in relation to LGPS Central Limited in 2018/19 bringing the Pension Fund's total share of set-up costs to £0.502m. These set up costs have been reimbursed by LGPS Central Limited in full to the Pension Fund in 2018/19.

LGPS Central Limited launched its first products on 3 April 2018, a range of passive equity funds which the Fund has invested in from launch. Additionally, the Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £1.699m in 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.202m (2017/18: £nil).

The Pension Fund was invoiced £2.071m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.370m (2017/18: £nil).

LGPS Central Limited has let office space from Wolverhampton City Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by Wolverhampton City Council from LGPS Central Limited in 2018/19 totalled £81,798 and the reimbursement of associated utilities and maintenance charges for 2018/19 totalled £8,021. In addition, West Midlands Pension Fund provided graphic design services to LGPS Central Limited for a fee of £11,770.

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Consequently, LGPS Central Limited paid contributions to the Fund on behalf of staff totalling £274,764 (2017/18: £8,582).

Wolverhampton City Council, via the Pension Fund, has invested £1.315m in LGPS Central Limited class B shares and £0.685m in class C shares in 2017/18 and these are both balances at this year end.

Key management personnel

The Fund's current senior management comprises six individuals: the Director of Pensions, Assistant Director (Finance & Investments), the Head of Operations, the Head of Pensions, the Head of Governance and Corporate Services and the Head of Finance. The total salary paid to the senior management team in 2018/19 was £458,000 (2017/18: £481,000). In addition to this, employer's pension contributions of £138,000 (2017/18: £130,000) were met from the Fund in respect of these individuals.

CITY OF WOLVERHAMPTON COUNCIL

Annual Governance Statement 2018-2019

Scope of Responsibility

The City of Wolverhampton Council 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 a Local Code of Corporate Governance, which is being revised in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The new principles have been adopted in this statement.

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.

WV Living is a private limited company, which has been set up by the City of Wolverhampton Council, to develop and build a new range of homes within the city. Therefore, the company are required to submit separate accounts via Companies House. Senior Officers from the Council are directors of the company and formal governance arrangements have been established in an articles of association.

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.

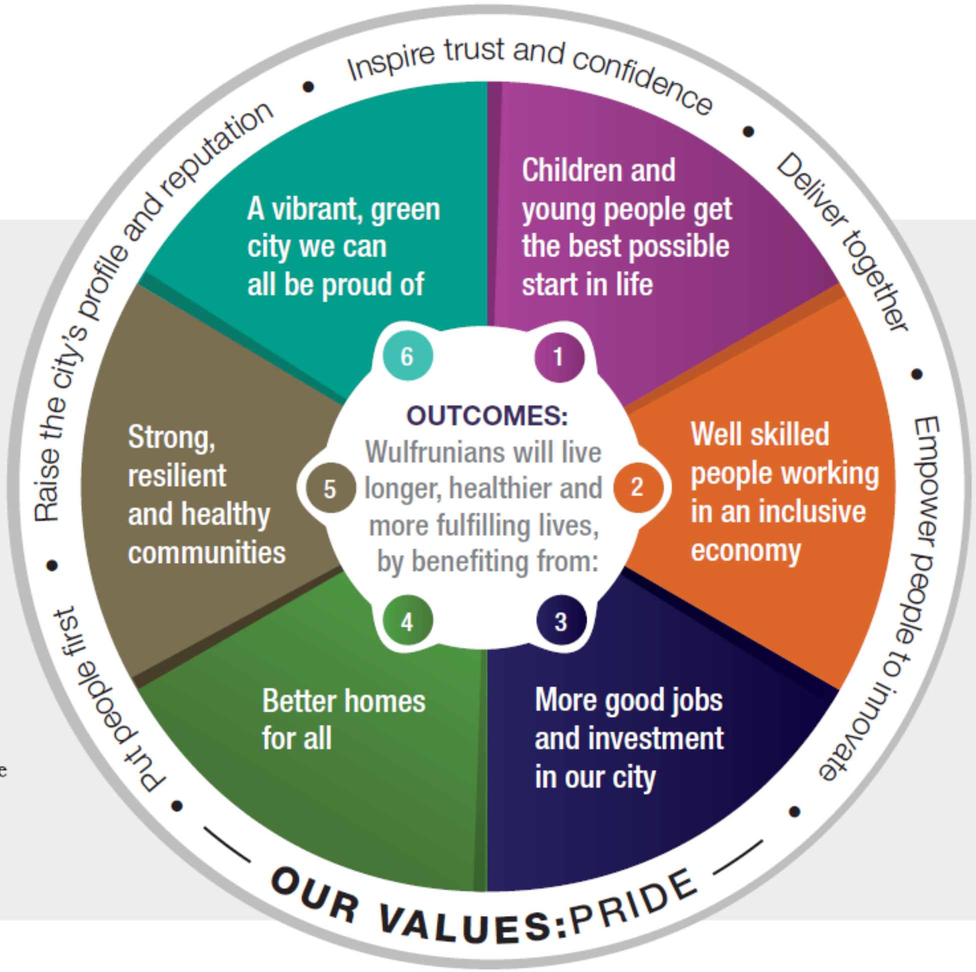
Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. 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 2019 and up to the date of approval of the annual report and statement of accounts.

On 3 April 2019 The City of Wolverhampton Council approved a new Council Plan for 2019-2024, to replace the existing Corporate Plan 2016-2019. The plan will build on the Council's transformation journey with a focus on delivering the following improved outcomes for the City:

Council Plan

Working together to be a city of opportunity and to deliver our contribution to Vision 2030



CITY OF WOLVERHAMPTON COUNCIL

In partnership with

Wolverhampton for Everyone

a people powered city

'Connecting people, places and communities to unlock potential and create change'

A full copy of the Council Plan can be found here

These are underpinned by the governance environment. This environment is consistent with the core principles of the new 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.

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong	• Delivery and communication of an agreed corporate plan • Quality services are delivered efficiently and effectively • Clearly defined roles and functions • Management of risk • Effectiveness of internal controls • Compliance with laws, regulation, internal policies and procedures • Value for money and efficient management of resources • High standards of conduct and behaviour • Public accountability	• The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Council, Cabinet and Committees • Audit and Risk Committee • Scrutiny function • Standards Committee • Internal and External Audit • Strategic Executive Board • Wider Leadership Team • Directors Assurance Statements • Corporate and Business plans • Medium Term Financial Strategy • Corporate Risk Register and Assurance Map • Codes of Conduct • Whistleblowing and other anti-fraud related policies	• External Audit Report to Those Charged with Governance (ISA 260) Report – unqualified opinion • Annual Internal Audit Report - unqualified opinion • Annual Audit and Risk Committee Report to Council • Latest LGA Corporate Peer Review – positive outcome • 2017 Ofsted inspection of Children's Services – judged "Good". • Annual Statement of Accounts	• Medium Term Financial Strategy • Procurement, Contract Management and Monitoring • Corporate Landlord • Civic Halls • General Data Protection Regulations • Tenant Management Organisations • Residential Site Management

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	• Published information is accurate and reliable • Implementation of previous governance issues	• Financial and Contract Procedures Rules • modern.gov (the council's committee management information system)	• Local Government Ombudsman Report • Scrutiny reviews • Annual Governance Statement – including the follow up of previous year issues	• Combined Authority

The Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework including 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. The above table helps illustrate this framework, where assurance is provided and the processes through which the effectiveness of these arrangements are reviewed.

Opinion for 2018-2019

The review of effectiveness has found the arrangements for the governance framework to be fit for purpose.

A key component of the review is through the work of the Council's Audit and Risk Committee and during the year the Committee continued with its new initiatives, helping to ensure that the Council had a modern, effective and risk focussed Committee. During the year they:

- Maintained the focus of the Committee on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its risks well. This also involved the Committee 'calling-in' certain risks and their risk owners, for a more detailed review.
- Maintained a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, the Internal Auditors and Senior Officers. There was also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.

Internal Audit

Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of Head of Internal Audit and the Council is able to confirm that the arrangements conform to these requirements. The Council is also able to confirm compliance with the Public Sector Internal Audit Standards through the results of an independent validation of the Council's self-assessment exercise and as reported to the Audit and Risk Committee in 2018.

Internal Audit has concluded that based on the work undertaken during the year on areas of 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".

Managing the risk of Fraud and Corruption

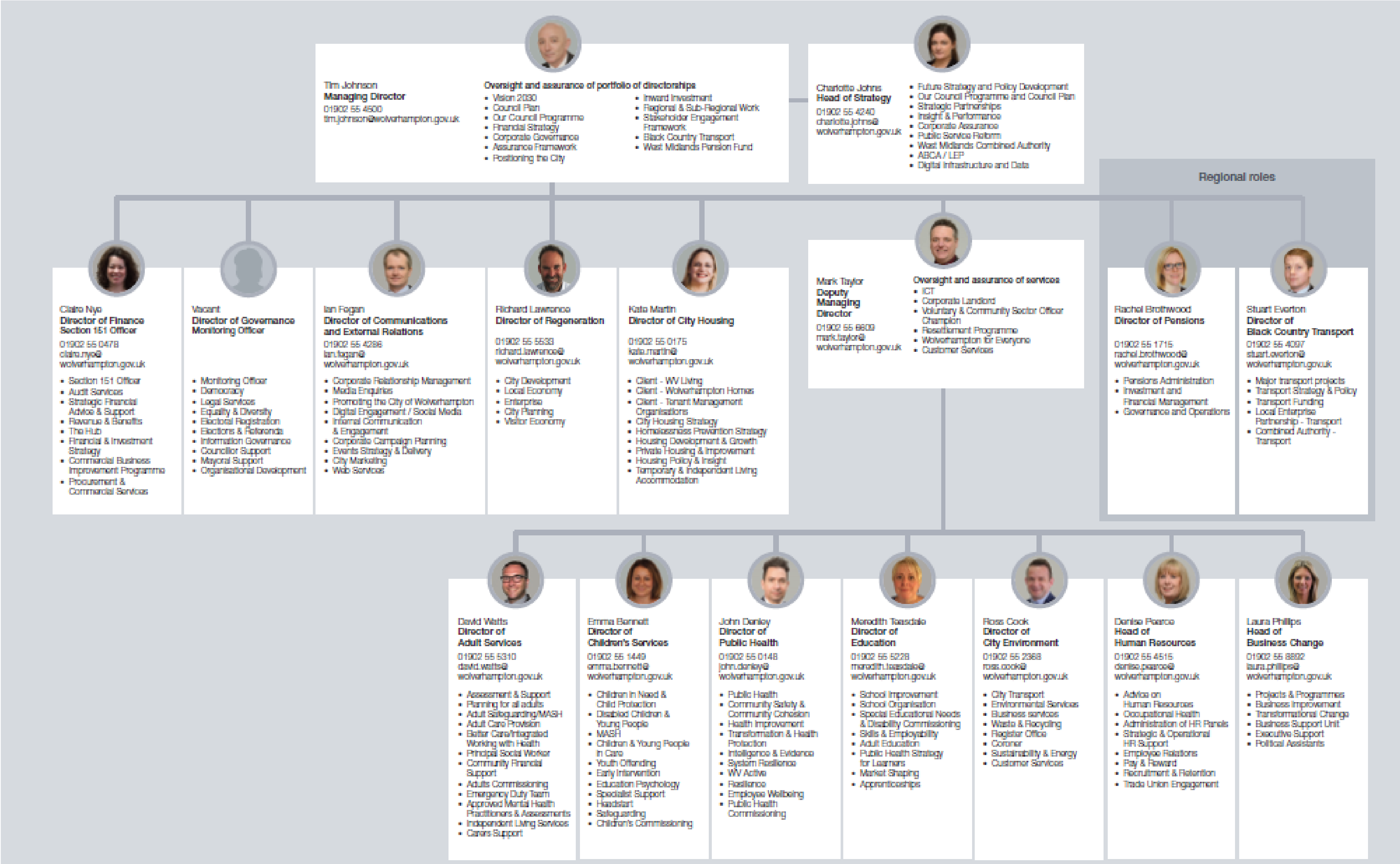
With regards to the CIPFA Code of practice on managing the risk of fraud and corruption - having considered all the principles, the Council is satisfied that it has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The activities 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

Key Changes to the Governance Framework

There were no key changes to the governance framework during the year. However, on 3 April 2019 The City of Wolverhampton Council approved a new Council Plan (see above) and a new senior management structure as follows: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• Our Council Programme
• Financial Strategy
• Corporate Governance
• Assurance Framework
• Positioning the City
• Inward Investment
• Regional & Sub-Regional Work
• Stakeholder Engagement Framework
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• West Midlands Pension Fund
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• Our Council Programme and Council Plan
• Strategic Partnerships
• Insight & Performance
• Corporate Assurance
• Public Service Reform
• West Midlands Combined Authority
• ABCA / LEP
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• Procurement & Commercial Services
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Monitoring Officer
• Monitoring Officer
• Democracy
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• Approved Mental Health Practitioners & Assessments
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• Administration of HR Panels
• Strategic & Operational HR Support
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• Pay & Reward
• Recruitment & Retention
• Trade Union Engagement
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• Business Improvement
• Transformational Change
• Business Support Unit
• Executive Support
• Political Assistants

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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 2018-2019. This states that the control framework has been reviewed by the Company's Audit and Service Delivery 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.

WV Living

The Council's internal auditors provide the internal audit service to WV Living. In 2018-2019 they undertook a review of the governance arrangements at WV Living and were able to conclude that the controls operating within the system provided satisfactory assurance as part of the process to mitigate risks to an acceptable level.

Progress on the Governance Issues from 2017-2018

The table below describes the governance issues identified during 2017-2018 and the progress made against these during 2018-2019. While a number of issues have been carried forward to 2019-2020, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
Savings Targets This continues to be a key area for the Council to manage as it is faced with finding savings of £19.5 million by 2019-2020.	On 17 October 2018, Cabinet approved that: • Budget Reduction and Income Generation proposals amounting to £695,000 in 2019-2020 proceed to formal consultation and scrutiny stages of the budget process • That Financial Transactions and Base Budget Revisions totalling a net reduction of £4.7 million in 2019-2020 be incorporated into the 2019-2020 draft budget Cabinet also approved a number of changes to items in the Medium Term Financial Strategy. As a result of the recommendations Cabinet also approved that further options are explored between October 2018 and January 2019 to address the updated projected budget deficit of in the region of £6.0 million for 2019-2020 based on the Council's high-level strategy.	Council approved a balanced budget for 2019-2020 without the use of general reserves. It is estimated that further savings of £27.3 million are required in 2020-2021 rising to £40 – 50 million over the medium-term to 2023-2024. Council approved that work starts on developing budget reduction and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy, with progress reported back to Cabinet in July 2019. It is important to note that projected budget deficit assumes the achievement of budget reduction proposals amounting to £9.6 million over the five year period 2019-2020 to 2023-2024. It is also important to note that a number of assumptions have been made with regards to the level of resources that will be available to the Council, and that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. At the point that further information is known it will be incorporated into future reports to

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		Councillors. Any reduction in the Government's allocation of funding to the Council would have significant detrimental impact and further increase the budget deficit forecast of the medium-term. **Carried forward**
Procurement, Contract Management and Monitoring Following the establishment of the contract monitoring team, contract management training is being rolled out across service teams and being tailored to their specific requirements.	The Commercial Team has held a number of internal contract training sessions. In addition, collaboration is taking place between Procurement and Commercial to establish external training for selected officers within the authority. Support is also provided as required to officers.	This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU. **Carried forward**
Combined Authority The devolution deal 2 agreed in November 2017 covers a number of areas where the Government has committed to support the West Midlands as it develops its Local Industrial Strategy to drive regional economic growth. The deal sets out a number of initiatives on public service reform, ways in which the West Midlands could have more control of financing its activities, new arrangements for the adult skills budget and agreed governance changes, including a commitment to integrate the West Midlands Fire and Rescue Service into the Combined Authority, whereby a public	**Transport** **Transforming Cities Funding (TCF)** • As part of the TCF, the West Midlands Combined Authority will receive capital funding of £250 million from the national fund total of £1.7 billion. • Funding will be provided over four years to 2021-2022, and will be a single grant to the West Midlands. • The Black Country is the main beneficiary from the Transforming Cities Funding. In addition to the £207 million already allocated to the Wednesbury to Brierley Hill Metro	**Transport** The situation remains as per the mid-year update. **Skills and Productivity** City partners have worked together to develop bids for AEB funding for the city. The overall strategy has been to improve the relevance and accessibility of local AEB funded skills provision to meet both resident and business need and to make better connections between AEB funded

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
consultation has been completed and will be submitted to the Secretary of State alongside the draft Scheme.A delivery plan for the devolution deal has been developed and work is underway to plan delivery impact within Wolverhampton. A devolution deal for the adults skills budget is also progressing. The Adult Education Budget (AEB) grant funds activity in Further Education (FE) Colleges, Local Authority Adult and Community Learning services and at a much smaller scale through contracts with private training providers. Key Features include implementing a governance structure that ensures the Combined Authority is engaged with the Department so that there is an understanding of how post 16 policy aligns to AEB allocations and helping to achieve objectives for adult funding. In March 2018, the Chancellor announced in the Government's Spring Statement, a Housing Deal for the Combined Authority, of £350 million of new Government funding to support the delivery of new homes in the West Midlands. The funding will deliver infrastructure to support the development of priority sites including in and around Wolverhampton. Following discussions with Birmingham City Council, it has been agreed from a governance perspective that the transport plan, operations	Extension, the Black Country received £25.43 million of the remaining £43 million. • This will benefit schemes including highways development (A4123, A454 and A449), Birchley Island, Dudley interchange and the Cycling Programme. **Skills and Productivity** Adult Education Budget: • In June 2018, the WMCA Board agreed the West Midlands Regional Skills Plan which sets out how WMCA will work with local partners and providers to better deploy AEB to meet the needs of residents and businesses. • The WMCA's AEB allocation for 2019-2020 will be confirmed by the Department for Education (DfE) in January 2019, and will be based on actual delivery to West Midlands residents in 2017-2018. **Housing and Land** Housing First • WMCA had been awarded £9.6m for the delivery of Housing First for the period 2018-21. • Constituent Authorities had agreed to deliver 225 housing units per year, for three years, in order to conduct the pilot. **Cohesion and Integration – PSR** West Midlands 5G	provision and other skills and employment funding which is operating within the city. An innovative partnership bid for AEB funding has been developed between Adult Education Wolverhampton and the Wolverhampton Learning Platform (five local Voluntary sector providers) to deliver coordinated offer in community venues across the city. The offer includes ESOL, Basic skills, Employability, Vocational first steps training as well as support for residents with health related barriers to learning and work. The college and Adult Education Wolverhampton have also submitted growth bids for AEB so we are hoping to see more effective and targeted skills provision going forward - better linked to local growth sectors and better coordinated across the various levels of skills from entry to advanced. We expect to gradually grow the local delivery of high quality and relevant skills provision over the next three years of funding and to have, over time, much more local influence over all AEB funded provision so that we can create efficiencies, develop better skills

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
and infrastructure delivery for the Commonwealth games will be led by Transport for West Midlands with Birmingham City Council leading on infrastructure delivery. There are a number of named funded schemes in the bid, including the completion of the Metro in Wolverhampton city centre.	• The WMCA has successfully bid for regional 5G test bed status as part of the Government's Urban Connected Cities programme, which is a DCMS-led programme to accelerate the deployment of 5G next-generation mobile connectivity in the UK. • The proposal is for the Black Country to have a test bed focussed on Industry 4.0. **Economic Growth** Town Centres Programme • Bilston has been agreed as one of the first wave centres agreed at the Housing & Delivery Board on 25 October. • First wave centres will benefit from WMCA resources in terms of funding and staff resource and act as a test bed for interventions. Cultural Development Fund • Cultural Development fund bid, manged by Arts Council England has been submitted by CWC and partners including the University of Wolverhampton. • If this bid is successful it will Complement's WMCA's Regional Skills Plan ambition to	pathways and support more connection to jobs through skills provision. **Housing and Homelessness Prevention Strategy** • The Cabinet in September 2018 approved the City's new Homelessness Prevention Strategy and Action Plan, which supports the delivery of the WMCA homelessness prevention funding streams in partnership with over 20 City Partners. • The Cabinet Member for City Assets and Housing attends the WMCA Members Advisory Group for Housing and Homelessness Prevention which oversees, amongst other housing programmes, the Housing First Pilot Fund. • The City of Wolverhampton is part of the WMCA Homelessness Prevention Task Force (Director/ Head of Service) and WMCA Housing First Working Group (Manager/Officer) • The City of Wolverhampton, Housing First Pilot commenced in January 2019, with the first rough

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
	increase digital skills to support the growth of the creative tech businesses. **Environment** Air Quality • Some air quality powers conferred in original devolution agreement. Devo 2 gives the WMCA the same legal powers as the local authorities on air quality • Air Quality is linked to the smart city programme, and planned investment in connectivity infrastructure such as 'smart streetlights' that can help support this.	sleeper resettlements taking place in Q4 2018/19. • The City of Wolverhampton ALMO landlord management agent, Wolverhampton Homes, is also a Housing First accommodation provider. **Housing Growth Deal** • A 'Shadow Board' for the Walsall to Wolverhampton Housing Growth Corridor was established in September 2018. • WMCA secured Investment Board approval for the WMCA Housing Growth Corridors in November 2018. Additional approvals were secured by WMCA from HM Treasury also at this time. • The Cabinet in January 2019 approved the corporate governance, programme support resourcing (for 2019-21) for the Walsall to Wolverhampton Housing Growth Corridor ('Housing Deal') and Strategic Partnership Board, Chaired by the Cabinet Member for City Assets and Housing, with representation from Walsall MBC, WMCA,

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		Homes England and the Black Country Consortium as well as thematic partners (such as Education/ Health/Employment/ Environment). • WMCA have produced and consulted on, in March 2019 a Strategic Investment Framework to support prioritising funding and the delivery of programmes, including the 'Housing Deal'. • W2W Partnership Business Cases are being prepared for the Phase 1 Programme (2019-21) for consideration by WMCA from June 2019. • The W2W PMO Partnership Team is being recruited (commenced April 2019). • W2W Delivery Group meets every two weeks with Walsall MBC, WMCA and Homes England representation. **Cohesion and Integration – PSR** WMCA have signed a grant agreement with DCMS for the Urban Connected Communities programme, which is designed to accelerate the deployment of 5G technology. A number of papers on

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		the governance to support the WM5G initiative have been to WMCA Programme Board, and the Managing Director has been asked to be a Director on the WM5G company. The Black Country test bed will be focussed on construction, and is based at the Springfield campus. Further work is underway with WM5G, LEP and University of Wolverhampton in finalising the test bed activity. Other programme workstreams include 'barrier busting' initiatives, and through the council's 'digital infrastructure programme' there is a clear approach to how we are supporting the acceleration of digital infrastructure roll out **Economic Growth** Town Centres Programme • Bilston town centre programme is progressing with an action plan in development. The acquisition of the Pipe Halls building is being undertaken.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		Cultural Development Fund • The Cultural Development Fund bid was recommended for funding by Arts Council England, but unfortunately was not successful in being funded following the ministerial decision process. The Council and wider partners are seeking other funding mechanisms for what is acknowledged as a strong bid. **Environment** The Smart Streetlight project is now in delivery.
Corporate Landlord A draft Strategic Asset Plan has been produced and is to be finalised by the end of June 2018. The Disposal Programme for 2018-2019 and 2019-2020 has been identified and the delivery of the programme is in progress. Focal 365 has been implemented, data migration and cleansing is in progress and the system is being utilised.	The Strategic Asset Plan was approved at Cabinet in October 2018 and has been published on the Council's internet site. The disposal programme continues to be delivered and to date £1.18 million has been achieved with a further £8.9 million to be achieved during 2018-2019. Focal 365 is due to be launched initially across Corporate Landlord by the end of November 2018.	The Asset Plan has been approved and the Council is in the process of ensuring the data is kept up to date. The transfer of all data is a significant undertaking and will need more time to fully implement. **Carried forward**

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
Cyber Security Maintaining robust, secure and up-to-date technology defences continues to be the Council's first line of defence against cyber-attacks. Regular maintenance of the cyber security technical defences is required to address identified vulnerabilities. System back-up's will continue to be undertaken in accordance with agreed time-tables and practise restores to the Council's non-production area are ongoing to ensure that back-ups have been undertaken correctly and can be restored. Preparation for the next PSN Certification has begun, the certification is due in June. Prior to this internal and external health checks will be undertaken to identify any vulnerabilities which will then be addressed prior to the renewal of the certification. An independent body will be commissioned to undertake a health-check review, once	Regular maintenance and updates of the Council's cyber security technical defences continues to address any identified vulnerabilities. Rigour around system and data backups continues with regular practice restores to non-production environments. PSN certification has been gained again for 2018-2019 and best practices regarding people, process and technology perspectives will continue to be applied to ensure compliance during 2019-2020. Independent security practitioners will continue to be commissioned to check the robustness of the Council's cyber defences and to advise on methods/actions to strengthen them where appropriate. Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities	A Cyber security operational group was set up and introduced to address current and potential future cyber security issues. As part of the work of the group, action plans have been produced and work is ongoing to support the overarching cyber security risk assessments reported through the Audit and Risk committee. Cyber security awareness raising has taken place through the Council's internal communication mechanism, with the main focus being around the identification of phishing emails.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
completed any recommendations arising from this will be actioned. Information Security and Cyber-Security policies will continue to be regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities. Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities.		
Project Governance including the Civic Halls In January 2018, the Council approved a further £23.7 million for a new scheme for the Civic Halls on the basis of a revised business case to address significant building fabric, structural and management issues following detailed technical surveys and reviews that were undertaken in 2017. Additional works include a substantial number of items not included in the original scheme such as a new electrical and engineering system, major structural work,	The new governance structure and project management structure for the Civic Halls has now been fully implemented and is helping to driving delivery of the project. The mechanisms of the Civic Halls new governance structure have also been implemented into other construction projects (Refer to the Internal Audit Report - Lessons Learnt). The Project and Works team have worked closely with the Programme team to develop a construction project assurance process The RIBA gateway process has been incorporated into the Council's reporting Verto system. This has aligned the	The GDPR programme of work has concluded and is moving towards a business as usual status. Any outstanding work not completed directly through the work programme will form part of core business activities from quarter one 2019, this includes refresher or targeted training which will be requested and delivered through the normal channels.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
including a new roof and the latest safety and security measures. A new governance and project management structure is being put in place, commensurate with the scale and complexity of this scheme, including the appointment of a more experienced Project Manager and a specialist in risk management. The new project includes a range of work-streams alongside the main design and construction works. Also, Audit Services have recently undertaken a lessons learned review in order to prevent similar issues with future projects. Once this report has been finalised, the recommendations arising from it will be implemented in accordance the agreed timescales. This framework will also be adopted for all future projects of this size, while for smaller projects the Council is introducing a local approach to project assurance which will encompass a series of gateway reviews.	transparency of the Verto reporting mechanism with the construction projects gateways. The output of the alignment will drive the transparent, consistent reporting of each individual construction project at each gateway. This will ensure that projects do not pass through gateways without full review and scrutiny.	Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended. Communications on data protection and information security will continue to be published through the Council's intranet, as and when required; either following a business need, incident or direction/guidance from the ICO.
General Data Protection Regulations The Council is putting into place appropriate policies, procedures and technologies to ensure that the handling and protection of its data is	Procurement have now contacted all suppliers and are developing a plan to ensure current contracts are varied to accommodate the new legislation, however	The GDPR programme of work has concluded and is moving towards a business as usual status. Any outstanding work not completed directly

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
undertaken in a secure manner and consistent with both the provisions of the current Data Protection Act 1998, the new Data Protection Bill (which will become the Data Protection Act 2018) and the General Data Protection Regulation (GDPR) which comes into force during May 2018, and a work programme has been developed.	this is still in progress due to this being a very large task. All standard contractual documentation has appropriate clauses to encompass GDPR, bespoke contracts also include GDPR compliant clauses. A new process has been established whereby any new contract has a GDPR Supplier Self-Assessment document issued at tender stage which is then considered by Information Governance to ensure compliance. No contract can be awarded without this document being approved by Information Governance. A systems audit is also underway to ensure all cloud and on-premise systems meet the requirements of GDPR.	through the work programme will form part of core business activities from quarter one 2019, this includes refresher or targeted training which will be requested and delivered through the normal channels. Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended. Communications on data protection and information security will continue to be published through the Council's intranet, as and when required; either following a business need, incident or direction/guidance from the ICO.
Arm's Length Management Organisation Housing Partnership - Residential Landlord Services	Actions Complete: • Cabinet approved refreshed ALMO Management Agreement in September 2018	Actions complete: • Housing Revenue Account (HRA) Budget Setting (Rents/ Service

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
New Service Level Agreements and management arrangements are being put in place for the delivery of Homelessness Prevention Services/Housing Option Services, Disabled Facilities Grants, Affordable Warmth and Home Improvement Agency Services with Wolverhampton Homes, following the 'transfer' of these services in December 2017. A legal review of the ALMO Management Agreement commenced in February 2018 and will be presented to Cabinet in July 2018 making any necessary recommendations to amend Management Agreement monitoring and/ governance and/or legal operating arrangements.	• ALMO Company Board approved refreshed Board Governance and Membership and ALMO Management Agreement in September 2018 (AGM) • SLA for Homelessness Prevention between CWC and WH in place from June 2018. Service performance now being reported to Cabinet Performance Panel quarterly. • Cabinet approved a new Housing Assistance Policy (Grants) in September 2018. Next Steps: SLA for Private Housing / Home Improvement Services by 31 March 2019	Charges) 2019-2020 Report – agreed by Cabinet (Resources) Panel – January 2019. • ALMO Business Plan 2019 – 2023 – new four-year Business Plan agreed by Wolverhampton Homes Board and Cabinet - March 2019. • The legal review of the ALMO Management Agreement has been undertaken and approved by' Cabinet. Next steps: • Home Improvement Grants SLA LEAN Systems Review underway (January 2019) with Wolverhampton Homes / City Housing / Adult Social Care/ Public Health. Draft SLA being produced. Commission to produce an Affordable Warmth/Warm Homes Strategy with Wolverhampton Homes and partners has commenced from January 2019.
Tenant Management Organisations - Residential Landlord Services An employee 'desk top' review commenced in February 2018 of these partnerships. Further to	Actions Complete: • Audit of TMO for Bushbury – September 2018. Improvement Action Plan now inplace, 'Better Homes' Legal Agreement engrossed, Tenant Vote completed.	Actions complete: • Audit of TMO for Springfield Horseshoe – completed and Improvement Action Plan inplace. Follow-up 'spot inspections' taking

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
this review, an audit schedule has been agreed for 2018-2019 for all four TMOs operating in the City. Management Agents have been notified of the forthcoming audits commencing in May 2018. A number of TMO 'Modular Management Agreements' are not currently in place. New Key Performance Indicators (KPIs) for Landlord Services (including Health and Safety) monitoring are to be reported from Quarter 1 in 2018-2019. TMO operational performance and KPIs continue to be reported to the Cabinet Performance Panel. Dovecotes TMO has been placed under a performance improvement arrangement (via a Performance Improvement Plan agreed with Dovecotes TMO Board in March 2018), for six months due to concerns around governance and performance. An outcome of a Housing Ombudsman Inquiry was also pending at March 2018. Bushbury Estate Management Board (TMO) continues its Application and Business Case to the Secretary of State and Minister of Housing , Communities and Local Government to enact the Right to Transfer of approximately 830 council freehold homes to a Preferred Transfer Partner by April 2019. The City continues in its	• Audit of TMO for Dovecotes – October 2018. Improvement Action Plan now inplace. • Recruitment of Service Support Manager and Client Manager for TMOs complete Next Steps: • Audit of TMO for Springfield – commenced • Audit of TMO for New Park Village – commenced • Modular Management Agreements for all TMOs in place for 31 March 2019	place in March 2019 for further assurance. • Audit of TMO for New Park Village – completed and Improvement Action Plan inplace. • Modular Management Agreements for all TMOs in place for 31 March 2019. • KPIs Review complete – all KPIs being reported to Cabinet (Performance) Panel on a quarterly basis in a new report format.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
duty to co-operate in the Right to Transfer legislative process.		
Residential Site Management Agreement A review of the existing arrangements for Residential Site Management commenced in March 2018. A draft Management Agreement has been produced, but was not engrossed as at March 2018. It is anticipated a new interim Management Arrangement will be put in place by the end of Quarter 1 in 2018-2019, whilst a longer-term review of management options is undertaken in consultation with partners, residents and Wolverhampton Homes.	Actions Complete: • Legal Review of SLA for Residential Site Management complete • WH to take on Client role for contract agreed by Housing Board in October 2018. Next Steps: • Consultation with residents and Site Management Agent (Gypsy and Traveller Council) • SLA in place between CWC and G&TC by 31 March 2019.	Actions complete: • SLA in draft between the Council/Wolverhampton Homes/Gypsy Traveller Council – negotiations ongoing in Q1 2019-2020 with residents/site management agent. Next steps: • Consultation with residents and Site Management Agent (Gypsy and Traveller Council).
Housing Policies **City Housing Allocations Policy** – Cabinet received a report in April 2018 to ensure the City Housing Allocations Policy with Amendments meets the new requirements of the new Homelessness Reduction Act 2018. Landlord Management Agents will be required to operate in accordance with the Amended Housing Allocation Policy. Operational measures have been put in place with the ALMO	Actions Complete: • Cabinet agreed new Private Housing Assistance Policy in September 2018 • Cabinet agreed refreshed Right to Buy Housing Policy in July 2018. • Cabinet agreed a new Homelessness Prevention Strategy 2018 - 2023 Next Steps • Review of City Allocations Policy – to commence	Actions complete: • Review of City Housing Allocations Policy – commenced 2019-2020. • Consult upon Homelessness Prevention Strategy Action Plan 2018–23. New Service Model for Private Housing Enforcement / Illegal Evictions, including

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
(Wolverhampton Homes) to ensure operational compliance from 1 April 2018. A further Review (including formal consultation) of the Allocations Policy, including an Equality Impact Assessment is planned by Quarter 3 I 2018-2019 **Private Housing Assistance Policy** – A new Private Housing Assistance Policy is being developed to ensure continued compliance with the Regulatory Reform (Housing Assistance) England and Wales Order 2002, Housing, Grants and Construction and Regeneration Act 1996 and the Housing Act 2004. **Housing Right to Buy Policy** – A report to Cabinet making recommendations to revise four elements of the Right to Buy Policy is to be presented to Cabinet by June 2018 to ensure continued compliance with Housing Act 1985 **Housing Enforcement / Illegal Evictions** – There is currently no City Policy or resources in place to administer legal requirements under Protection from Eviction Act 1977 and Housing	• Produce and consult upon Homelessness Prevention Strategy Action Plan 2018 – 2023 • New Service Model for Housing Enforcement / Illegal Evictions	new Illegal Evictions Prevention Officer post in 2019-2020

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
Act 1980. A proposal to resource and develop a new service offer is to be developed. The option of an interim resource arrangement with another Local Authority will also be considered . **Prevention of Homelessness Strategy** – A draft Homelessness Strategy is being consulted upon in readiness for Members consideration in June 2018. This would meet the obligations of the Homelessness Act 2002 and Code of Guidances.		

Action Plan for the Significant Governance Issues identified during 2018-2019 which will need addressing in 2019-2020

Based on the Council's established risk management approach, the following issues have been assessed as being key for the purpose of the 2018-2019 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
Savings Targets Council approved a balanced budget for 2019-2020 without the use of general reserves. It is estimated that further savings of £27.3 million are required in 2020-2021 rising to £40 –50 million over the medium-term to 2023-2024. Council approved that work starts on developing budget reduction and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy, with progress reported back to Cabinet in July 2019. It is important to note that projected budget deficit assumes the achievement of budget reduction proposals amounting to £9.6 million over the five year period 2019-2020 to 2023-2024. It is also important to note that a number of assumptions have been made with regards to the level of resources that will be available to the Council, and that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the Government's allocation of funding to the Council would have significant detrimental impact and further increase the budget deficit forecast of the medium-term.	Director of Finance 31 March 2020
Procurement, Contract Management and Monitoring (brought forward) This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.	Director of Finance 31 March 2020
Corporate Landlord The Asset Plan has been approved and the Council is in the process of ensuring the data is kept up to date. The transfer of all data is a significant undertaking and will need more time to fully implement.	Deputy Managing Director 31 March 2020

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
Civic Halls This is one of the highest priority projects the Council is involved in and will be monitored regularly. Project management has improved and we are now part way through the project with the main refurbishment works due to commence in the near future. Liaison with Planning and Historic England needs to be finalised so that the final phase can be undertaken in the determined timeframe.	Director of Regeneration 31 March 2020
General Data Protection Regulations Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended.	Director of Governance 31 March 2020
Combined Authority As one of the seven constituent authorities of the West Midlands Combined Authority, we need to continue to ensure that the city is benefitting from devolution deals to the region to meet key priorities. The Leader will also have responsibility for a specific portfolio within the Combined Authority working across the region.	Head of Strategy 31 March 2020
Tenant Management Organisations We will need to monitor and help complete the implementation of the recommendations arising from the recent audit reviews and as included in the Improvement Plans for the four TMOs.	Director of City Housing 31 March 2020

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
Residential Site Management Agreement Consultation to take place with residents and Site Management Agent (Gypsy and Traveller Council) in order to finalise the service level agreement.	Director of City Housing 31 March 2020

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 2019-2020.

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.

Ian Brookfield, Leader of the Council

Date:

Tim Johnson, 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.

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:

- City of Wolverhampton Council 99%
- 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 receives 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 Minimus
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 senior 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).

Appendix 3

CITY OF WOLVERHAMPTON COUNCIL

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
BIRMINGHAM
B4 6AT

Our ref: W10700700/1624360
Your ref:

Date:

Dear Sirs

City of Wolverhampton Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of City of Wolverhampton Council and its subsidiary undertakings, City of Wolverhampton Housing Company Limited and Wolverhampton Homes Limited for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Group Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

i. We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.

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

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

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

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

vi. Except as disclosed in the financial statements:

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

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

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

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

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent Council financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent Council and its financial position at the year-end.

xii. The group and parent Council financial statements are free of material misstatements, including omissions.

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

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

xv. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvi. We have provided you with:

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

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

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

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

xviii. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

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

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the group and parent Council financial statements.

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

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

xxiii. We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

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

Annual Governance Statement

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

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Risk Committee at its meeting on 22 July 2019.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position…………………………..

Date…………………………….

Signed on behalf of the Governing Body

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