Statement of Accounts

2016/17

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CITY OF WOLVERHAMPTON COUNCIL

CONTENTS

1. NARRATIVE REPORT

Important Note for Readers of the Accounts

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

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

It is the legal rules that must be used when calculating budget requirements, council tax and housing rents. As a result, all of 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 financial performance over the course of the year, and its financial position at the end of the year. It also provides some information about factors that may affect the Council's financial performance in the future.

Section 2 contains the statement of responsibilities, and sets out the roles and responsibilities of the Council and of the Director of Finance in preparing the statement of accounts. The independent auditors' report is included in Section 3. This report draws reader's attention to any important information they might need to consider when reading the statements.

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

The Comprehensive Income and Expenditure Statement – this summarises all expenditure, income, gains and losses for the Council during the year.

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

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

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

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

Note 1A – Expenditure and Funding Analysis – this note shows expenditure is allocated for decision making purposes between the Authority's directorates.

Note 1B – Note to the Expenditure and Funding Analysis

Note 2 – Prior Period Restatement of Service Expenditure and Income

Note 3 – Prior Period Adjustments – this note provides details of adjustments relating to prior periods and the impact on the financial statements.

Note 4 – 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 5 – Other Operating Expenditure

Note 6 – Financing and investment Income and Expenditure

Note 7 – Taxation and Non-specific Grant Income and Expenditure

Note 8 – 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 9 – Provisions and Contingent Liabilities – this note provides information about things for which the Council knows it will or may have to pay money to other parties, but there is uncertainty about one or more elements of that payment. This may be the amount of the payment, when it has to be paid, or even whether the Council will actually have to make a payment.

Note 10 – 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 11 – 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 12 – Financial Instruments – this note provides information about the Council's financial instruments, which are assets or liabilities entered into under contracts.

Note 13 – 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 14 – Trust Funds – this note provides information about the trust funds that the Council manages on behalf of other people.

Note 15 – 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 16 – Notes to the Cash Flow Statement - these notes provide more detail relating to certain items included in the cash flow statement.

Note 17 – 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 amount retained by the Council and allocated to the Fire authority.

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

Section 8 is the Council's Annual Governance Statement. This provides important information about how the Council is run and, in particular, how it manages key risks.

Finally, there is a glossary at Section 9, which describes many of the technical accounting terms and abbreviations used in these statements.

Note on Group Accounts

The Council owns three other organisations, Wolverhampton Homes Limited, Yoo Recruit Limited and WV Living (City of Wolverhampton Housing Company Limited). As a result of this the Council is required to produce group accounts. Yoo Recruit Limited became a wholly-owned subsidiary of the Council in 2013/14; WV Living became a wholly-owned subsidiary of the Council in 2016/17. As the impact on the group accounts is considered by the Council, to not be material – Yoo Recruit Limited and WV Living have 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. The company's accounts have been wholly consolidated in the group elements of the financial statements.

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

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

The Corporate Plan

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

The Corporate Plan does not cover everything that the Council does, but it focuses on a combination of those issues that matter most to 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 Corporate Plan can be found here CorporatePlan

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

Financial Performance 2016/17

General Fund

In March 2016, the Council approved a budget incorporating a savings target of £26.4 million for 2016/17. The following table compares the Council's General Fund outturn for 2016/17 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 2016/17 was a net underspend of £0.3 million. After taking into account net transfers to/from earmarked reserves, the General Fund Balance remains at £10.0 million and earmarked reserves total £61.6 million at the end of the financial year.

Service	2016/17 Net Controllable Budget £m	2016/17 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Place	42.0	41.0	(1.0)
People	113.3	113.1	(0.2)
Corporate Services (including Education)	33.7	36.5	2.8
Corporate Budgets	28.4	27.0	(1.4)
Net Budget Requirement	**217.4**	**217.6**	**0.2**
Funding:			
Government Grant (General)	(92.7)	(93.3)	(0.6)
Business Rates	(37.8)	(37.8)	-
Enterprise Zone Business Rates	(1.5)	(1.4)	0.1
Council Tax	(86.0)	(86.0)	-
Collection Fund Deficit	2.2	2.2	-
Budgeted Use of Reserves	(1.6)	(1.6)	-
Total Funding	**(217.4)**	**(217.9)**	**(0.5)**
Net Budget (Surplus)/Deficit	**-**	**(0.3)**	**(0.3)**

Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £19.3 million, compared to a budgeted surplus of £15.3 million. This position is net of a revaluation adjustment of £85.1 million included in the income and expenditure statement but not in the HRA balance. This surplus including the £4 million variance against budget has been set aside by the Council as provision for the redemption of debt. This has the major advantage of creating additional 'headroom' under the HRA borrowing limit as set by law, which will enable the Council to pay for additional investment in its houses in the future.

The operating surplus compared to the budgeted surplus was primarily due to savings on interest payable and receivable and income received being slightly higher than budgeted.

	Budget 2016/17 £m	Outturn 2016/17 £m	Variance Over/(Under) £m
Income	(98.7)	(99.4)	(0.7)
Expenditure	70.1	69.0	(1.1)
Net Cost of Services	**(28.6)**	**(30.4)**	**(1.8)**
Net Cost of Borrowing and Investments	13.3	11.1	(2.2)
Surplus for the Year	**(15.3)**	**(19.3)**	**(4.0)**
Allocation of Surplus for the Year			
Provision for Redemption of Debt	(15.3)	(19.3)	(4.0)
Transfer to/(from) Reserves	-	-	-
Total	**-**	**-**	**-**

Capital Programme

Capital expenditure by the Council during 2016/17 totalled £115.7 million, as set out in the following table. This was £41.2 million under budget primarily due to slippage into future years and cost reductions.

Expenditure	Approved Budget £m	Outturn £m	Variation Over/(Under) £m
General Fund			
Corporate	34.7	21.9	(12.8)
People	2.4	1.3	(1.1)
Place	76.7	58.9	(17.8)
Total General Fund	**113.8**	**82.1**	**(31.7)**
Housing Revenue Account	**43.1**	**33.6**	**(9.5)**
Total Expenditure	**156.9**	**115.7**	**(41.2)**

Items of Interest in the Accounts

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

Provisions and Contingent Liabilities

The Council’s total level of provisions decreased by £6.6 million (net) over the course of the year. This was due to the use of £3.6 million of the Capitalisation Risks provision, £9.2 million use of the provision for NDR appeals and other net increases totalling £6.2 million. Total provisions at 31 March 2017 stood at £11.3 million: further details are provided in Note 9A to the Financial Statements.

Capital Expenditure

The Council once again successfully managed a large capital expenditure programme in 2016/17, resulting in additions to non-current assets of £96.7 million, together with other capital expenditure of £19.0 million. The main additions were on council dwellings (£33.6 million), other land and buildings (£29.3 million) and infrastructure assets (£12.8 million), which reflects investment in the highway network. Information about non-current assets held by the Council can be found in Note 10.

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 increased by £127.3 million during 2016/17, made up of an increase of £342.9 million in liabilities, and an increase of £215.6 million in assets. The main reasons for the net movement were losses of £122.0 million resulting from changes in actuarial assumptions, net interest payable of £18.3 million, and other net expenditure of £12.9 million. Note 6 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 17C to the Financial Statements.

Borrowing Facilities and Capital Borrowing

The Council borrows to part-fund its capital expenditure programme. As a local authority, the Council can borrow funds from the Public Works Loan Board (UK Debt Management Office), which allows the Council to benefit from the relatively low cost of Government borrowing. At 31 March 2017, its total borrowing portfolio stood at £655.1 million, of which £531.2 million is owed to the Public Works Loan Board, £103.8 million to private sector lenders, £14.0 million temporary loans from other local authorities and £6.1 million from non-departmental public bodies. 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 £4.5m accrued interest and a £5.1m difference between the LOBO principal cash value and amortised cost (as required for the accounts).**The Medium Term Financial Strategy 2017/18 to 2019/20**

General Fund

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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

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

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

Social and Demographic Factors

The City of Wolverhampton is amongst the most densely populated local authority areas in England with 252,987 (2014 mid-year estimate) people living in its 26.8 square miles. In addition, the latest Indices of Deprivation (2015) indicate that Wolverhampton is more deprived than it was five years before (2010), a decline from the 20th most deprived to the 19th (out of 326 councils). Although it is important to note that deprivation in the city continues to be concentrated in a number of 'hot spots'.

In addition, the city's demographic profile is changing, attracting new residents and increasing diversity, and as a result Wolverhampton's population is projected to increase, by about 5,700 (2.3%) between 2014 and 2024. This growth rate is on par with the Black Country average yet below the national average 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 also the need for further investment in the city.

The Medium Term Financial Strategy

Whilst the Council's financial planning process is driven by the annual statutory budget cycle, its horizons extend to the next four financial years. The Medium Term Financial Strategy is a critical part of the Council's planning and performance framework, and is kept under continuous review. The Medium Term Financial Strategy, as approved by Full Council in March 2017 is summarised in the table below.

	2017/18 £m	2018/19 £m	2019/20 £m
Net Expenditure Budget	**216.1**	**239.3**	**255.3**
General Funding	**(216.1)**	**(224.5)**	**(234.8)**
Cumulative Projected Deficit	**-**	**14.8**	**20.5**
Annual Projected Deficit	**-**	**14.8**	**5.7**

The Council has been able to set a balanced budget for 2017/18 without the use of general reserves however, as the table above shows, the Council forecasts that it will need to save a further £20.5 million over the next two years. These savings are in addition to £33.8 million of savings that are already planned and built into the Medium Term Financial Strategy. Further to this, the Council has already identified savings in excess of £200 million over the last six 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 Financial Plan, which can be found here Financial Plan outlines the Council's approach to tackling the financial challenges. The Council's strategic approach to address the deficit is to:

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

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

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

Housing Revenue Account

The Council is planning to utilise the freedoms and resources resulting from the introduction of self-financing in April 2012 to continue to develop new affordable housing in the city.

An updated HRA business plan was approved in January 2017. The HRA is expected to have sufficient resources to fund £1.7 billion of capital works that will be required to its houses over the next 30 years, as well as meeting its management and maintenance obligations over the same period. In addition, savings achieved through a review of the capital programme and other changes has released resources that will enable an additional 450 new homes to be built over the next four years.

In terms of 2017/18, the plan included 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 2017/18, along with forecasts for the next two years.

	Budget 2017/18 £m	Forecast 2018/19 £m	Forecast 2019/20 £m
Income			
Gross Rents – Dwellings	(91.3)	(90.4)	(91.7)
Gross Rents - Non-Dwellings	(0.8)	(0.8)	(0.8)
Charges to Tenants for Services and Facilities	(5.7)	(6.1)	(6.8)
Total Income	**(97.8)**	**(97.3)**	**(99.3)**
Expenditure			
Management and Maintenance	45.6	45.7	45.9
Depreciation of Long Term Assets	22.1	22.1	22.0
Net Financing Costs	11.0	14.5	15.7
Provision for Bad Debts	2.3	2.3	2.3
Total Expenditure	**81.0**	**84.6**	**85.9**
Balance	**(16.8)**	**(12.7)**	**(13.4)**

Capital Programme

Capital expenditure is investment in the Council's property, plant, equipment and other long-life assets. In certain circumstances, it can also include investment in assets owned by other parties. The table below shows the Council's capital programme for the next five years, as approved by Full Council.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
Forecast Expenditure	164.8	108.4	64.7	81.6	1.7	421.2

The following table lists some of the main projects in 2017/18:

Project	Forecast Expenditure 2017/18 £m
Corporate	
West Midlands Combined Authority Initiatives	15.0
Primary School Expansion Programme	5.0
Schools Modernisation, Suitability and Condition	2.7
Transformation Development Efficiency Strategy	2.5
ICT Developments	2.4
	27.6
People	
Sports Investment Strategy	1.9
Community Hubs	0.4
Public Health	0.3
Independent Living Standards Improvements	0.1
Learning Disability	0.1
	2.8

Project	Forecast Expenditure 2017/18 £m
Place	
Physical Regeneration	20.9
Black Country Growth Deal - Cultural Programme	7.2
Future Spaces	6.2
Highway Capital Maintenance	5.2
Fleet Services	5.1
City Learning Quarter	3.7
Remediation of contaminated land	2.5
Operational Maintenance	1.8
Corporate Asset Management	1.7
Highway Improvements & Active Travel	1.2
Development of Cultural Estate	1.1
Wolverhampton Major Projects	0.6
Non-Strategic Assets Disposals Programme	0.6
Waste & Recycling Strategy	0.5
Maintenance of Structures	0.4
Queen Street Townscape Heritage	0.4
Parks Refurbishment Programme	0.3
Energy Management	0.3
Bereavement Services	0.2
Targeted Strategic Disposals Programme	0.2
	60.1
Housing Private Sector	**26.3**
Housing Revenue Account	
Decent Homes Stock Condition	23.3
Estate Remodelling	9.5
Other Stock Condition Improvements	7.3
New Build Programme	4.7

Project	Forecast Expenditure 2017/18 £m
Service Enhancements and Miscellaneous	2.0
Adaptations for People with Disabilities	1.0
Other Improvements to the Public Realm	0.2
	48.0
Grand Total	**164.8**

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

Source of Funding	Forecast Expenditure 2017/18 £m
Borrowing	100.5
Reserve Funds	29.3
Grants and Contributions	22.1
Capital Receipts	12.4
Capital Expenditure Financed from the Revenue Account	0.5
Total	**164.8**

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 2017 and its income and expenditure for the year ended on the same date.

C Nye

Claire Nye

Director of Finance

12th June 2017

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

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CITY OF WOLVERHAMPTON COUNCIL

TO BE INSERTED

Comprehensive Income and Expenditure Statement (Council only)

2015-16					2016-17		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
0.5	(0.1)	0.4	Strategic Director People		4.1	(0.1)	4.0
52.5	(22.4)	30.1	Older People		53.6	(20.2)	33.4
102.6	(62.5)	40.1	Disability & Mental Health		79.1	(36.5)	42.6
79.1	(12.1)	67.0	Children & Young People		57.1	(8.4)	48.7
24.4	(21.1)	3.3	Public Health & Wellbeing		20.0	(18.0)	2.0
259.1	**(118.2)**	**140.9**	**People**		**213.9**	**(83.2)**	**130.7**
-	-	-	Managing Director		1.8	0.1	1.9
0.4	-	0.4	Directorate		-	-	-
14.0	(1.5)	12.5	Transformation Team		-	-	-
6.9	(1.4)	5.5	Governance		10.2	(5.2)	5.0
134.4	(121.8)	12.6	Corporate Services		151.1	(138.8)	12.3
10.9	(22.2)	(11.3)	Corporate Accounts		6.8	(29.8)	(23.0)
			Corporate Resources		1.4	(5.5)	(4.1)
166.6	**(146.9)**	**19.7**	**Corporate**		**171.3**	**(179.2)**	**(7.9)**
0.5	-	0.5	Strategic Director Place		0.5	0.1	0.6
20.8	(12.1)	8.7	City Economy		28.1	(6.4)	21.7
(4.2)	(9.8)	(14.0)	City Assets		5.6	(0.9)	4.7
2.1	(0.2)	1.9	Housing		29.6	(27.1)	2.5
45.7	(18.9)	26.8	City Environment		65.0	(18.1)	46.9
64.9	**(41.0)**	**23.9**	**Place**		**128.8**	**(52.4)**	**76.4**
167.5	**(162.3)**	**5.2**	**Education**		**184.9**	**(146.2)**	**38.7**
149.4	**(103.2)**	**46.2**	**Housing Revenue Account**		**73.0**	**(188.3)**	**(115.3)**
807.5	**(571.6)**	**235.9**	**Net Cost of Services**		**771.9**	**(649.3)**	**122.6**
77.6	(14.2)	63.4	Other operating expenditure	5	61.0	(16.2)	44.8

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

2015-16 Gross Expenditure £m	2015-16 Gross Income £m	2015-16 Net Expenditure £m		Note	2016-17 Gross Expenditure £m	2016-17 Gross Income £m	2016-17 Net Expenditure £m
52.2	(6.7)	45.5	Financing and investment income and expenditure	6	56.5	(3.6)	52.9
-	(259.3)	(259.3)	Taxation and non-specific grant income and expenditure	7	-	(247.0)	(247.0)
937.2	**(851.8)**	**85.6**	**Deficit on Provision of Services**		**889.4**	**(916.1)**	**(26.7)**
		1.5	Gain/(loss) on Revaluation of Non-Current Assets				10.0
		(63.3)	Re-measurement of the net defined benefit liability				122.1
		(1.8)	Surplus or deficit on revaluation of available for sale financial assets				(4.4)
		(63.6)	**Other Comprehensive Income and Expenditure**				**127.7**
		22.0	**Total Comprehensive Income and Expenditure**				**101.0**

Comprehensive Income and Expenditure Statement (Group)

2015-16					2016-17		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
0.5	(0.1)	0.4	Strategic Director People		4.1	(0.1)	4.0
52.5	(22.4)	30.1	Older People		53.6	(20.2)	33.4
102.6	(62.5)	40.1	Disability & Mental Health		79.1	(36.5)	42.6
79.1	(12.1)	67.0	Children & Young People		57.1	(8.4)	48.7
24.4	(21.1)	3.3	Public Health & Wellbeing		20.0	(18.0)	2.0
259.1	**(118.2)**	**140.9**	**People**		**213.9**	**(83.2)**	**130.7**
-	-	-	Managing Director		1.8	0.1	1.9
0.4	-	0.4	Directorate		-	-	-
14.0	(1.5)	12.5	Transformation Team		-	-	-
6.9	(1.4)	5.5	Governance		10.2	(5.2)	5.0
134.4	(121.8)	12.6	Corporate Services		151.1	(138.8)	12.3
10.9	(22.2)	(11.3)	Corporate Accounts		6.8	(29.8)	(23.0)
-	-	-	Corporate Resources		1.4	(5.5)	(4.1)
166.6	**(146.9)**	**19.7**	**Corporate**		**171.3**	**(179.2)**	**(7.9)**
0.5	-	0.5	Strategic Director Place		0.5	0.1	0.6
20.8	(12.1)	8.7	City Economy		28.1	(6.4)	21.7
(4.2)	(9.8)	(14.0)	City Assets		5.7	(0.9)	4.8
(2.1)	3.4	1.3	Housing		24.5	(23.4)	1.1
45.7	(18.9)	26.8	City Environment		65.0	(18.1)	46.9
60.7	**(37.4)**	**23.3**	**Place**		**123.8**	**(48. 7)**	**75.1**
167.5	**(162.3)**	**5.2**	**Education**		**184.9**	**(146.2)**	**38.7**
149.3	**(103.2)**	**46.2**	**Housing Revenue Account**		**73.0**	**(188.3)**	**(115.3)**
803.2	**(568.0)**	**235.3**	**Net Cost of Services**		**766.9**	**(645.6)**	**121.3**
77.6	(14.2)	63.4	Other operating expenditure	5	61.0	(16.2)	44.8

Comprehensive Income and Expenditure Statement (Group) (continued)

2015-16 Gross Expenditure £m	2015-16 Gross Income £m	2015-16 Net Expenditure £m		Note	2016-17 Gross Expenditure £m	2016-17 Gross Income £m	2016-17 Net Expenditure £m
53.3	(6.7)	46.6	Financing and investment income and expenditure	6	57.5	(3.6)	53.9
-	(259.3)	(259.3)	Taxation and non-specific grant income and expenditure	7	-	(247.1)	(247.1)
934.1	**(848.2)**	**86.0**	**Deficit on Provision of Services**		**885.4**	**(912.5)**	**(27.1)**
		1.5	Gain/(loss) on Revaluation of Non-Current Assets	10			10.0
		(68.1)	Re-measurement of the net defined benefit liability	11			126.9
		(1.8)	Surplus or deficit on revaluation of available for sale financial assets				(4.4)
		(68.4)	**Other Comprehensive Income and Expenditure**				**132.5**
		17.6	**Total Comprehensive Income and Expenditure**				**105.4**

Balance Sheets

31 March 2015 (Restated) Council	Group	31 March 2016 (Restated) Council £m	Group £m		Note	31 March 2017 Council £m	Group £m
1,347.5	*1,347.5*	1,327.4	*1,327.4*	Property, Plant & Equipment	10	1,366.0	*1,366.0*
11.5	*11.5*	11.5	*11.5*	Heritage Assets	10	11.5	*11.5*
18.3	*18.3*	25.5	*25.5*	Investment Property	10	40.0	*40.0*
4.5	*4.5*	4.6	*4.6*	Intangible Assets	10	6.4	*6.4*
-	-	-	-	Assets Held for Sale	10	0.3	*0.3*
19.7	*19.7*	19.8	*19.8*	Long-term Investments		24.2	*24.2*
1.4	*1.4*	1.4	*1.4*	Long-term Debtors		1.3	*1.3*
1,402.9	***1,402.9***	**1,390.2**	***1,390.2***	**Long-term Assets**		**1,449.7**	***1,449.7***
24.4	*24.4*	43.0	*43.0*	Short-term Investments		7.9	*7.9*
0.5	*0.5*	0.5	*0.5*	Inventories		0.5	*0.5*
68.0	*66.3*	73.7	*73.1*	Short-term Debtors	8A	63.9	*63.1*
1.7	*10.0*	1.6	*12.5*	Cash and Cash Equivalents		1.1	*15.0*
94.6	***101.2***	**118.8**	***129.1***	**Current Assets**		**73.4**	***86.5***
(96.3)	*(96.3)*	(85.0)	*(85.0)*	Short-term Borrowing		(91.6)	*(91.6)*
(92.8)	*(92.3)*	(84.3)	*(85.2)*	Short-term Creditors	8B	(84.5)	*(86.1)*
(19.3)	*(19.3)*	(17.9)	*(17.9)*	Provisions	9A	(11.3)	*(11.3)*
(208.4)	***(207.9)***	**(187.2)**	***(188.1)***	**Current Liabilities**		**(187.4)**	***(189.0)***
(510.5)	*(510.5)*	(580.1)	*(580.1)*	Long-term Borrowing		(573.1)	*(573.2)*
(588.6)	*(620.0)*	(534.9)	*(564.2)*	Net Pension Liability	11	(662.3)	*(698.0)*
(80.1)	*(80.1)*	(118.6)	*(118.6)*	Other Long-term Liabilities		(114.2)	*(114.2)*
(4.8)	*(4.8)*	(5.1)	*(5.1)*	Grant Receipts in Advance – Capital		(5.0)	*(5.0)*
(1,184.0)	***(1,215.4)***	**(1,238.7)**	***(1,268.0)***	**Long-term Liabilities**		**(1,354.6)**	***(1,390.4)***

105.1	***80.8***	**83.1**	***63.2***	**Net Assets**		**(18.9)**	***(43.2)***
(109.3)	***(85.0)***	**(97.5)**	***(77.7)***	**Usable Reserves**	**15A**	**(86.1)**	***(61.8)***
4.2	***4.3***	**14.5**	***14.5***	**Unusable Reserves**	**15A**	**105.0**	***105.0***
(105.1)	***(80.8)***	**(83.1)**	***(63.2)***	**Total Reserves**		**18.9**	***43.2***

The notes, Housing Revenue Account Statements and Collection Fund Statement on pages 136 to 147 form part of these financial statements.

Movement in Reserves Statement – 2016/17

(For a detailed breakdown of the figures in this Statement, see Note 15A)

	General Fund Balance £m	General Fund Earmarked Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied Account £m	Reserves of the Subsidiary £m	Total Usable Reserves £m	Unusable Reserves £m	TOTAL (Council) £m	TOTAL (Group) £m
Balance Brought Forward											
-As previously reported	(10.0)	(70.1)	(5.0)	(0.1)	(7.4)	(2.0)	19.9	(74.7)	13.9	(80.7)	*(60.8)*
-Prior year adjustment (Refer to Note 1)	-	(2.9)	-	-	-	-	-	(2.9)	0.6	(2.3)	*(2.3)*
-As restated	(10.0)	(73.0)	(5.0)	(0.1)	(7.4)	(2.0)	19.9	(77.6)	14.5	(83.0)	*(63.1)*
Surplus/(Deficit) on Provision of Services	81.7	-	(108.4)	-	-	-	(0.4)	(27.1)	-	(26.7)	*(27.1)*
Other Comprehensive Income and Expenditure	-	-	1.0	-	-	-	4.8	5.8	127.6	127.7	*132.5*
Total Comprehensive Income and Expenditure	81.7	-	(107.4)	-	-	-	4.4	(21.3)	127.6	101.9	*106.3*
Adjustments between Accounting Basis & Funding Basis under Regulations	(69.8)	-	107.2	-	0.6	(0.9)	-	37.1	(37.5)	0.0	*0.0*
Net Decrease/(Increase) before Transfers & Other Movements	11.9	-	(0.2)	-	0.6	(0.9)	4.4	15.8	90.4	101.9	*106.3*
Transfers to/from earmarked Reserves	(11.8)	11.7	0.1	-	-	-	-	(0.0)	-	-	*(0.0)*
(Increase)/decrease for the Year	0.1	11.7	(0.1)	-	0.6	(0.9)	4.4	15.9	90.4	101.9	*106.3*
Balance Carried Forward	(9.9)	(61.3)	(5.1)	(0.1)	(6.8)	(2.9)	24.3	(61.8)	104.9	18.9	*43.2*

Movement in Reserves Statement – 2015/16

	General Fund Balance £m	General Fund Earmarked Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied Account £m	Reserves Of the Subsidiary £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves of the Authority £m	Total Reserves of the Group £m
Balance at 31 March 2015											
- As Previously Reported	**(10.0)**	**(66.4)**	**(5.0)**	**(15.3)**	**(5.9)**	**(37.1)**	**24.3**	**(115.4)**	**(56.8)**	**(196.5)**	***(172.2)***
- Prior Year Adjustment	**-**	**-**	**-**	**-**	**-**	**33.3**	**-**	**33.3**	**60.5**	**93.8**	***93.8***
- As Restated	**(10.0)**	**(66.4)**	**(5.0)**	**(15.3)**	**(5.9)**	**(3.8)**	**24.3**	**(82.1)**	**3.7**	**(102.7)**	***(78.4)***
Movement in reserves during 2015/16											
Total Comprehensive Income and Expenditure	75.4	-	10.2	-	-	-	(4.4)	(81.2)	(63.6)	22.0	*17.6*
Adjustments between accounting basis and funding basis under regulations (Note 1)	(79.3)	-	(10.0)	7.9	5.8	1.8	-	(73.8)	73.8	-	-
Net decrease/increase before transfers and other movements	**(3.9)**	**-**	**0.2**	**7.9**	**5.8**	**1.8**	**(4.4)**	**7.4**	**10.2**	**22.0**	***17.6***
Transfers to/from earmarked reserves	3.9	(3.7)	(0.2)	-	-	-	-	-	-	-	-
Increase or (Decrease) in 2016/17	**(0.0)**	**(3.7)**	**(0.0)**	**7.9**	**5.8**	**1.8**	**(4.4)**	**7.4**	**10.2**	**22.0**	***17.6***
Balance as at 31 March 2016 carried forward	**(10.0)**	**(70.1)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(74.7)**	**13.9**	**(80.7)**	***60.8***

Cash Flow Statement

2015/16 (As Restated) Council £m	2015/16 (As Restated) *Group £m*		Note	2016/17 Council £m	2016/17 *Group £m*
85.6	*86.0*	Net deficit on the provision of services		(29.5)	*(29.9)*
(154.6)	*(157.6)*	Adjustment for non-cash movements	16A	(36.6)	*(38.0)*
14.2	*14.2*	Adjustment for items that are investing and financing activities	16B	13.9	*13.9*
(54.8)	***(57.4)***	**Net cash flows from operating activities**	**16C**	**(52.2)**	***(54.0)***
		Investing activities			
149.3	*149.3*	Purchase of property, plant and equipment, investment property and intangible assets		96.7	*96.7*
548.1	*548.1*	Purchase of short-term and long-term investments		493.2	*493.2*
(14.2)	*(14.2)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(13.9)	*(13.9)*
(531.5)	*(531.5)*	Receipts from sale of short-term and long-term investments		(528.2)	*(528.2)*
151.7	***151.7***	**Net cash flows from investing activities**		**47.8**	***47.8***
		Financing activities			
(172.2)	*(172.2)*	Cash receipts of short- and long-term borrowing		(78.8)	*(80.0)*
5.5	*5.5*	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		3.1	*3.1*
69.9	*69.9*	Repayments of short-and long-term borrowing		80.6	*80.6*
(96.8)	***(96.8)***	**Net cash flows from total financing activities**		**4.9**	**3.7**
0.1	***(2.5)***	**Net (increase) or decrease in cash and cash equivalents**		**0.5**	***(2.5)***
		Cash and cash equivalents at the start of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
1.5	*9.8*	- Bank current accounts		1.4	*12.3*
1.7	***10.0***			**1.6**	***12.5***
		Cash and cash equivalents at the end of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
1.4	*12.3*	- Bank current accounts		0.9	*14.8*
1.6	***12.5***			**1.1**	***15.0***

Note 1A - Expenditure and Funding Analysis

2015-16					2016-17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement			Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£m	£m	£m		Note	£m	£m	£m
0.4	-	0.4	Strategic Director People		4.0	0.0	4.0
29.0	1.1	30.1	Older People		26.0	7.4	33.4
39.9	0.2	40.1	Disability & Mental Health		39.8	2.8	42.6
48.4	18.7	67.1	Children & Young People		43.3	5.4	48.7
2.9	0.4	3.3	Public Health & Wellbeing		-	2.0	2.0
120.6	**20.4**	**141.0**	**People**		**113.1**	**17.6**	**130.7**
-	-	-	Managing Director		1.2	0.7	1.9
0.4	-	0.4	Directorate		-	-	-
10.1	2.4	12.5	Transformation Team		-	-	-
11.5	1.2	12.7	Corporate Services		23.2	(10.9)	12.3
5.6	-	5.6	Governance		6.1	(1.1)	5.0
-	-	-	Corporate Resources		(217.9)	213.9	(4.0)
26.0	(37.2)	(11.2)	Corporate Accounts		27.3	(50.3)	(23.0)
53.5	**(33.7)**	**19.8**	**Corporate**		**(160.1)**	**152.3**	**(7.8)**
0.5	-	0.5	Strategic Director Place		0.4	0.2	0.6
5.0	3.7	8.7	City Economy		7.1	14.6	21.7
10.7	(24.7)	(14.0)	City Assets		1.8	2.9	4.7
3.1	(1.2)	1.9	Housing		8.0	(5.5)	2.5
22.4	4.4	26.8	City Environment		23.8	23.1	46.9
41.7	**(17.8)**	**23.9**	**Place**		**41.1**	**35.3**	**76.4**
1.6	**3.6**	**5.2**	**Education**		**5.9**	**32.7**	**38.6**
(32.2)	**78.3**	**46.1**	**Housing Revenue Account**		**(19.1)**	**(96.2)**	**(115.3)**
185.2	**50.8**	**236.0**	**Net Cost of Services**		**(19.1)**	**141.7**	**122.6**
(225.2)	**75.2**	**(150.0)**	**Other Income and Expenditure**		**-**	**(149.3)**	**(149.3)**
(40.0)	**126.0**	**86.0**	**Surplus or Deficit**		**(19.1)**	**(7.6)**	**(26.7)**

Note 1B – Note to the Expenditure and Funding Analysis 2016/17

				Adjustments between Funding and Accounting
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Strategic Director People	-	-	-	**-**
Older People	0.8	3.3	3.2	**7.3**
Disability & Mental Health	0.5	(0.3)	2.7	**2.9**
Children & Young People	0.8	0.2	4.3	**5.3**
Public Health & Wellbeing	-	-	2.0	**2.0**
People	**2.1**	**3.2**	**12.2**	**17.5**
Managing Director	-	-	0.7	**0.7**
Directorate	-	-	-	**-**
Corporate Services	0.1	(18.0)	7.0	**(10.9)**
Governance	0.4	(3.6)	2.1	**(1.1)**
Corporate Accounts	(1.1)	-	(49.2)	**(50.3)**
Corporate Resources	-	-	213.9	**213.9**
Corporate	**(0.6)**	**(21.6)**	**174.5**	**152.3**
Strategic Director Place	-	-	0.2	**0.2**
City Economy	5.0	3.2	6.4	**14.6**
Housing	1.8	(16.5)	9.2	**(5.5)**
City Assets	-	-	2.9	**2.9**
City Environment	11.1	(6.1)	18.1	**23.1**
Place	**17.9**	**(19.4)**	**36.8**	**35.3**
Education	**16.1**	**5.9**	**10.7**	**32.7**
Housing Revenue Account	**0.1**	**(85.2)**	**(11.2)**	**(96.3)**
Net Cost of Services	**35.6**	**(117.1)**	**223.0**	**141.5**
Other income and expenditure	**31.3**	**-**	**(180.6)**	**(149.3)**
Total	**66.9**	**(117.1)**	**42.4**	**(7.8)**

Note 1B (continued) – Note to the Expenditure and Funding Analysis 2015/16

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	-	-	-	**-**
Older People	1.6	(0.1)	(0.4)	**1.1**
Disability & Mental Health	0.5	(0.1)	(0.2)	**0.2**
Children & Young People	19.0	(0.1)	(0.2)	**18.7**
Public Health & Wellbeing	-	(0.9)	1.3	**0.4**
People	**21.1**	**(1.2)**	**0.5**	**20.4**
Managing Director	-	-	-	**-**
Directorate	-	-	-	**-**
Transformation Team	2.7	(0.1)	(0.2)	**2.4**
Governance	-	(0.1)	-	**(0.1)**
Corporate Services	0.2	(0.1)	1.1	**1.2**
Corporate Accounts	(1.1)	(5.3)	(30.8)	**(37.2)**
Corporate	**1.8**	**(5.6)**	**(29.9)**	**(33.7)**
Strategic Director Place	-	-	-	**-**
City Economy	3.5	-	0.2	**3.7**
City Assets	36.2	(0.2)	(60.7)	**(24.7)**
Housing	-	-	(1.2)	**(1.2)**
City Environment	5.0	(0.1)	(0.5)	**4.4**
Place	**44.7**	**(0.3)**	**(62.2)**	**(17.8)**
Education	**-**	**(1.4)**	**5.0**	**3.6**
Housing Revenue Account	**-**	**-**	**78.3**	**78.3**
Net Cost of Services	**67.6**	**(8.5)**	**(8.3)**	**50.8**
Other Income and Expenditure	**(14.6)**	**18.1**	**71.7**	**75.2**
Total	**53.0**	**9.6**	**63.4**	**126.0**

Note 1C – Other Differences Analysis 2016/17

Other Differences	Reserve £m	Grants £m	External trading operations £m	Financing and investment income and expenditure £m	Other operating expenditure £m	Taxation and non-specific grant income and expenditure £m	Other £m	Total £m
Strategic Director People	-	-	-	-	-	-	-	-
Older People	0.3	-	-	-	-	-	2.9	3.2
Disability & Mental Health	0.2	-	-	-	-	-	2.5	2.7
Children & Young People	(0.2)	0.3	-	-	-	-	4.2	4.3
Public Health & Wellbeing	1.7	-	-	-	-	-	0.3	2.0
People	**2.0**	**0.3**	**-**	**-**	**-**	**-**	**9.9**	**12.2**
Managing Director	0.5	-	-	-	-	-	0.2	0.7
Directorate	-	-	-	-	-	-	-	-
Transformation Team	-	-	-	-	-	-	-	-
Corporate Services	1.5	(0.1)	-	-	-	-	5.6	7.0
Governance	0.1	-	0.7	-	-	-	1.3	2.1
Corporate Accounts	(0.7)	-	-	(14.8)	(11.3)	1.5	(23.9)	(49.2)
Corporate Resources	1.6	0.1	-	-	-	212.2	-	213.9
Corporate	**3.0**	**-**	**0.7**	**(14.8)**	**(11.3)**	**213.7**	**(16.8)**	**174.5**
Strategic Director Place	0.1	-	-	-	-	-	0.1	0.2
City Economy	0.9	(0.2)	-	0.5	-	-	5.2	6.4
Housing	0.3	-	-	-	-	-	8.9	9.2
City Assets	0.6	(0.2)	-	-	-	-	2.5	2.9
City Environment	(0.9)	-	-	0.4	-	-	18.6	18.1
Place	**1.0**	**(0.4)**	**-**	**0.9**	**-**	**-**	**35.3**	**36.8**
Education	**5.1**	**0.5**	**-**	**-**	**-**	**-**	**5.1**	**10.7**
Housing Revenue Account	**-**	**-**	**0.2**	**-**	**(0.4)**	**-**	**(11.0)**	**(11.2)**
Net Cost of Services	**11.1**	**0.4**	**0.9**	**(13.9)**	**(11.7)**	**213.7**	**22.5**	**223.0**

Note 1C (continued) – Other Differences Analysis 2015/16

Other Differences	Reserve £m	Grants £m	External trading operations £m	Financing and investment income and expenditure £m	Other operating expenditure £m	Taxation and non-specific grant income and expenditure £m	Other £m	Total £m
Strategic Director People	-	-	-	-	-	-	-	-
Older People	-	(0.4)	-	-	-	-	-	(0.4)
Disability & Mental Health	-	(0.2)	-	-	-	-	-	(0.2)
Children & Young People	(0.1)	(0.1)	-	-	-	-	-	(0.2)
Public Health & Wellbeing	1.3	-	-	-	-	-	-	1.3
People	**1.2**	**(0.7)**	**-**	**-**	**-**	**-**	**-**	**0.5**
Managing Director	-	-	-	-	-	-	-	-
Directorate	-	-	-	-	-	-	-	-
Transformation Team	(0.1)	(0.1)	-	-	-	-	-	(0.2)
Governance	-	-	-	-	-	-	-	-
Corporate Services	1.5	(0.4)	-	-	-	-	-	1.1
Corporate Accounts	(0.5)	1.2	0.9	(10.3)	(11.9)	4.6	(14.8)	(30.8)
Corporate	**0.9**	**0.7**	**0.9**	**(10.3)**	**(11.9)**	**4.6**	**(14.8)**	**(29.9)**
Strategic Director Place	-	-	-	-	-	-	-	-
City Economy	-	-	-	0.2	-	-	-	0.2
City Assets	-	(0.1)	(0.1)	-	-	-	(60.5)	(60.7)
Housing	-	-	-	-	-	-	(1.2)	(1.2)
City Environment	(1.3)	-	0.6	0.2	-	-	-	(0.5)
Place	**(1.3)**	**(0.1)**	**0.5**	**0.4**	**-**	**-**	**(61.7)**	**(62.2)**
Education	**5.0**	**-**	**-**	**-**	**-**	**-**	**-**	**5.0**
Housing Revenue Account	**0.2**	**-**	**78.1**	**-**	**-**	**-**	**-**	**78.3**
Net Cost of Services	**6.0**	**(0.1)**	**79.5**	**(9.9)**	**(11.9)**	**4.6**	**(76.5)**	**(8.3)**

Note 1D Expenditure and Income Analysed by Nature

2015/16 £m		2016/17 £m
	Expenditure	
266.6	Employee benefits expenses	278.5
345.0	Other service expenses	354.2
98.3	Depreciation, amortisation and impairment	58.9
63.4	Loss on disposal of non-current assets	43,2
50.9	Interest payments	54.2
11.9	Levies	11.3
87.1	Support service recharges	82.2
923.2		882.5
	Income	
(472.3)	Fees and charges and other service income	(561.5)
(117.1)	Income from Council tax and Business Rates	(124.9)
(142.2)	Government grants and contributions	(127.5)
(14.2)	Gain on disposal of non-current assets	(13.9)
(87.1)	Support service recharges	(82.2)
(4.8)	Interest and investment income	(2.0)
(837.7)		(912.0)
85.6	**Deficit on provision of services**	**(29.5)**

Note 2 – Prior Period Restatement of Service Expenditure and Income 2015/16

Net Cost of Services	As Reported in the Comprehensive Income & Expenditure Statement 2015/16 £m	As Restated 2015/16 £m																					
		Strategic Director People	Older People	Disability & Mental Health	Children & Young People	Public Health & Wellbeing	**People**	Managing Director	Directorate	Transformation Team	Governance	Finance	Corporate Accounts	**Corporate**	Strategic Director Place	City Economy	City Assets	Housing	City Environment	**Place**	**Education**	**Housing Revenue Account**	**Total**
Adult Social Care	**(67.3)**	0.4	30.2	36.7	-	(0.2)	**67.1**	-	-	-	-	-	-	**0.0**	0.1	-	0.1	-	-	**0.2**	**-**	**-**	**-**
Central Services to the Public	**(32.8)**	-	0.3	-	-	0.1	**0.4**	-	0.4	4.6	3.8	3.4	9.8	**22.0**	-	1.1	6.7	0.1	2.5	**10.4**	**0.1**	**-**	**0.1**
Education and Children's Services	**(73.9)**	-	(0.4)	5.1	69.8	1.8	**76.3**	-	-	-	-	-	(8.6)	**(8.6)**	-	1.3	(1.8)	-	0.1	**(0.4)**	**6.6**	**-**	**-**
Corporate and Democratic Core	**(3.6)**	-	-	-	-	-	**0.0**	-	-	0.1	0.2	2.6	0.0	**2.9**	-	-	1.0	-	(0.4)	**0.6**	**-**	**-**	**(0.1)**
Cultural and Related Services	**(16.3)**	-	3.2	-	0.1	-	**3.3**	-	-	-	-	-	(1.2)	**(1.2)**	-	4.6	0.6	-	8.8	**14.1**	**-**	**-**	**-**
Environment and Regulatory Services	**(14.3)**	-	-	-	-	0.5	**0.5**	-	-	-	-	-	(3.5)	**(3.5)**	-	0.1	0.5	-	16.8	**17.2**	**-**	**-**	**(0.1)**
Planning Services	**(1.6)**	-	-	-	0.2	-	**0.2**	-	-	-	-	0.1	(2.5)	**(2.4)**	0.4	3.7	0.9	-	-	**4.9**	**-**	**-**	**1.2**
Public Health	**(1.5)**	-	-	-	-	1.5	**1.5**	-	-	-	-	-	-	**0.0**	-	-	-	-	-	**0.0**	**-**	**-**	**-**
Highways and Transport Services	**(19.2)**	-	-	-	0.2	-	**0.2**	-	-	-	-	-	(0.1)	**(0.1)**	-	0.1	30.4	-	2.8	**33.2**	**-**	**-**	**14.1**
Housing Services	**(10.3)**	-	1.1	0.9	1.4	-	**3.4**	-	-	-	-	1.7	-	**1.7**	-	-	2.3	1.9	-	**4.2**	**0.1**	**46.2**	**45.3**
Non-Distributed Costs	**5.2**	-	-	-	-	-	**0.0**	-	-	-	-	-	(5.2)	**(5.2)**	-	-	-	-	-	**-**	**-**	**-**	**-**
Recharges	**0.0**	-	(4.3)	(2.6)	(4.7)	(0.4)	**(12.0)**	-	-	7.7	1.6	4.8	-	**14.1**	-	(2.2)	6.0	-	(3.8)	**-**	**(1.6)**	**-**	**0.4**
Prior year adjustment	**0.0**	-	-	-	-	-	**0.0**	-	-	-	-	-	-	**0.0**	-	-	(60.6)	-	-	**(60.6)**	**-**	**-**	**(60.6)**
Total 2015/16 as restated in the Comprehensive Income and Expenditure Statement 2016/17	**(235.6)**	**0.4**	**30.1**	**40.1**	**67.0**	**3.3**	**140.9**	**-**	**0.4**	**12.4**	**5.6**	**12.6**	**(11.3)**	**19.7**	**0.5**	**8.7**	**(14.0)**	**2.0**	**26.8**	**23.9**	**5.2**	**46.2**	**0.3**

Note 3 Prior Period Adjustments

The balance sheet reflects prior period restatements relating to: -

(a) A correction to non-current borrowing following IFRS restatement;

(b) A correction to an imbalance between the General Fund and the Collection Fund

As these amounts related to prior years they have been treated as a prior period adjustments and reflected over the years effected. These prior period adjustments have been accounted for as follows:

	2014/15		2015/16	
	Council £m	Group £m	Council £m	Group £m
Balance Sheet				
Current Assets				
Current Assets				
Current Receivables				
As previously reported	67.8	*66.1*	73.5	*72.9*
Prior year adjustment in respect of (b)	0.2	*0.2*	0.2	*0.2*
Restated balance	68.0	*66.3*	73.7	*73.1*
Current Liabilities				
As previously reported	(96.4)	*(95.9)*	(87.9)	*(88.8)*
Prior year adjustment in respect of (b)	3.6	*3.6*	3.6	*3.6*
Restated balance	(92.8)	*(92.3)*	(84.3)	*(85.2)*
Long-term Liabilities				
Long-term borrowing				
As previously reported	(509.1)	*(509.1)*	(578.7)	*(578.7)*
Prior year adjustment in respect of (a)	(1.4)	*(1.4)*	(1.4)	*(1.4)*
Restated balance	**(510.5)**	***(510.5)***	**(580.1)**	***(580.1)***

Reserves				
Earmarked Reserves				
As previously reported	(66.4)	*(66.4)*	(70.1)	*(70.1)*
Prior year adjustment in respect of (b)	(2.9)	*(2.9)*	(2.9)	*(2.9)*
Restated balance	**(69.3)**	***(69.3)***	**(73.0)**	***(73.0)***
Capital Adjustment Account				
As previously reported	(375.3)	*(375.3)*	(338.8)	*(338.8)*
Prior year adjustment in respect of (a)	1.4	*1.4*	1.4	*1.4*
Restated balance	**(373.9)**	***(373.9)***	**(337.4)**	***(337.4)***
Collection Fund Adjustment Account				
As previously reported	3.9	*3.9*	5.2	*5.2*
Prior year restatement in respect of (b)	(0.8)	*(0.8)*	(0.8)	*(0.8)*
Restated balance	**3.1**	***3.1***	**4.4**	***4.4***

Note 4 – Income and Expenditure

4A - Acquired and Discontinued Operations

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

4B – 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. Following a review of trading operations in 2016/17, street cleaning (previously disclosed in this note) is no longer classed as a trading operation.

2015/16 Turnover £m	2015/16 Deficit/ (Surplus) £m	2016/17	2016/17 Turnover £m	2016/17 Deficit/ (Surplus) £m
(2.0)	(0.1)	Markets	(1.7)	0.5
(4.2)	0.5	Cleaning of Buildings	(4.6)	0.4
(7.9)	(0.8)	Schools and Welfare Catering	(8.6)	(0.8)
(0.3)	-	Civic Centre and Other Catering	(0.3)	0.1
(14.4)	**(0.4)**	**Total**	**(15.2)**	**0.2**

4C – 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 and is summarised in the following table.

2015/16 Council Contribution £m	2015/16 CCG Contribution £m	2015/16 Total Expenditure £m	Scheme	2016/17 Council Contribution £m	2016/17 CCG Contribution £m	2016/17 Total Expenditure £m
2.5	1.6	4.1	Child Placements with External Agencies	2.5	1.6	4.1

The second scheme relates to a pooled budget arrangement with Wolverhampton Clinical Commissioning Group (CCG) entered on 1st 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 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.

2015/16 £m	Better Care Fund	2016/17 £m
	Expenditure	
21.3	Community & Primary Care	46.5
4.6	Dementia	2.9
9.7	Mental Health	10.1
36.0	Intermediate Care/ Reablement	-
71.6	**Total Expenditure**	**59.5**
	Gross Funding	
46.6	Wolverhampton Clinical Commissioning Group	35.1
24.2	City of Wolverhampton Council	21.7
70.8	**Total Funding**	**56.8**

2015/16 £m	Better Care Fund	2016/17 £m
0.8	**Net Over Spend**	**2.7**
	Allocation of Over Spend	
0.5	Wolverhampton Clinical Commissioning Group	1.7
0.3	City of Wolverhampton Council	1.0
0.8	**Total Allocation**	**2.7**

4D – Councillors' Allowances

The Council paid £908,000 in Councillors' allowances during 2016/7 (2015/16: £909,000).

4E – 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	Exit Package	Employers' Pension Contribution	Total Remuneration
		£	£	£	£	£	£
Managing Director (Head of Paid Service)[1]	**2016/17**	**143,925**	**-**	**-**	**-**	**33,391**	**177,316**
	2015/16	140,000	-	-	-	30,100	170,100
Strategic Director of People[2]	**2016/17**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
Strategic Director of People - Interim[3]	**2016/17**	**-**	**186,672**	**-**	**-**	**-**	**186,672**
Strategic Director of People - Interim	2015/16	-	237,956	-	-	-	237,956
Strategic Director of Place	**2016/17**	**133,136**	**-**	**-**	**-**	**30,888**	**164,024**
	2015/16	130,000	-	-	-	27,950	157,950
Strategic Director of Pensions[4]	**2016/17**	**133,136**	**-**	**-**	**-**	**30,888**	**164,024**
	2015/16	130,000	-	-	-	27,950	157,950
Strategic Director of Housing[5]	**2016/17**	**68,831**	**-**	**-**	**-**	**10,256**	**79,087**
	2015/16	34,075	-	-	-	5,077	39,152
Director of Finance (Section 151 Officer)[6]	**2016/17**	**104,284**	**-**	**-**	**-**	**24,217**	**128,501**
	2015/16	100,000	-	-	-	21,500	121,500
Director of Governance (Monitoring Officer)[7]	**2016/17**	**107,767**	**-**	**-**	**-**	**10,417**	**118,184**
	2015/16	103,350	-	-	-	22,220	125,570
Director of Education - Interim[8]	**2016/17**	**-**	**154,560**	**-**	**-**	**-**	**154,560**
Director of Education - Interim	2015/16	-	98,440	-	-	-	98,440
Director of Education[9]	2015/16	60,288	-	-	-	1,852	62,140

Post Title		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Exit Package £	Employers' Pension Contribution £	Total Remuneration £
Service Director Children and Young People	**2016/17**	**89,330**	**-**	**-**	**-**	**20,725**	**110,055**
	2015/16	86,993	-	-	-	18,704	105,697
Service Director Older People [10]	**2016/17**	**46,115**	**-**	**-**	**2,729**	**10,699**	**59,543**
	2015/16	91,317	-	-	-	19,633	110,950
Service Director Disability and Mental Health [11]	**2016/17**	**44,665**	**-**	**13**	**2,056**	**10,362**	**57,096**
	2015/16	88,446	-	-	-	19,016	107,462
Service Director Adult Social Care [12]	**2016/17**	**42,148**	**-**	**-**	**-**	**9,778**	**51,926**
	2015/16	-	-	-	-	-	-
Service Director Public Health and Well-Being	**2016/17**	**95,314**	**-**	**963**	**-**	**13,630**	**109,907**
	2015/16	93,944	-	963	-	13,434	108,341
Service Director City Assets [13]	**2016/17**	**16,226**	**-**	**-**	**-**	**3,764**	**19,990**
	2015/16	96,390	-	-	-	20,724	117,114
Head of Corporate Landlord [14]	**2016/17**	**74,026**	**-**	**-**	**-**	**17,174**	**91,200**
	2015/16	-	-	-	-	-	-
Service Director City Economy	**2016/17**	**92,230**	**-**	**-**	**-**	**21,397**	**113,627**
	2015/16	88,446	-	-	-	19,016	107,462
Service Director City Environment	**2016/17**	**84,366**	**-**	**-**	**-**	**19,573**	**103,939**
Service Director City Environment	2015/16	898	-	-	-	193	1,091
Service Director City Environment - Interim	2015/16	-	155,088	-	-	-	155,088
Chief Investment Officer [4 & 15]	**2016/17**	**52,733**	**-**	**-**	**-**	**12,234**	**64,967**
	2015/16	-	-	-	-	-	-

Post Title		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Exit Package £	Employers' Pension Contribution £	Total Remuneration £
Assistant Director Investments[4 & 16]	**2016/17**	**58,575**	**-**	**-**	**53,034**	**13,590**	**125,199**
	2015/16	86,993	-	-	-	18,704	105,697
Director of Pensions/Assistant Director Actuarial and Pensions[4 & 17]	**2016/17**	**114,838**	**-**	**-**	**-**	**26,642**	**141,480**
	2015/16	60,053	-	-	-	12,911	72,964
Chief Accountant	**2016/17**	**68,057**	**-**	**-**	**-**	**15,789**	**83,846**
	2015/16	65,025	-	-	-	13,980	79,005
Head of Corporate Communications[18]	**2016/17**	**62,606**	**-**	**-**	**-**	**14,525**	**77,131**
Head of Communications	2015/16	56,057	-	-	-	12,052	68,109
Service Director Commercial Services - Interim[19]	**2016/17**	**-**	**134,142**	**-**	**-**	**-**	**134,142**
	2015/16	-	-	-	-	-	-
Head of Service Improvement[20]	**2016/17**	**40,093**	**-**	**-**	**-**	**9,302**	**49,395**
	2015/16	-	-	-	-	-	-
Head of Service - Strategic Commissioning, People - Interim[21]	**2016/17**	**-**	**76,799**	**-**	**-**	**-**	**76,799**
	2015/16	-	-	-	-	-	-
Head of Service - Safeguarding	**2016/17**	**62,902**	**-**	**-**	**-**	**14,593**	**77,495**
	2015/16	62,279	-	-	-	11,158	73,437
Future Space Programme Director - Interim[22]	**2016/17**	**-**	**120,750**	**-**	**-**	**-**	**120,750**
	2015/16	-	-	-	-	-	-

Note 1: Between April 2016 and March 2017 pay costs of £21,630, 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.

Note 2: The post of Strategic Director of People has been held on a fixed term contract since 1 January 2017 and the amount shown includes a Market Forces Supplement of £6,291. The post had an annualised salary of £134,835.

Note 3: The Strategic Director of People post was held on an interim basis between 1 April 2016 and 31 December 2016 and the costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

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: The Chief Executive of Wolverhampton Homes Limited also holds the City of Wolverhampton Council post of Strategic Director of Housing. The Strategic Director Housing is formally employed by Wolverhampton Homes Limited and 50% of the 2016/17 pay costs are recharged to the City of Wolverhampton Council; £137,662 (2015/16: £136,300) of which the Council's annualised share is £68,831 (2015/16: £68,150). The Strategic Director of Housing post was created on 1 October 2015.

Note 6: Between April 2016 and March 2017 pay costs of £12,900, included in the table against the Director of Finance, were funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 7: Between April 2016 and March 2017 pay costs of £13,320, included in the table against the Director of Governance, were funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 8: The post of Director of Education has been held on an interim basis since 1 October 2015. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 9: The post of Director of Education became vacant on 31 October 2015 and had an annualised salary of £103,350 for 2015/16.

Note 10: The Service Director Older People post became vacant on 30 September 2016 and was deleted. £2,729 relates to pay in lieu of leave and the post had an annualised salary of £92,230 for 2016/17.

Note 11: The Service Director Disability and Mental Health post became vacant on 30 September 2016 and was deleted. £2,056 relates to pay in lieu of leave and the post had an annualised salary of £89,330 for 2016/17.

Note 12: The Service Director Adult Social Care post was created on 17 October 2016 from the deleted Service Director Older People and Service Director Disability and Mental Health posts. The post had an annualised salary of £92,230 for 2016/17.

Note 13: The Service Director City Assets post became vacant on 31 May 2016 and was deleted. The post had an annualised salary of £97,354 for 2016/17.

Note 14: The Head of Corporate Landlord post was created on 1 April 2016.

Note 15: The Chief Investment Officer took up position on 16 September 2016 and had an annualised salary of £97,354 during 2016/17.

Note 16: The Assistant Director Investments post became vacant on 30 November 2016 and was replaced with the Chief Investment Officer post. The Assistant Director Investments post had an annualised salary of £87,863 during 2016/17.

Note 17: The Assistant Director Actuarial and Pensions acted-up to the Director of Pensions post with effect from 1 July 2016. The Assistant Director Actuarial and Pensions took up position on 1 July 2015 during 2015/16 and had an annualised salary of £80,070.

Note 18: The Head of Corporate Communications post holder is required to report directly to the head of the authority's paid service, the Managing Director.

Note 19: The Service Director Commercial Services post holder is required to report directly to the head of the authority's paid service, the Managing Director. The post has been held on an interim basis since 23 May 2016 and costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 20: The Head of Service Improvement post holder is required to report directly to the head of the authority's paid service, the Managing Director. The post was created on 1 August 2016 and the post holder had an annualised salary of £60,140 during 2016/17.

Note 21: The Head of Service Strategic Commissioning, People post has been held on an interim basis since 1 October 2016 and costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 22: The Future Space Programme Director post has been held on an interim basis since 1 June 2016 and costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

The following tables shows the number of other employees, excluding Senior Officers, whose remuneration for the year (excluding employer's pension contributions) exceeded £50,000. During the year, a total of 11 schools had their payroll prepared by external providers and, as this data owned by the respective schools, it is not reported in the table below.

	2016/17				
	Number of Employees				
Remuneration Band	**Schools**	**Pension Fund**	**Rest of Council**	**Total Number of Employees In Band**	**Employees Receiving Termination Packages (included in total)**
£50,000 - £54,999	40	2	53	95	4
£55,000 - £59,999	18	4	18	40	4
£60,000 - £64,999	23	2	26	51	4
£65,000 - £69,999	15	-	2	17	1
£70,000 - £74,999	6	-	2	8	2
£75,000 - £79,999	3	-	4	7	1
£80,000 - £84,999	4	-	-	4	-
£85,000 - £89,999	2	-	-	2	-
£90,000 - £94,999	-	-	-	-	-
£95,000 - £99,999	1	-	-	1	-
£100,000 - £104,999	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-
£135,000 - £135,999	1	-	-	1	1
Total	**113**	**8**	**105**	**226**	**17**

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

4F – 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.

2015/16*						Value of Individual Package	2016/17					
Compulsory		Other		Total			Compulsory		Other		Total	
Number	£m	Number	£m	Number	£m		Number	£m	Number	£m	Number	£m
-	-	-	-	-	-	£200,001 to £250,000	-	-	1	0.2	1	0.2
-	-	2	0.4	2	0.4	£150,001 to £200,000	-	-	4	0.7	4	0.7
3	0.3	5	0.6	8	0.9	£100,001 to £150,000	3	0.4	-	-	3	0.4
1	0.1	1	0.1	2	0.2	£80,001 to £100,000	1	0.1	3	0.3	4	0.4
1	0.1	9	0.6	10	0.7	£60,001 to £80,000	2	0.1	2	0.1	4	0.2
9	0.5	15	0.8	24	1.3	£40,001 to £60,000	6	0.3	6	0.2	12	0.5
13	0.4	65	1.8	78	2.2	£20,001 to £40,000	20	0.5	25	0.7	45	1.2
99	0.6	438	2.8	537	3.4	Less than £20,000	106	0.8	228	0.9	334	1.7
126	**2.0**	**535**	**7.1**	**661**	**9.1**	**Total**	**138**	**2.2**	**269**	**3.1**	**407**	**5.3**

* The 2015/16 comparative has been restated due to pension strain costs not being notified until 2016/17.

4G – Amounts Payable to the Auditors

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

2015/16 £m		2016/17 £m
	Grant Thornton UK LLP	
0.189	External audit (Council)	0.189
-	Certification of Grant Claims and Returns	0.021
0.024	Additional work (*)	0.126
0.213	**TOTAL**	**0.336**

* The fees payable Grant Thornton UK LLP for additional work relate to an income generation project - £61,000, consultancy regarding utility bills - £23,000, 3 delegates in attendance at the Opportunity West Midlands Programme 2016 - £11,000. Included in the Additional Work's figure is also £31,000 in respect of the agreed variation of 2015-16 Audit Fee.

4H - Grants

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

2015/16 £m		2016/17 £m
	Credited to Net Cost of Services	
(136.8)	Dedicated Schools Grant	(122.5)
(56.1)	Mandatory Rent Allowance	(54.1)
(56.6)	Mandatory Rent Rebates Subsidy	(53.9)
(20.2)	Public Health Grant	(21.9)
(11.5)	Pupil Premium	(10.1)
(7.3)	Standards Fund Capital	(9.2)
(3.9)	6th Form Funding	-
0.1	16-18 Bursary Fund	(3.1)
(3.0)	Education Support Grant	(2.4)
(2.6)	Housing & Council Tax Benefit Administration	(2.2)
(2.0)	Universal Infant Free School Meals	(1.9)
(1.3)	Further Education	(1.6)
(1.7)	PCDL -Adult Learning	(1.2)
(13.1)	Other Grants	(10.9)
(316.0)	**Total Credited to Net Cost of Services**	**(295.0)**

4H - Grants (Continued)

2015/16 £m		2016/17 £m
	Credited to Taxation and Non-Specific Grant Income	
	Non-Ring Fenced Government Grants	
(63.4)	Revenue Support Grant	(50.3)
(3.4)	New Homes Bonus (including adjustment grant)	(4.2)
(2.7)	Business Rates Autumn Statement Compensation	0.1
(35.9)	Local Business Rates Top Up Grant	(36.2)
(105.4)		**(90.6)**
	Capital Grants and Contributions	
(11.6)	Standards Fund Capital	(7.6)
(7.1)	Local Growth Fund – Interchange	(6.4)
(2.2)	Local Growth Fund - Access to Growth	(4.2)
(3.9)	Section 31 Grant - Department of Transport	(5.1)
(0.8)	HM Challenge Fund (Network Renewal)	(2.3)
(2.8)	Local Growth Fund - Bilston Urban Village	(2.1)
(1.9)	Local Growth Fund - Civic Halls Improvement	(2.0)
(1.3)	Disabled Facilities Grant	(2.5)
(5.2)	Other Grants and Contributions	(4.6)
(36.8)		**(36.8)**
(458.2)	**Total Grants Credited to the CIES**	**(422.4)**

4I – 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.

2015/16 Central Expenditure £m	2015/16 Individual Schools Budget £m	2015/16 Total £m		2016/17 Central Expenditure £m	2016/17 Individual Schools Budget £m	2016/17 Total £m
(12.4)	(191.0)	(203.4)	Final DSG for the year before academy recoupment	(13.5)	(196.6)	(210.1)
-	66.8	66.8	Academy figure recouped		86.5	86.5
(12.4)	**(124.2)**	**(136.6)**	**Total DSG after academy recoupment for the year**	**(13.5)**	**(110.1)**	**(123.6)**
0.4	0.7	1.1	Brought forward from previous year	2.0	-	2.0
0.1	-	0.1	Carry-forward to following year agreed in advance	-	-	-
(11.9)	**(123.5)**	**(135.4)**	**Agreed initial budgeted distribution in the year**	**(11.5)**	**(110.1)**	**(121.6)**
(11.9)	**(123.5)**	**(135.4)**	**Final budgeted distribution for the year**	**(11.5)**	**(110.1)**	**(121.6)**
13.9	-	13.9	Less actual central expenditure	11.5	-	11.5
-	123.5	123.5	Less actual ISB deployed to schools	-	111.9	111.9
2.0	**-**	**2.0**	**Overspend carried forward to following year**	**-**	**1.8**	**1.8**

Note 4J – Exceptional Items

There were no exceptional items of expense or income in 2016/17.

4K – Events after the Reporting Period

Academy Conversions

On 1 June 2017 Parkfield Primary School and St Stephen's C of E Primary School converted to Academy status. As a result, the assets of these schools, with a carrying value totalling £2.8 million, will be de-recognised in the Council's 2017/18 accounts. This de-recognition will be treated as a disposal and will be recognised in the Losses/(gains) on the Disposal of Non-Current Assets line in the Comprehensive Income and Expenditure Statement.

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

Note 5 – Other Operating Expenditure

2015/16 Gross Expenditure £m	2015/16 Gross Income £m	2015/16 Net Expenditure £m		2016/17 Gross Expenditure £m	2016/17 Gross Income £m	2016/17 Net Expenditure £m
11.9	0.0	11.9	Levies	11.3	0.0	11.3
2.3	0.0	2.3	Payments to the Housing Capital Receipts Pool	2.1	0.0	2.1
63.4	(14.2)	49.2	Losses/(gains) on the Disposal of Non-Current Assets	47.6	(16.2)	31.4
77.5	**(14.2)**	**63.3**		**61.0**	**(16.2)**	**44.8**

Note 6 – Financing and Investment Income and Expenditure

2015/16 Gross Expenditure £m	2015/16 Gross Income £m	2015/16 Net Expenditure £m		2016/17 Gross Expenditure £m	2016/17 Gross Income £m	2016/17 Net Expenditure £m
2.0	(2.0)	0.0	External Training Organisations	2.4	(1.7)	0.7
32.7	0.0	32.7	Interest Payable	36.0	0.0	36.0
18.1	0.1	18.2	Net Interest Expense-Pensions	18.2	0.0	18.2
0.0	(0.3)	(0.3)	Interest Receivable	0.0	(0.5)	(0.5)
0.0	0.0	0.0	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	0.0	0.0	0.0
0.0	(4.5)	(4.5)	Other Investment Income	0.0	(1.5)	(1.5)
52.8	**(6.7)**	**46.1**		**56.6**	**(3.7)**	**52.9**

Note 7 - Taxation and Non-Specific Grant Income and Expenditure

2015/16 Gross Expenditure £m	2015/16 Gross Income £m	2015/16 Net Expenditure £m		2016/17 Gross Expenditure £m	2016/17 Gross Income £m	2016/17 Net Expenditure £m
0.0	(37.4)	(37.4)	National Non-Domestic Rates	0.0	(37.8)	(37.8)
0.0	(79.7)	(79.7)	Council tax	0.0	(81.7)	(81.7)
0.0	(105.4)	(105.4)	Unringfenced Revenue Grants Receivable	0.0	(90.6)	(90.6)
0.0	(36.8)	(36.8)	Capital Grants Receivable	0.0	(36.9)	(36.9)
0.0	**(259.3)**	**(259.3)**	**Taxation and non-specific grant income and expenditure**	**0.0**	**(247.0)**	**(247.0)**

Note 8 – 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.

8A – Current Receivables

31 March 2016 Council £m	31 March 2016 *Group £m*	Type of Organisation	31 March 2017 Council £m	31 March 2017 *Group £m*
5.1	*5.1*	Central government bodies	5.7	*5.7*
1.2	*1.2*	Other local authorities	1.2	*1.2*
9.1	*9.1*	NHS bodies	8.4	*8.4*
-	-	Public corporations and trading funds	-	-
58.3	*57.7*	Bodies external to general government	48.6	*47.8*
73.7	***73.1***	**Total**	**63.9**	***63.1***

8B – Current Payables

31 March 2016 Council £m	31 March 2016 *Group £m*	Type of Organisation	31 March 2017 Council £m	31 March 2017 *Group £m*
(4.1)	*(5.5)*	Central government bodies	(4.9)	*(6.1)*
(3.3)	*(3.3)*	Other local authorities	(1.4)	*(1.4)*
(2.9)	*(2.9)*	NHS bodies	(1.0)	*(1.0)*
(77.6)	*(77.1)*	Bodies external to general government	(77.2)	*(77.6)*
(87.9)	***(88.8)***	**Total**	**(84.5)**	***(86.1)***

Note 9 – Provisions and Contingent Liabilities

9A – Provisions

Balance at 31 March 2016 £m	Provision Name	Provision Details	Amounts Used in 2016/17 £m	Contribution to/from Provisions 2016/17 £m	Balance at 31 March 2016/17 £m
(8.4)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. An adjustment has been made to reduce the provision to reflect information available to the Council at the 31 March 2017. It is currently uncertain when payments might need to be made, and the value of any such payments.	3.6	2.3	(2.5)
(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)

Balance at 31 March 2016 £m	Provision Name	Provision Details	Amounts Used in 2016/17 £m	Contribution to/from Provisions 2016/17 £m	Balance at 31 March 2016/17 £m
(0.7)	Termination Benefits	During 2016/17, the Council undertook a further voluntary redundancy exercise. As a result of this initiative, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at the end of the year.	0.7	(0.1)	(0.1)
(0.2)	Midlands Housing Consortium (MHC)	MHC was previously a member of the West Midlands Pension Fund. It paid a lump sum to the Council to support pension payments to fund members. This provision will reduce gradually over time as pension payments are made.	0.1	-	(0.1)
(0.1)	Housing Revenue Account	There are three separate provisions: for legal disrepair claims, for tenant management organisation expenditure and for rent bonds.	0.1	-	-
(6.1)	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 2017.	9.2	(9.3)	(6.2)
(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)
(17.9)	**Total**		**13.7**	**(7.1)**	**(11.3)**

9B – Contingent Liabilities

At 31 March 2017, 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 2017 is £6.1 million (31 March 2016 - £7.1 million).

- A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £2.5 million (31 March 2016: £8.4 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 2017 is estimated at £0.9 million (31 March 2016: £0.9 million).

- During 2016/17, the Council undertook a further voluntary redundancy exercise. There were a number of applications for voluntary redundancy that were approved prior to the balance sheet date for payment during 2017/18 for which a provision of £0.1 million (31 March 2016: £0.7 million) has been raised. There are, however, a number of applications for voluntary redundancy in progress which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.

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

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

- The Council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the Council may be subject to clawback of both previous and future paid claims. A payment of £208,836 was made in 2015/16 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. There is a possibility that an appeal may be made against this ruling and there is a lack of clarity with regard to the basis of any potential claims and the period to be backdated. In view of this and the lack of current data available the Council is unable to estimate the likely financial impact of any claims that may arise.

Contingent Assets

At 31 March 2017, the Council did not have any contingent assets.

Note 10 – 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 2016												
-As previously reported	620.0	615.1	78.2	282.9	15.4	27.3	1,638.9	27.3	8.3	11.5	-	**1,686.0**
-Prior year adjustment	-	-	-	-	-	-	-	-	-	-		**-**
-As restated	**620.0**	**615.1**	**78.2**	**282.9**	**15.4**	**27.3**	1,638.9	**27.3**	**8.3**	**11.5**	**-**	**1,686.0**
Additions	33.6	29.3	2.8	12.8	0.4	0.2	79.1	14.3	3.3	-	-	**96.7**
Disposals	(7.4)	(39.8)	(0.1)	-	-	(1.9)	(49.2)	-	-	-	-	**(49.2)**
Revaluations / Fair Value Gains/(Losses)												**-**
-Recognised in revaluation reserve	-	(35.0)	-	-	-	(2.8)	(37.8)	-	-	-	-	**(37.8)**
-Recognised in surplus/(deficit) on provision of services	41.6	(47.4)	-	-	-	(5.8)	(11.6)	(1.0)	-	-	-	**(12.6)**
Impairments	-	-	-	-	-	(0.1)	(0.1)	-	-	-	-	**(0.1)**
Other Changes - Gross Value	-	(5.4)	-	-	-	6.1	0.7	1.2	-	-	0.3	**2.2**
Gross Value as at 31 March 2017	**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**
Accumulated Depreciation / Impairment												
At 31 March 2016												
-As previously reported	21.8	65.6	67.2	152.1	0.8	4.0	311.5	1.8	3.7	-	-	**317.0**
-Prior year adjustments	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**		**-**
-As restated	**21.8**	**65.6**	**67.2**	**152.1**	**0.8**	**4.0**	**311.5**	**1.8**	**3.7**	**-**	**-**	**317.0**
Disposals	-	(1.2)	-	-	-	(0.5)	(1.7)	-	-	-	-	**(1.7)**
Depreciation/amortisation	21.8	23.6	3.3	7.9	-	0.7	57.3	-	1.5	-	-	**58.8**
Depreciation writeback on revaluation												**-**
-Recognised in the Revaluation Reserve	-	(27.7)	-	-	-	-	(27.7)	-	-	-	-	**(27.7)**
-Recognised in the Surplus/Deficit on the Provision of Services	(43.6)	(40.0)	-	-	-	(1.9)	(85.5)	-	-	-	-	**(85.5)**
Other Changes	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Depreciation / Impairment at 31 March 2017	**-**	**20.3**	**70.5**	**160.0**	**0.8**	**2.3**	**253.9**	**1.8**	**5.2**	**-**	**-**	**260.9**
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**
Net Book Value As at 31 March 2016	**598.2**	**549.5**	**11.0**	**130.8**	**14.6**	**23.3**	**1,327.4**	**25.5**	**4.6**	**11.5**	**-**	**1,369.0**

	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	Total £m
Gross Value											
At 31 March 2015											
-As previously reported	**1,267.7**	**756.2**	**77.6**	**286.7**	**21.1**	**48.9**	**2,458.2**	**20.9**	**6.8**	**11.5**	**2,497.4**
-Prior year adjustment	(658.4)	(0.7)	(1.4)	(13.3)	-	-	**(673.8)**	-	-	-	**(673.8)**
-As restated	**609.3**	**755.5**	**76.2**	**273.4**	**21.1**	**48.9**	**1,784.4**	**20.9**	**6.8**	**11.5**	**1,823.6**
Additions	50.6	76.8	2.1	9.5	0.5	2.2	**141.7**	7.1	1.5	-	**150.3**
Assets reclassified	-	(0.1)	-	-	-	-	**(0.1)**	0.1	-	-	**-**
Disposals	(8.2)	(53.4)	(0.1)	-	-	(8.8)	**(70.5)**	-	-	-	**(70.5)**
Revaluation Gains/(Losses)											
-Recognised in revaluation reserve	-	(1.7)	-	-	-	0.2	**(1.5)**	-	-	-	**(1.5)**
-Recognised in surplus/(deficit) on provision of services	(33.7)	-	-	-	-	0.1	**(33.6)**	1.8	-	-	**(31.8)**
Impairments	-	(3.1)	-	-	-	-	**(3.1)**	(1.8)	-	-	**(4.9)**
Reversal of accumulated impairments	-	(158.9)	-		(6.2)	(18.0)	**(183.1)**	(0.6)	-	-	**(183.7)**
Other Changes - Gross Value	2.0	-	-	-	-	2.7	**4.7**	(0.2)	-	-	**4.5**
Gross Value as at 31 March 2016	**620.0**	**615.1**	**78.2**	**282.9**	**15.4**	**27.3**	**1,638.9**	**27.3**	**8.3**	**11.5**	**1,686.0**
Accumulated Depreciation / Impairment											
At 31 March 2015											
-As previously reported	**613.1**	**202.7**	**62.5**	**144.7**	**7.0**	**20.0**	**1,050.0**	**2.6**	**2.3**	**-**	**1,054.9**
-Prior year adjustments	**(613.1)**	**-**	**-**	**-**	**-**	**-**	**(613.1)**	**-**	**-**	**-**	**(613.1)**
-As restated	**-**	**202.7**	**62.5**	**144.7**	**7.0**	**20.0**	**436.9**	**2.6**	**2.3**	**-**	**441.8**
Disposals	(2.0)	(4.4)	(0.1)	-	-	(0.7)	**(7.2)**	-	-	-	**(7.2)**
Depreciation/amortisation	21.8	25.5	4.8	7.4	-	0.7	**60.2**	-	1.4	-	**61.6**
Reversal of accumulated impairments	-	(158.9)	-	-	(6.2)	(18.0)	**(183.1)**	(0.6)	-	-	**(183.7)**
Other Changes - Accumulated depreciation	2.0	0.7	-	-	-	2.0	**4.7**	(0.2)	-		**4.5**
Accumulated Depreciation / Impairment at 31 March 2016	**21.8**	**65.6**	**67.2**	**152.1**	**0.8**	**4.0**	**311.5**	**1.8**	**3.7**	**-**	**317.0**
Net Book Value As at 31 March 2016	**598.2**	**549.5**	**11.0**	**130.8**	**14.6**	**23.3**	**1,327.4**	**25.5**	**4.6**	**11.5**	**1,369.0**
Net Book Value As at 31 March 2015	**609.3**	**552.8**	**13.7**	**128.7**	**14.1**	**28.9**	**1,347.5**	**18.3**	**4.5**	**11.5**	**1,381.8**

Asset Disposals
The total net book value of assets disposed of in the year of £47.5 million (2015/16: £63.3 million) includes £36.2 million (2015/16: £44.8 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, with the exception of Council dwellings, for which the Major Repairs Allowance is used as a proxy for depreciation. Intangible assets are amortised on the straight-line basis over the estimated useful economic life of the asset. No depreciation is charged on investment properties, heritage assets or land. The following asset lives are used to determine the depreciation charge:

Council Dwellings	Up to 30 years
Infrastructure assets	0-49 years
Surplus assets	0-49 years
Other buildings	0-57 years
Plant and equipment	0-37 years
Vehicles	0-7 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 31st March 2017. The valuations were carried out by external valuers. The housing stock valuation was carried out by the Valuation Office Agency while the other valuations were carried out by Bruton Knowles, registered RICS valuers, using the guidance and methodology set out in the following paragraphs.

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

Basis of Valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2016/17, infrastructure, community assets, and assets under construction are valued at depreciated historical cost. All other classes of asset are measured at current value. For vehicles, plant, furniture and equipment current value is determined by depreciated historical cost due to the short useful life of these assets (2-7 years depending on the asset). The current value of Council dwellings is measured using existing use value (social housing). For all other asset classes, where there is no market-based evidence of current value, the Council estimates current value using the depreciated replacement cost approach. The following table describes the measurement basis used to determine the gross carrying value of each of the Council's classes of non-current assets.

Asset Class	Measurement Base
Council Dwellings	Current value based on existing use value (social housing) (EUV-SH).
Other Land and Buildings	Current value based on existing use value (EUV) or depreciated replacement cost (DRC) using the "instant build" approach if EUV cannot be determined.
Vehicles, Plant, Furniture and Equipment	Current value based on depreciated historical cost due to the short useful life of the asset.
Infrastructure Assets	Depreciated historical cost.
Community Assets	Depreciated historical cost or valuation.
Surplus Assets	Fair value estimated at highest and best use from a market participant's perspective using level 2 inputs.
Assets Under Construction	Depreciated historical cost.
Investment Properties	Initially measured at cost (defined as the purchase price plus any directly attributable cost of preparing the asset for its intended use) and subsequently measured at fair value. Fair values have been determined by multiplying estimated net income by an appropriate investment yield or by reference to the value of similar assets. All investment properties have been valued using level 2 inputs.
Intangible Assets	Amortised Cost
Heritage Assets	Where the Council has information on the cost or value of the asset, the asset is recognised at this amount.

Inspection

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

Key Assumptions

- Planning - Planning consideration is, in the first instance, by reference to the Local Development Framework to ensure the use of the property to be valued is in accordance with the Council's stated policies.
- Ground Conditions - no reference is made to ground conditions unless it is evident upon inspection that a particular property has been affected by exceptional external influences greater than would be anticipated for its locality.
- Contamination - no reference is made to contamination unless, upon inspection, it is evident that a particular property has been affected by external influences greater than would be anticipated for its locality.

Capital Commitments

At 31 March 2017, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years with an estimated total value of £56.4 million (31 March 2016: £31.3 million). The major commitments are: Civic and Wulfrun Halls (£14.2 million), Future Spaces (£11.3 million), Interchange (£8.7 million), Heath Town Regeneration (£4.4 million), Tapworks (£4.3 million), Farndale Site Remediation (£2.1 million) and Merridale Court (£2.1 million).

Investment Properties

During the year, the Council had £2.3 million of income receivable from investment properties (2015/16: £0.9 million) and spent £0.5 million on managing and maintaining those properties (2015/16: £0.2 million). There are no restrictions on the Council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, or for it to carry out repairs, maintenance or enhancements.

Impairment

During 2016/17 the only impairments recognised were related to the demolition of council dwellings.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £863.2 million at 31 March 2017 (31 March 2016: £842.2 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.

The opening figure for 2015/16 has been amended following a review of the CFR calculations.

2015/16 £m (Restated)		2016/17 £m
788.5	**Opening Capital Financing Requirement**	**842.2**
	Capital Investment	
142.3	Property, Plant and Equipment	79.2
7.1	Investment Properties	14.2
1.4	Intangible Assets	3.3
12.5	Revenue Expenditure Funded from Capital under Statute	19.1
	Sources of finance	
(19.9)	Capital Receipts	(12.5)
(38.7)	Government Grants and other Contributions	(36.0)
	Sums set aside from Revenue:	-
(28.8)	Direct Revenue Contributions	(23.8)
(22.2)	MRP/Loans Fund Principal	(22.5)
842.2	**Closing Capital Financing Requirement**	**863.2**
	Explanation of movements in year	
9.6	Increase in underlying need to borrow (unsupported by government financial assistance)	20.9
-	Assets acquired under finance leases	-
44.0	Assets acquired under PFI contracts	0.1
53.6	**Increase/(decrease) in Capital Financing Requirement**	**21.0**

Note 11 – 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. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' 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 £6.3 million which was a contribution rate of 16.48% (2015/16: £6.9 million; 14.1% April – August and 16.48% September - March).

- There are a number of employees transferred from the NHS, when certain public health services were transferred to the Council 2 years ago, who are members of the NHS pension scheme.

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

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

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

Transactions Relating to Post-Employment Benefits

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

2015/16				2016/17		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
£m	£m	£m		£m	£m	£m
			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT			
			Cost of Services:			
(26.5)	-	(4.0)	- Current service cost	(24.7)	-	(3.5)
-	-	-	- Past service costs	-	-	-
0.2	-	(0.6)	- Settlements and curtailments	5.1	-	-
(0.4)	-	(0.1)	- Administration Expenses	(0.4)	-	(0.1)
			Financing and Investment Income and Expenditure:			
(16.4)	(1.8)	(1.0)	- Net Interest cost	(16.7)	(1.6)	(1.1)
(43.1)	**(1.8)**	**(5.7)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(36.7)**	**(1.6)**	**(4.7)**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
65.2	(1.9)	4.8	- Remeasurements (liabilities and assets)	(120.1)	(1.9)	(4.8)
22.1	**(3.7)**	**(0.9)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(156.8)**	**(3.5)**	**(9.5)**
			MOVEMENT IN RESERVES STATEMENT			
(43.1)	(1.8)	-	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(36.7)	(1.6)	-
			Actual amount charged against the General Fund Balance for pensions in the year:			
31.5		3.0	- Employer's contributions payable to scheme	29.1		3.1
	3.9		- Retirement benefits payable to pensioners		3.8	
(11.6)	**2.1**	**3.0**	**Total Movement in Reserves**	**(7.6)**	**2.2**	**3.1**

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:

2015/16 Council £m	2015/16 Subsidiary £m	Assets	2016/17 Council £m	2016/17 Subsidiary £m
857.2	**117.9**	**Opening balance at 1 April**	**843.7**	**118.7**
27.3	4.0	Interest Income	30.1	4.5
(30.1)	(4.4)	Remeasurement Gain/(Loss)	198.2	26.5
31.5	3.0	Employer contributions	29.1	3.1
6.7	1.1	Contributions by scheme participants	6.8	1.0
(48.1)	(2.8)	Benefits paid	(47.4)	(2.5)
(0.4)	-	Settlements	(0.8)	-
(0.4)	(0.1)	Admin Expenses	(0.4)	(0.1)
843.7	**118.7**	**Closing balance at 31 March**	**1,059.3**	**151.2**

2015/16					2016/17			
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
(1,362.8)	**(23.8)**	**(59.2)**	**(149.3)**	**Opening balance at 1 April**	**(1,298.3)**	**(21.4)**	**(58.9)**	(148.0)
(26.6)	-	-	(4.0)	Current service cost	(24.7)	-	-	(3.5)
(42.9)	(0.7)	(1.8)	(5.1)	Interest cost	(46.0)	(0.7)	(1.6)	(5.6)
(6.7)	-	-	(1.1)	Contributions - participants	(6.8)	-	-	(1.0)
93.7	1.5	(1.8)	9.2	Remeasurement Gain/(Loss)	(315.7)	(2.6)	(1.9)	(31.3)
46.4	1.6	3.9	2.9	Benefits paid	45.8	1.6	3.7	2.6
-	-	-	-	Past service costs	-	-	-	-
(6.4)	-	-	(0.6)	Curtailments	(2.9)	-	-	-
7.0	-	-	-	Settlements	8.9	-	-	-
(1,298.3)	**(21.4)**	**(58.9)**	**(148.0)**	**Closing balance at 31 March**	**(1,639.7)**	**(23.1)**	**(58.7)**	**(186.8)**

2015/16 LGPS Council £m	2015/16 LGPS Subsidiary £m	Asset Category	2016/17 LGPS Council £m	2016/17 LGPS Subsidiary £m
510.6	71.8	Equities	682.3	97.4
65.7	9.3	Government Bonds	86.0	12.3
39.3	5.5	Other Bonds	43.9	6.3
69.6	9.8	Property	81.6	11.6
38.6	5.4	Cash/ liquidity	30.2	4.3
119.9	16.9	Other	135.3	19.3
843.7	**118.7**	**Total**	**1,059.3**	**151.2**

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 £180.2 million (2015/16: Loss £2.8 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 £662.3 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, because:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme's actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are paid.
- The Council works with the West Midlands Pension Fund to ensure that employer contributions are at a rate which is affordable, given current economic pressures which are being experienced by many local authorities. The Council has agreed a strategy with the Fund and its actuaries

whereby the Future Services Contribution is determined based upon a percentage of the monthly payroll payment and the Past Service Deficit totalling £96.4 million (based on the 2013 triennial valuation) will be recovered over the period from 2014/15 to 2019/20. Work on the 2016 triennial valuation was completed by 31 March 2017, with new contribution plans effective from 1 April 2017.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 are £30.2 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2018 are £3.1 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.

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.

2015/16				2016/17		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
			Mortality assumptions:			
			Longevity at 65 for current pensioners (years):			
23.0	23.0	23.0	- Men	21.8	21.8	21.8
25.7	25.7	25.7	- Women	24.2	24.2	24.2
			Longevity at 65 for future pensioners (years):			
25.3	n/a	25.3	- Men	23.9	23.9	23.9
28.0	n/a	28.0	- Women	26.5	26.5	26.5
2.0%	2.0%	2.2%	Rate of inflation	2.7%	2.3%	2.7%
3.8%	n/a	4.0%	Rate of increase in salaries	4.2%	n/a	4.2%
2.0%	2.0%	2.2%	Rate of increase in pensions	2.7%	2.3%	2.7%
3.6%	2.8%	3.8%	Rate for discounting scheme liabilities	2.7%	2.1%	2.8%

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2016			31 March 2017	
Local Government Pension Scheme	Discretionary Pension Scheme		Local Government Pension Scheme	Discretionary Pension Scheme
£m	£m		£m	£m
		Estimated Liabilities in Scheme		
(1,319.7)	(58.9)	City of Wolverhampton Council	(1,662.8)	(58.7)
(148.0)	-	Wolverhampton Homes Limited	(186.9)	-
(1,467.7)	**(58.9)**	**Total Liabilities**	**(1,849.7)**	**(58.7)**
		Estimated Assets in Scheme		
843.7	-	City of Wolverhampton Council	1,059.3	-
118.7	-	Wolverhampton Homes Limited	151.2	-
962.4	**-**	**Total Assets**	**1,210.5**	**-**
(505.3)	**(58.9)**	**Net Liabilities**	**(639.2)**	**(58.7)**

Note 12 – Financial Instruments

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

31 March 2016			31 March 2017	
Long-Term £m	Current £m		Long-Term £m	Current £m
		Investments		
1.4	-	Loans and Receivables – Finance Leases	1.3	-
19.8	-	Available-for-sale Financial Assets - Birmingham Airport Shareholding	24.2	-
21.2	**-**	**Total Investments**	**25.5**	**-**
		Current Assets		
-	43.0	Loans and Receivables -Investments	-	7.9
-	1.6	Loans and Receivables - Cash and Cash Equivalents	-	1.1
-	73.5	Loans and Receivables – Current Receivables	-	63.4
-	0.5	Inventories-non-financial instruments	-	0.5
-	**118.6**	**Total Current Assets**	**-**	**72.9**
		Borrowings		
(580.1)	(85.0)	Financial Liabilities at Amortised Cost	(573.2)	(91.6)
(580.1)	**(85.0)**	**Total Borrowings**	**(573.2)**	**(91.6)**
		Other Non-Current Liabilities		
(15.8)		Debt arising from the County Council Reorganisation	(14.8)	
(100.9)		PFIs	(97.9)	
(0.1)		Finance Leases	(0.1)	
(6.9)	-	Non-financial instruments	(6.3)	
(123.7)	**-**	**Total Other Non-Current Liabilities**	**(119.1)**	
		Payables		
-	(87.9)	Financial liabilities carried at contract amount		(84.5)
-	**(87.9)**	**Total Payables**		**(84.5)**

12A - 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.

2015/16					2016/17			
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**	**-**	**1.8**	**Payable/receivable in the year**	**-**	**0.4**	**-**	**4.5**
0.1	0.5	-	1.4	Due within one year	-	0.4	-	3.4
0.1	0.7	-	2.9	Due in one to five years	0.1	0.5	-	10.5
-	0.5	6.0	25.2	Due after five years	-	0.4	5.9	31.4
0.2	**1.7**	**6.0**	**29.5**	**Total due in future years**	**0.1**	**1.3**	**5.9**	**45.3**

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

31 March 2016 £m		31 March 2017 £m
0.1	Vehicles, Plant, Furniture and Equipment	0.1
0.1	**Total**	**0.1**

12B - Available-for-Sale Financial Assets - 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 2 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 £4.4 million in the shareholding of the Council.

12C – Debtors

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 8

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

2015/16 £m		2016/17 £m
15.3	**Allowance for Bad and Doubtful Debts Brought Forward**	**16.7**
(1.5)	Amounts Written Off during the Year	(3.2)
2.9	Increase in Allowance during the Year	8.0
16.7	**Allowance for Bad and Doubtful Debts Carried Forward**	**21.5**

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

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	0.6	1.0	0.1	1.7
Payable within two to five years	2.0	3.9	1.0	6.9
Payable within six to ten years	3.5	4.6	1.1	9.2
Payable within eleven to fifteen years	3.3	4.4	2.2	9.9
Payable within sixteen to twenty years	2.6	3.3	3.9	9.8
Payable within twenty-one years	-	-	-	-
Total	12.0	17.2	8.3	37.5

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

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**7.4**	**(8.4)**	**(1.0)**
Depreciation/Revaluation	2.4	-	**2.4**
Capital Expenditure/Principal Redemption	0.1	0.2	**0.3**
Balance at 31 March 2017	**9.9**	**(8.2)**	**1.7**

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

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

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	5.1	2.5	1.3	**8.9**
Payable within two to five years	16.5	7.6	4.4	**28.5**
Total	**21.6**	**10.1**	**5.7**	**37.4**

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

	Property, Plant and Equipment £m	Deferred Income £m	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**3.1**	**(1.7)**	**(6.9)**	**(5.5)**
Depreciation/Revaluation	(0.2)	0.3	-	**0.1**
Capital Expenditure/Principal Redemption	-	-	1.2	**1.2**
Balance at 31 March 2017	**2.9**	**(1.4)**	**(5.7)**	**(4.2)**

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

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

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	1.9	4.7	0.8	7.4
Payable within two to five years	8.1	17.8	4.2	30.1
Payable within six to ten years	11.5	19.6	7.9	39.0
Payable within eleven to fifteen years	13.6	14.4	12.7	40.7
Payable within sixteen to twenty years	17.5	6.2	19.0	42.7
Payable within twenty-one to twenty-two years	1.5	0.2	2.1	3.8
Total	**54.1**	**62.9**	**46.7**	**163.7**

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

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**15.5**	**(42.3)**	**(26.8)**
Depreciation/Revaluation	(4.6)	-	**(4.6)**
Capital Expenditure/Principal Redemption	0.1	0.4	**0.5**
Balance at 31 March 2017	**11.0**	**(41.9)**	**(30.9)**

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

During 2015/16 Highfields School converted to an academy and entered into a 125 year lease with the Council. This lease has been recognised as a finance lease and, accordingly, the Highfields School has been derecognised as an asset of the Council. The remaining carrying asset value relates to Penn 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 2016-17 the Council received a contribution of £2.1 million from the Academy representing the balance of the unitary payment not funded by capital grants from Central Government.

St. Matthias School and Heath Park Academy: As part of the Building Schools for the Future Programme the Council entered into a new PFI contract for the construction and management of new buildings for St. Matthias School and Heath Park Academy. The construction costs of the new buildings were £19.7 million for St. Matthias and £24.3 million for Heath Park Academy. As Heath Park is an academy and has entered into a long-term finance lease with the Council the amount capitalised has been derecognised as a disposal. The total amount payable by the Council over the life of the contract is estimated to be £153.5 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services £m	**Interest £m**	**Capital Expenditure /Principal Redemption £m**	**Total £m**
Payable within one year	1.4	2.9	1.3	5.6
Payable within two to five years	6.4	11.2	5.6	23.2
Payable within six to ten years	9.7	12.5	7.9	30.1
Payable within eleven to fifteen years	11.2	10.5	10.0	31.7
Payable within sixteen to twenty years	16.2	7.4	9.7	33.3
Payable within twenty-one to twenty-five years	12.5	3.7	7.7	23.9
Total	**57.4**	**48.2**	**42.2**	**147.8**

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	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**19.7**	**(43.3)**	**(23.6)**
Depreciation/Revaluation	3.4	-	**3.4**
Capital Expenditure/Principal Redemption	0.5	1.1	**1.6**
Balance at 31 March 2017	**23.6**	(42.2)	**(18.6)**

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

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 into. As this is a similar agreement the asset has been derecognised as an asset of the Council and treated as a disposal. The remaining carrying asset value relates to St. Matthias School which has not converted to an academy. The terms of the PFI contract and level of unitary payment remains unchanged, however, during 2015-16 the Council received a contribution of £1.0 million from Heath Park Academy representing the balance of the unitary payment not funded by capital grants from Central Government.

12E 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 2016					31 March 2017			
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
(580.1)	(85.0)	(724.9)	(85.6)	Financial Liabilities at Amortised Cost	(573.2)	(91.6)	(784.9)	(92.2)

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.

12F 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.

12G 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.

Birmingham Airport

2015/16					2016/17			
Financial Assets: Loans and Receivables £m	Financial Asset: Available for Sale £m	Financial Liabilities Measured at Amortised Cost £m	Total £m		Financial Assets: Loans and Receivables £m	Financial Asset: Available for Sale £m	Financial Liabilities Measured at Amortised Cost £m	Total £m
-	-	32.7	**32.7**	Interest Expense	-	-	36.0	**36.0**
(0.3)	-	-	**(0.3)**	Interest Income	(0.5)	-	-	**(0.5)**
-	(1.8)	-	**(1.8)**	Gain or loss on valuation of unquoted equity investment	-	(4.4)	-	**(4.4)**
(0.3)	**(1.8)**	**32.7**	**30.6**	**Net (Income)/Expense**	**(0.5)**	**(4.4)**	**36.0**	**31.1**

12H – Risks Arising from Financial Instruments

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

- Treasury Management Strategy
- Annual Investment Strategy
- Prudential and Treasury Management Indicators

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

Credit and Counterparty Risk Management

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

The Council's maximum exposure to credit risk at 31 March 2017 was £74.2 million (31 March 2016: £116.5 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 2016/17 or 2015/16.

Liquidity Risk Management

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

Analysis of External Borrowing Financial Liabilities by Maturity Date

2015 £m	Time until Repayment	2016/17 £m
80.6	Payable next year	87.1
105.6	Payable within two to five years	18.5
35.6	Payable within six to ten years	41.8
55.1	Payable within eleven to fifteen years	58.9
-	Payable within sixteen to twenty years	-
31.0	Payable within twenty-one to twenty-five years	31.0
44.3	Payable within twenty-six to thirty years	44.3
27.5	Payable within thirty-one to thirty-five years	26.5
97.6	Payable within thirty-six to forty years	112.6
26.6	Payable within forty-one to forty-five years	66.6
48.0	Payable within forty-six to fifty years	166.8
103.8	Payable within fifty-one to sixty years	-
655.7	**Total**	**654.1**

The figures for 2015/16 have been amended to include the Regional Infrastructure loan.

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 2016/17, the Council's interest payable would have increased by £6.5 million, and its interest receivable would have increased by £259,000, resulting in an increase in net expenditure of £6.2 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £6.2 million.

Inflation Risk Management

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on the Council's treasury management activities, are controlled as an integral part of the Council's strategy for managing its overall exposure to inflation.

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

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £24.1 million in Birmingham Airport Holdings Ltd. The Council is consequently exposed to losses arising from movements in the prices of the shares. As the shareholdings, have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The shares are all classified as 'unquoted equity investment at cost', meaning that all movements in price will impact on gains and losses recognised in 'Other Comprehensive Income and Expenditure'.

Refinancing Risk Management

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

Legal and Regulatory Risk Management

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

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

Fraud, Error and Corruption Risk, and Contingency Management

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

Note 13 – Members of the City of Wolverhampton Council Group and other Related Parties

Subsidiaries

The Council has three subsidiary entities: Wolverhampton Homes Limited, Yoo Recruit Limited 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 £38.0 million in 2016/17 (2015/16: £38.2 million). There are a number of other transaction streams between the two entities, including capital works carried out by Wolverhampton Homes Limited for the Council, support services provided by the Council, and premises leases payable by Wolverhampton Homes Limited. Payments by the Council to Wolverhampton Homes Limited amounted to £44.1 million in 2016/17 (2015/16: £44.6 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £5.0 million (2015/16: £4.5 million). At the year end, Wolverhampton Homes Limited owed the Council £2.3 million (2015/16: £1.3 million), and the Council owed Wolverhampton Homes Limited £1.9 million (2015/16: £3.4 million).

Yoo Recruit Limited 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 Limited amounted to £9.9 million (2015/16: £7.3 million) while payments by Yoo Recruit Limited to the Council totalled £410,200 (2015/16: £192,570). A further payment of £300,000 was also made to the Council representing repayment of the loan made to Yoo Recruit Limited in the previous financial year.

At 31 March 2017, the amount owing to Yoo Recruit Limited, included in current payables, was £0.4 million (2015/16: £1.2 million) while an amount, included in current receivables, of £0.1 million (2015/16: £0.2 million) was owed to the Council.

WV Living was formed as a wholly-owned subsidiary of the Council in 2016/17. Set-up costs of £460k have been incurred, funded from reserves, which will be recharged to the company during the 2017/18 financial year. As the impact on the group accounts is considered by the Council, to be not material they have not been consolidated in the Group Accounts.

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.

2015/16 £m	Grant	2016/17 £m
(135.9)	Dedicated Schools Grant	(123.2)
(63.4)	Revenue Support Grant	(50.3)
(55.6)	Mandatory Rent Allowance	(53.0)
(16.5)	Standards Fund Capital	(19.2)
(55.4)	Mandatory Rent Rebates Subsidy	(53.9)
(35.9)	Top Up Grant	(36.2)
(20.2)	Public Health Grant	(21.9)
(3.4)	Decent Homes Backlog Grant	-
(4.0)	6th Form Funding	-
(3.0)	Education Support Grant	(2.4)
(5.5)	Section 31 Grant	(3.8)
(2.6)	Housing & Council Tax Benefit Administration	(2.2)
(3.4)	New Homes Bonus	(4.2)
(1.7)	Adult Community Learning PCDL	(0.6)
(1.2)	Further Education 19+	(2.4)
(1.3)	Disabled Facilities Grant	(2.4)
(0.8)	Troubled Families Grant	(1.2)
(11.4)	Pupil Premium	(10.3)
(1.4)	Universal Infant Free School Meals	(1.9)
(2.7)	Business Rates Section 31 Grant	-
(2.0)	Bilston Urban Village - Local Growth Fund	(1.3)
(1.4)	Care Act Implementation Grant	-
(0.8)	Civic Halls Improvement - Local Growth Fund	(2.4)
(4.2)	Interchange - Local Growth Fund	(9.3)
(0.4)	Access to Growth - Local Growth Fund	(4.4)
(9.0)	Other grants (each less than £1.0 million)	(8.7)
-	16-18 Bursary Fund	(3.1)
(443.1)	**Total**	**(418.3)**

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 4D. The register of Councillors' interests is available on the Council's website:

http://www.wolverhampton.gov.uk/article/7495/Local-councillors

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.

2015/16 Expenditure £m	2015/16 Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	2016/17 Income £m
-	(4.7)	**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 2016/17 the Council received a preference dividend of £93,000, ordinary dividends of £1,343,000 and rental income of £80,000.	-	(1.5)
0.4	-	**Wolverhampton Grand Theatre** The Grand Theatre is managed by Wolverhampton Grand Theatre (1982) Limited. The Council continues to own the building and can appoint 40% of the members of the company of which 2 can be directors. The Council provides grant funding to support the net cost of operating the theatre.	0.2	(0.4)
0.3	(0.1)	**Wolverhampton Schools' Improvement Partnership** The Wolverhampton Schools' Improvement Partnership is a company limited by guarantee established to advance educational opportunities and outcomes for children and young people in Wolverhampton. The board of directors comprises of representatives from each school cluster and phase and the senior substantive Council officer for schools.	0.2	-
3.0	(0.7)	**i54** The Council is party to a joint arrangement with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	1.5	-
12.7	(0.2)	**Inspired Spaces Wolverhampton Limited** The Council is a 10% shareholder in this company as well as a 9% 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.	14.9	(0.2)

2015/16 Expenditure £m	2015/16 Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	2016/17 Income £m
		Entities in which Members/Senior Officers Have Declared an Interest and other Government Bodies		
-	-	African Caribbean Community Initiative	0.3	-
0.2	(0.3)	Base 25	0.2	-
-	-	Bilston Business Improvement District Ltd	0.1	-
0.1	(0.4)	Birmingham City Council	-	-
0.5	-	Black Country Consortium Limited	0.4	(0.1)
0.5	-	Black Country Partnership NHS Foundation Trust	0.5	-
-	-	Bristol City Council	0.2	-
-	-	Bury Metropolitan Borough Council	0.1	-
-	-	Buckinghamshire County Council	0.1	-
1.3	-	Bushbury Hill EMB	1.3	-
-	-	Canal & River Trust	0.8	-
0.2	(0.5)	Central Learning Partnership Trust t/a Woden Primary School	0.1	(1.0)
-	-	City of Wolverhampton College	1.0	(0.1)
-	(0.3)	Coventry City Council	-	-
0.4	-	Department of Energy & Climate Change	0.4	-
1.1	-	Dovecotes TMO	1.1	-
0.9	(1.1)	Dudley Metropolitan Borough Council	1.4	(0.9)
-	-	Edge Hill University	0.1	-
0.1	-	Environment Agency	0.1	-
-	-	FBC Manby Bowdler LLP	-	(0.2)
0.1	-	Gazebo Theatre in Education Company Ltd	0.1	-
0.1	(0.1)	Heath Town Senior Citizens Welfare Project	0.1	-
-	(0.1)	Herefordshire County Council	-	-
-	-	Kingswood Trust	0.1	-
-	(2.6)	Lancaster University	-	-
-	-	Local Government Information Unit	0.1	-
-	-	Milton Keynes Council	0.1	-
0.4	-	New Park Village TMC	0.4	-
-	(0.1)	NHS Dudley CCG	-	-

2015/16 Expenditure £m	2015/16 Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	2016/17 Income £m
-	(0.2)	NHS Shropshire CCG	-	-
48.0	(54.7)	NHS Wolverhampton CCG	34.4	(47.3)
-	(0.1)	NHS Walsall CCG	-	-
-	(0.4)	North East Wolverhampton Academy	0.1	(0.1)
0.1	-	Public Health England	0.2	-
-	-	Pump Services	0.1	-
9.2	(0.9)	Royal Wolverhampton Hospitals NHS Trust	10.8	(0.7)
-	-	The Royal Wolverhampton School	0.1	-
1.8	(0.5)	Sandwell Metropolitan Borough Council	0.9	(0.1)
0.2	-	Shropshire County Council	0.3	-
-	(0.4)	Solihull Metropolitan Borough Council	0.1	(0.1)
-	(1.9)	South Staffordshire District Council	-	(1.6)
-	-	South Wolverhampton & Bilston Academy	-	(0.2)
-	-	Southend-On-Sea Borough Council	0.1	-
0.4	-	Springfield Horseshoe Co-op/Burton Rd.	0.4	-
-	-	St Martins Multi Academy Trust	0.3	(0.1)
1.00	(0.4)	Staffordshire County Council	0.7	(0.2)
-	-	Telford & Wrekin Council	-	(0.1)
-	-	The Dudley Group of Hospitals NHS Foundation Trust	0.1	-
-	-	University Hospitals Birmingham NHS Trust	0.1	-
-	-	University of Birmingham	0.1	(0.1)
0.8	-	University of Wolverhampton	0.3	(0.1)
-	(0.8)	Walsall Metropolitan Borough Council	0.3	(0.8)
0.1	-	Walsall Healthcare NHS Trust	0.1	-
-	-	West Midlands Combined Authority	0.6	(0.3)
3.2	-	West Midlands Fire Service	3.5	-
12.3	(0.1)	West Midlands Integrated Transport Authority	11.2	-
11.5	(1.6)	West Midlands Pension Fund	5.4	(0.6)
6.3	(0.6)	West Midlands Police Authority	6.8	(0.1)
-	-	Wolverhampton Bid Company Ltd	0.6	(0.1)
-	(0.2)	Wolverhampton Girls' High Academy	-	(0.1)

2015/16 Expenditure £m	2015/16 Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	2016/17 Income £m
-	-	Worcestershire County Council	0.2	-
117.2	**(74.0)**	**Total**	**103.7**	**(57.1)**

Note 14 – 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.

2015/16			Fund Name and Purpose	2016/17		
Income £000	Expenditure £000	Fund Value at 31 March 2015 £000		Income £000	Expenditure £000	Fund Value at 31 March 2016 £000
1	-	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.	-	-	29
-	-	17	**Butler Bequest Music in the Parks** To provide music in the parks.	-	-	17
29	16	13	**Mayoral Charities** Funds raised by the Mayor for their chosen local charities	16	16	13
1	-	12	**Monica Lloyd** To provide assistance with further education.	-	-	12
-	-	26	Other smaller funds	-	-	26
31	**16**	**140**	**Total**	**16**	**16**	**140**

Note 15 – Reconciliation of the Financial Statements to the Statutory Accounts

15A – Detailed Analysis of Movement in Reserves Statement:

2016/17 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance £m	General Fund Earmarked Reserves £m	HRA Balance £m	Major Repairs Reserve £m	Usable Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	*Reserves of Subsidiary £m*	Total Usable Reserves £m
Balance Brought Forward								
-As previously reported	(10.0)	(70.1)	(5.0)	(0.1)	(7.4)	(2.0)	19.9	(74.7)
-Prior year adjustment (Refer to Note 1)	-	(2.9)	-	-	-	-	-	*(2.9)*
-As restated	**(10.0)**	**(73.0)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(77.6)**
Surplus or Deficit on Provision of Services	**81.7**	**-**	**(108.4)**	**-**	**-**	**-**	**(0.4)**	**(27.1)**
Other Comprehensive Income and Expenditure								**-**
Revaluations - Gains and losses	**-**	-	1.0	-	-	-	-	1.0
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	**-**	-	-	-	-	-	4.8	4.8
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	**-**	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**81.7**	**-**	**(107.4)**	**-**	**-**	**-**	**4.4**	**(21.3)**
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation & impairment of non-current assets	**(47.7)**	-	(0.1)	(22.1)	-	-	-	(69.9)
Difference between HRA depreciation and Major Repairs Allowance	**-**	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	**-**	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	**(0.9)**	-	84.1	-	-	-	-	83.2
Revenue Expenditure Funded from Capital under Statute	**(19.5)**	-	-	-	-	-	-	(19.5)
Net Gain/Loss on sale of non-current assets (net book value of assets)	**(37.7)**	-	(7.4)	-	-	-	-	(45.1)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	**2.1**	-	11.6	-	(13.7)	-	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	**(0.3)**	-	(0.3)	-	-	-	-	(0.6)
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	**(2.1)**	-	-	-	-	-	-	(2.1)
Net Charges made for retirement benefits in accordance with IAS 19	**(38.1)**	-	-	-	-	-	-	(38.1)
Capital Expenditure charged in the year to the General Fund	**1.7**	-	-	-	-	-	-	1.7
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	**(2.1)**	-	-	-	2.1	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	**32.9**	-	-	-	-	-	-	32.9
Transfers of HRA Balance	**-**	-	-	-	-	-	-	-

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	*Reserves of Subsidiary*	Total Usable Reserves
Reversal of financing of unequal pay back provision	**-**	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	**36.0**	-	-	-	-	-	-	36.0
Capital grants and contributions unapplied credited to CIES	**0.9**	-	-	-	-	(0.9)	-	-
Movement in the Donated Assets Account	**-**	-	-	-	-	-	-	-
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	**0.1**	-	-	-	-	-	-	0.1
Capital Expenditure Financed from Usable Capital Receipts	**-**	-	-	-	12.5	-	-	12.5
Other income that cannot be credited to the General Fund	**0.3**	-	-	-	-	-	-	0.3
Revenue provision for the repayment of debt	**4.2**	-	19.3	-	-	-	-	23.5
Transfer of HRA Settlement Receipts to UCR	**-**	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	**-**	-	-	22.1	-	-	-	22.1
Use of Major Repairs Allowance to Finance Capital Spend	**0.4**	-	-	-	-	-	-	0.4
Use of Major Repairs Allowance to Finance Capital Spend	**-**	-	-	-	(0.3)	-	-	(0.3)
Net Increase/Decrease before Transfers & Other Movements	**11.9**	**-**	**(0.2)**	**-**	**0.6**	**(0.9)**	**4.4**	**15.8**
Group contributions to/from Reserves (Group a/cs only)								
Transfers to/from other Earmarked Reserves	(11.8)	11.7	0.1	-	-	-	-	-
Balance Carried Forward	**(9.9)**	**(61.3)**	**(5.1)**	**(0.1)**	**(6.8)**	**(2.9)**	**24.3**	**(61.8)**

2016/17 Part 2 – Unusable Reserves

	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	Unusable Reserves £m	TOTAL (Council) £m	*TOTAL (Group) £m*
Balance Brought Forward										
-As previously reported	3.3	(13.3)	(338.8)	5.2	4.5	534.8	(181.8)	13.9	(80.7)	*(60.8)*
-Prior year adjustment (Refer to Note 1)	-	-	1.4	(0.8)	-	-	-	0.6	(2.3)	*(2.3)*
-As restated	**3.3**	**(13.3)**	**(337.4)**	**4.4**	**4.5**	**534.8**	**(181.8)**	**14.5**	**(83.0)**	***(63.1)***
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26.7)**	***(27.1)***
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	9.9	9.9	10.9	*10.9*
Gains on Available-for-Sale Financial Assets	-	(4.4)	-	-	-	-	-	(4.4)	(4.4)	*(4.4)*
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	122.1	-	122.1	122.1	*126.9*
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**-**	**(4.4)**	**-**	**-**	**-**	**122.1**	**9.9**	**127.6**	**101.9**	**106.3**
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation & impairment of non-current assets	(0.0)	-	62.4	-	-	-	7.5	69.9	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	(83.3)	-	-	-	-	(83.3)	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	19.5	-	-	-	-	19.5	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	37.7	-	-	-	7.4	45.1	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-

	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Unusable Reserves £m	TOTAL (Council) £m	*TOTAL (Group) £m*
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	0.1	-	0.5	-	-	0.6	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	2.1	-	-	-	2.1	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	38.1	-	38.1	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(1.7)	-	-	-	-	(1.7)	-	-
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	-	-	-	-	-	(32.9)	-	(32.9)	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-
Reversal of financing of unequal pay back provision	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(36.0)	-	-	-	-	(36.0)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-
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	(0.1)	-	-	-	-	-	-	(0.1)	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(12.5)	-	-	-	-	(12.5)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-
Revenue provision for the repayment of debt	-	-	(23.5)	-	-	-	-	(23.5)	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(22.1)	-	-	-	-	(22.1)	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(0.4)	-	-	-	-	(0.4)	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	0.3	-	-	-	-	0.3	-	-

	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	Unusable Reserves £m	TOTAL (Council) £m	*TOTAL (Group) £m*
Net Increase/Decrease before Transfers & Other Movements	**(0.1)**	**(4.4)**	**(59.8)**	**2.1**	**0.5**	**127.3**	**24.8**	**90.4**	**101.9**	**106.3**
Group contributions to/from Reserves (Group a/cs only)										
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	**3.2**	**(17.7)**	**(397.2)**	**6.5**	**5.0**	**662.1**	**(157.0)**	**104.9**	**18.9**	**43.2**

2015/16 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	*Reserves of Subsidiary*	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	*£m*	£m
Balance Brought Forward								
-As previously reported	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	***24.3***	**(115.4)**
-Prior year adjustment (Refer to Note 1)	**-**	**-**	**-**	**-**	**-**	**33.3**	**-**	**33.3**
-As restated	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(3.8)**	**24.3**	**(82.1)**
Surplus or Deficit on Provision of Services	**75.4**	**-**	**10.2**	**-**	**-**	**-**	***0.4***	**86.0**
Other Comprehensive Income and Expenditure								**-**
Revaluations - Gains and losses	-	-	-	-	-	-	-	**-**
Gains or losses 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	-	-	-	-	-	-	*(4.8)*	**(4.8)**
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	**-**
Total Comprehensive Income and Expenditure	**75.4**	**-**	**10.2**	**-**	**-**	**-**	***(4.4)***	**81.2**
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation & impairment of non-current assets	(43.2)	-	(33.0)	(22.1)	-	-	-	**(98.3)**
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	**-**
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	**-**
Movement in the market value of Investment Properties	(1.5)	-	1.5	-	-	-	-	**-**
Revenue Expenditure Funded from Capital under Statute	(11.4)	-	(0.2)	-	-	-	-	**(11.6)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(56.5)	-	(6.7)	-	-	-	-	**(63.2)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	4.9	-	9.1	-	(14.0)	-	-	**-**
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.2)	-	(0.3)	-	-	-	-	**(0.5)**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(1.3)	-	-	-	-	-	-	**(1.3)**

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	*Reserves of Subsidiary*	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	*£m*	£m
Net Charges made for retirement benefits in accordance with IAS 19	(44.9)	-	-	-	-	-	-	**(44.9)**
Capital Expenditure charged in the year to the General Fund	0.9	-	-	-	-	-	-	**0.9**
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.3)	-	-	-	2.3	-	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	35.4	-	-	-	-	-	-	**35.4**
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	38.7	-	-	-	-	-	-	**38.7**
Capital grants and contributions unapplied credited to CIES	(1.8)	-	-	-	-	1.8	-	**-**
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	0.1	-	-	-	-	-	-	**0.1**
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	19.6	-	-	**19.6**
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	-	**0.3**
Revenue provision for the repayment of debt	3.5	-	19.6	-	-	-	-	**23.1**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	27.9	-	-	-	**27.9**
Net Increase/Decrease before Transfers & Other Movements	**(3.9)**	**-**	**0.2**	**5.8**	**7.9**	**1.8**	***(4.4)***	**7.4**
Transfers to/from other Earmarked Reserves	3.9	(3.7)	(0.2)	-	-	-	-	**(0.0)**
Balance Carried Forward	**(10.0)**	**(70.1)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(74.7)**

2015/16 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)	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*
Balance Brought Forward										
-As previously reported	3.4	(11.5)	(435.8)	3.9	4.0	588.6	(209.4)	(56.8)	(196.5)	*(172.2)*
-Prior year adjustment (Refer to Note 1)	-	-	60.5	-	-	-		60.5	93.8	*93.8*
-As restated	**3.4**	**(11.5)**	**(375.3)**	**3.9**	**4.0**	**588.6**	**(209.4)**	**3.7**	**(102.7)**	***(78.4)***
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**85.6**	***86.0***
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	1.5	1.5	1.5	*1.5*
Gains on Available-for-Sale Financial Assets	-	(1.8)	-	-	-	-	-	(1.8)	(1.8)	*(1.8)*
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(63.3)	-	(63.3)	(63.3)	*(68.1)*
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**-**	**(1.8)**	**-**	**-**	**-**	**(63.3)**	**1.5**	**(63.6)**	**22.0**	***17.6***
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation & impairment of non-current assets	-	-	91.4	-	-	-	11.1	102.5	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	(4.2)	-	-	-	-	(4.2)	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	11.6	-	-	-	-	11.6	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	48.2	-	-	-	15.0	63.2	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-

	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	*TOTAL (Group) £m*
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.5	-	-	0.5	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	1.3	-	-	-	1.3	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	44.9	-	44.9	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.9)	-	-	-	-	(0.9)	-	-
Transfer from 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	-	-	-	-	-	(35.4)	-	(35.4)	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-
Reversal of financing of unequal pay back provision	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(38.7)	-	-	-	-	(38.7)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-
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	(0.1)	-	-	-	-	-	-	(0.1)	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(19.6)	-	-	-	-	(19.6)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-
Revenue provision for the repayment of debt	-	-	(23.1)	-	-	-	-	(23.1)	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(27.9)	-	-	-	-	(27.9)	-	-
Net Increase/Decrease before Transfers & Other Movements	(0.1)	(1.8)	36.5	1.3	0.5	(53.8)	27.6	10.2	22.0	17.6
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	(0.0)	(0.0)
Balance Carried Forward	3.3	(13.3)	(338.8)	5.2	4.5	534.8	(181.8)	13.9	(80.7)	(60.8)

15B – 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 (£6.8 million), the Budget Contingency Reserve (£5.6 million), the Job Evaluation Reserve (£2.1 million) and the Budget Strategy Reserve (£12.6 million).
Capital	
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capital Grants Unapplied Account	The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Unusable Reserves	
Revaluation Reserve	The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The reserve only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
Available-for-Sale Financial Instruments Reserve	The Available-for-Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost, or disposed of and the gains are realised.
Capital Adjustment Account	The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
Pensions Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Short-term Accumulating Compensated Absences Account	The Short-term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement not yet used at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

15C Movement in Specific Earmarked Reserves

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

2015/16				Reserve	2016/17			
31 March 2015 £m	Transfers Out £m	Transfers In £m	31 March 2016 £m		31 March 2016 £m	Transfers Out £m	Transfers In £m	31 March 2017 £m
				Specific Earmarked Reserves				
(5.9)	0.1	(2.0)	(7.8)	Efficiency Reserve (Corporate)	(7.8)	1.7	(0.7)	(6.8)
(9.8)	-	(1.2)	(11.0)	Budget Contingency Reserve (Corporate)	(11.0)	5.4	-	(5.6)
(2.6)	0.1	-	(2.5)	Job Evaluation Reserve (Corporate)	(2.5)	0.4	-	(2.1)
(9.0)	-	(3.6)	(12.6)	Budget Strategy Reserve (Corporate)	(12.6)	-	-	(12.6)
				Other Earmarked Reserves				
(5.0)	3.0	(0.3)	(2.3)	People	(2.3)	1.1	(0.7)	(1.9)
(4.0)	0.7	(1.9)	(5.2)	Place	(5.2)	1.4	(1.7)	(5.5)
(4.6)	0.5	(0.6)	(4.7)	Corporate Services (incl. Education)	(4.7)	1.0	(0.1)	(3.8)
(12.4)	2.8	(6.2)	(15.8)	Corporate Budgets	(15.8)	2.9	(3.7)	(16.6)
(16.0)	7.8	(2.9)	(11.1)	Schools'	(11.1)	10.8	(6.4)	(6.7)
(69.3)	**15.0**	**(18.7)**	**(73.0)**	**Total Earmarked Reserves**	**(73.0)**	**24.7**	**(13.3)**	**(61.6)**

Note 16 – Notes to the Cash Flow Statement

16A – Adjustment for Non-Cash Movements

2015/16 (As Restated) Council £m	2015/16 (As Restated) *Group £m*		2016/17 Council £m	2016/17 *Group £m*
-	-	Increase in Inventories	-	-
5.7	*6.8*	Decrease/(Increase) in Current Receivables	(9.8)	*(10.0)*
9.5	*7.1*	(Decrease)/Increase in Current Payables	(0.2)	*(0.9)*
(98.3)	*(98.3)*	Depreciation, amortisation and impairment of non-current assets	(56.7)	*(56.7)*
-	-	Downwards valuations of non-current assets	74.1	*74.1*
(63.3)	*(63.3)*	Net book value on disposal of property, plant and equipment, investment property and intangible assets	(45.4)	*(45.4)*
(44.9)	*(46.6)*	Net Charges made for retirement benefits in accordance with IAS 19	(38.1)	*(38.6)*
35.3	*35.3*	Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	32.9	*32.9*
1.4	*1.4*	Net Movement in Provisions	6.6	*6.6*
(154.6)	***(157.6)***		**(36.6)**	***(38.0)***

16B – Adjustment for Items that are Investing and Financing Activities

2015/16 (As Restated) Council £m	2015/16 (As Restated) *Group £m*		2016/17 Council £m	2016/17 *Group £m*
14.2	*14.2*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13.9	*13.9*
14.2	***14.2***		**13.9**	***13.9***

16C – Net Cash Flows from Operating Activities

The cash flows from operating activities include the following items:

2015/16 (As Restated) Council £m	*Group £m*		2016/17 Council £m	*Group £m*
42.9	*42.9*	Interest paid	36.0	*36.0*
(0.3)	*(1.2)*	Interest received	(0.5)	*(0.5)*
(4.6)	*(4.6)*	Dividends received	(1.5)	*(1.5)*
38.0	***37.1***		**34.0**	***(34.0)***

Note 17 – Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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

2. Recognition of Income and Expenditure

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

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

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

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

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

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

- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Manual Accruals are only processed for amounts of £10,000 or more except where the expenditure is by schools, funded directly from external grants or where the accrual is deemed necessary to accurately reflect the outturn position.

3. Accounting for Council Tax

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

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

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

4. Accounting for Non-Domestic Rates (NDR)

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

- The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the

General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

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

5. Cash and Cash Equivalents

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

6. Exceptional Items

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

8. Charges to Revenue for Non-Current Assets

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

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

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

9. Employee Benefits

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

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits - Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The NHS Pension Scheme administered by EA Finance NHS Pensions; and
- The Local Government Pensions Scheme, administered by West Midlands Pension Fund.

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the West Midlands Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

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

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

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

Service cost comprising:

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

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

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

Changes in valuations comprising:

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

10. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31 March 2017, and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

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

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

11. Financial Instruments

Financial Liabilities - Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets - Financial assets are classified into two types:

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

Loans and Receivables – Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans the Council has made the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

12. Foreign Currency Translation

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

13. Government Grants and Contributions

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

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

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

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

14. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Expenditure on the development of websites is not capitalised if the websites are solely or primarily intended to promote or advertise the Council's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reverses Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

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

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

16. Inventories

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

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance, however, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the

General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

18. Jointly Controlled Arrangements

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

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

19. Leases

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

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

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

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

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

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

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

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

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

rentals in future financial years, this is transferred out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

The Council as Lessor: Operating Leases - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.

- Non-Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

21. Property, Plant and Equipment

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

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

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

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

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

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

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);

- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value;

- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), the depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

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

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

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

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

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;

- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset;

- Infrastructure - straight-line allocation over 50 years.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

22. Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these assets at current value, based on the cost to purchase the property, plant and equipment, was balanced by the recognition of a liability for amounts due to the scheme operator, from the Council and third parties where relevant, to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.
The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** - charged to the relevant service in the Comprehensive Income and Expenditure Statement;

- **Finance cost** - an interest charge on the outstanding Balance Sheet liability, charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

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

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

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

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

23. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

24. Reserves

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

25. Revenue Expenditure Funded from Capital under Statute

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

26. Value Added Tax

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

27. Pension Fund Accounts

As a result of Local Government Reorganisation on 1 April 1986, the Council assumed responsibility for administering the West Midlands Pension Fund. The fund's accounts are separately prepared and are included within these accounts. The accounting policies for the pension fund can be found at note P3 in the accounts. Copies of the fund's Accounts and Annual Report are available on request from the Director of Finance, Civic Centre, Wolverhampton, WV1 1RL.

28. Heritage Assets

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment, with the following exceptions:

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

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

Note 17A – Changes in Accounting Policies from Previous Year

CIES Presentation
The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents).

Until 2016/17, all local authorities have been required to report these figures in accordance with service headings specified by the Service Reporting Code of Practice (SeRCOP), which mapped all local authority income and expenditure into prescribed groupings aimed to aid comparability between authorities through a consistent reporting framework.

CIPFA's 'Telling the Story' consultation on improving the presentation of Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative has introduced changes to the format of the accounts in 2016/17, to reconnect the financial statements of local authorities with the way those authorities are both organised and funded. The format of the CIES has changed and a a new Expenditure and Funding Analysis has been introduced (which provides a direct reconciliation between the way local authorities are funded and monitor their budget and the CIES. These changes represent a change of accounting policy that requires the publication of a restated CIES for 2015/16.

For the Council, this means that our directorate grouping e.g. People, Place, Corporate and Education has been used to present our CIES for this year.

Note 17B – Critical Judgements Made When Applying the Accounting Policies
In applying the accounting policies set out in this note, the Council has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

Group Accounts

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

Yoo Recruit Limited was formed as a wholly-owned subsidiary of the Council in 2013/14. The turnover of this company for 2016-17 was approximately £10.0 million, of which £9.9 million was derived from the Council, with a net income after tax of £298,000. As the impact on the group accounts are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.

The Council is the main funder of Wolverhampton Grand Theatre (1982) Limited and, in practice, bears the risk of the Theatre going into overall deficit as well as having the power to appoint and remove directors of the company. Although the Council does have significant influence as the transactions and balances of this company are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.
During 2012/13, the Wolverhampton Schools' Improvement Partnership was established as a company limited by guarantee. The directors of the company are representatives of local schools and the senior substantive council officer for schools. Two Councillors are non-voting directors. Whilst in this way the Council exerts significant influence over the activities of the company, it has been determined that the transactions and balances of the company are not material to the Council's accounts, and it has therefore not been consolidated in the Group Accounts.

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

WV Living was formed as a wholly-owned subsidiary of the Council in 2016/17. Set-up costs of £460k have been incurred, funded from reserves, which will be recharged to the company during the 2017/18 financial year. 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.

West Midlands Pension Fund (WMPF) is working with seven other LGPS funds across the Midlands to set up LGPS Central Limited, an FCA authorised investment manager which will manage the investment assets of the nine funds (including WMPF Transport Authority). The company was incorporated in October 2016, although it will not begin trading until April 2018. On incorporation and at 31 March 2017, WMPF was the only shareholder. During the 2017/18 financial year, shares will be issued to the other seven pension funds (on an equal shares basis). There were no transactions of the company during 2016/17 and no balances at 31 March 2017. The initial investment costs are shared equally between the eight participating LGPS funds and at 31 March 2017, the WMPF's share was £0.1m. This is disclosed in WMPF's financial statements as a long-term investment and therefore has not been consolidated in the Council's Group Accounts.

Private Finance Initiative (PFI) Contracts

The Council provides services, via private sector partners, under a PFI or PFI-type contracts in four areas: the Waste Disposal Facility, the Bentley Bridge Leisure Centre, the Highfields and Penn Fields School contract and the St. Matthias School and Heath Park Academy contract. In the Waste Disposal Facility, the Bentley Bridge Leisure Centre and the Highfields and Penn Fields Schools contracts, it has been determined that the Council controls the use of the relevant non-current assets and, as a result the relevant assets and corresponding liabilities were recognised in the Council's balance sheet. Subsequent to the commencement of the Highfields and Penn Fields schools contract Highfields School converted to an Academy, in the 2014/15 financial year, and as the Council no longer has control over the asset and the services to be provided it was determined by the Council that the asset for Highfields School should be de-recognised. The contract for St. Matthias School and Heath Park Academy commenced during 2015/16. 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.

Equal Pay Back Pay

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

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

Property, Plant and Equipment Relating to Voluntary Aided Schools

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

Property, Plant and Equipment Relating to Academy Schools

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

Accounting for the Voluntary Redundancy Programme

The Council undertook a further voluntary redundancy exercise during 2016/17, and there were a number of employees who were part-way through the approval process at the year end. The Council has taken a prudent approach to the treatment of the anticipated costs of such employees, recognising those costs as a provision in 2016/17 where it seemed likely that approval would be given and a redundancy would result.

Business Rates

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

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 category of school 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.

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. As a result, the leases are classed as finance leases.

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

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

Note 17C– 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 2017 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 £29.6 million	*Decrease of £33.4 million*
Rate of Inflation 0.1% p.a. higher	Increase of £26.5 million	*Increase of £29.4 million*
Rate of increase in salaries 0.1% p.a. higher	Increase of £3.6 million	*Increase of £4.4 million*
Life expectancy of scheme members 1 year higher	Increase of £66.5 million	*Increase of £73.0 million*

Property, Plant and Equipment

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

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

Arrears

At 31 March 2017, the Council had a receivables balance, before the bad debt provision, of £63.4m. A provision has been made against these receivables based on the age of the debt outstanding and historical collection rates with a resultant doubtful debts provision of £19.1m 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 impairment of the doubtful debts would be required.

Note 17D – Accounting Standards Issued but Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard or interpretation that has been issued but not yet adopted. There are none to report for the 2016/17 accounts.

Housing Revenue Account Income and Expenditure Statement

2015/16 (Restated) £m		Notes	2016/17 £m
(94.1)	Gross Rents - Dwellings		(93.2)
(0.9)	Gross Rents - Non-Dwellings		(1.0)
(5.1)	Charges to Tenants for Services and Facilities		(5.2)
-	Contributions		-
(100.1)	**Total Income**		**(99.4)**
25.8	Repairs and Maintenance		25.8
19.0	Supervision and Management		18.6
0.3	Rents, Rates and Taxes		0.1
0.6	Increase in Allowance for Bad Debts		2.4
22.2	Depreciation of Property, Plant and Equipment	**H1**	22.2
33.0	Revaluation/impairment of Property, Plant and Equipment	**H2**	(85.0)
100.9	**Total Expenditure**		**(15.9)**
0.8	**Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement**		**(115.3)**
0.2	HRA Share of Corporate and Democratic Core		0.2
1.0	**Net Cost of HRA Services**		**(115.1)**
0.2	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		-
(2.4)	(Gain) on Sale of Property, Plant and Equipment		(4.2)
(1.5)	(Gain) on the Fair Value of Investment Assets		-
13.0	Interest Payable		11.1
(0.1)	Interest and Investment Income		(0.1)
10.2	**(Surplus)/Deficit for the Year**		**(108.3)**

Movement on the Housing Revenue Account Balance Statement

2015/16 (Restated) £m		Notes	2016/17 £m
(5.0)	**Opening HRA Balance**		**(5.0)**
	(Increase)/Decrease in the HRA balance for the year analysed between:		
10.2	- (Surplus)/Deficit for the year on the Income and Expenditure Account		(108.3)
(10.2)	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	**H3**	108.3
-	**(Increase)/Decrease in the HRA balance for the year**		**-**
(5.0)	**Closing HRA Balance**		**(5.0)**

Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2015/16 £m		2016/17 £m
21.8	Council Dwellings	21.8
0.2	Other Land and Buildings	0.2
0.2	Vehicles, Plant, Furniture and Equipment	0.2
22.2	**Total Depreciation Charge for the Year**	**22.2**

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

Note H2 – Revaluation

2015/16 (Restated) £m		2016/17 £m
33.0	Council Dwellings	(85.0)
-	Other Land and Buildings	-
33.0	**Total revaluation/Impairment Charge for the Year**	**(85.0)**

The revaluation is made up of a £20 million impairment due to a change in the treatment of enhancements and new build to recognise this spend at Existing Use Value – Social Housing on an annual basis, and a £105 million revaluation due to a change in the local value factor which has uplifted the value of the dwellings to 40% of the market value from the previous factor of 34%.

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

2015/16 (Restated) £m		Note	2016/17 £m
(10.2)	**Net additional amount required to be debited or credited to the HRA Balance**		**108.3**
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
2.4	- Net Gain on Sale of Property, Plant and Equipment		4.2
(33.0)	- Impairment/revaluation of Property, Plant and Equipment	**H2**	85.0
(0.2)	- Capital Expenditure Funded by the HRA		
1.5	- Net Gain / (Loss) on the Fair Value of Investment Assets		
(29.3)	**Subtotal**		**89.2**
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
-	- HRA Share of Contribution to Pension Reserve	**H4**	
(0.3)	- Adjustment for Premiums and Discounts		(0.3)
19.6	- Amount Set Aside for the Repayment of Debt		19.3
(0.2)	- Transfer to/(from) Earmarked Reserves		0.1
19.1	**Subtotal**		**19.1**
(10.2)	**Total**		**108.3**

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 2016		31 March 2017
4,924	Low Rise Flats	4,892
2,937	Medium Rise Flats	2,914
2,122	High Rise Flats	2,116
12,749	Houses and Bungalows	12,555
22,732	**Total Dwellings Owned by the Council**	**22,477**
14	Homeless Dwellings (Leased)	14
22,746		**22,491**

Note H6 – Housing Revenue Account Property, Plant and Equipment

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

31 March 2016 £m		31 March 2017 £m
598.2	- Council Dwellings	687.8
8.6	- Other Land and Buildings	8.1
-	- Vehicles, Plant, Furniture and Equipment	-
0.2	- Intangible Assets	-
607.0	**Total Property, Plant and Equipment**	**695.9**

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2017 (at 1 April 2016 prices) amounted to £1,719.6 million (31 March 2016: £1,759.4 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.

2015/16 £m		2016/17 £m
	Sources of Funding	
(5.9)	- Borrowing	(3.2)
(16.5)	- Usable Capital Receipts	(7.6)
(27.9)	- Major Repairs Reserve	(22.1)
(0.2)	- Government and EU Grants	(0.7)
(50.5)	**Total Capital Expenditure**	**(33.6)**

Capital receipts generated during 2016/17 from the disposal of HRA assets are detailed in the following table.

2015/16 £m		2016/17 £m
(8.9)	Sale of Council Houses (including Right-to-Buy)	(10.2)
(0.1)	Sale of Other Land and Buildings	(1.4)
(0.1)	Repaid Discounts	-
(9.1)	**Total Capital Receipts**	**(11.6)**

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

2015/16 £m		2016/17 £m
2.3	Paid over to Government	2.1
(11.4)	Available to Finance Capital Expenditure	(13.7)
(9.1)	**Total Capital Receipts**	**(11.6)**

Note H9 – Rent Arrears

During 2016/17, total rent arrears increased by £0.1 million. Within total rent arrears, current tenants' arrears as a proportion of net rental income was 1.3%, as in 2015/16. The comparative total figures are shown in the following table.

31 March 2016 £m		31 March 2017 £m
1.2	Current Tenants	1.2
0.8	Former Tenants	0.9
2.0	**Total Arrears**	**2.1**

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

2015/16 £m		2016/17 £m
1.8	**Allowance for Bad and Doubtful Debts Brought Forward**	**1.6**
(0.8)	Amounts Written Off during the Year	(0.8)
0.6	Increase in Allowance Charged to the HRA during the Year	1.1
1.6	**Allowance for Bad and Doubtful Debts Carried Forward**	**1.9**

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.

2015/16 £m		2016/17 £m
(5.9)	**Balance Brought Forward**	**(0.2)**
(22.1)	Transfer of MRA from the Capital Adjustment Account	(22.2)
27.9	Capital Expenditure on Land and Property in the HRA	22.2
(0.1)	**Balance Carried Forward**	**(0.2)**

6. THE COLLECTION FUND STATEMENT

The Collection Fund Statement

2015/16 £m		Note	2016/17 £m
	Deficit/(Surplus) Brought Forward		
2.5	City of Wolverhampton Council		3.7
(0.1)	West Midlands Police and Crime Commissioner		(0.2)
-	West Midlands Fire and Rescue Authority		-
3.9	Central Government		6.4
6.3			**9.9**
	Income		
(94.4)	Council Tax	**C1**	(99.9)
(75.6)	Non-Domestic Rates	**C2**	(75.3)
0.3	Transition Protection Payments - NDR		2.3
(169.7)	**Total Income**		**(172.9)**
	Expenditure		
	Precepts and Demands		
81.0	City of Wolverhampton Council		86.0
6.3	West Midlands Police and Crime Commissioner		6.7
3.2	West Midlands Fire and Rescue Authority		3.4
	Non-Domestic Rates		
38.0	Central Government		38.6
0.7	West Midlands Fire and Rescue Authority		0.8
37.4	City of Wolverhampton Council		37.8
0.3	Cost of Collection Allowance		0.3

6. THE COLLECTION FUND STATEMENT

2015/16 £m		Note	2016/17 £m
	Distribution of Council Tax Surplus/(Payment of Deficit)		
1.0	City of Wolverhampton Council		2.3
0.1	West Midlands Police and Crime Commissioner		0.2
-	West Midlands Fire and Rescue Authority		0.1
	Distribution of Business Rates Surplus/(Payment of Deficit)		
(0.9)	City of Wolverhampton Council		(4.6)
(0.9)	Central Government		(4.6)
-	West Midlands Fire and Rescue Authority		(0.1)
	Allowance for Bad and Doubtful Debts		
1.6	Council Tax		3.2
1.4	Non-Domestic Rates		5.0
4.1	Provision for appeals		1.1
173.3	**Total Expenditure**		**176.2**
3.6	**Deficit/(Surplus) for the Year**		**3.3**
	Deficit/(Surplus) Carried Forward		
3.7	City of Wolverhampton Council		6.2
(0.2)	West Midlands Police and Crime Commissioner		(0.1)
-	West Midlands Fire and Rescue Authority		0.1
6.4	Central Government		7.0
9.9			**13.2**

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	91.08	5/9	50.60	663.29	884.38
A	32,853.22	6/9	21,902.15	795.94	1,061.25
B	17,788.91	7/9	13,835.82	928.60	1,238.13
C	13,475.03	8/9	11,977.81	1,061.25	1,415.00
D	5,670.12	9/9	5,670.12	1,193.90	1,591.87
E	2,602.74	11/9	3,181.13	1,459.22	1,945.62
F	1,534.14	13/9	2,215.98	1,724.53	2,299.37
G	840.04	15/9	1,400.07	1,989.84	2,653.12
H	86.13	18/9	172.26	2,387.81	3,183.74
			60,405.94		

Note C2 – Non-Domestic Rates

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

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

The total non-domestic rateable value was £189.7 million as at 31 March 2017 (£191.3 million as at 31 March 2016). The national multipliers for 2016/17 were 48.4p for qualifying small businesses, and the standard multiplier was 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WOLVERHAMPTON CITY COUNCIL

TO BE INSERTED

Fund Account

2015/16 £m		Note	2016/17 £m
	Contributions & Benefits		
(504.3)	Contributions Receivable	**P8**	(529.8)
(11.1)	Transfers In	**P9**	(16.6)
(15.5)	Other Income	**P10**	(15.1)
(530.9)	**Total Contributions and Other Income**		**(561.5)**
514.7	Benefits Payable	**P11**	531.3
35.6	Payments to and on Account of Leavers	**P12**	27.7
0.3	Other Payments		0.4
550.6	**Total Benefits and Other Expenditure**		**559.4**
74.9	**Management Expenses**	**P13**	**71.0**
	Returns on Investments		
(168.6)	Investment Income	**P14**	(205.8)
429.4	Changes in Value of Investments		(2,115.1)
(552.1)	Profits and Losses on Disposal of Investments		(381.7)
(291.3)	**Net Return on Investments**		**(2,702.6)**
(196.7)	**Net (Increase) in the Fund During the Year**		**(2,633.7)**
11,464.0	**Net Assets of the Fund at the Beginning of the Year**		**11,660.7**
11,660.7	**Net Assets of the Fund at the End of the Year**		**14,294.4**

Net Assets Statement

31 March 2016 £m		Note	31 March 2017 £m
	Investment Assets (at Market Value)	**P15**	
180.1	Fixed Interest Bonds		192.4
1,036.2	UK Equities		1,368.4
4,137.2	Overseas Equities		5,920.3
4,921.5	Pooled Investment Vehicles		5,574.4
694.5	Property		756.4
171.1	Foreign Currency Holdings		111.8
459.8	Cash Deposits		304.1
-	Other Investment Assets		0.2
35.7	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		24.7
11,636.1	**Investment Assets**		**14,252.7**
	Investment Liabilities (at Market Value)		
(2.6)	Other Investment Liabilities		-
(2.6)	**Investment Liabilities**		**-**
11,633.5	**Net Investment Assets**	**P15**	**14,252.7**
-	**Long Term Investments**	**P27**	**0.1**
12.6	**Other Long-term Assets**	**P19**	**16.2**
52.6	**Current Assets**	**P20**	**58.2**
(38.0)	**Current Liabilities**	**P21**	**(32.8)**
11,660.7	**Net Assets of the Fund at the End of the Year**		**14,294.4**

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

The notes form part of these financial statements.

Notes to the Pension Fund Statements

Note P1 – General

The description in this note is a high-level summary of the Fund's activities, and more detail is available in the Fund's Annual Report 2017, which can be found on its website at: http://www.wmpfonline.com/article/4764/Annual-Reports

West Midlands Pension Fund is part of the Local Government Pension Scheme, and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region, together with employees of admitted bodies. At 31 March 2017, the Fund had 607 participating employers, and 302,092 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 2016 No.		31 March 2017 No.
107,984	Active Members	117,005
85,558	Pensioner Members	88,496
94,332	Deferred Members	96,591
287,874	**Total**	**302,092**

The Council's Pensions Committee has delegated responsibility for administering the Fund. It meets at approximately quarterly intervals, and has members from each of the seven metropolitan district councils in the West Midlands. An Investment Advisory Sub-Committee and a Pensions Board were also in operation during 2016/17.

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

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 2017. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2016/17 contribution rates was conducted at 31 March 2013 and the last such valuation was at 31 March 2016. Employer contribution rates during 2016/17 ranged from 5.0% to 45.3% of pensionable pay.

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

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector.

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

Note P3 - Statement of Accounting Policies

A. Fund Account

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

B. Contribution Income

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

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

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

C. Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who had either joined or left the scheme as at 31 March 2017, calculated in accordance with the Local Government Pension Scheme Regulations (see Notes P9 and P12). Transfers in respect of individuals are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

D. Investment Income

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 amounts not received by the end of the reporting period, where known to be due, have been accrued for in the accounts.

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.

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 2017. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial Assets

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 IFRS13 (see Note 17). 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 Knight Frank LLP, chartered surveyors, as at 31 March 2017. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Savills plc, agricultural valuers, at the same date.

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 2017.

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 2017

J. 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.

K. 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.

L. 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.

M. 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 council.

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

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

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

N. Actuarial Present Value of Promised Retirement Benefits

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

O. 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 (Note P21).

Note P4 - Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2017 was £1,343.6million (£1,319.1 million at 31 March 2016).

Pension Fund Liability

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

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

Actuarial Present Value of Promised Retirement Benefits

Uncertainties
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, the Fund's consulting actuaries, are engaged to provide expert advice about the assumptions to be applied.

Effect if Actual Results Differ from Assumptions

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

Change in assumptions – year ended 31 March 2017	Approx % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	9%	2,060.0
1 year increase in member life expectancy	4%	824.0
0.5% p.a. increase in salary increase rate	1%	305.2
0.5% p.a. increase in CPI inflation	8%	1,744.3

Private Equity

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

Effect if Actual Results Differ from Assumptions
The total private equity investments in the financial statements are £1,343.6 million. There is a risk that this investment may be under-or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £67.2million.

Note P6 - Actuarial Valuation of the Fund

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

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

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

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

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

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

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

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

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

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

The assets were assessed at market value.

The 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 will be revised with effect from 1 April 2017. The Actuarial Valuation 2016 report can be found on the Fund's website by following the link:

http://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 2016	31 March 2017
Rate of return on investments (discount rate)	3.7% per annum	2.7% per annum
Rate of pay increases	3.85% per annum*	4.2% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% per annum	2.7% per annum

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

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2016 was estimated as £16,796.5 million. The effect of the changes in actuarial assumptions between 31 March 2016 and 31 March 2017 as described above is to increase the liabilities by £4,712.6 million. Adding interest over the year increases the liabilities by £614.0 million, and allowing for net benefits accrued/paid over the period increases the liabilities by £48.4 million which includes any increase in liabilities arising as a result of early retirements/augmentations.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £22,171.5 million.

Note P7 - Taxation

1. Value Added Tax

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

2. Taxation of Overseas Investment Income

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

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).
There are also markets where relief is not possible - either no double taxation agreements exists (e.g. Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g. Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

Note P8 – Contributions Receivable

Contributions Receivable by Type

2015/16 £m		2016/17 £m
	From Employers	
365.6	Contributions	387.1
0.2	Augmented Membership	0.1
28.4	Additional Cost of Early Retirement	31.9
394.2		**419.1**
	From Members	
109.4	Basic Contributions	110.1
0.7	Additional Contributions	0.6
110.1		**110.7**
504.3	**Total Contributions**	**529.8**

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

Contributions Receivable by Type of Member

2015/16 £m		2016/17 £m
33.1	Administering Authority	33.3
447.2	Other Scheduled Employers	470.5
24.0	Admitted Employers	26.0
504.3	**Total**	**529.8**

Note P9 – Transfers In

2015/16 £m		2016/17 £m
11.1	**Individual transfers in from other schemes**	**16.6**

Note P10 – Other Income

2015/16 £m		2016/17 £m
	Benefits Recharged to Employers	
8.5	Compensatory Added Years	8.2
7.0	Pensions Increases	6.9
15.5	**Total**	**15.1**

Note P11 – Benefits Payable

Benefits Payable by Type

2015/16 £m		2016/17 £m
	Pensions	
375.9	Retirement Pensions	390.6
28.0	Widows' Pensions	28.1
0.9	Children's' Pensions	0.9
4.3	Widowers' Pensions	4.6
0.1	Ex-Spouse	0.1
0.1	Equivalent Pension Benefits	0.2
0.1	Co-habiting Partners	0.1
409.4	**Total Pensions**	**424.6**
	Lump Sum Benefits	
93.1	Retiring Allowances	94.1
12.2	Death Grants	12.6
105.3	**Total Lump Sum Benefits**	**106.7**
514.7	**Total Benefits Payable**	**531.3**

Benefits Payable by Type of Employer

2015/16 £m		2016/17 £m
45.7	Administering Authority	45.7
434.7	Other Scheduled Employers	448.6
34.3	Admitted Employers	37.0
514.7	**Total**	**531.3**

Note P12 – Payments To and On Account of Leavers

2015/16 £m		2016/17 £m
25.7	Individual Transfers	23.0
5.7	Group Transfers	-
1.0	Refunds of Contributions	1.6
0.4	State Scheme Premiums	0.5
2.8	Bulk Transfer Pension Increases	2.6
35.6	**Total**	**27.7**

Note P13 – Management Expenses

2015/16 £m			2016/17 £m
	3.3	Administrative costs	3.3
	69.4	Investment management expenses, comprising:	65.2
47.6		- Management Fees	48.9
19.5		- Performance-Related Fees	14.5
2.3		- Transaction Costs	1.8
	0.4	Custody Fees	0.5
	1.8	Oversight and governance costs	2.0
	74.9	**Total Management Costs**	**71.0**

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £14.5million in 2016/17 and £19.5 million in 2015/16.

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

Note P14 – Investment Income

2015/16 £m		2016/17 £m
	Dividends and Interest	
	Fixed Interest Bonds	
8.5	UK Private Sector – Quoted	8.1
	Equities	
37.2	UK	45.2
94.6	Overseas	118.8
	Pooled Investment Vehicles	
3.3	UK	9.4
1.0	Overseas Equities	0.5
2.7	Interest on Cash Deposits	3.0
1.7	Stock Lending	2.5
-	UK Tax, Irrecoverable	(0.1)
(4.0)	Overseas Taxation	(7.0)
-	Other Investment Income	1.7
145.0	**Total Dividends and Interest**	**182.1**
31.6	Property Management Income	36.6
(8.0)	Property Management Expenses	(12.9)
23.6	**Total Property Management**	**23.7**
168.6	**Total Investment Income**	**205.8**

Stock Lending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £512.6 million (2016: £406.0 million) in exchange for which the custodian held collateral worth £547.6 million (2016: £442.3 million). Collateral consists of acceptable securities and government debt.

Note P15 - Net Investment Assets

31 March 2016 £m		31 March 2017 £m
	Fixed Interest Bonds	
180.1	UK Companies – Segregated (external)	192.4
180.1		**192.4**
	UK Equities	
1,036.2	Quoted	1,368.4
1,036.2		**1,368.4**
	Overseas Equities	
2,901.8	Quoted	4,265.7
1,235.4	Quoted – Segregated (external)	1,654.6
4,137.2		**5,920.3**
	Pooled Investment Vehicles	
	Managed Funds	
505.1	UK Fixed Interest	554.2
669.2	Other Fixed Interest	726.8
723.1	UK Quoted, Index Linked	867.0
263.1	UK Unquoted Equities	300.4
1,396.5	Overseas Unquoted Equities	1,437.4
480.4	UK Absolute Returns	549.1
129.7	Overseas Absolute Returns	178.8
52.8	UK Property	47.2
156.3	Foreign Property	161.5
	Unit Trusts	
96.8	UK Quoted Equities	154.2
442.5	Overseas Equities	591.0

31 March 2016 £m		31 March 2017 £m
6.0	Overseas Property	6.8
4,921.5		**5,574.4**
	Property	
638.6	UK Freehold	703.1
55.9	UK Leasehold*	53.3
694.5		**756.4**
	Foreign Currency Holdings	
3.5	Australian Dollars	1.0
2.3	Canadian Dollars	0.6
0.7	Czech Koruna	0.6
1.5	Danish Kroner	0.8
7.4	Euro	3.4
0.6	Hong Kong Dollars	0.7
0.5	Hungarian Forints	0.4
1.9	Japanese Yen	1.1
0.2	New Zealand Dollars	0.6
1.3	Norwegian Kroner	-
0.4	Polish Zloty	0.6
0.4	Singapore Dollars	1.0
0.7	Swedish Kroner	0.5
2.8	Swiss Francs	0.7
0.6	Turkish Lira	0.5
146.3	United States Dollars	99.3
171.1		**111.8**

31 March 2016 £m		31 March 2017 £m
	Cash Deposits	
459.8	UK	304.1
	Other Investments	
(2.6)	Broker Balances	0.2
35.7	Outstanding Dividend Entitlement and Recoverable with-holding Tax	24.7
11,633.5	**Total Net Investment Assets**	**14,252.7**

* All leasehold properties are held on long leases

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

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

31 March 2016			31 March 2017	
Market Value £M	% of total Market Value %		Market Value £M	% of total Market Value %
		Security		
723.1	6.2	Legal & General - All Stocks Index-Linked Gilts Fund	769.3	5.4

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

31 March 2016			31 March 2017	
Market Value £m	% of total Market Value %		Market Value £m	% of total Market Value %
5,260.9	45.3	In-house	6,810.2	47.9
35.1	0.3	Managers: UK Quoted	42.9	0.3
859.7	7.4	Managers: Emerging Markets	1,168.6	8.2
818.2	7.1	Managers: Global Equities	1,077.0	7.6
2,077.5	17.9	Managers: Fixed Interest	2,340.4	16.4
276.8	2.4	Managers: Indirect Property	323.1	2.3
340.4	2.9	Managers: Infrastructure Funds	394.3	2.8
610.1	5.3	Managers: Absolute Return	727.9	5.1
1,319.1	11.4	Managers: Private Equity	1,343.6	9.4
11,597.8	**100.0**		**14,228.0**	**100.0**
35.7		Outstanding Dividend Entitlement and Recoverable With-Holding Tax	24.7	
11,633.5		**Total Investment Assets**	**14,252.7**	

Note P16 – Investment Market Value Movements Analysis

	Value at 31 March 2016 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2017 £m
Fixed Interest Bonds	180.1	-	(0.2)	12.5	192.4
UK Equities	1,036.2	227.7	(30.1)	134.6	1,368.4
Overseas Equities	4,137.2	717.8	(170.9)	1,236.2	5,920.3
Pooled Investment Vehicles	4,921.5	496.6	(566.8)	723.1	5,574.4
Property	694.5	68.7	(15.6)	8.8	756.4
	10,969.5	**1,510.8**	**(783.6)**	**2,115.2**	**13,811.9**
Broker Balances	(2.6)				0.2
Outstanding dividend entitlement and recoverable With-holding tax	35.7				24.7
Foreign Currency	171.1				111.8
Cash Deposits	459.8				304.1
Total Investments	**11,633.5**				**14,252.7**

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 £381.7 million which represents profit realised on sale of the Fund's assets.

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £1.8 million (2015/16: £2.3 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

31 March 2016 £m		31 March 2017 £m
2.3	Equities - Overseas Quoted	1.8
2.3		**1.8**

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 2015/16 is set out below:

	Value at 31 March 2015 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2016 £m
Bonds	185.9	-	(0.2)	(5.6)	180.1
UK Equities	1,019.6	83.5	(102.6)	35.7	1,036.2
Overseas Equities	3,861.3	692.4	(141.2)	(275.3)	4,137.2
Pooled Investment Vehicles	5,102.5	1,237.0	(1,188.3)	(229.7)	4,921.5
Property	656.4	16.2	(23.6)	45.5	694.5
	10,825.7	**2,029.1**	**(1,455.9)**	**(429.4)**	**10,969.5**
Broker Balances	1.6				(2.6)
Outstanding dividend entitlement and recoverable With-holding tax	44.3				35.7
Foreign Currency	91.9				171.1
Cash Deposits	458.3				459.8
Total Investments	**11,421.8**				**11,633.5**

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

Note P17 – Fair Value - Basis of Valuation

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

Asset Type	Valuation Level	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2017.	N/A	N/A
Quoted bonds	1	Market bid price based on current yields	N/A	N/A
Unquoted bonds	2	Average of broker prices	N/A	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.	NAV based pricing set on a forward pricing basis	N/A
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of Knight Frank LLP. 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 Savills PLC 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 (including 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.	EBITDA multiple, Revenue multiple, discount for lack of marketability	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and by any differences between un audited and audited accounts.

Sensitivity of Level 3 Assets
The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the following ranges and has set out below the potential impact on the closing value of investments at 31 March 2017.

Level 3 Assets	Valuation Range	Valuation at 31 March 2017 £m	Valuation Increase £m	Valuation Decrease £m
Freehold and Leasehold Property	14.2	756.4	863.9	649.0
Private Equity	28.5	1,343.6	1,726.5	960.6
Infrastructure	20.4	394.3	474.7	313.8
Absolute Return/Diversified Growth	12.5	727.9	818.9	636.9
Total		3,222.2	3,884.0	2,560.3

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:

Level1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level2
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.

Level3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on

observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The 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 2017	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	8,901.0	1,688.7	2,465.8	**13,055.5**
Non- Financial Assets at Fair Value Through Profit and Loss			756.4	**756.4**
Net Financial Assets	**8,901.0**	**1,688.7**	**3,222.2**	**13,811.9**

Value at 31 March 2016	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total (Re-stated) £m
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	7,142.2	884.4	2,248.5	**10,275.1**
Non- Financial Assets at Fair Value Through Profit and Loss		694.5		**694.5**
Net Financial Assets	**7,142.2**	**1,578.9**	**2,248.5**	**10,969.6**

Note 17 ii) - Reconciliation of Fair Value Measurements Within Level 3

Period 2016/17	Market Value 01 April 2016 £m	Transfers into Level 3 £m	Transfers out of Level 3 £m	Purchases During the Year £m	Sales During the Year £m	Unrealised Gains/ Losses £m	Realised Gains/Losses £m	Market Value 31 March 2017 £m
Freehold and Leasehold Property*	-	694.5	-	68.7	(15.6)	8.3	0.5	756.4
Private Equity	1,298.0	-	-	92.5	(164.1)	(34.6)	151.7	1,343.6
Infrastructure	340.4	-	-	84.8	(79.2)	33.6	14.7	394.3
Absolute Return/Diversified Growth	610.1	-	-	218.7	(140.9)	(18.8)	58.8	727.9
Total	**2,248.5**	**694.5**	**0.0**	**464.7**	**(399.8)**	**(11.5)**	**225.7**	**3,222.2**

*transferred from level 2 to 3 due to reappraisal of property valuation techniques.

Note P18 – Investment Capital Commitments

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

31 March 2016 £m		31 March 2017 £m
692.2	Non-Equities	831.7
132.8	Property	122.1
825.0	**Total**	**953.8**

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

Note P19 - Other Long-Term Assets

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

31 March 2016 £m		31 March 2017 £m
-	Administering Authority	-
12.6	Other Local Authorities	16.2
12.6	**Total**	**16.2**

Note P20 – Current Assets

31 March 2016 £m		31 March 2017 £m
	Receivables and Prepayments	
	Contributions Receivable	
17.6	- Employers	18.3
6.2	- Members	5.8
27.8	Other Receivables	25.1
51.6	**Total Receivables and Prepayments**	**49.2**
1.0	Cash	9.0
52.6	**Total Current Assets**	**58.2**

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 2017 is £9.6 million (31 March 2016: £12.9 million).

31 March 2016 £m		31 March 2017 £m
	Analysis of Receivables	
3.2	Administering Authority	3.1
14.9	Other Local Authorities	15.7
33.5	Other Entities and Individuals	30.4
51.6	**Total**	**49.2**

Note P21 – Current Liabilities

31 March 2016 £m		31 March 2017 £m
	Payables and Receipts in Advance	
(2.0)	Pensions and Lump Sum Benefits	-
(36.0)	Other Payables	(32.8)
(38.0)	**Total**	**(32.8)**

31 March 2016 £m		31 March 2017 £m
	Analysis of Payables	
(3.8)	Central Government Bodies	(3.6)
(7.9)	Administering Authority	(4.6)
-	Other Local Authorities	(5.7)
(26.3)	Other Entities and Individuals	(18.9)
(38.0)	**Total**	**(32.8)**

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 2016. The table below shows the activity for each AVC provider in the year.

31 March 2016			31 March 2017	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
2.1	**38.7**	**Opening Value of the Fund**	**1.9**	**37.4**
0.1	6.2	Income	-	6.8
(0.3)	(7.7)	Expenditure	(0.2)	(8.1)
-	0.2	Change in Market Value	0.2	2.6
1.9	**37.4**	**Closing Value of the Fund**	**1.9**	**38.7**

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 2016 (Re-stated) £m		31 March 2017 £m
	Financial Assets	
474.9	Fair value through profit and loss	(2,106.4)
474.9	**Total**	**(2,106.4)**

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.

Financial Assets	2015/16	2016/17
Financial Assets at Fair Value Through Profit and Loss	10,275.1	13,055.5
Loans and Receivables	730.3	515.3
Financial Liabilities at Amortised Cost	(36.7)	(32.8)
Net Financial Assets	**10,968.7**	**13,538.0**

Note P25 – The Nature and Extent of Risks Arising from Financial Instruments

Risk Management

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

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

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

Investment Risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to liabilities through the triennial actuarial valuation followed by an appropriate asset allocation. During the year, the Fund targeted a 90% 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 10% is allocated to stabilising assets, such as UK Government bonds or gilts, both index linked and conventional.

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

Counterparty Risk

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

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

Credit Risk

The Fund's deposits with financial institutions as at 31 March 2017 totalled £287.6 million in respect of temporary loans and treasury management instruments (31 March 2016: £452.6 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 2017 is shown below:

Summary	Long Term Fitch Rating*	Value at 31 March 2016 £m	Value at 31 March 2017 £m
Credit Rating Sensitivity Analysis			
Money Market Funds			
AIM STIC Global Sterling Portfolio		35.0	-
HSBC Sterling Liquidity Fund		230.2	-
LGIM Liquidity Fund		-	115.0
Short-Term Deposits			
Nationwide Building Society	A+	2.4	-
Principality Building Society	BBB	10.0	25.0
Nottingham Building Society		10.0	15.0
Leeds Building Society	A-	10.0	20.00
Newcastle Building Society		10.0	-
Barclays	A	35.0	35.0
Skipton Building Society	A-	-	25.0
West Bromwich Building Society		5.0	-
Santander UK	A	35.0	-
Lloyds Bank Plc	A+	-	-
Coventry Building Society	A	-	10.0
Northamptonshire County Council			10.0
Mid Suffolk County Council			5.0
Swindon City Council			8.0
Bank Deposit Accounts			
NatWest Corporate Cash Manager Account		50.0	-
GBP Current Accounts		1.0	9.1
HSBC Global Active		19.0	10.5
Total		**452.6**	**287.6**

**Moody's rating*

Liquidity Risk

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

Foreign Exchange Risk

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

Securities Lending

As at 31 March 2017, £512.6 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 2016: £406.4 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £547.6 million, giving a margin of 6.8% (2015/16, £442.3 million, margin of 8.8%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stock lending amounted to £2.5 million during the year (2015/16: £1.7 million) and is detailed in Note P14 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers; therefore, 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 through best practice in corporate governance, ensures that reputational risk is kept to a minimum.

Other Price Risk

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period:

Market Risk – Other Price Risk

Asset Type	Value as at 31 March 2017 £m	% Change	Value on Increase £m	Value on Decrease £m
UK Equities	1,522.6	15.8%	1,763.2	1,282.0
Global Equities (ex UK)	6,511.3	18.4%	7,709.4	5,313.2
Property	972.0	14.2%	1,110.0	834.0
Fixed Interest*	2,340.4	8.3%	2,534.7	2,146.1
Private Equity	1,343.6	28.5%	1,726.5	960.7
Alternatives**	1,122.2	15.0%	1,290.5	953.9
Total Fund (See Note Below)	**13,812.1**		**16,134.3**	**11,489.9**

* 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 (£727.9 million) and infrastructure (£394.3 million, of which £77.4 million relates to forestry)

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 11.7%. On this basis, the total value on increase is £16,134.3 million, and the total value on decrease is £11,489.9 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Currency Risk - Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2017:

Currency Risk (by Asset Class)

Asset Type	Value as at 31 March 2017 £m	% Change	Value on Increase £m	Value on Decrease £m
Global Equities (ex. UK)	6,511.3	10.0%	7,162.4	5,860.2
Private Equity	1,343.6	10.0%	1,478.0	1,209.2
Fixed Interest	2,340.4	10.0%	2,574.4	2,106.4
Alternatives	1,122.2	10.0%	1,234.4	1,010.0
Property Funds	215.6	10.0%	237.2	194.0
Liquid Assets	111.8	10.0%	123.0	100.6
Total	**11,644.9**		**12,809.4**	**10,480.4**

Interest Rate Risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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

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

Asset Type	**Carrying Amount as at 31 March 2017**	**Change in Year in the Net Assets Available to Pay Benefits**	
		+100BPS	-100BPS
	£m	£m	£m
Index-linked Gilts	867.0	(199.4)	199.4
Gilts	165.7	(18.1)	18.1
Corporate Bonds	580.8	(50.9)	50.9
Total	**1,613.5**	**(268.4)**	**268.4**

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	15	565.49
£100 - £500	0	0.00
Over £500	0	0.00
Total	**15**	**565.49**

Write off Analysis		
Individual Value	**Number**	**Total £**
Less than £100	2	130.84
£100 - £500	50	11,653.19
Over £500	16	40,181.12
Total	**68**	**51,965.15**

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 £33.3 million were receivable from the City of Wolverhampton Council for 2016/17 (2015/16: £33.1 million). 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 (including one substitute member), as set out below:

Pensioner: Councillors Inston, Page, Thompson, Sparks and Mutton

Active: Councillors Brookfield, Hevican and T Singh

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

There are five employing bodies of the Fund in which a member of the Committee has declared an interest for 2016/17. Contributions from each of these are set out below:

Contributions Receivable 2015/16 £m		Contributions Receivable 2016/17 £m
3,331	West Midlands Fire and Rescue Service	3,478
4,211	Wolverhampton Homes Limited	4,497
20	Kingswood Trust	18
161	Wolverhampton Girls High School	174
115	Black Country Housing Group	82

LGPS Central Limited

The Fund is working with eight other LGPS funds across the Midlands to set up LGPS Central Limited. A FCA-authorised investment manager which will manage the investment assets of the nine funds. The company was incorporated in October 2016, although it will not begin trading until April 2018. On incorporation and at 31 March 2017, West Midlands Pension Fund was the only shareholder. During the 2017/18 financial year shares will be issued to seven other pension funds (on an equal shares basis). There were no transactions of the company during 2016/17 and no balances at 31 March 2017. The initial investment costs are shared equally between the eight participating LGPS funds and at 31 March 2017 the Fund's share was £0.1 million and this is disclosed in the financial statements as a Long-Term Investment.

Key Management Personnel

The Fund's senior management comprises six individuals: the Strategic Director of Pensions, the Director of Pensions, the Chief Investment Officer, the Head of Client and Funding Management, the Head of Governance and the Head of Finance. The total salary paid to the senior management team in 2016/17 was £536,000 (2015/16: £454,000, for six individuals). In addition to this, employer's pension contributions of £125,000 (2015/16: £98,000) were met from the Fund in respect of these individuals.

8. ANNUAL GOVERNANCE STATEMENT

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 now 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 Limitedis 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 Limited which sets out the contractual and governance arrangements between the parties.

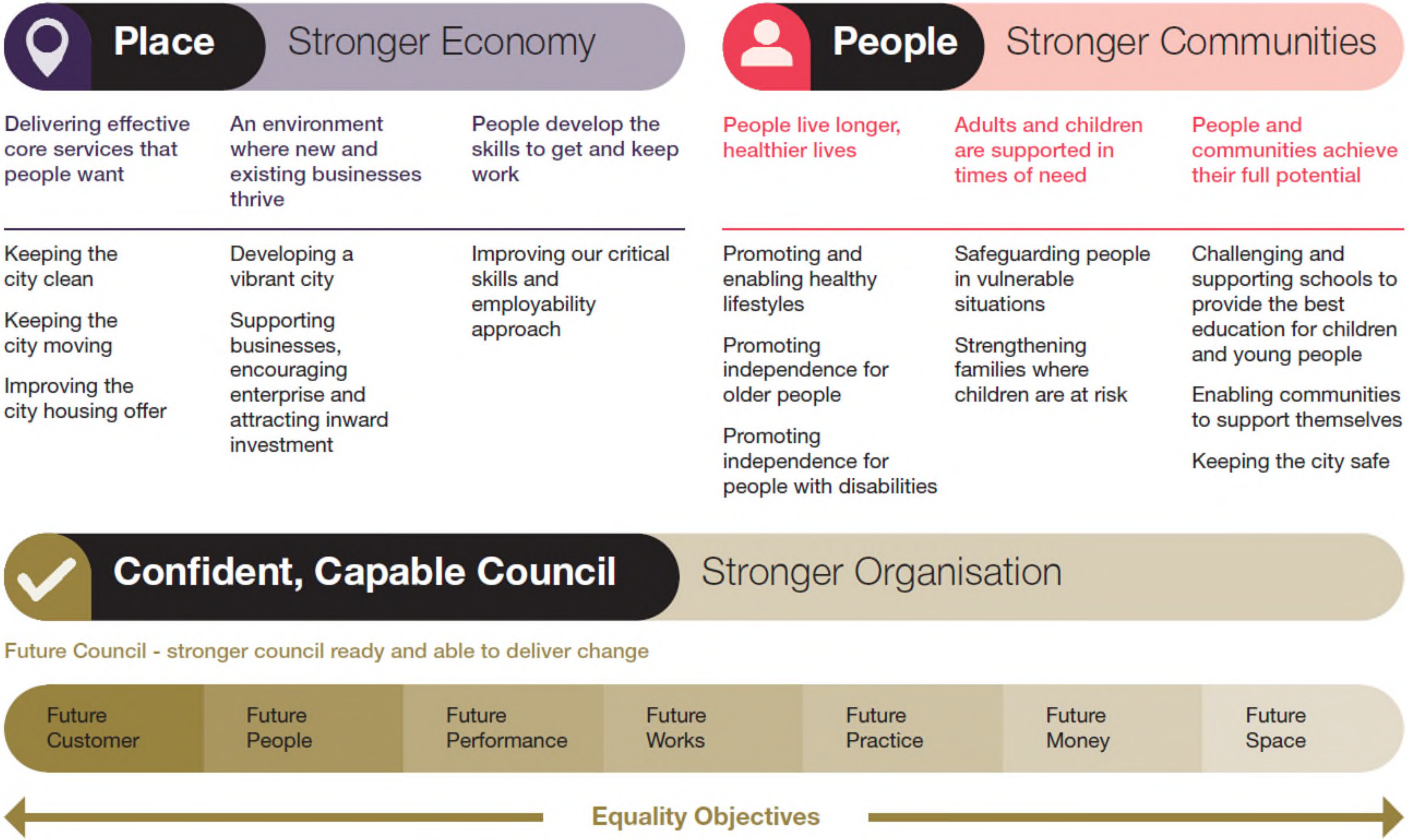
The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

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



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

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

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

• Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	• Published information is accurate and reliable • Implementation of previous governance issues	• Whistleblowing and other anti-fraud related policies • Complaints System • Financial Procedures Rules • Contract Procedure Rules • modern.gov (the council's committee management information system)	• Annual Governance Statement – including the follow up of previous year issues	

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.

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

- Maintained the focus of the Committee on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its risks well. This also involved the Committee 'calling-in' certain risks and their risk owners, for a more detailed review.
- Developed a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, the Internal Auditors, key Cabinet Members and Senior Officers. They also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Members of the Committee attended several high-profile Audit Committee Institute events run by top accountancy firms and the Council, in partnership with Grant Thornton, arranged and hosted a well-attended Midlands-wide Audit Committee forum, which focussed upon key themes for Audit Committees and their governance responsibilities.

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 can confirm that the arrangements conform to these requirements. The Council is also able to confirm compliance with the Public Sector Internal Audit Standards.

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, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The activities undertaken in this area were primarily led during the year by the Audit and Risk Committee.

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

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

Key Changes to the Governance Framework

There were no key changes to the governance framework during the year. However, in March 2017 the Cabinet approved a new senior management structure which will come into effect during 2017/18. Also, the Council continues to play an active role in the governance arrangements for the West Midlands Combined Authority, including the Council's Managing Director in their role as Monitoring Officer for the Combined Authority.

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 Limited

Wolverhampton Homes Limited have included a Statement of Corporate Governance within the Company's Financial Statements for 2016/17. This states that the control framework has been reviewed by the Company's Audit Committee on behalf of the Board of Wolverhampton Homes Limited and found to be effective. The review included an assurance statement from the Company's internal auditors.

Progress on the Governance Issues from 2015/16

The table below describes the governance issues identified during 2015/16 and the progress made against these during 2016/17. While a limited number of issues have been carried forward to 2017/18, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2015/16 - Key areas for Improvement	In-year update provided as at 30 October 2016	End of year update
Savings Targets This continues to be a key area for the Council to manage as it is faced with finding savings of £56.4 million by 2019/20. As part of this process £22.2 million of additional savings is to be identified for 2017/18 and reported to Cabinet, to demonstrate that a balanced budget can be achieved in 2017/18.	On 19 October Cabinet approved that: • Budget reduction and income generation proposals amounting to £13.5 million in 2017/18 proceed to the formal consultation and scrutiny stages of the budget process. • That Financial Transaction and Base Budget Revisions totalling a net reduction of £10.0 million in 2017/18 be incorporated into the 2017/18 draft budget.	Following the Local Government Finance Settlement and completion of detailed budget work, Council approved a balanced budget for 2017/18 without the use of general reserves. It is estimated that further savings of £14.8 million will need to be identified for 2018/19 and another £5.7 million for 2019/20.

	Cabinet also approved several changes to items in the MTFS. Because of the recommendations approved by Cabinet the Council is projected to be able to set a balanced budget for 2017/18. Budget consultation and scrutiny will be undertaken during November and December the outcome of which will be reported back to Cabinet. An initial review of the assumptions and projections built into the Draft Budget and MTFS 2017/18 - 2019/20 has been undertaken, with further work to be completed during the 2017/18 budget setting process. A further report will be taken to Cabinet on 22 February 2017.	Council approved that work starts on developing budget reductions for 2018/19 and that progress be reported to Cabinet in July 2017. It is important to note that the updated projected budget deficit assumes the achievement of budget reduction proposals amounting to £33.8 million over the three-year period to 2019/20.
Combined Authority The West Midlands Combined Authority (WMCA) has been formally vested. The Council needs to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that WMCA is a success and that it benefits the City of Wolverhampton. Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro	The Council needs to continue to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that the WMCA successfully delivers the devolution deal, and its success benefits the City of Wolverhampton. The Council continues to play a major role in the Combined Authority. The appointment of the Leader of the Council, Councillor as the Transport portfolio lead for the WMCA was confirmed at its AGM in June 2016. The appointment of the Managing Director to the role of Monitoring Officer of the Combined Authority (on a part time basis) was also	Preparation for the Mayoral position to be incorporated into the WMCA continues, WMCA constitutional arrangements have been made to incorporate the Mayoral WMCA arrangements into the Combined Authority. There is no requirement on Wolverhampton to amend its constitution as the WMCA is the vehicle for devolution and therefore holds the powers and functions, some of which are exercised by the Mayor. The Statutory Order to confer the devolution deal functions was signed on 31 March 2017.

Mayor in May 2017. This will include public consultation (in the Summer of 2016) on the powers to be conferred on the Mayor by Central Government. Continuing officer and member involvement WMCA is crucial to making it a success, in delivering the first devolution deal, and developing future deals.	confirmed at its AGM, on an interim basis until May 2017. Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro Mayor in May 2017. This to date has included a public consultation (summer 2016) on the functions to be conferred on the Combined Authority by government, to deliver the devolution deal. The formalising of that process will be underway in December 2016, through the constituent council's consideration of the statutory 'Order' (detailing the devolution agreement functions). The governance structures of the Combined Authority, consisting of boards, committees, working groups and commissions, were reflected upon and amended following the development of the devolution agenda and the updated structures were approved at the Combined Authority Board meeting on 28 October 2016. Constitutional arrangements are also being made to incorporate the Mayoral WMCA arrangements into the Combined Authority, and following the consideration by Parliament of the Mayoral WMCA functions, the required changes will be embedded.	The Order and the amended constitution will come into force on 8 May 2017. Five observer organisations will progress to non-constituent membership. These authorities are highlighted below: Shropshire Council, Stratford on Avon District Council, Rugby Borough Council, Warwickshire County Council and North Warwickshire Borough Council WMCA is currently recruiting four permanent full time senior management posts: Chief Executive, Director of Strategy, Director of Finance and Director of Public Service Reform. Preparation for the election of the Mayor on 4 May 2017 is being carried out in Wolverhampton and across all the West Midlands Metropolitan Borough Councils. This includes preparing for the election count itself and raising awareness of the election amongst residents, employees and businesses. On 3 March 2017, the WMCA Board approved the creation of the West Midlands Growth Company. The WMCA and seven Metropolitan Borough Councils will appoint the company directors by mid May 2017.

	Continuing officer and member involvement in the Combined Authority is crucial to delivering the first devolution deal, and developing future deals.	The growth company will channel opportunities for regional investment which in turn will benefit the West Midlands Combined Authority area.
Corporate Landlord A Strategic Asset Plan for the Council is to be developed. Detailed service reviews to ensure the new service delivery is relevant and effective in supporting the Council's priorities and objectives are underway and due to be completed in-year.	A dedicated project manager is now in place to finalise scopes of work, prepare briefs and commission external consultancy support. Work packages to be supported are summarised as follows: **Strategic Asset Plan** Duration: six months' consultancy (completion June 2017) To assist in the production of the Strategic Asset Plan (suite of three documents – Asset Policy, Asset Strategy and Action Plan). This documentation will set out the long-term strategy/goals for where the Council's asset portfolio needs to be in the future. **Commercial Portfolio: review of leases/licences/ service charges/debt management** Duration: 6-12 months (completion November 2017)	**Strategic Asset Plan** CIPFA are engaged and will be assisting with the development of the Strategic Asset Plan. Due to complete by October 2017 and full implementation by March 2018 **Commercial** The income target exceeded in 2016/17 as leases, licences and service charges were updated. Investment in the commercial portfolio has also commenced to improve the offer. **Asset Challenge** The Project Manager is developing a utilisation template and life-cycle condition surveys are being considered as part of the future FM Delivery Model.

	To review all leases, licences and service charges in line with the Royal Institute of Chartered Surveyors requirements. **Asset Challenge: Utilisation and Life-cycle Assessment** Duration: 12 months (completion December 2017) To undertake utilisation surveys and life-cycle (circa 25 years) condition surveys on all buildings enabling Corporate Landlord to assess the performance of the asset portfolio and ensure it supports the Council's strategic and operational objectives. **Data Management** Duration: 6-12 months (completion November 2017) A Project Manager, Data Support Officer and access to scanning facilities will be required to map, identify, cleanse and capture baseline land and property data. Centralised data is at the core of the Corporate Landlord service delivery model and this work will enable analysis and reporting.	**Data Management** All estates files now scanned and a data intelligence solution currently being evaluated. Processes are being reviewed together with staff capability with a view to systems rationalisation.
Procurement, Contract Management and Monitoring A standard approach to Contract Management will be implemented, with a	The Procurement team has started to offer contract management support to service teams. The first areas where this has commenced is Environmental Services and Public Health.	The Contract Management System was implemented in February 2017. The Contract Management of the Waste collection and treatment contracts is being supported by the

programme of training developed to support a consistent approach to realising the benefits from contracts.	The first dedicated Contract Manager post has been agreed and is currently being recruited to. A new contract management system (Accord) is being implemented and will be live in early 2017. This will give visibility of each contract and a standardised approach to performance monitoring and contract administration.	Procurement Team. A Contract Manager post has been recruited to with a start date of May 2017 and a standard approach to performance monitoring and contract administration is to be developed during 2017/18.
Partnership Governance The Council is embarking on a systematic review of Governance arrangements with partner organisations and has already implemented revised protocols for all newly drafted arrangements. The Black Country Joint Committee, set up in Summer 2015, has established a clear governance structure for collaborative arrangements across the Black Country, which the Council has committed to. The City Board oversees the Economic Growth Board, Inclusion Board and the recently set up Employment and Skills Board. The governance for each is reviewed annually and amendments made, if required.	At the City level, work is underway to review the strategic approach for City Economy and how this is reflected in our partnerships. This work is expected to complete around spring 2017. New reporting formats for projects being championed by the Economic Growth Board and Skills and Employment Board have now been developed and approved. This will help to tighten governance and impact from partnership working. The Council is also the accountable body for the delivery of the Black Country Growth Hub. Again, the governance has been reviewed and tightened to enable effective governance of a wider remit that includes delivery of the new ERDF funded AIM for the Black Country project.	The City Board has agreed to focus on sustainability and smart city during 2017, and has completed an audit of sustainable development activities across the core partners that contribute to the millennium goals. A refresh of the City Strategy 2011 – 2026: Prosperity for All is underway, to better align it with the Black Country and West Midlands Combined Authority SEPs. Initial work to review and update the economic evidence base has been commissioned and will be completed in spring 2017. Revised reporting process have now been introduced with the Economic Growth, Employment and Skills and Inclusion Boards. This is helping to identify and focus on areas relevant to the influence of the board members, and be able to track activity. Clear reporting structures are in place for the Black Country Growth Hub and the EU funded project AIM, both of which the City of

		Wolverhampton holds the role of accountable body. The city has also developed a clear delivery approach to ensure value from these partnership programmes is secured in the city.

Action Plan for the Significant Governance Issues identified during 2016/17 which will need addressing in 2017/18

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2016/17 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2016/17 - Key areas and actions for implementation	Responsibility and expected implementation date
Savings Targets This continues to be a key area for the Council to manage as it is faced with finding savings of £20.5 million by 2019/20. As part of this process £14.9 million of additional savings is to be identified for 2018/19 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2018/19.	Chief Accountant July 2017
Procurement, Contract Management and Monitoring Following the recruitment of the Contract Manager post a standard approach to performance monitoring and contract administration is to be developed during 2017/18.	Service Director – Commercial Services December 2017
Combined Authority Following the election of the new Mayor in May 2017, the Council will start working with their office in order to maximise the benefits the Combined Authority will bring to the city.	Managing Director September 2017

Corporate Landlord • Strategic Asset Plan - to develop the Strategic Asset Plan with CIPFA. • Asset Challenge- to develop a utilisation template and consider life-cycle condition surveys as part of the future FM Delivery Model Data Management - to rationalise systems and introduce a data intelligence solution.	Head of Corporate Landlord October – December 2017

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 2017/18.

Certification

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

Roger Lawrence, Leader of the Council

Date:

Keith Ireland, Managing Director

Date:

9. GLOSSARY

Academy
A school which chooses to opt out of a local authority's control and maintain its own funding.
Accruals (Accrual Accounting)
Refers to the fundamental accounting principle that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
See Receivables, Payables

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

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

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

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

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

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

9. GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

Contingent Liability
A contingent liability is either:

a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

9. GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Year
This runs from 1 April to 31 March.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prior Year Adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

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

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

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

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

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

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

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

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

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

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

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

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

See Income and Expenditure Account/Statement

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

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

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

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

Vacant Possession Value
The market value of a property, were it to be sold with no unusual restrictions on the occupation of the property, or the level of any rents or charges made for its use.
See Existing Use Value (Social Housing)

Work in Progress
Expenditure in respect of assets that are not yet ready to be put into use or sold (as appropriate).