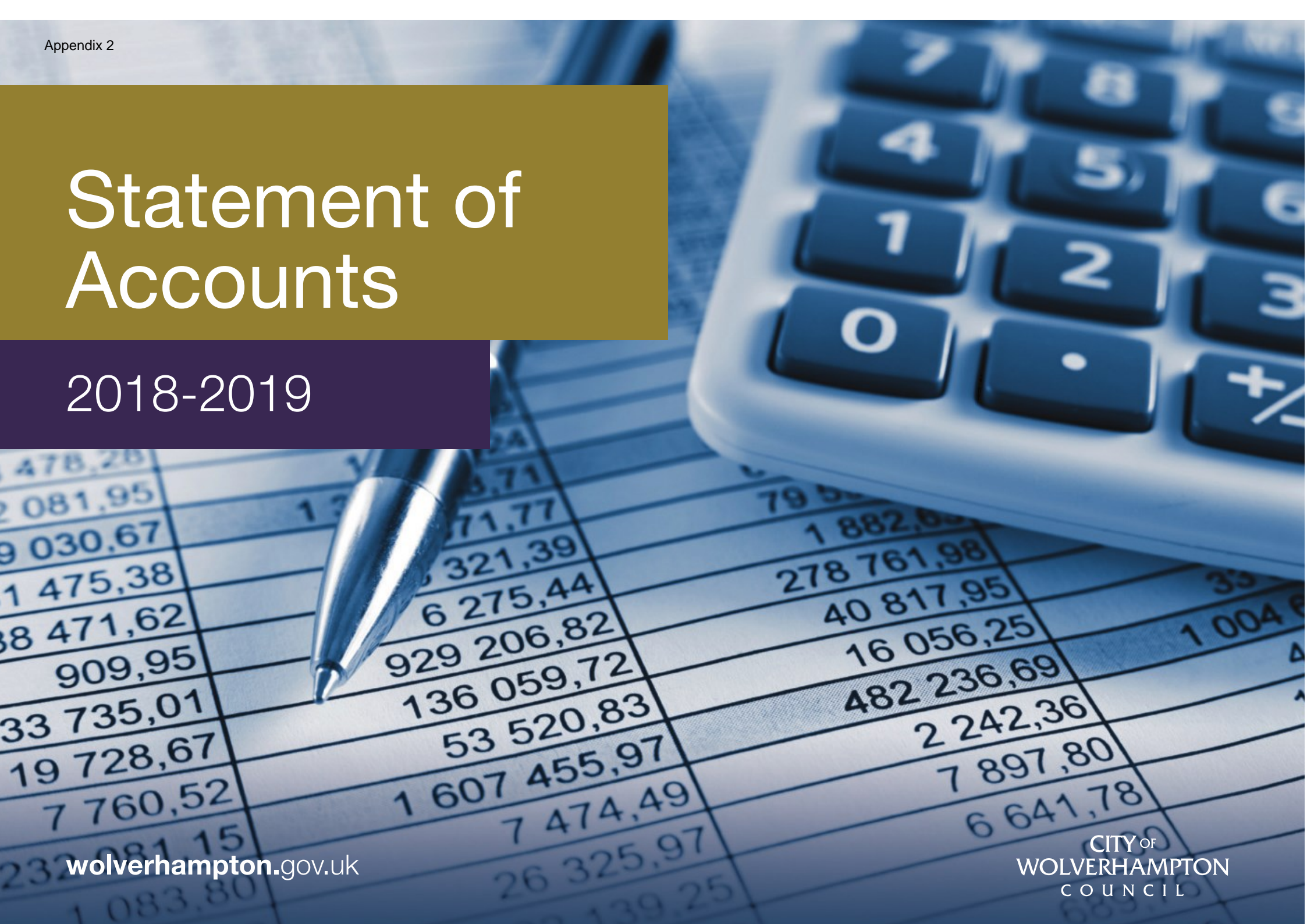


Statement of Accounts

2018-2019



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1. NARRATIVE REPORT

Important Note for Readers of the Accounts

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

This conflict is addressed by having authorities present a set of financial statements which comply with the accounting rules, followed by a reconciliation of those statements to the accounts as prepared under the legal rules. This reconciliation essentially takes the form of a list of adjustments for 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

1. NARRATIVE REPORT

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.

1. NARRATIVE REPORT

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.

1. NARRATIVE REPORT

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.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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 intends 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.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

	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)

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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).

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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)

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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.

2. STATEMENT OF RESPONSIBILITIES

Certification of the Director of Finance

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Council as at 31 March 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 Director 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

4. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Council only)

2017-2018				2018-2019			
Restated							
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
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

4. THE FINANCIAL STATEMENTS

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

2017-2018 Restated				2018-2019			
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	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

4. THE FINANCIAL STATEMENTS

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			

4. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Group) (continued)

2017-2018				2018-2019			
Restated							
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	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

4. THE FINANCIAL STATEMENTS

Balance Sheets

31 March 2018		31 March 2019			
Restated*					
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)

4. THE FINANCIAL STATEMENTS

31 March 2018			31 March 2019		
Restated*					
Council	Group		Note	Council	Group
£m	£m			£m	£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.

4. THE FINANCIAL STATEMENTS

Movement in Reserves Statement 2018-2019

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

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	TOTAL (Council)	Reserves of the Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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)

4. THE FINANCIAL STATEMENTS

Movement in Reserves Statement 2017-2018

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

Restated	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	Reserves of the Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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)

4. THE FINANCIAL STATEMENTS

Cash Flow Statement

2017-2018 (Restated)		Note	2018-2019	
Council £m	Group £m		Council £m	Group £m
82.6	87.3		77.4	83.4
(154.6)	(157.5)	14A	(122.0)	(125.9)
45.3	45.3	14B	52.7	52.7
(26.7)	(24.9)	14C	8.1	11.1
80.9	80.9		89.6	89.6
496.1	496.1		476.0	476.0
(15.8)	(15.8)		(15.5)	(15.5)
(495.2)	(495.2)		(458.2)	(458.2)
(0.1)	(0.1)		(0.6)	(0.6)
(29.5)	(29.5)		(37.2)	(37.2)
36.4	36.4		54.1	54.1
(105.0)	(105.9)		(79.4)	(79.4)
7.1	7.1		5.8	5.8
-	(1.0)		-	-
87.1	87.1		10.8	10.8
(10.8)	(12.7)		(62.8)	(62.8)
(1.1)	(1.2)		(0.6)	1.5
0.2	0.2		0.6	0.6
0.9	14.8		1.6	15.7
1.1	15.0		2.2	16.3
0.6	0.6		0.9	0.9
1.6	15.7		1.9	13.9
2.2	16.3		2.8	14.8

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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		Note	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			£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)

4. THE FINANCIAL STATEMENTS

(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.

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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
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

4. THE FINANCIAL STATEMENTS

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

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	-	-	0.3	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)

4. THE FINANCIAL STATEMENTS

Note 1E – Other Differences Analysis 2018-2019

Other Differences	Reserve	Grants	External trading operations	Financing and investment income and expenditure	Other operating expenditure	Taxation and non-specific grant income and expenditure	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£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

4. THE FINANCIAL STATEMENTS

Note 1F – Other Differences Analysis 2017-2018

Other Differences	Reserve	Grants	External trading operations	Financing and investment income and expenditure	Other operating expenditure	Taxation and non-specific grant income and expenditure	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£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

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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	Deficit/ (Surplus)	Trading Operation	Turnover	Deficit/ (Surplus)	
£m	£m		£m	£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			Scheme	2018-2019		
Council Contribution £m	CCG Contribution £m	Total Expenditure £m		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

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

2D Councillors' Allowances and Expenses

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

4. THE FINANCIAL STATEMENTS

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	-	-	-	-	-

4. THE FINANCIAL STATEMENTS

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 Service Director - Public Service Reform	2018-2019	72,968	-	-	23,653	96,621
	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

4. THE FINANCIAL STATEMENTS

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	49,164	-	-	13,520	62,684

4. THE FINANCIAL STATEMENTS

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				Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
Remuneration Band	Schools	Pension Fund	Rest of Council		
£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

4. THE FINANCIAL STATEMENTS

2017-2018					
Number of Employees				Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
Remuneration Band	Schools	Pension Fund	Rest of Council		
£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

4. THE FINANCIAL STATEMENTS

- 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.

4. THE FINANCIAL STATEMENTS

- 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.

4. THE FINANCIAL STATEMENTS

- 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.

4. THE FINANCIAL STATEMENTS

- 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.

4. THE FINANCIAL STATEMENTS

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*							2018-2019					
Compulsory		Other		Total		Value of Individual Package	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

4. THE FINANCIAL STATEMENTS

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)

4. THE FINANCIAL STATEMENTS

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)

4. THE FINANCIAL STATEMENTS

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	-

4. THE FINANCIAL STATEMENTS

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)

4. THE FINANCIAL STATEMENTS

2I 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.

Central Expenditure £m	2017-2018 Individual Schools Budget £m	Total £m		Central Expenditure £m	2018-2019 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)

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

Note 3 Other Operating Expenditure

2017-2018				2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	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

2017-2018				2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	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

4. THE FINANCIAL STATEMENTS

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)

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			31 March 2019	
Council £m	Group £m	Type of Organisation	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

4. THE FINANCIAL STATEMENTS

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		31-Mar-19	
Council £m	Type of Organisation	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		31-Mar-19	
Council £m	Type of Organisation	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	

4. THE FINANCIAL STATEMENTS

6C Current Payables

31 March 2018			31 March 2019	
Council £m	Group £m	Type of Organisation	Council £m	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)

4. THE FINANCIAL STATEMENTS

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	-	-

4. THE FINANCIAL STATEMENTS

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)

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

- 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)

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

	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

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

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.

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.

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

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

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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

4. THE FINANCIAL STATEMENTS

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.

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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

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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

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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	Discretionary Pension Scheme		Local Government Pension Scheme	Discretionary Pension Scheme	
£m	£m		£m	£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.

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Note 10 Financial Instruments

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

31 March 2018			31 March 2019	
Long-Term	Current		Long-Term	Current
£m	£m		£m	£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)	Current 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)	PFI's	(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)

4. THE FINANCIAL STATEMENTS

		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	Rate	Maturity date	Step up details	Next two step up dates
		£m	%			
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		

4. THE FINANCIAL STATEMENTS

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		

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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

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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	Other	Total
	£m	£m	£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 fair value through other comprehensive income

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

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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

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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	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£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

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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	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	Liability	Total
	£m	£m	£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

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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	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£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	Deferred Income	Liability	Total
	£m	£m	£m	£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.

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	Property, Plant and Equipment	Deferred Income	Liability	Total
	£m	£m	£m	£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	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£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:

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	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.

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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.

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	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)	-	PFI's	(92.9)	-	(92.9)	-

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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

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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)

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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:

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	Short-term investments - loans	Short-term investments - loans	Financial guarantee	Trade receivables and lease receivables	
	12 month expected credit losses	Lifetime expected credit losses –credit impaired	Lifetime expected credit losses – not credit impaired	Lifetime expected credit losses – simplified approach	Total
	£m	£m	£m	£m	£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

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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).

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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.

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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.

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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.

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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.

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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)

4. THE FINANCIAL STATEMENTS

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.

4. THE FINANCIAL STATEMENTS

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		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	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)

4. THE FINANCIAL STATEMENTS

2017-2018		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	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)

4. THE FINANCIAL STATEMENTS

2017-2018		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	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	-	-

4. THE FINANCIAL STATEMENTS

2017-2018		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	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)

4. THE FINANCIAL STATEMENTS

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			Fund Name and Purpose	2018/2019		
Income	Expenditure	Fund Value at 31 March 2017		Income	Expenditure	Fund Value at 31 March 2018
£000	£000	£000		£000	£000	£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

4. THE FINANCIAL STATEMENTS

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	-	-

4. THE FINANCIAL STATEMENTS

	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)

4. THE FINANCIAL STATEMENTS

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

4. THE FINANCIAL STATEMENTS

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)	-	-	-

4. THE FINANCIAL STATEMENTS

	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)

4. THE FINANCIAL STATEMENTS

2017-2018 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)	(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)	-

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	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)

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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	-	-	-	-	-	-	-	-	-	-	-
Re-measurements 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)	-	-	-	-	-	-	-	-	-	-	-

4. THE FINANCIAL STATEMENTS

	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	-	-	-	-	-	-	-	-	-	-	-

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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)

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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

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	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

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	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.

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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)

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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.

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Note 14 Notes to the Cash Flow Statement

14A Adjustment for Non-Cash Movements

2017-2018			2018-2019	
Council £m	Group £m		Council £m	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			2018-2019	
Council £m	Group £m		Council £m	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

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14C Net Cash Flows from Operating Activities

The cash flows from operating activities include the following items:

2017-2018			2018-2019	
Council £m	Group £m		Council £m	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

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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.

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- 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.

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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.

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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.

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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.

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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;

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- 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.

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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

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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

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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 Instruments 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.

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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).

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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.

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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.

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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.

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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.

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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:

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- 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

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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.

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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

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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:

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- 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.

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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.

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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

4. THE FINANCIAL STATEMENTS

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.

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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.

4. THE FINANCIAL STATEMENTS

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	<i>Decrease of £33.5 million</i>
Rate of Inflation 0.1% p.a. higher	Increase of £27.4 million	<i>Increase of £30.8 million</i>
Rate of increase in salaries 0.1% p.a. higher	Increase of £2.7 million	<i>Increase of £3.3 million</i>
Life expectancy of scheme members 1 year higher	Increase of £66.0 million	<i>Increase of £73.0 million</i>

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.

4. THE FINANCIAL STATEMENTS

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:

4. THE FINANCIAL STATEMENTS

- 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.

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

Housing Revenue Account Income and Expenditure Statement

2017-2018		Notes	2018-2019
£m			£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)

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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	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	17.5
0.2	0.4
0	0
17.2	17.9

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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.

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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)

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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)

6. THE COLLECTION FUND STATEMENT

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)

6. THE COLLECTION FUND STATEMENT

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		

6. THE COLLECTION FUND STATEMENT

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).

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

Opinion

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

New Assets Statement

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial 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		31 March 2019	
No.		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>

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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).

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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:

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P8 - Contributions receivable

Contributions receivable by type

2017-2018 £m		2018-2019 £m
	From employers	
619.3	Contributions	665.3
440.0	Past service deficit	48.2
0.4	Augmented membership	-
34.6	Additional cost of early retirement	24.2
1,094.3		737.7
	From members	
111.0	Basic contributions	102.3
0.6	Additional contributions	0.7
111.6		103.0
1,205.9	Total contributions	772.7

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	772.7

7. WEST MIDLANDS PENSION FUND STATEMENTS

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)

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P14 - Investment Income

2017-2018 £m		2018-2019 £m
	Dividends and Interest	
	<u>Bonds</u>	
7.7	UK private sector – quoted	7.5
	<u>Equities</u>	
58.0	UK private sector – quoted	9.2
142.9	Overseas	51.9
	<u>Pooled Investment Vehicles</u>	
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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

	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

7. WEST MIDLANDS PENSION FUND STATEMENTS

	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			2018-2019	
Market value	% of total		Market value	% of total
£m	market value		£m	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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2018			31 March 2019	
Market value	% of total market value		Market value	% of total market value
£m	%		£m	%
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	

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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 valuation 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 covenant 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 occurring 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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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		31 March 2019
£m		£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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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	1.8	37.8
0.1	6.4	-	5.9
(0.3)	(8.5)	(0.3)	(7.6)
0.1	1.2	0.1	1.5
1.8	37.8	1.6	37.6

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

Note P25 - The nature and extent of risks arising from financial instruments

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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:

7. WEST MIDLANDS PENSION FUND STATEMENTS

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	AAAmf	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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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	Change in year in the net assets available to pay benefits	
	£m	+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

7. WEST MIDLANDS PENSION FUND STATEMENTS

Asset Type	Carrying amount as at 31 March 2018	Change in year in the net assets available to pay benefits	
	£m	+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

7. WEST MIDLANDS PENSION FUND STATEMENTS

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			Contributions receivable 2018-2019	
£000			£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	

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.



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.

8. ANNUAL GOVERNANCE STATEMENT

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:

8. ANNUAL GOVERNANCE STATEMENT

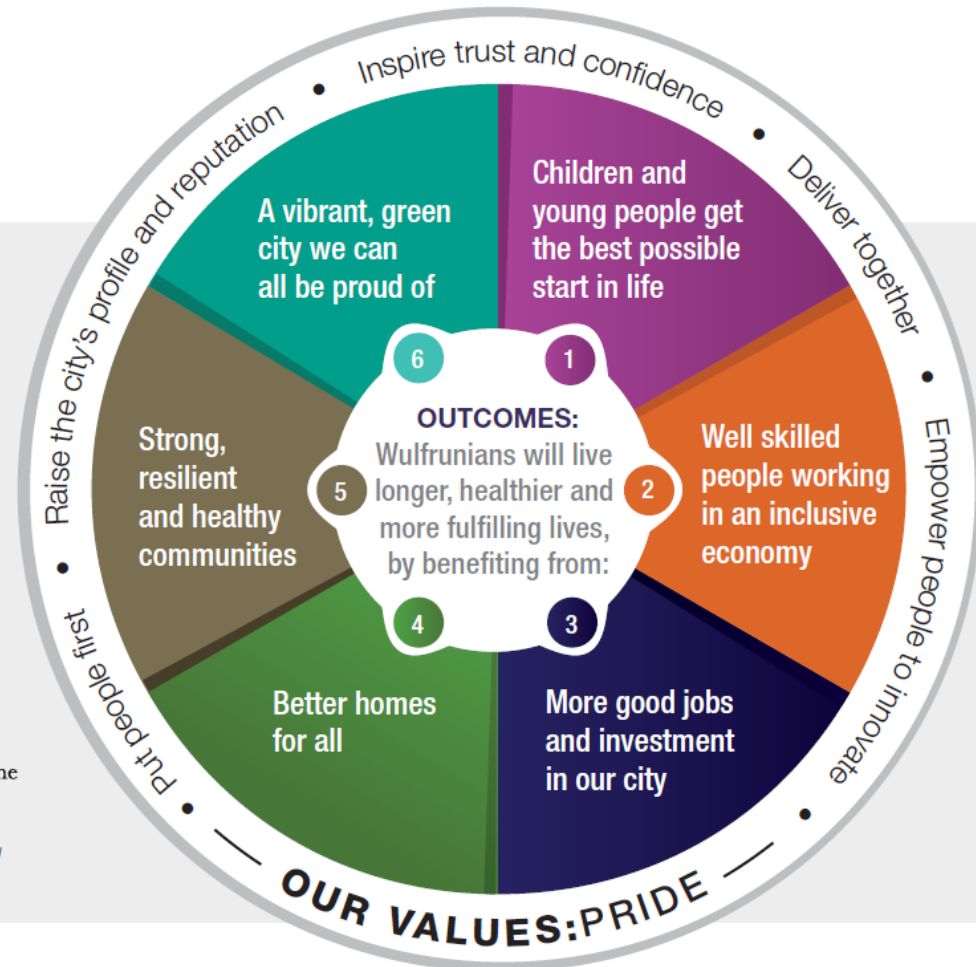
Council Plan

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'



8. ANNUAL GOVERNANCE STATEMENT

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
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Medium Term Financial Strategy Procurement, Contract Management and Monitoring Corporate Landlord Civic Halls General Data Protection Regulations Tenant Management Organisations Residential Site Management

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Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<p>public financial management.</p> <ul style="list-style-type: none"> Implementing good practices in transparency, reporting, and audit to deliver effective accountability. 	<ul style="list-style-type: none"> Published information is accurate and reliable Implementation of previous governance issues 	<ul style="list-style-type: none"> Financial and Contract Procedures Rules modern.gov (the council's committee management information system) 	<ul style="list-style-type: none"> Local Government Ombudsman Report Scrutiny reviews Annual Governance Statement – including the follow up of previous year issues 	<ul style="list-style-type: none"> 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:

8. ANNUAL GOVERNANCE STATEMENT

- 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

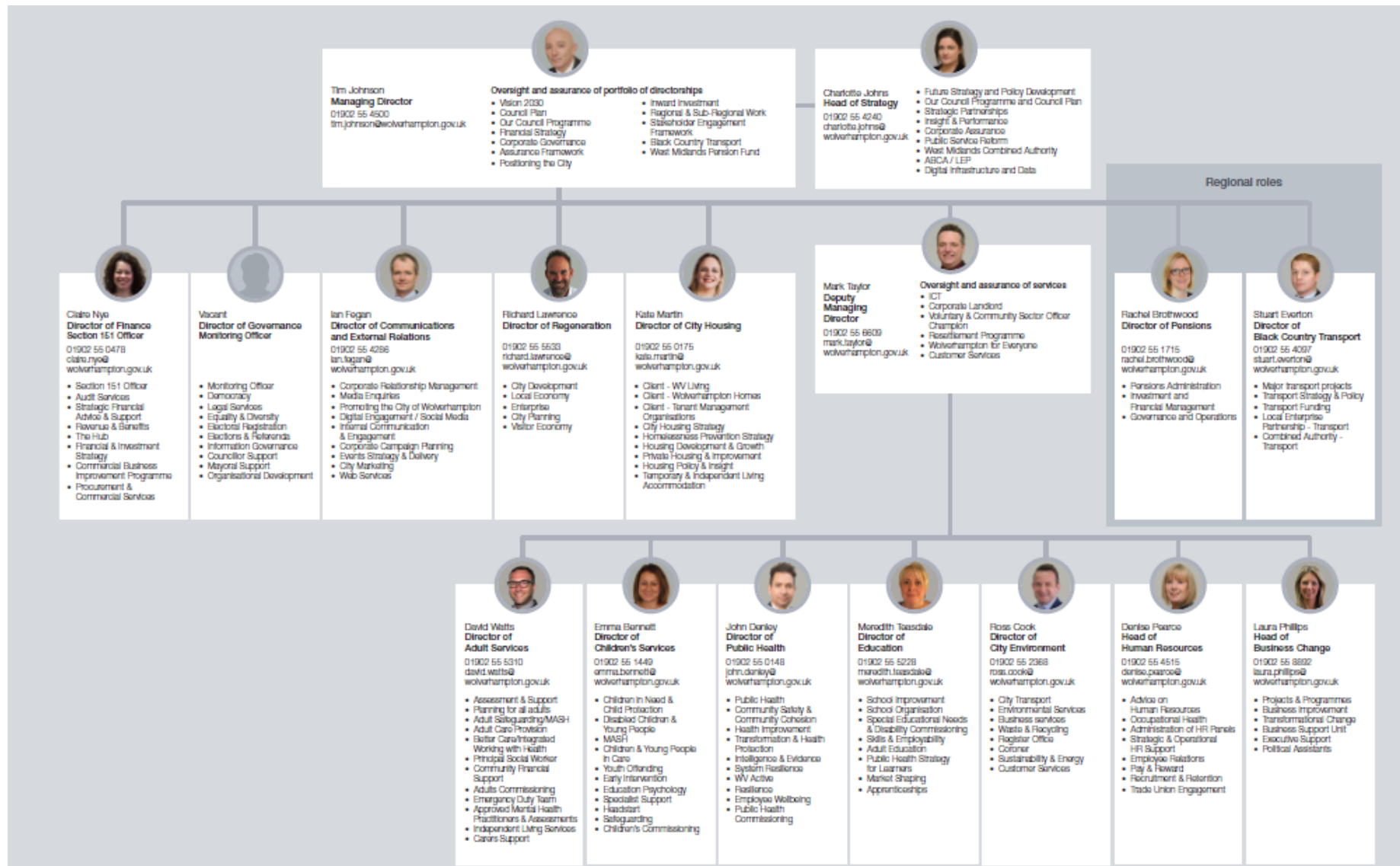
The role of the Council's Section 151 Officer has been assessed against the CIPFA Statement and found to be compliant

Key Changes to the Governance Framework

8. ANNUAL GOVERNANCE STATEMENT

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:

8. ANNUAL GOVERNANCE STATEMENT



8. ANNUAL GOVERNANCE STATEMENT

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.

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2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p><i>Savings Targets</i></p> <p>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.</p>	<p>On 17 October 2018, Cabinet approved that:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>	<p>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.</p> <p>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</p>

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		<p>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.</p> <p>Carried forward</p>
<p><i>Procurement, Contract Management and Monitoring</i></p> <p>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.</p>	<p>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.</p>	<p>This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.</p> <p>Carried forward</p>
<p><i>Combined Authority</i></p> <p>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</p>	<p>Transport</p> <p>Transforming Cities Funding (TCF)</p> <ul style="list-style-type: none"> 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 	<p>Transport</p> <p>The situation remains as per the mid-year update.</p> <p>Skills and Productivity</p> <p>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</p>

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<p>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.</p> <p>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.</p> <p>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.</p> <p>Following discussions with Birmingham City Council, it has been agreed from a governance perspective that the transport plan, operations</p>	<p>Extension, the Black Country received £25.43 million of the remaining £43 million.</p> <ul style="list-style-type: none"> This will benefit schemes including highways development (A4123, A454 and A449), Birchley Island, Dudley interchange and the Cycling Programme. <p>Skills and Productivity</p> <p>Adult Education Budget:</p> <ul style="list-style-type: none"> 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. <p>Housing and Land</p> <p>Housing First</p> <ul style="list-style-type: none"> 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. <p>Cohesion and Integration – PSR</p> <p>West Midlands 5G</p>	<p>provision and other skills and employment funding which is operating within the city.</p> <p>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.</p> <p>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.</p> <p>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</p>

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<p>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.</p>	<ul style="list-style-type: none"> 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. <p>Economic Growth</p> <p>Town Centres Programme</p> <ul style="list-style-type: none"> 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. <p>Cultural Development Fund</p> <ul style="list-style-type: none"> Cultural Development fund bid, managed 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 	<p>pathways and support more connection to jobs through skills provision.</p> <p>Housing and Homelessness Prevention Strategy</p> <ul style="list-style-type: none"> 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

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2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
	<p>increase digital skills to support the growth of the creative tech businesses.</p> <p>Environment</p> <p>Air Quality</p> <ul style="list-style-type: none"> 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. 	<p>sleeper resettlements taking place in Q4 2018/19.</p> <ul style="list-style-type: none"> The City of Wolverhampton ALMO landlord management agent, Wolverhampton Homes, is also a Housing First accommodation provider. <p>Housing Growth Deal</p> <ul style="list-style-type: none"> 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,

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		<p>Homes England and the Black Country Consortium as well as thematic partners (such as Education/ Health/Employment/ Environment).</p> <ul style="list-style-type: none"> • 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. <p>Cohesion and Integration – PSR</p> <p>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</p>

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2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>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.</p> <p>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</p> <p>Economic Growth</p> <p>Town Centres Programme</p> <ul style="list-style-type: none"> • Bilston town centre programme is progressing with an action plan in development. The acquisition of the Pipe Halls building is being undertaken.

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2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>Cultural Development Fund</p> <ul style="list-style-type: none"> 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. <p>Environment</p> <p>The Smart Streetlight project is now in delivery.</p>
<p><i>Corporate Landlord</i></p> <p>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.</p>	<p>The Strategic Asset Plan was approved at Cabinet in October 2018 and has been published on the Council's internet site.</p> <p>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.</p> <p>Focal 365 is due to be launched initially across Corporate Landlord by the end of November 2018.</p>	<p>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.</p> <p>Carried forward</p>

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<p><i>Cyber Security</i></p> <p>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-ups 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.</p> <p>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.</p> <p>An independent body will be commissioned to undertake a health-check review, once</p>	<p>Regular maintenance and updates of the Council's cyber security technical defences continues to address any identified vulnerabilities.</p> <p>Rigour around system and data backups continues with regular practice restores to non-production environments.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>A Cyber security operational group was set up and introduced to address current and potential future cyber security issues.</p> <p>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.</p> <p>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.</p>

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<p>completed any recommendations arising from this will be actioned.</p> <p>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.</p> <p>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.</p>		
<p><i>Project Governance including the Civic Halls</i></p> <p>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,</p>	<p>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).</p> <p>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</p>	<p>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.</p>

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<p>including a new roof and the latest safety and security measures.</p> <p>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.</p> <p>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.</p>	<p>transparency of the Verto reporting mechanism with the construction projects gateways.</p> <p>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.</p>	<p>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.</p>
<p><i>General Data Protection Regulations</i></p> <p>The Council is putting into place appropriate policies, procedures and technologies to ensure that the handling and protection of its data is</p>	<p>Procurement have now contacted all suppliers and are developing a plan to ensure current contracts are varied to accommodate the new legislation, however</p>	<p>The GDPR programme of work has concluded and is moving towards a business as usual status. Any outstanding work not completed directly</p>

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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.	<p>this is still in progress due to this being a very large task.</p> <p>All standard contractual documentation has appropriate clauses to encompass GDPR, bespoke contracts also include GDPR compliant clauses.</p> <p>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.</p> <p>A systems audit is also underway to ensure all cloud and on-premise systems meet the requirements of GDPR.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<i>Arm's Length Management Organisation Housing Partnership - Residential Landlord Services</i>	<p>Actions Complete:</p> <ul style="list-style-type: none"> Cabinet approved refreshed ALMO Management Agreement in September 2018 	<p>Actions complete:</p> <ul style="list-style-type: none"> Housing Revenue Account (HRA) Budget Setting (Rents/ Service

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<p>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.</p>	<ul style="list-style-type: none"> 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. <p>Next Steps: SLA for Private Housing / Home Improvement Services by 31 March 2019</p>	<p>Charges) 2019-2020 Report – agreed by Cabinet (Resources) Panel – January 2019.</p> <ul style="list-style-type: none"> 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. <p>Next steps:</p> <ul style="list-style-type: none"> Home Improvement Grants SLA LEAN Systems Review underway (January 2019) with Wolverhampton Homes / City Housing / Adult Social Care/ Public Health. Draft SLA being produced. <p>Commission to produce an Affordable Warmth/Warm Homes Strategy with Wolverhampton Homes and partners has commenced from January 2019.</p>
<p><i>Tenant Management Organisations - Residential Landlord Services</i></p> <p>An employee 'desk top' review commenced in February 2018 of these partnerships. Further to</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> Audit of TMO for Bushbury – September 2018. Improvement Action Plan now inplace, 'Better Homes' Legal Agreement engrossed, Tenant Vote completed. 	<p>Actions complete:</p> <ul style="list-style-type: none"> Audit of TMO for Springfield Horseshoe – completed and Improvement Action Plan inplace. Follow-up 'spot inspections' taking

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<p>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.</p> <p>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.</p> <p>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</p>	<ul style="list-style-type: none"> • Audit of TMO for Dovecotes – October 2018. Improvement Action Plan now in place. • Recruitment of Service Support Manager and Client Manager for TMOs complete <p>Next Steps:</p> <ul style="list-style-type: none"> • 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 	<p>place in March 2019 for further assurance.</p> <ul style="list-style-type: none"> • Audit of TMO for New Park Village – completed and Improvement Action Plan in place. • 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.

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duty to co-operate in the Right to Transfer legislative process.		
<p><i>Residential Site Management Agreement</i></p> <p>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.</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> Legal Review of SLA for Residential Site Management complete WH to take on Client role for contract agreed by Housing Board in October 2018. <p>Next Steps:</p> <ul style="list-style-type: none"> Consultation with residents and Site Management Agent (Gypsy and Traveller Council) SLA in place between CWC and G&TC by 31 March 2019. 	<p>Actions complete:</p> <ul style="list-style-type: none"> SLA in draft between the Council/Wolverhampton Homes/Gypsy Traveller Council – negotiations ongoing in Q1 2019-2020 with residents/site management agent. <p>Next steps:</p> <ul style="list-style-type: none"> Consultation with residents and Site Management Agent (Gypsy and Traveller Council).
<p><i>Housing Policies</i></p> <p>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</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> 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 <p>Next Steps</p> <ul style="list-style-type: none"> Review of City Allocations Policy – to commence 	<p>Actions complete:</p> <ul style="list-style-type: none"> Review of City Housing Allocations Policy – commenced 2019-2020. Consult upon Homelessness Prevention Strategy Action Plan 2018–23. <p>New Service Model for Private Housing Enforcement / Illegal Evictions, including</p>

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<p>(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 2018-2019</p> <p>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.</p> <p>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</p> <p>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</p>	<ul style="list-style-type: none"> Produce and consult upon Homelessness Prevention Strategy Action Plan 2018 – 2023 New Service Model for Housing Enforcement / Illegal Evictions 	<p>new Illegal Evictions Prevention Officer post in 2019-2020</p>

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<p>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 .</p> <p>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.</p>		

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.

8. ANNUAL GOVERNANCE STATEMENT

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Savings Targets</i></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Director of Finance 31 March 2020</p>
<p><i>Procurement, Contract Management and Monitoring (brought forward)</i></p> <p>This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.</p>	<p>Director of Finance 31 March 2020</p>
<p><i>Corporate Landlord</i></p> <p>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.</p>	<p>Deputy Managing Director 31 March 2020</p>

8. ANNUAL GOVERNANCE STATEMENT

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Civic Halls</i></p> <p>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.</p>	<p>Director of Regeneration 31 March 2020</p>
<p><i>General Data Protection Regulations</i></p> <p>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.</p>	<p>Director of Governance 31 March 2020</p>
<p><i>Combined Authority</i></p> <p>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.</p>	<p>Head of Strategy 31 March 2020</p>
<p><i>Tenant Management Organisations</i></p> <p>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.</p>	<p>Director of City Housing 31 March 2020</p>

8. ANNUAL GOVERNANCE STATEMENT

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

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.

8. ANNUAL GOVERNANCE STATEMENT



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.

9. GLOSSARY

Budget

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

Business Rate or National Non-Domestic Rates (NNDR)

Businesses across the country have to pay business rates. The government decides how much they should pay and Local Authorities collect the money. In Wolverhampton, the amount collected is shared on the following basis:

- 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.

9. GLOSSARY

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).

9. GLOSSARY

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

9. GLOSSARY

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.

9. GLOSSARY

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".

9. GLOSSARY

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.

9. GLOSSARY

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

9. GLOSSARY

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

9. GLOSSARY

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.

9. GLOSSARY

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.

9. GLOSSARY

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).