

Wolverhampton City Council

OPEN DECISION ITEM

Audit Committee

Date 18.07.2011

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

PAT MAIN

Telephone Number(s)

4410

Title

DRAFT STATEMENT OF ACCOUNTS 2010/2011

RECOMMENDATIONS

That Audit Committee:

- (1) Note that the Assistant Director – Corporate Services (Section 151 Officer) approved the Draft Statement of Accounts 2010/2011 on 30 June 2011, as required by the Accounts and Audit Regulations.
- (2) Note that the 2010/2011 Draft Statement of Accounts is to be audited by PricewaterhouseCoopers LLP during July/August, and that any material changes required as a result of the audit will be reported to the Audit Committee.
- (3) Note that formal publication of the 2010/2011 Statement of Accounts is required by 30 September 2011 (Accounts and Audit Regulations 2003 as amended 2010).

1. **PURPOSE**

- 1.1 The draft Statement of Accounts for 2010/2011, which is subject to audit, has been approved by the Assistant Director – Corporate Services (Section 151 Officer) and is appended to this report. The report provides an overview of the document, its main statements and also a brief overview of the Council's financial performance for the year, and its position at 31 March 2011.

2 **BACKGROUND**

- 2.1 The draft Statement of Accounts is required by statute (Accounts and Audit Regulations) to be prepared and approved by the Section 151 Officer by 30 June 2011. Once again the council has succeeded in meeting this very challenging deadline.
- 2.2 A copy of the draft Statement of Accounts is attached at Appendix A. This will now be audited by the council's appointed external auditors, PricewaterhouseCoopers, during July/August, following which they will report their findings to the Audit Committee in September. At the same time the final audited Statement of Accounts to be published by the council will be presented to the Committee.
- 2.3 The statutory deadline for publication of the audited Statement of Accounts is 30 September 2011.
- 2.4 The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). For 2010/2011 there were major changes, brought about by the move to International Financial Reporting Standards (IFRS), from UK Generally Accepted Accounting Practice (GAAP). These changes were very wide-ranging, and the below lists only the major areas which have had an impact on the council's statements:
- (a) The format of some of the primary statements is fundamentally different. The Income and Expenditure Account and Statement of Total Recognised Gains and Losses have been replaced by the Comprehensive Income and Expenditure Statement. The Statement of Movement in the General Fund Balance has been removed, and there is a new statement called the Movement in Reserves Statement.
 - (b) As a result of IFRS, the number of transactions which the council is required to show in its Statement of Accounts, but must not charge or credit to its General Fund or HRA balances ('statutory reversals') has significantly increased, adding to the complexity of the reconciliation between the Statement and the council's management accounts.
 - (c) Under IFRS the council is required to accrue for any paid leave earned but not taken by its employees at the balance sheet date.
 - (d) The assessment of leases under IFRS is different to that applied under UK GAAP, the effect of which is to make it generally more likely that a lease will

be treated as 'on balance sheet'. The council has reviewed all of its lease agreements in order to ensure that it complies with the requirements of IFRS.

- (e) The conditions for recognising grant income under IFRS generally mean that grants are recognised sooner than they would have been under UK GAAP. Furthermore, capital grants are credited to the Comprehensive Income and Expenditure Statement, although capital expenditure is not charged there. A combination of statutory reversals and the use of earmarked reserves has been applied to ensure that this has not had any effect on the council's budgets.
- (f) The council has also restated its 2009/2010 accounts in accordance with the requirements of IFRS. The changes brought about by IFRS have been so substantial that it is extremely difficult to relate the restated 2009/2010 figures to the 2009/2010 Statement of Accounts that was published in September 2010. The only meaningful comparisons for the 2010/2011 figures are therefore the restated 2009/2010 figures as included in the 2010/2011 Statement of Accounts.

3 STRUCTURE OF THE STATEMENT OF ACCOUNTS

3.1 The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the council, employees and other interested parties clear information about the council's finances. In order to make the Statement of Accounts as useful as possible to its intended audiences, the Code requires:

- (a) All local authority statements to follow a common pattern of presentation;
- (b) Interpretation and explanation of the Statement of Accounts;
- (c) The Statement of Accounts to be written in plain English as far as possible.

3.2 The Statement of Accounts comprises the following:

- (a) **Foreword to the Statement of Accounts**, including a note on responsibility for the accounts, a summary of the 2010/2011 outturn position, and the 2011/2012 budget.
- (b) **Introduction to the Financial Statements**, which provides a brief overview of each of the main parts of the Statement.
- (c) **Movement in Reserves Statement**: this statement analyses the movements across all of the council's reserves, including the General Fund and HRA balances.
- (d) **Comprehensive Income and Expenditure Statement**: this statement shows all the income, expenditure, gains and losses of the council during the year. It includes several items which are not true charges or credits to the council, as statutory provision exists to neutralise their effect on Council Tax and Housing rents.

- (e) **Balance Sheet:** this statement reports the council's financial position at the year end. It shows the balances and reserves at the council's disposal, the fixed and net current assets employed in its operations (together with summarised information on the fixed assets held), and the long-term indebtedness of the council. The Balance Sheet includes the assets and liabilities of all activities of the council but excludes all activities relating to the West Midlands Pension Fund and trust funds.
- (f) **Cash Flow Statement:** this statement summarises the inflows and outflows of cash during the year.
- (g) **Notes to the Core Financial Statements:** this is a series of notes that are required by statute or that give additional information on figures in the main statements. The last of these notes is the **Statement of Accounting Policies**, which sets out the policies and, where appropriate, estimation techniques used by the council in preparing its accounts.
- (h) **The Housing Revenue Account Statements:** comprising the HRA Income and Expenditure Account, the Statement of Movement in the HRA Balance, and Notes to the HRA Statements.
- (i) **The Collection Fund Statements:** comprising the Collection Fund Income and Expenditure Account and the Notes to the Collection Fund Statements.
- (j) **The Group Accounts:** these repeat the statements referred to at (c), (d), (e) and (f), this time incorporating the transactions and balances of Wolverhampton Homes as if it and the council were one entity. There are also notes to the Group Accounts, which repeat individual notes from those referred to at (g) where the inclusion of Wolverhampton Homes' figures has caused them to change.
- (k) **Pension Fund Accounts:** although West Midlands Pension Fund is a separate legal entity and its accounts are not consolidated with the council's, the Code requires administering bodies such as Wolverhampton to include a summarised version of the Pension Fund accounts in their financial statements.
- (l) **Glossary:** explaining some of the terms used in the financial statements, particularly those that are not part of everyday English.
- (m) **Independent Auditor's Report (September):** this will be provided by PricewaterhouseCoopers following the audit, and give their opinion on whether the Council's financial statements present fairly its financial position and performance for the year, and their conclusion on the council's Use of Resources arrangements.

3.3 The published Statement of Accounts in September will also include the **Annual Governance Statement**, a statement required by the Accounts and Audit regulations that outlines the council's governance arrangements.

4 KEY ELEMENTS OF THE 2010/2011 STATEMENT OF ACCOUNTS

- 4.1 The net increase in the council's reserves for the year, as shown in the Movement in Reserves Statement, was £159.155M. This is made up of £50.316M on usable reserves, and £108.839M on unusable reserves (unusable reserves are accounting technicalities, usually reflecting statutory adjustments). This compares to a net decrease of £124.198M in 2009/2010 (£20.108M increase in usable reserves; £144.306 decrease in unusable reserves).
- 4.2 The Movement in Reserves Statement also shows the true movement in the council's General Fund and HRA balances for 2010/2011: these were increases of £7.620M and £1.520M respectively. The General Fund Balance stands at £39.540M at 31 March 2011, and the HRA balance at £5.057M.
- 4.3 The net cost of providing services, according to the Comprehensive Income and Expenditure Statement, was a surplus of £99.862M. This compares to a deficit of £26.706M for 2009/2010. It is important to remember that this includes many transactions which do not ultimately impact on the council's true 'bottom-lines', which are given in paragraph 4.2.
- 4.4 The Comprehensive Income and Expenditure Statement also includes a number of other gains and losses on council assets/liabilities. These relate to revaluations of fixed assets and notional gains and losses on the council's 'share' of West Midlands Pension Fund's assets and liabilities. These items are responsible for very significant year-on-year changes: in 2010/2011 they amounted to a net gain of £60.423M, while in 2009/2010 they caused a net loss of £97.492M. Despite the size of these numbers and their significant effect on the accounts, it must be remembered that they are only included in order to comply with accounting requirements, and it is extremely unlikely that the council would realise the benefits or losses on any of these items in the foreseeable future, if ever.
- 4.5 The net worth of the council as shown on the Balance Sheet has increased to £1,073.484M from £914.329M. The major reasons for this increase are set out below:

	Comments	Change (£M)
<u>Increases in Net Worth</u>		
Fixed Assets	Expenditure on capital programme and revaluations	154.926
Cash and Temporary Investments	Due to normal fluctuations in cash and investment balances resulting from treasury management activity	22.453
Pension Liability	Due to changes in Actuarial assumptions and calculations (*)	97.159
<u>Decreases in Net Worth</u>		
Fixed Assets	Depreciation and Impairment Charges for the Year (*)	(77.292)
Borrowing	Increases in borrowing to support capital programme	(38.411)

(*) Statutory provisions exist to neutralise the impact of these items on the council's resources available for revenue or capital expenditure.

- 4.6 The HRA Income and Expenditure Account shows a deficit of £4.445M for the year compared to 2009/2010's surplus of £2.750M. However, following the adjustments outlined in the Statement of Movement on the HRA Balance, the true movement in the level of available HRA revenue resources for the year is an increase of £1.519M (2009/2010: an increase of £2.398M).
- 4.7 The HRA reserve stands at £5.056M at 31 March 2011. The funds in this reserve can only be used to finance revenue expenditure that falls to be scored against the HRA in accordance with statute.
- 4.8 The Collection Fund generated a surplus for the year of £0.435M. This will be distributed between the three precepting authorities in 2011/2012, with the Council benefiting from approximately 90% of this sum.
- 4.9 The Group Comprehensive Income and Expenditure Statement shows a net gain for the year of £161.153M, compared to a net loss of £125.638M in 2009/2010. The net gain for 2010/2011 is made up of the council's net gain of £160.285M and a net gain for Wolverhampton Homes of £0.868M (2009/2010: net losses of £124.198M and £1.440M respectively).
- 4.10 There are a small number of elements of the accounts on which further work will be undertaken up to and possibly during the audit period, as set out below:
- (a) Equal Pay Provision – there has been relatively little change in the available information to assess the value of potential equal pay claims that face the Council, therefore, the provision of £14.9M as last revised in 2009/2010 remains unchanged. However, detailed work is currently in progress to assess the potential costs down to a very detailed level, therefore, the value of this provision remains subject to review and therefore change during the audit of the accounts.
 - (b) Carillion contract – the council is in the process of reviewing its contract with Carillion in order to determine whether the contract may in substance contain a finance lease. Discussions are ongoing with Carillion in order to secure the necessary information to enable the council to form an opinion: however any resulting changes are not expected to be material.
 - (c) Movement in Reserves statement – this statement is a new requirement for 2010/2011, and is extremely complex and technical. Whilst the totals shown in the Movement in Reserves Statement are consistent with other parts of the Statement of Accounts and with the council's usable reserves, work is ongoing to ensure that the analysis of transfers between reserves is correctly shown.

5. FINANCIAL IMPLICATIONS

- 5.1 These are set out in the body of the report.

[DK/12072011/D]

6. LEGAL IMPLICATIONS

- 6.1 The Accounts and Audit Regulations require the 2010/2011 Draft Statement of Accounts to be produced in accordance with proper practice, this is the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 30 June 2011 and published by 30 September 2011.

[\[MW/12072011/Z\]](#)

7. EQUAL OPPORTUNITIES IMPLICATIONS

- 7.1 There are no equal opportunities implications arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 There are environmental implications arising from this report.

9. SCHEDULE OF BACKGROUND PAPERS

Draft Statement of Accounts 2010/2011 – Audit (Final Accounts Monitoring and Review)
Sub Committee, 30 June 2011

WOLVERHAMPTON CITY COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2011

Wolverhampton
City Council



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FOREWORD TO THE ACCOUNTS

The purpose of this foreword is to:-

- outline responsibilities for the accounts
- provide a statement on corporate governance
- outline changes arising from the Code of Practice on Local Authority Accounting 2010
- give a summary of the Council's financial position for 2010/2011
- summarise spending plans for 2011/2012
- give a guide to the different financial statements that make up the accounts of the Council

Officer Approval of the Accounts

The council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Assistant Director - Corporate Services (Section 151 Officer). In addition, the council is required to make arrangements to secure economic, efficient and effective use of resources and safeguard its assets and to make arrangements to approve the Statement of Accounts.

The Assistant Director - Corporate Services (Section 151 Officer) 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 Great Britain ("the Code of Practice").

The Assistant Director - Corporate Services (Section 151 Officer) is required to present fairly the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts, the Assistant Director - Corporate Services (Section 151 Officer) has selected suitable accounting policies and then applied them consistently; made judgements and estimates that were reasonable and prudent and complied with the Code of Practice in all material respects.

The Assistant Director - Corporate Services (Section 151 Officer) has also kept proper accounting records which were up to date and taken reasonable steps for the prevention and detection of fraud and other irregularities.

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 2011 and its income and expenditure for the year ended the same date.

Pat Main
Assistant Director - Corporate Services (Section 151 Officer)

Date:

Member Approval of the Accounts (September Version Only)

Responsibility for member approval of Wolverhampton City Council's Statement of Accounts lies with the Audit Committee.

The council's Statement of Accounts for 2010/11 has been presented by the council's Responsible Finance Officer, the Chief Financial Officer, on 26 September 2011 and was formally approved at this meeting.

Chair, Audit Committee

Date:

**NOTE ON THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM
2010/2011 (CIPFA / LASAAC)**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of a local authority

For 2010/2011, Local Government has adopted a new method of reporting in their financial statements – International Financial Reporting Standards (IFRS). This change from UK GAAP to IFRS is designed to make the Statement of Accounts more informative and transparent. This has meant that the final accounts process started in April 2010 with finance converting and restating the accounts from 2008/2009 and 2009/2010 to be compliant with IFRS requirements. This is a significant change to the production of the Accounts. This has resulted in a set of accounts that looks very different to that previously produced

Revenue

Revenue expenditure covers the operational costs of services during the year including capital finance charges and contributions to or from reserve accounts.

General Fund

General Fund net revenue expenditure (i.e. after allowing for direct fees and charges for services and the use of reserves) is financed from Government Grants and the Collection Fund (Council Tax).

The following table compares actual spending on the General Fund with the forecast outturn for the year that was reported to Cabinet (Resources) Panel in February 2011, the original budget for 2010/11 is also provided for information.

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance From Budget</u>
	£M	£M	£M
Net Expenditure before Reserves	268.5	253.4	(15.1)
Contribution to Schools Reserves	-	4.2	4.2
Contribution (from)/to General Reserves	-	7.6	7.6
Net General Fund Expenditure	268.5	265.2	(3.3)

Financed by:-

Formula Grant	(144.1)	(144.1)	-
Area Based Grant	(30.8)	(27.5)	3.3
Collection Fund Surplus	(0.1)	(0.1)	-
Precept on Collection Fund (Council Tax)	(93.5)	(93.5)	-
	(268.5)	(265.2)	3.3

The financing of General Fund Expenditure is fixed for the year, therefore any variation in net expenditure levels by the council must be balanced by an equal contribution to or from General Reserves. Accordingly it will be seen that the overall position for 2010/2011 resulted in a contribution to General Reserves of £7.6M. This was better (£1.0M) than the forecast outturn reported to Cabinet (Resources) Panel in February 2011. The General Fund surplus amounted to £39.5M at the year end.

The council faces a medium term requirement to bring net general fund expenditure levels in line with the predicted level of government resources and council tax, and avoid drawing on the council's available reserves over that same period. The existing policy was adhered to throughout the financial year to continue to exercise firm financial control over approved budgets to generate savings. These savings have the effect of temporarily increasing the level of available reserves which can then help smooth the transition in bringing net expenditure levels closer to the available resources. This policy has continued to be successful.

Housing Revenue Account (HRA)

Legislation requires income and revenue expenditure relating to council housing to be accounted for separately in the Housing Revenue Account (HRA).

The expenditure in this account is financed from rents and charges to tenants and interest from mortgages and cash balances. The position on the HRA for 2010/11 can be summarised as follows:-

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	£M	£M	£M
Expenditure			
Maintenance and Management Services (Including Void Rates)	45.2	43.9	(1.6)
Provision for Bad and Doubtful Debts	0.3	0.2	(0.1)
Negative Housing Subsidy payable to Government	6.4	5.7	(0.4)
Capital Financing Charges	27.5	28.5	1.0
	<u>79.4</u>	<u>78.3</u>	<u>(1.1)</u>
Income			
Rents and Charges to Tenants	(78.7)	(79.8)	(1.1)
Mortgage Interest and Interest on Balances	-	-	-
	<u>(78.7)</u>	<u>(79.8)</u>	<u>(1.1)</u>
(Increase)/Decrease in the HRA Reserve for the Year	<u>0.7</u>	<u>(1.5)</u>	<u>(2.2)</u>

The above outturn position shows a surplus of £1.5M, this being an improvement on the original budgeted deficit of £0.7M.

Retained management and maintenance services delivered an underspend of £1.6M. Income from rents and charges was higher than budgeted due to right to buy council house sales being lower than forecast.

Housing Revenue Account reserves stood at £5.1M at the year end. Apart from a contingency element of this reserve of £1.0M, these have been fully committed as part of the medium term planning process for services and rents.

Capital

Capital spending relates to the acquisition or construction of fixed assets or the enhancement and improvement of fixed assets which will be of benefit to the council for longer than one year. Fixed assets include roads and infrastructure, schools and other operational buildings, housing, equipment and plant. Payments of grants to third parties to undertake capital work are also capitalised. The council's capital expenditure in 2010/2011 totalled £159.2M. Full details of the outturn can be found in the Capital Programme Outturn Report to Cabinet (Resources) Panel on 5 July 2011:

<https://wolverhampton.cmis.uk.com/decisionmaking/Calendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/7726/Committee/1299/Default.aspx>

The main items of capital expenditure during the year were as follows:

	£M	
Housing	Decent Homes Stock Condition	52.3
	Sustainable Communities Estate Remodelling	1.7
	Adaptations for People with Disabilities	1.2
	Other Stock Condition Improvements	1.9
	Other Improvements to the Public Realm	0.1
	Service Enhancements and Miscellaneous	0.6
	Private Sector Housing	2.9
	60.7	
Children and Young People	Modernisation, Suitability and Condition	5.9
	Primary School Rationalisations	0.4
	Schools Devolved Formula Capital	3.1
	Building Schools for the Future	18.0
	Primary Capital Programme	8.3
	Co-Location Funding	2.2
	14-19 Diploma Exemplar Learning Centre	1.1
	Extended Schools	0.4
	ICT Initiatives	0.6
	Other School projects	0.1
	Children's Centres	0.8
	Early Years	2.3
Access Initiatives	0.2	
	43.4	
Regeneration and Environment	Environmental Services	0.8
	City Centre Regeneration	0.3
	ABCD New Deal for Communities	4.6
	Other Regeneration	0.3
	Land Acquisitions	2.0
	Vehicles, Plant and Equipment	2.2
	Recycling and Waste Efficiency	1.0
	Wolverhampton City Centre Interchange	14.4
	Highways - Structural Maintenance	2.3
	Integrated Transport	3.4
Highways - West Midlands Major Schemes	8.1	
	39.4	
Adults and Community	Bereavement Services	1.4
	Bilston Leisure Centre	8.3
	Parks Refurbishment Programme	0.2
	Wednesfield Library Replacement	0.2
	Other Minor Programmes	0.3
	10.4	
Other Programmes	ICT Developments	2.3
	Corporate Asset Management	1.0
	Targeted Disposals Programme	0.1
	PCT Physical Activity Partnership	0.3
	Redundancy Capitalisations	1.6
	5.3	
TOTAL	159.2	

The 2010/2011 capital expenditure was financed from the following sources:

	£M
Borrowing	80.8
Grants and Contributions	67.2
Major Repairs Allowance	10.3
Capital Receipts	0.6
Reserve Funds	0.2
Revenue Contributions	0.1
	<u>159.2</u>

SPENDING PLANS FOR 2011/2012

The following paragraphs give a brief summary of budgets approved for all Council Services in 2011/2012

General Fund

Budgeted net expenditure for General Fund Services in 2011/2012 and the way in which it is financed is as follows

	£M
Total Net Spending by Services before Reserves	244.3
Contribution from Reserves	<u>(4.9)</u>
Net General Fund Expenditure	<u>239.4</u>
Financed by:-	
General Revenue Grants	(145.0)
Collection Fund Surplus	(0.9)
Precept on Collection Fund	<u>(93.5)</u>
	<u>(239.4)</u>

This net change from the 2010/2011 original budget primarily comprises revisions to funding arrangements of £15.338M and increases in budgets for services funded by specific grants where the grant has been increased, amounting to £7.231M. It also includes £5.458M increase relating to financing transactions. The council has also implemented a corporate transformation programme which will save £15.821M in 2011/2012

Over the medium term the successful implementation of the transformation programme and further savings will still be required to achieve a balanced budgetary position if future council tax rises for city council services are to be contained within levels of 0% for 2012/2013 and an increase of 2% for the following three financial years, as reported in the Council's current Medium Term Financial Strategy.

Housing Revenue Account (HRA)

The 2011/12 budget for the HRA is outlined below:-

	£M
Expenditure	
Maintenance and Management Services (inc Void Rates)	46.5
Provision for Bad and Doubtful Debts	0.7
Negative Housing Subsidy Payable to Government	2.3
Capital Finance Charges	<u>34.1</u>
	<u>83.6</u>
Income	
Rents and Charges to Tenants	84.6
Mortgage Interest and Interest on Balances	<u>-</u>
	<u>84.6</u>
Budgeted Surplus for the Year	<u>1.0</u>

The above figures include an average rent increase of 6.93% from April 2011. The council is adopting a medium term financial strategy which will ensure that the underlying deficit is eliminated in accordance with statutory requirements by a combination of rent increases, savings in management and maintenance costs and the use of reserves. During 2011/2012, the forecast surplus of £1.0M will be set aside to meet future forecast shortfalls. After setting aside the surplus, the balance on the reserve will stand at £5.1M.

Capital

Capital spending relates to the acquisition or construction of fixed assets or the enhancement and improvement of fixed assets which will be of benefit to the council for longer than one year. Fixed assets include roads and infrastructure, schools and other operational buildings, housing, equipment and plant. Payments of grants to third parties to undertake capital work are also capitalised. The council's forecast capital expenditure for 2011/2012 totals £193.8M. Full details of the forecasted expenditure can be found in the Budget Book 2011/2012 which was reported to Full Council on 2 March 2011 (and updated 27 April 2011).

<https://wolverhampton.cmis.uk.com/decisionmaking/Calendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/5729/Committee/1250/Default.aspx>

The main items of forecast expenditure for 2011/2012 are as follows:

			£M
Delivery	Corporate Services	Provision for Future Rolling Programmes	4.5
		Bereavement Services	1.0
	City Services	Markets Investment	0.2
		Recycling and Waste Efficiency Initiatives	0.7
		Energy Efficiency Measures	0.5
			6.9
Community	Children & Family Support	Co-Location Funding	3.1
		Residential Care for Children and Young People	1.4
	Adult Social Care & Housing Support	Replacement Core IT Systems	0.9
		Leisure & Communities	Bilston Leisure Centre
	Health and Well Being	Parks Refurbishment Programme	1.0
		Capital Investment in Community Capacity Grant	0.7
			16.0
Education and Enterprise	Prosperity	Private Sector Housing	2.9
		Environmental Services Initiatives	4.6
		City Centre Regeneration Initiatives	0.5
		Wolverhampton City Centre Interchange	5.3
		Highways - Other Wolverhampton Major Schemes	1.3
		Highways - West Midlands Major Schemes	11.5
		Street Lighting	0.3
		Highways - Structural Maintenance	3.4
		Highways - Network Development Programme	2.6
		Corporate Asset Management Initiatives	1.7
		Targeted Disposals Programme	0.6
		Schools Modernisation, Suitability and Condition	5.8
		Schools Devolved Formula Capital	4.2
		Building Schools for the Future	51.8
		Primary Capital Programme	4.0
14-19 Diploma Exemplar Learning Centre	3.3		
Extended Schools	0.1		
Promotions & Partnerships	Other Partnerships	0.1	
			104.0
Assistant Chief Executive		ICT Developments	1.4
			1.4
Housing Revenue Account		Decent Homes Stock Condition	35.6
		Sustainable Communities Estate Remodelling	1.9
		Adaptations for People with Disabilities	0.2
		Other Stock Condition Improvements	1.4
		Other Improvements to the Public Realm	0.2
		Service Enhancements and Miscellaneous	0.6
		HRA Provision to be allocated	25.6
			65.5
TOTAL			193.8

The following outlines planned sources of financing in 2011/2012:

	£M
Borrowing	71.1
Grants and Contributions	93.9
Major Repairs Allowance	15
Capital Receipts	13.3
Reserve Funds	0.2
Revenue Contributions	0.3
	<u>193.8</u>

The financial statements that follow comprise:

Statement of Accounting Policies

The purpose of this statement is to explain the basis on which the figures within the accounts have been recorded. In certain circumstances more than one accounting policy or estimation technique may be acceptable and therefore all those which are significant to the understanding of the Statement of Accounts are disclosed.

Core Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice") rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for the purpose of setting Council Tax and dwelling rents.

The 'Net Increase /Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The 'Net Increase /Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.

Reserves are reported in two categories. The first category of reserves is usable reserves, ie those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services.

The Balance Sheet includes the assets and liabilities of all activities of the Council but excludes all activities relating to the West Midlands Pension Fund and Trust Funds.

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Supplementary Financial Statements

Housing Revenue Account

This statement reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure and capital financing costs, and how these are met by rents and other income.

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to National Non-Domestic Rates (NNDR) and the Council Tax, and illustrates the way in which these have been distributed to all preceptors and Wolverhampton's General Fund.

Group Accounts

Where activities of the Council are carried out through other undertakings in which the Council has a significant interest, and the consolidation of the income, expenditure, assets, liabilities and reserves of those undertakings into the Council's financial statements would result in a material change to the statements, the Council is required to prepare Group Accounts in order to represent more accurately the economic activities and financial position associated with the provision of all services for which the Council is responsible.

The only such undertaking with regard to Wolverhampton City Council is Wolverhampton Homes. The Group Accounts consolidate the statements for the City Council with those for Wolverhampton Homes to show the financial position of the group entity as a whole.

Pension Fund Accounts

Following local government reorganisation in 1986, Wolverhampton City Council assumed responsibility for administering the West Midlands Metropolitan Authorities Pension Fund on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. While the Pension Fund constitutes a separate legal and accounting entity, and its accounts do not form part of the Local Authority single entity or group accounts, the the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice") requires that the Council includes financial statements for the Pension Fund alongside its own statements. The annual report for the Pension Fund is published separately and is available on request from the Assistant Director Corporate Services (Section 151 Officer) , Civic Centre, Wolverhampton WV1 1RL.

CORE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2011

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts £000	Financial Instruments Adjustment Account £000	Available for sale Financial Instruments £000	Collection Fund Adjustment Account £000	Short term Compensated Absences £000	Total Reserves £000
Balance at 31 March 2009	29,312	36,887	1,140	868	0	11,941	80,148	958,379	236,066	(313,993)	1,046,480	0	(4,657)	(2)	(896)	(4,619)	1,038,527
Increases/(Decreases) Recognised in the Comprehensive Income and Expenditure Statement																	
Surplus or (deficit) on provision of services	(26,706)	0	0	0	0	0	(26,706)	0									(26,706)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(97,492)	29,000	(136,884)	0	0	0	10,392	0	0	(97,492)
Total Comprehensive Income and Expenditure	(26,706)	0	0	0	0	0	(26,706)	(97,492)	29,000	(136,884)	0	0	0	10,392	0	0	(124,198)
Adjustments between accounting basis & funding basis under regulations (Note 7)	43,226	2	2,397	(301)	98	2,036	65,953	(47,458)	(9,482)	(14,126)	(24,969)	0	74	0	1,693	(648)	18,495
Net Increase/(Decrease) before Transfers to Earmarked Reserves	16,520	2	2,397	(301)	98	2,036	20,752	(144,950)	19,518	(151,010)	(24,969)	0	74	10,392	1,693	(648)	(124,198)
Transfers to/from Earmarked Reserves (Note 8)	(13,912)	13,268	0	0	0	0	(644)	644	0	0	644	0	0	0	0	0	0
Increase/(Decrease) for the Year	2,608	13,270	2,397	(301)	98	2,036	20,108	(144,306)	19,518	(151,010)	(24,325)	0	74	10,392	1,693	(648)	(124,198)
Balance at 31 March 2010	31,920	50,157	3,537	567	98	13,977	100,256	814,073	255,584	(465,003)	1,022,155	0	(4,583)	10,390	797	(5,267)	914,329
Increases/(Decreases) Recognised in the Comprehensive Income and Expenditure Statement																	
Surplus or (deficit) on provision of services	99,862	0	0	0	0	0	99,862	0									99,862
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	60,423	10,456	49,967	0	0	0	0	0	0	60,423
Total Comprehensive Income and Expenditure	99,862	0	0	0	0	0	99,862	60,423	10,456	49,967	0	0	0	0	0	0	160,285
Adjustments between accounting basis & funding basis under regulations (Note 7)	(77,007)	(1)	1	1,188	4,516	22,145	(49,158)	48,028	718	47,192	(1,794)	0	1,542	0	391	(21)	(1,130)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	22,855	(1)	1	1,188	4,516	22,145	50,704	108,451	11,174	97,159	(1,794)	0	1,542	0	391	(21)	159,155
Transfers to/from Earmarked Reserves (Note 8)	(15,194)	13,287	1,519	0	0	0	(388)	388	0	0	388	0	0	0	0	0	0
Increase/(Decrease) for the Year	7,661	13,286	1,520	1,188	4,516	22,145	50,316	108,839	11,174	97,159	(1,406)	0	1,542	0	391	(21)	159,155
Balance at 31 March 2011	39,581	63,443	5,057	1,755	4,614	36,122	150,572	922,912	266,758	(367,844)	1,020,749	0	(3,041)	10,390	1,188	(5,288)	1,073,484

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

31 March 2010				31 March 2011		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000s	£000s	£000s	Single Entity (England & Wales)	£000s	£000s	£000s
13,946	(10,337)	3,609	Central services to the public	14,714	(3,614)	11,100
96,536	(28,002)	68,534	Cultural, environmental, regulatory and planning services	74,847	(26,717)	48,130
330,430	(265,918)	64,512	Education and children's services	337,800	(267,197)	70,603
24,028	(6,740)	17,288	Highways and transport services	28,116	(5,089)	23,027
141,878	(164,360)	(22,482)	Local authority housing (HRA)	72,876	(78,123)	(5,247)
			Other Housing Services	10,517	(1,755)	8,762
135,942	(50,971)	84,971	Adult social care	125,678	(53,346)	72,332
11,028	(288)	10,740	Corporate and democratic core	4,682	0	4,682
189,649	(182,353)	7,296	Non distributed costs	97,793	(157,251)	(59,458)
5,417		5,417	Exceptional Item			-
948,854	(708,969)	239,885	Cost Of Services	767,023	(593,092)	173,931
		10,488	Other Operating Expenditure (Note 9)			10,579
		50,117	Financing and Investment Income and Expenditure (Note 10)			44,346
		(273,783)	Taxation and Non-Specific Grant Income (note 11)			(328,718)
		26,706	(Surplus) or Deficit on Provision of Services			(99,862)
		(29,000)	Surplus or deficit on revaluation of non current assets			(10,456)
		(10,392)	Surplus or deficit on revaluation of available for sale financial assets			-
		136,884	Actuarial gains / losses on pension assets / liabilities			(49,967)
		97,492	Other Comprehensive Income and Expenditure			(60,423)
		124,198	Total Comprehensive Income and Expenditure			(160,285)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
		Property, Plant & Equipment	12	
947,210	1,011,121	- Council Dwellings		1,060,134
739,803	728,756	- Other Land and Buildings		765,038
24,398	24,966	- Vehicles, Plant, Furniture and Equipment		22,436
131,988	134,060	- Infrastructure		135,068
9,956	22,173	- Community Assets		22,051
2,429	2,560	- Assets Under Construction		3,548
19,519	19,547	- Surplus Assets Not Held For Sale		1,451
		Investment Property	13	
3,196	7,381	- Investment property		18,667
		Intangible Assets	14	
-	1,115	- Software		920
		Long Term Investments	15	
6,461	16,853	- Non Property Investments		16,853
		Long Term Debtors	15	
172	139	- Mortgages		103
34	0	- Other		0
1,885,166	1,968,671	Long Term Assets		2,046,269
53,786	5,337	Non-property Investments excluding Cash Equivalents	15	27,790
412	370	Inventories	16	574
45,432	52,564	Short Term Debtors	18	63,537
4,185	4,118	Cash and Cash Equivalents	19	1,889
103,815	62,389	Current Assets		93,790
(99)	(21,823)	Bank Overdraft/Cash and Cash Equivalents	21	
(69,435)	(67,298)	Short Term Borrowing	15	(21,823)
(12,388)	(17,808)	Short Term Creditors	21	(75,515)
		Provisions	22	(20,262)
(81,922)	(106,929)	Current Liabilities		(117,600)
		Long Term Creditors	15	
(495,303)	(486,386)	Long Term Borrowing	15	(524,797)
		Other Long Term Liabilities		
(313,993)	(465,003)	- Net Pensions Liability	47	(367,844)
(22,741)	(25,313)	- Other Long Term Liabilities	41,42	(21,349)
(10,084)	(10,391)	Capital Grants Receipts in Advance	38	(11,473)
(22,071)	(22,570)	Deferred Liability		(19,557)
(4,340)	(139)	Deferred Income		(3,955)
(868,532)	(1,009,802)	Long Term Liabilities		(948,975)
1,038,527	914,329	Net Assets		1,073,484

BALANCE SHEET

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
		Usable Reserves	23	
(29,312)	(31,920)	- General Fund		(39,581)
(34,623)	(46,558)	- Earmarked reserves		(59,406)
(1,140)	(3,537)	- Housing Revenue Account		(5,057)
	(98)	- Major Repairs Reserve		(4,614)
(868)	(567)	- Capital Receipts Reserve		(1,755)
(11,941)	(13,977)	- Capital Grants Unapplied		(36,122)
(2,264)	(3,599)	- Insurance Fund		(4,037)
(80,148)	(100,256)			(150,572)
		Unusable Reserves	24	
(236,066)	(255,584)	- Revaluation Reserve		(266,758)
313,993	465,003	- Pensions Reserve		367,844
(1,046,480)	(1,022,155)	- Capital Adjustment Account		(1,020,749)
4,657	4,583	- Financial Instruments Adjustment Account		3,041
2	(10,390)	- Available-for-Sale Financial Instruments Reserve		(10,390)
896	(797)	- Collection Fund Adjustment Account (England only)		(1,188)
4,619	5,267	- Short-term Accumulating Compensated Absences Account		5,288
(958,379)	(814,073)			(922,912)
(1,038,527)	(914,329)	Total Reserves		(1,073,484)

CASH FLOW STATEMENT

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

Year Ending 31 March 2010 £000		Year Ending 31 March 2011 £000
26,706	Net (surplus) or deficit on the provision of services	(99,862)
(121,564)	Adjust net surplus or deficit on the provision of services for noncash movements	(1,549)
50,117	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	44,346
(44,741)	Net cash flows from Operating Activities (Note 25)	(57,065)
46,454	Investing Activities (Note 26)	92,620
(1,646)	Financing Activities (Note 27)	(30,830)
67	Net (increase) or decrease in cash and cash equivalents	4,725
(4,185)	Cash and cash equivalents at the beginning of the reporting period	(4,118)
(4,118)	Cash and cash equivalents at the end of the reporting period	607

1 IFRS

This is the first year that the council has prepared accounts in accordance with International Financial Reporting Standards (IFRS). The move to IFRS has brought about a number of changes in the treatment of certain transactions and balances, as discussed below.

Short-term Accumulating Compensated Absences

The council has recognised a liability for short-term absences earned by employees, but not yet taken at the balance sheet date. This liability had a value of £5.3M at 31 March 2011 (£5.3M at 31 March 2010).

Leases

The council has reclassified a number of leases that were previously operating leases in accordance with UK GAAP as finance leases. The effect of this has been to increase the value of the council's property, plant and equipment assets at 31 March 2011 by £0.9M (31 March 2010: £1.7M), and to increase its long-term liabilities at 31 March 2011 by £0.8M (31 March 2010: £1.2M).

Grants and Contributions

In accordance with IFRS, the council has recognised grants and contributions received where there were no outstanding conditions at the Balance Sheet date. In several cases, the timing of this recognition differs from the timing of the application of the grant for the purposes of management accounting and/or funder requirements. This has resulted in an additional £2.5M of revenue grants being recognised in 2010/2011 (2009/2010: £5.7M). The balance of revenue grants recognised but not yet applied has been credited to an earmarked reserve.

The council has also credited capital grants and contributions receivable to the Comprehensive Income and Expenditure Statement, as required under IFRS. This differs from the treatment under UK GAAP, which was to defer recognition of capital grants and contributions over the life of the associated fixed asset. The council recognised £77.5M of capital grants in 2010/2011 (2009/2010: £29.9M).

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 (the Code) will incorporate the requirements of FRS 30 Heritage Assets. This will require that a new class of assets, heritage assets, is disclosed separately on the face of the council's Balance Sheet in the 2011/2012 financial statements.

The council is required to disclose information relating to the impact on the financial statements of any new standard that has been issued, but not yet adopted by the council. As is set out above, full adoption of the standard will be required for the 2011/2012 financial statements. However, the council is required to make disclosure of the estimated effect of the new standard in these (2010/2011) financial statements.

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The heritage assets held by the council are the collections of assets and artefacts either exhibited or stored in the Wolverhampton Museum and Art Gallery, Bilston Craft Gallery and the Bantock House Museum.

These collections are not currently recognised in the financial statements as no information is available on the cost of the assets (detailed records are however maintained by the curators of the museums, including insurance valuation information). They are regularly valued for insurance purposes, the most recent valuation being for £15.3M.

The council does not anticipate that it will charge depreciation on its heritage assets, on the grounds that they have long useful lives and high residual values, and any depreciation charge would not therefore be material to the accounts.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 51 "Statement of Accounting Policies", the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

Implications of Funding Reductions

The council faces major reductions in its funding over the medium term, and it is currently forecast to require an additional £60M of savings and/or income over the period to 2015/2016. However, no instances have been identified as a result of this savings requirement of assets which need to be impaired due to a need to close facilities and reduce levels of service provision.

Group Accounts

The council is the sole shareholder of Wolverhampton Homes, 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, and it has therefore been consolidated within the Group Accounts.

The council is the main funder of the Grand Theatre. However, it has been determined that the transactions and balances of the theatre 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 International Airport. However, it has been determined that the council does not have the power to influence or control the Airport, and it has therefore not been consolidated in the Group Accounts.

Private Finance Initiative (PFI) Contracts

The council provides services via private sector partners under a PFI contract in two areas: Waste Management, and Bentley Bridge Leisure Centre. In both cases, it has been determined that the council controls the use of the relevant non-current assets such that they are recognised as assets of the council, and a corresponding liability has been recognised in the council's accounts.

Leases for Non-current Assets

The council reviews all leases involving non-current assets for their treatment under IAS 17. As a result of this, the council's leasehold interest in the Light House cinema building has been reclassified as a finance lease, and accordingly the item of property, plant and equipment has been derecognised and a financial asset recognised.

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 known with sufficient certainty to support the recognition of a liability in the council's accounts. However, a provision has been established, based on high-level estimates of the total potential liability. The charge to the provision in 2009/2010 has been accounted for as an exceptional item due to the nature of the transaction.

Fixed Assets belonging to Voluntary Aided and Voluntary Controlled Schools

The council owns land, on which a number of voluntary aided and controlled schools have, with its consent, placed buildings. The buildings belong to the foundation/controlling interest and will always do so. Until they decide 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 in the balance sheet.

Accounting for National Insurance Contributions

The council is currently working with Her Majesty's Revenue and Customs (HMRC) as a result of enquiries regarding aggregation of earnings for National Insurance Contributions purposes. The council believes that it currently meets the requirements for non-aggregation based on the provisions of the Regulation 14 of the Social Security (Contributions) Regulations 2001 and has presented initial arguments that substantiate this to HMRC. As a result HMRC have requested further detailed information in order to assist them with their enquiries. These discussions are likely to take some time to conclude and should HMRC conclude that the council has not met the requirements for non-aggregation the financial implications for the council could be significant. It is however not possible to estimate the extent of the potential financial implications at this stage due to the complex nature of this matter. The council is being supported and advised with this matter by Elysian Associates, a firm of VAT and Taxation Consultants.

Accounting for the Voluntary Redundancy Programme

The council undertook a major voluntary redundancy exercise during 2010/2011, 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 in 2010/2011 where it seemed likely that approval would be given and a redundancy would result.

Accounting for Carbon Reduction Commitment

The Carbon Reduction Commitment (CRC) scheme has applied since 1 April 2010. However, the first compliance year of the scheme (2010/2011) was a reporting-only year. No allowances were therefore be required for 2010/2011 and consequently no liabilities arose. No accounting for the CRC scheme is therefore required in 2010/2011. The scheme was due to come into operation from 1 April 2011 but this has now been delayed to 1 April 2012. The council has collected the data required and will make the necessary disclosures and accounting entries in the 2012/2013 statement of accounts.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the council's Balance Sheet at 31 March 2011 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 pensions liability if different assumptions had been made in certain key areas:

Variation to Assumptions	Impact on Net Liability
Discount Rate 0.1% higher	Decrease of £17.225M
Salary Inflation 0.1% p.a. higher	Increase of £5.302M
Life expectancy of scheme members 1 year higher	Increase of £24.115M

Property, Plant and Equipment

In accordance with the requirements of the Code, the council revalues its property, plant and equipment assets on a five-yearly cyclical basis. As a result, it always carries a number of such assets at values which are not recent, but which are nonetheless assumed to be materially correct. During the next financial year, the council will, as normal, revalue some of its assets which may result in a material increase or decrease in the fair value of those assets.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

There were no material items of income and expense that are not disclosed on the face of the Comprehensive Income and Expenditure Account.

6 EVENTS AFTER THE BALANCE SHEET DATE

There were no post balance sheet events requiring disclosure in the financial statements or notes.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(63,425)	-	-	-	-	(63,425)
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	-
Movements in the market value of Investment Properties	2,607	-	-	-	-	2,607
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants and contributions applied	52,165	-	-	-	-	52,165
Deferred Income	347	-	-	-	-	347
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(10,052)	-	-	-	-	(10,052)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,478	-	-	-	-	1,478
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	(3,952)	-	-	(3,952)
Use of Capital Receipts to Finance Capital Expenditure	-	-	622	-	-	622
Expenditure Capitalised by Direction of the Secretary of State	(1,624)	-	-	-	-	(1,624)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	10,265	-	10,265
Transfer of capital receipt for reclassified assets (Operating to Finance Lease) where Council is Lessor	(379)	-	-	-	-	(379)
Other Adjustment	(986)	-	-	-	-	(986)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	12,959	-	-	-	-	12,959
Capital expenditure financed from earmarked reserves	388	-	-	-	-	388
	(6,522)	-	(3,330)	10,265	-	413

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	22,145	-	-	-	-	22,145
	22,145	-	-	-	-	22,145
Adjustments primarily involving the Capital Receipts Reserve:						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,142)	-	-	-	-	(2,142)
	(2,142)	-	-	-	-	(2,142)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	14,782	-	-	-	14,782
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(10,265)	-	(10,265)
	-	14,782	-	(10,265)	-	4,517
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,542	-	-	-	-	1,542
	1,542	-	-	-	-	1,542
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	76,926	-	-	-	-	76,926
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,734)	-	-	-	-	(29,734)
	47,192	-	-	-	-	47,192
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	467	-	-	-	-	467
	467	-	-	-	-	467

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(21)	-	-	-	-	(21)
	(21)	-	-	-	-	(21)
Total Adjustments	62,661	14,782	(3,330)	-	-	74,113

2009/2010 Comparative Figures

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Depreciation/amortisation (excl HRA depn)	(41,269)					(41,269)
HRA Depreciation/amortisation	(866)	(14,580)				(15,446)
Impairment/revaluation losses (charged to I&E)	(20,702)					(20,702)
Capital grant and contributions applied	9,589					9,589
Donated assets fair value less consideration						-
Revenue Expenditure Funded from Capital under Statute	(3,091)					(3,091)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,347					1,347
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments e.g. Soft loans	74					74
Expenditure Capitalised by Direction of the Secretary of State	(5,417)					(5,417)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	7,896					7,896
Voluntary provision above MRP	509					509
Transfer of HRA Surplus/Deficit to HRA reserve	2,397	(2,397)				-
Revenue contribution to finance capital	439					439
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-				-	-
Application of grants to capital financing transferred to the Capital Adjustment Account					-	-

2009/2010 Comparative Figures

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES			(3,793)			(3,793)
Use of capital receipts reserve to finance capital expenditure			2,848			2,848
HRA capital receipts to housing central pool	(1,246)		1,246			-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		14,580		(14,580)		-
Use of the Major Repairs Reserve to finance new capital expenditure				14,482		14,482
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						-

2009/2010 Comparative Figures

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(41,727)					(41,727)
Employer's contributions to pension schemes	27,601					27,601
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation						
	1,692					1,692
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
	-	-				-
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements						
	-	-				-
Total Adjustments	(62,774)	(2,397)	301	(98)	0	(64,968)

8 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/2011.

	Balance at 1 April 2009 £000	Transfers Out 2009/2010 £000	Transfers In 2009/2010 £000	Balance at 31 March 2010 £000	Transfers Out 2010/2011 £000	Transfers In 2010/2011 £000	Balance at 31 March 2011 £000
General Fund:							
Schools Balances	11,669	(3,033)	3,209	11,647	-	4,175	15,821
Revenue Grants							
Unapplied	1,181	-	5,355	6,536	-	(976)	5,262
Job Evaluation							
Reserve	6,300	(377)	-	5,924	(437)	-	5,486
Budget Carry							
Forwards	4,299	(5,648)	10,447	9,098	(9,098)	1,719	1,699
Building Schools for							
the Future	160	-	-	160	-	1,244	1,404
Budget 2011/2012							
Support	-	-	-	-	-	4,910	4,910
Southside	-	-	-	-	-	4,600	4,600
Shared Services							
Transition							
Programme							
Reserve	-	-	-	-	-	4,000	4,000
Schools Service							
Level Agreements	177	-	317	494	-	556	1,050
Budget Contingency							
Reserve	-	-	-	-	-	1,000	1,000
Winter Pressures	-	-	-	-	-	944	944
Jennie Lee Centre							
Disposal Reserve	-	-	-	-	-	650	650
LSP Reserve	-	-	-	-	-	595	595
Regeneration							
Reserve	-	-	-	-	-	500	500
Local Area							
Agreement	3,317	-	-	3,317	(3,317)	-	-
Cemetries and							
Crematoria	1,073	(687)	-	386	(246)	-	140
Efficiency Reserve	2,400	(91)	1,691	4,000	-	1,000	5,000
Insurance Reserve	2,265	-	1,334	3,598	-	441	4,039
Professional							
Support and Advice	-	-	500	500	-	-	500
Learning Disabilities							
Continuing Health							
Care Pressures	841	-	-	841	-	-	841
Voluntary Sector &							
Community							
Partnership	653	-	-	653	(342)	-	311
Schools							
Improvement							
Partnership	575	-	72	153	-	-	86
Other	1,977	-	180	2,849	(298)	1,667	4,605
Total	36,887	(9,836)	23,105	50,156	(13,738)	27,025	63,443

9 OTHER OPERATING EXPENDITURE

2009/2010		2010/2011
£000		£000
12,675	Levies	12,773
1,246	Payments to the Government Housing Capital Receipts Pool	2,142
(364)	Gains/losses on the disposal of non-current assets	(1,463)
(2,835)	Trading Organisations	(2,667)
10,722	Total	10,785

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/2010		2010/2011
£000		£000
27,788	Interest payable and similar charges	28,520
24,620	Pensions interest cost and expected return on pensions assets	18,365
(1,319)	Interest receivable and similar income	(747)
(1,433)	Income and expenditure in relation to investment properties and changes in their fair value	(1,745)
(93)	Other investment income	(47)
49,563	Total	44,346

11 TAXATION AND NON-SPECIFIC GRANT INCOME

2009/2010		2010/2011
£000		£000
(91,639)	Council tax income	(93,528)
(114,916)	Non-domestic rates	(125,823)
(49,298)	Non-ring-fenced government grants	(45,820)
(17,930)	Capital grants and contributions	(63,548)
(273,783)	Total	(328,718)

12 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2010/2011:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2010	1,177,364	901,533	53,318	229,723	22,653	30,689	2,560	2,417,840	26,512
Adjustments between cost/value & depreciation/ impairment	-	-	-	-	-	-	-	-	-
Adjusted 1 April 2010 balance	1,177,364	901,533	53,318	229,723	22,653	30,689	2,560	2,417,840	26,512
Additions	57,886	78,256	6,138	10,678	451	3,199	988	157,596	14
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) to revaluation reserve	8,404	(2,015)	-	-	(270)	5,115	-	11,234	-
Revaluation increases/ (decreases) to surplus/deficit on provision of services	-	-	-	-	-	-	-	-	-
Derecognition - disposals	(2,474)	-	-	-	-	-	-	(2,474)	-
Derecognitions - other	-	-	-	-	-	-	-	-	-
Reclassified to/from held for sale	-	-	-	-	-	-	-	-	-
Other reclassifications	-	(20,479)	-	-	-	(28,838)	-	(49,317)	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-	-
At 31 March 2011	1,241,180	957,295	59,456	240,401	22,834	10,165	3,548	2,534,879	26,526

**Accumulated
Depreciation and
Impairment**

At 1 April 2010	(166,243)	(172,777)	(28,282)	(95,663)	(480)	(11,142)	0	(474,587)	(1,594)
Adjustments between cost/value & depreciation/ impairment	-	-	-	-	-	-	-	-	-
Adjusted 1 April 2010 balance	(166,243)	(172,777)	(28,282)	(95,663)	(480)	(11,142)	0	(474,587)	(1,594)
Depreciation charge	(14,781)	(37,473)	(8,738)	(9,670)	(18)	214	-	(70,466)	(1,609)
Depreciation written out to revaluation reserve	-	-	-	-	-	-	-	-	-
Depreciation written out to surplus/deficit on provision of services	-	-	-	-	-	-	-	-	-
Impairment losses/ (reversals) recognised in the revaluation reserve	-	668	-	-	-	-	-	668	-
Impairment losses/ (reversals) recognised in the surplus/deficit on provision of services	(22)	-	-	-	(285)	(7,750)	-	(8,057)	-
Derecognition - disposals other	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to held for sale	-	-	-	-	-	-	-	-	-
Reclassifications	-	17,325	-	-	-	9,964	-	27,289	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-	-
At 31 March 2011	(181,046)	(192,257)	(37,020)	(105,333)	(783)	(8,714)	0	(525,153)	(3,203)
Net Book Value:									
At 31 March 2011	1,060,134	765,038	22,436	135,068	22,051	1,451	3,548	2,009,726	23,323
At 31 March 2010	1,011,121	728,756	25,036	134,060	22,173	19,547	2,560	1,943,253	24,918

Movements in 2009/2010:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2009	1,097,652	896,835	47,453	218,489	10,433	29,018	2,429	2,300,712	26,512
Adjustments between cost/value & depreciation/ impairment	-	-	-	-	-	-	-	-	-
Adjusted 1 April 2009 balance	1,097,652	896,835	47,453	218,489	10,433	29,018	2,429	2,300,712	26,512
Additions	80,944	18,198	5,865	11,051	2,411	4,395	839	123,703	-
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) to revaluation reserve	-	25,431	-	183	-	2,162	0	27,776	-
Revaluation increases/ (decreases) to surplus/deficit on provision of services	-	-	-	-	-	-	-	-	-
Derecognition - disposals	(1,232)	(878)	-	-	-	-	-	(2,110)	-
Derecognitions - other	-	-	-	-	-	-	-	-	-
Reclassified to/from held for sale	-	-	-	-	-	-	-	-	-
Other reclassifications	-	(9,809)	-	-	9,809	(4,886)	(708)	(5,594)	-
Other movements in cost or valuation	-	(28,244)	-	-	-	-	-	(28,244)	-
At 31 March 2010	1,177,364	901,533	53,318	229,723	22,653	30,689	2,560	2,417,840	26,512

**Accumulated
Depreciation and
Impairment**

At 1 April 2009	(150,442)	(157,032)	(21,458)	(86,501)	(477)	(9,499)	-	(425,409)	-
Adjustments between cost/value & depreciation/ impairment	-	-	-	-	-	-	-	-	-
Adjusted 1 April 2009 balance	(150,442)	(157,032)	(21,458)	(86,501)	(477)	(9,499)	-	(425,409)	-
Depreciation charge	(14,581)	(26,583)	(6,815)	(9,162)	-	425	-	(56,716)	(1,594)
Depreciation written out to revaluation reserve	-	-	-	-	-	-	-	-	-
Depreciation written out to surplus/deficit on provision of services	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the revaluation reserve	-	(188)	-	-	-	-	-	(188)	-
Impairment losses/(reversals) recognised in the surplus/deficit on provision of services	(1,220)	(17,218)	(9)	-	(3)	(1,732)	-	(20,182)	-
Derecognition - disposals	-	-	-	-	-	(336)	-	(336)	-
Derecognitions - other	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to held for sale	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	28,244	-	-	-	-	-	28,244	-
At 31 March 2010	(166,243)	(172,777)	(28,282)	(95,663)	(480)	(11,142)	-	(474,587)	(1,594)
Net Book Value:									
At 31 March 2010	1,011,121	728,756	25,036	134,060	22,173	19,547	2,560	1,943,253	24,918
At 31 March 2009	947,210	739,803	25,995	131,988	9,956	19,519	2,429	1,875,303	26,512

Depreciation

Assets are individually assessed to determine their useful economic life and are depreciated on a straight line basis, with the exception of Council Dwellings where Major Repairs Allowance, as calculated by Government as part of the HRA Subsidy Determination, is used instead as the council has determined that it is an appropriate proxy for depreciation.

Capital Commitments

At 31 March 2011, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and future years budgeted to cost £106.1M. The major commitments are:

	£M
Children and Young People	
Building Schools for the Future	68.2
14-19 Diploma Exemplar Building	2.7
Co-location Schemes	2.7
Regeneration and Environment	
Interchange	7
West Midlands UTC Programme	14.8
Adults and the Community	
Bilston Leisure Centre	7.7
Bushbury Crematorium	0.3
Central Library	0.6

Effects of Changes in Estimates

In 2010/2011 the council made no material changes to its accounting estimates for fixed assets.

Revaluations

Asset Type	Basis of Valuation	Details of Valuer
Council Dwellings	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. In the case of housing stock this is based upon Existing Use Value for Social Housing.	District Valuer, Wolverhampton Group, Crown House, Birch Street, Wolverhampton
Other Land and Buildings and Non Operational Assets	The lower of depreciated replacement cost or open market value established in accordance with the guidance notes published by RICS and variances agreed between the Assistant Director for Corporate Services and the Group Manager, Estates Services. Where no market for an asset was identified, the depreciated replacement cost has been utilised. Valuations are adjusted between revaluations to reflect material variations such as acquisitions or disposals together with a depreciation charge. Individual assets with a de-minimis value of less than £100,000 are currently excluded from the balance sheet.	Land - Group Manager (Estate Services) Buildings - Group Manager (Corporate Asset Management)
Vehicles, Plant and Equipment	Assets are valued at their depreciated historic cost. Valuations have subsequently been adjusted to reflect material variations such as acquisitions or disposals. Individual assets acquired having values less than the de-minimis limit for this category (currently £10,000) are not included in the balance sheet.	
Infrastructure Assets and Community Assets	Valuations of assets existing at 1 April 1994 are equivalent to the amount of identified debt relating to those assets, as at that date, as proxy for their historic cost value. Valuations have subsequently been adjusted to reflect material variations such as acquisitions (at cost), depreciation and disposals.	

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at historical co	0	0	22,436	0	22,436
Valued at fair value as at:					
31 March 2011	1,060,134	765,038	-	1,451	1,826,623
31 March 2010	1,011,121	729,636	-	19,547	1,760,304
31 March 2009	947,210	739,803	-	19,519	1,706,532
31 March 2008	879,441	807,749	-	23,266	1,710,456
31 March 2007	866,699	573,086	-	24,296	1,464,081

13 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009/2010 £000	2010/2011 £000
Rental income from investment property	1,499	1,656
Direct operating expenses arising from investment property	(945)	(917)
Net gain/(loss)	554	739

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2009/2010 £000	2010/2011 £000
Balance at start of the year	1,600	7,381
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	895	1,006
Transfers:		
to/from Inventories	-	-
(to)/from Property, Plant and Equipment	4,886	10,280
Other changes	-	-
Balance at end of the year	7,381	18,667

14 INTANGIBLE ASSETS

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the council are:

	<u>Internally Generated Assets</u>	<u>Other Assets</u>
3 years	None	None
6 years	None	Northgate
10 years	None	None

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £205,000 charged to revenue in 2010/2011 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2010/2011			2009/2010		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
Gross carrying amounts	-	1,115	1,115	-	-	-
Accumulated amortisation	-	-	-	-	-	-
Net carrying amount at start of year	-	1,115	1,115	-	-	-
Additions:						
Internal development	-	-	-	-	-	-
Purchases	-	11	11	-	407	407
Amortisation for the period	-	206	206	-	-	-
Other changes		-	-	-	708	708
Net carrying amount at end of year	-	920	920	-	1,115	1,115
Comprising:						
Gross carrying amounts	-	1,125	1,125	-	1,115	1,115
Accumulated amortisation	-	205	205	-	-	-
	-	920	920	-	1,115	1,115

There is one item of capitalised software that is individually material to the financial statements:

	<u>Carrying Amount</u>		
	31 March 2011 £000	31 March 2010 £000	Remaining Amortisation Period
Northgate	920	1,115	6 years

15 FINANCIAL INSTRUMENTS

The table below sets out the total carrying values and fair values of financial instruments by category.

	Carrying Values				Fair Values			
	Long-Term		Current		Long-Term		Current	
	31 March	31 March	31	31 March	31 March	31 March	31 March	31 March
	2011	2010	March	2010	2011	2010	2011	2010
	£000		£000		£000		£000	
Financial Assets								
Loans and receivables	103	139	91,327	57,901	103	139	91,327	58,314
Available-for-sale financial assets	6	6	-	-	6	6	-	-
Unquoted equity investment at cost	16,847	16,847	-	-	16,847	16,847	-	-
Total Financial Assets	16,956	16,992	91,327	57,901	16,956	16,992	91,327	58,314
Financial Liabilities								
Financial liabilities at amortised cost	(581,131)	(544,799)	(97,338)	(89,121)	(574,696)	(585,085)	(97,338)	(89,072)
Total Financial Liabilities	(581,131)	(544,799)	(97,338)	(89,121)	(574,696)	(585,085)	(97,338)	(89,072)
Net Financial Liabilities	(564,175)	(527,807)	(6,011)	(31,220)	(557,740)	(568,093)	(6,011)	(30,758)

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

	2010/2011				2009/2010			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-Sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	28,520	-	-	28,520	27,788	-	-	27,788
Total Expense in Surplus or Deficit on the Provision of Services	28,520	-	-	28,520	27,788	-	-	27,788
Interest income	-	(794)	-	(794)	-	(1,412)	-	(1,412)
Total Income in Surplus or Deficit on the Provision of Services	-	(794)	-	(794)	-	(1,412)	-	(1,412)
Net gain/(loss) for the year	28,520	(794)	-	27,726	27,788	(1,412)	-	26,376

16 INVENTORIES

	Consumable Stores		Maintenance Materials		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	292	334	78	78	370	412
Purchases	457	522	265	1	722	523
Recognised as an expense in the year	(457)	(564)	(61)	(1)	(518)	(565)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	292	292	282	78	574	370

17 CONSTRUCTION CONTRACTS

There were no construction contracts undertaken by the council on behalf of clients during 2009/2010 or 2010/2011 that require disclosure in the financial statements or notes.

18 DEBTORS

31 March 2010		31 March 2011
£000		£000
14,164	Central government bodies	13,735
5,633	Local taxpayers	6,825
1,423	Council tenants	3,207
3,613	Prepayments	2,999
	806 Wolverhampton Homes	662
	569 Other local authorities	646
	110 Employees	79
37,245	Other entities and individuals	46,499
<u>63,563</u>		<u>74,652</u>
	Less: Allowance for Impairment and (10,999) uncollectability	(11,115)
<u>52,564</u>	Total	<u>63,537</u>

19 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010		31 March 2011
£000		£000
	- Cash held by the council	-
4,118	Bank current accounts	1,889
	- Short-term deposits with building societies	-
<u>4,118</u>	Total Cash and Cash Equivalents	<u>1,889</u>

20 ASSETS HELD FOR SALE

The Council has determined that as at the Balance Sheet date it had no assets being held for sale which qualified for disclosure under IFRS5. The assets which the council is currently in the process of selling are either being sold with terms and conditions limiting the use of the asset once sold, or are not being actively marketed.

21 CREDITORS

31 March 2010		31 March 2011
£000		£000
(5,267)	Employee leave accrual	(5,288)
(3,188)	Receipts in advance	(4,503)
(1,919)	Revenue grants received in advance	(3,532)
	- NHS Bodies	(3,335)
(2,014)	Wolverhampton Homes	(2,010)
(951)	Direct Service Organisations	(1,155)
(1,370)	Local taxpayers	(727)
(470)	Central government bodies	(700)
	- Council tenants	(646)
(397)	Finance Leases	(386)
(51,722)	Other entities and individuals	(53,233)
<u>(67,298)</u>	Total	<u>(75,515)</u>

22 PROVISIONS

	Balance at 1 April 2010	Additional Provisions Made in 2010/2011	Amounts Used in 2010/2011	Balance at 31 March 2011
	£000	£000	£000	£000
Midlands Housing Consortium	281	-	(22)	259
Insurance	2,326	-	-	2,326
Housing Revenue Account	120	-	(45)	75
Capitalisation Risks	14,917	-	-	14,917
Termination Benefits	-	2,297	-	2,297
Aborted Project Costs (LIFT)	-	250	-	250
Other	164	-	(10)	154
Total	17,808	2,547	(77)	20,278

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.

Insurance

The Council self-insures risks to property and assets up to a total aggregate limit of £1M and its liability exposures up to a limit of £0.25M on any one occurrence above which limits the external insurance cover operates. The insurance provision of £2.3M is in respect of the outstanding claims under the self-insurance programme covering the current and past years.

Housing Revenue Account

There are four separate provisions: for legal disrepair claims, for tenant management organisation expenditure, for a bond from a housing contractor and for rent bonds.

Capitalisation Risks

This provision is in respect of potential claims under equal pay legislation.

Termination Benefits

During 2010/2011, the council undertook a senior management restructure, and a voluntary redundancy exercise. As a result of these two initiatives, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at 31 March 2011.

Aborted Project Costs (LIFT)

Due to a LIFT project to which the council was party being aborted, the council may incur costs relating to this. These have been estimated at £0.250M.

Other

These are small amounts relating to ex-members of the pension fund.

23 USABLE RESERVES

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and in Note 8.

24 UNUSABLE RESERVES

31 March 2010		31 March 2011
£000		£000
255,584	Revaluation Reserve	266,758
10,390	Available for Sale Financial Instruments Reserve	10,390
1,022,155	Capital Adjustment Account	1,020,749
(4,583)	Financial Instruments Adjustment Account	(3,041)
(465,003)	Pensions Reserve	(367,844)
797	Collection Fund Adjustment Account	1,188
(5,267)	Accumulated Absences Account	(5,288)
814,073	Total Unusable Reserves	922,912

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/2010		2010/2011
£000		£000
236,066	Balance at 1 April	255,584
29,221	Upward revaluation of assets	10,456
(221)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	-
29,000	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services	10,456
(8,267)	Difference between fair value depreciation and historical cost depreciation	0
-	Downward revaluation of assets and impairment losses charged to the surplus/deficit on the Provision of Services	706
(1,212)	Movement in market value of investment property	(62)
(3)	Accumulated gains on assets sold or scrapped	-
-	Other movements	-
(9,482)	Amount written off to the Capital Adjustment Account	644
255,584	Balance at 31 March	266,684

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/2010		2010/2011
£000		£000
(2)	Balance at 1 April	10,390
10,392	Upward revaluation of assets	-
10,392	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of other investment income	-
10,390	Balance at 31 March	10,390

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 and gains recognised on donated assets that have yet to be consumed by the council. The Account 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. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/2010 £000		2010/2011 £000
1,022,155	Balance at 1 April	1,022,155
-	Increases/(Decreases) recognised in the Comprehensive Income and Expenditure Statement	-
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(69,153)	- Charges for depreciation and impairment of noncurrent assets	(63,425)
347	- Deferred income	-
-	- Revaluation losses on Property, Plant and Equipment	347
-	- Amortisation of intangible assets	-
(3,091)	- Revenue expenditure funded from capital under statute	(10,052)
(5,417)	- Expenditure capitalised by Direction of the Secretary of State	(1,624)
(3,793)	- Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(3,952)
1,350	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,478
-	Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	(379)
<u>(79,757)</u>		<u>(77,607)</u>
-	Adjusting amounts written out of the Revaluation Reserve	-
(79,757)	Net written out amount of the cost of non-current assets consumed in the year	(77,607)
	Capital financing applied in the year:	
2,848	- Use of the Capital Receipts Reserve to finance new capital expenditure	622
-	- Revenue contribution to finance capital	147
14,482	- Use of the Major Repairs Reserve to finance new capital expenditure	10,265
9,242	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	52,165
7,896	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12,959
509	- Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-
644	- Capital expenditure funded directly from earmarked reserves	388
439	- Capital expenditure charged against the General Fund and HRA balances	-
18,493	Other adjustment	(986)
54,553		75,560
880	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,607
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
997,831	Balance at 31 March	1,022,715

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting

2009/2010 £000		2010/2011 £000
(4,657)	Balance at 1 April	(4,583)
74	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	1,542
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-
74	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,542
(4,583)	Balance at 31 March	(3,041)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment

2009/2010 £000		2010/2011 £000
(313,993)	Balance at 1 April	(465,003)
(136,884)	Increases/(Decreases) Recognised in the Comprehensive Income and Expenditure Statement	49,967
(41,727)	Actuarial gains or losses on pensions assets and liabilities	76,926
27,601	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(29,734)
(465,003)	Balance at 31 March	(367,844)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the

2009/2010 £000		2010/2011 £000
(896)	Balance at 1 April	797
1,692	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	467
796	Balance at 31 March	1,264

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing

2009/2010 £000		2010/2011 £000
(4,619)	Balance at 1 April	(5,267)
-	Settlement or cancellation of accrual made at the end of the preceding year	5,267
(648)	Amounts accrued at the end of the current year	(5,288)
(648)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(21)
(5,267)	Balance at 31 March	(5,288)

25 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/2010 £000		2010/2011 £000
(1,318)	Interest received	(747)
15,620	Interest paid	28,520
(93)	Dividends received	(47)
14,209		27,726

26 CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/2010 £000		2010/2011 £000
122,904	Purchase of property, plant and equipment, investment property and intangible assets	157,607
(48,449)	Net purchase of short-term and long-term investments	22,453
3,091	Other payments for investing activities	1,626
(3,793)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,952)
(27,299)	Other receipts from investing activities	(85,114)
46,454	Net cash flows from investing activities	92,620

27 CASH FLOW STATEMENT - FINANCING ACTIVITIES

2009/2010 £000		2010/2011 £000
(17,224)	Cash receipts of short and long-term borrowing	(60,000)
-	Other receipts from financing activities	-
243	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,350
9,509	Repayments of short and long-term borrowing	26,500
5,826	Other payments for financing activities	1,320
(1,646)	Net cash flows from financing activities	(30,830)

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the council's cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

The income and expenditure of the council's principal directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2010/11	Children & Young People £000	Adults & Community £000	Regeneration & Environment £000	CSS/OCE (1) £000	Corporate £000	Total £000
Fees, charges & other service income	(56,112)	(73,227)	(49,235)	(56,171)	(28,241)	(262,986)
Interest and investment income	-	-	-	-	(12,194)	(12,194)
Income from council tax	-	-	-	-	(93,528)	(93,528)
Government grants and contributions	(214,293)	(4,365)	(8,746)	(135,230)	(202,527)	(565,161)
Total Income	(270,405)	(77,592)	(57,981)	(191,401)	(336,490)	(933,869)
Employee expenses	191,659	40,812	30,091	32,598	-	295,160
Other operating expenses	122,753	106,457	63,666	157,365	147,404	597,645
Support Service recharges	12,800	22,119	8,550	19,616	-	63,085
Depreciation, amortisation and impairment	17,093	6,373	9,595	2,684	(64,477)	(28,732)
Interest payments	-	-	-	-	-	-
Precepts & Levies	-	-	-	-	-	-
Total Cost to Services	344,305	175,761	111,902	212,263	82,927	927,158
Net Cost to Services	73,900	98,169	53,921	20,862	(253,563)	(6,711)

Income and Expenditure 2009/2010	Children & Young People £000	Adults & Community £000	Regeneration & Environment £000	CSS/OCE £000	Corporate £000	Total £000
Fees, charges & other service income	(53,726)	(73,285)	(45,608)	(46,714)	(22,802)	(242,135)
Interest and investment income	-	-	-	-	(14,260)	(14,260)
Income from council tax	-	-	-	-	(91,639)	(91,639)
Government grants and contributions	(208,457)	(11,010)	(7,199)	(127,323)	(124,059)	(478,048)
Total Income	(262,183)	(84,295)	(52,807)	(174,037)	(252,760)	(826,082)
Employee expenses	189,264	40,814	28,533	27,352	-	285,963
Other operating expenses	115,721	107,241	55,590	141,015	88,582	508,149
Support Service recharges	11,756	24,207	8,562	19,332	98	63,955
Depreciation, amortisation and impairment	15,808	5,787	37,830	3,864	(97,880)	(34,591)
Interest payments	-	-	-	-	-	-
Precepts & Levies	-	-	-	-	-	-
Total Cost to Services	332,549	178,049	130,515	191,563	(9,200)	823,476
Net Cost to Services	70,366	93,754	77,708	17,526	(261,960)	(2,606)

Note (1) - CSS/OCE is an acronym for Customer Shared Services and Office of Chief Executives

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services' income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/2010 £000	2010/2011 £000
Cost of Services in Service Analysis	(2,606)	(6,711)
Add net expenditure of services and support services not included in the analysis	-	-
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(7,531)	38,554
Remove amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	55,337	131,705
Net Cost of Services in Comprehensive Income and Expenditure Statement	45,200	163,548

29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2010/2011.

30 TRADING OPERATIONS

The council operates a number of trading accounts consisting of both external (i.e. trading with the public and third parties), and internal (i.e. primarily ex-Compulsory Competitive Tendering Direct Service Organisation) contracts.

The financial results of the Council's Trading Accounts are summarised below:-

Year Ending 31 March 2010 (Surplus) / Deficit £000	Year Ending 31 March 2011		
	Expenditure £000	Income £000	(Surplus) / Deficit £000
External Trading Accounts			
362 Markets	2,212	(2,254)	(42)
Internal Trading Accounts			
(34) Building Works Maintenance	-	-	-
(495) Cleaning of Buildings	3,249	(3,663)	(414)
(235) Ground Maintenance	3,340	(3,496)	(156)
(134) Street Cleaning	2,856	(2,945)	(89)
(1,339) Schools and Welfare Catering	5,868	(6,759)	(891)
(25) Other Catering	6,318	(7,646)	(1,328)
(1,026) Transport Services	290	(290)	-
72 Former DSO Depots	1,128	(856)	272
(2,854) TOTAL	25,261	(27,909)	(2,648)

Under IFRS, financing costs are not charged to trading accounts, with the exception of Transport Services for which notional interest was charged for 2010/2011.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement Other Operating Expenditure (Note 9).

31 AGENCY SERVICES

The council does not currently participate in any shared services or agency arrangements for the provision of services which would give rise to a disclosure being made under this heading.

32 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

There were no road charging schemes or workplace charging schemes during 2010/2011.

33 POOLED BUDGETS

Wolverhampton City Council has five pooled budget schemes with Wolverhampton Primary Care Trust (PCT): Child Placements with External Agencies, Home-based Intermediate Care Services, Learning Disability Service, the Integrated Community Equipment Service and Mental Health.

Child Placements with external agencies is administered by the Council. The Home-based Intermediate Care Service is administered by the PCT and provides an integrated service which has a focus on independence and effective rehabilitation. The Learning Disability Service is administered by Wolverhampton City Council and covers the provision and purchase of residential and nursing, domiciliary and day care placements. The Integrated Community Equipment Service is also administered by the city council and provides equipment and adaptations for Wolverhampton residents. The joint Mental Health scheme is administered by the PCT and covers the provision and purchase of residential and nursing, domiciliary and day care placements.

	2009/2010 £000	2010/2011 £000
Child Placements with External Agencies		
Total Expenditure	2,829	3,050
Contributions to the Pool		
- Wolverhampton City Council	1,988	1,988
- Wolverhampton PCT	841	1,062
	<u>2,829</u>	<u>3,050</u>
Intermediate Care Services		
Total Expenditure	1,204	1,224
Contributions to the Pool		
- Wolverhampton City Council	432	446
- Wolverhampton PCT	772	778
	<u>1,204</u>	<u>1,224</u>
Learning Disability Services		
Total Expenditure	24,110	23,915
Contributions to the Pool		
- Wolverhampton City Council	12,767	13,675
- Wolverhampton PCT	11,343	10,240
	<u>24,110</u>	<u>23,915</u>
Independent Living Service		
Total Expenditure	1,918	1,930
Contributions to the Pool		
- Wolverhampton City Council	1,506	1,510
- Wolverhampton PCT	412	420
	<u>1,918</u>	<u>1,930</u>
Mental Health Service		
Total Expenditure	20,383	20,282
Contributions to the Pool		
- Wolverhampton City Council	5,392	5,161
- Wolverhampton PCT	14,991	15,121
	<u>20,383</u>	<u>20,282</u>

34 MEMBERS' ALLOWANCES

The council paid the following amounts to members of the council during the year.

	2009/2010 £000	2010/2011 £000
Allowances	1,061	1,043
Total	<u>1,061</u>	<u>1,043</u>

35 OFFICERS' REMUNERATION

Remuneration for senior officers is analysed in the tables below. "Remuneration" means all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash. This includes salary, taxable allowances and termination benefits.

Year Ending 31 March 2010

Name / Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits	Employers' Pension Contribution	West Midlands Pension Fund Responsibilities (2)	TOTAL
	£	£	£	£	£	£	£
Senior Employees with a salary of £150,000 or more.							
Mr Richard Carr, Chief Executive (1)	77,086	-	1,128	-	14,921	9,559	102,695
Senior Employees with a salary of less than £150,000							
Director: Pensions	113,817	-	1,989	-	23,649	23,308	162,764
Director: Regeneration & Environment(1)	121,073	-	1,989	-	22,273	7,956	153,291
Director: Children & Young People	113,817	-	1,989	-	19,687	-	135,493
Director: Customer & Shared Services	113,817	-	-	-	19,349	-	133,166
Director: Adults & Community	111,816	-	1,989	-	19,347	-	133,152
Chief Financial Officer	86,712	-	952	-	15,478	4,336	107,478
Chief Legal Officer	82,437	-	906	-	15,416	8,244	107,002
Assistant Chief Executive	84,915	-	906	-	14,436	-	100,257
Chief Executive (1)	6,095	-	91	-	1,180	756	8,122

Year Ending 31 March 2011

Name / Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits (3)	Employers' Pension Contribution	West Midlands Pension Fund Responsibilities (2)	TOTAL
	£	£	£	£	£	£	£
Senior Employees with a salary of £150,000 or more.							
Mr Simon Warren, Chief Executive	134,755	-	1,989	-	27,161	16,710	180,615
Senior Employees with a salary of less than £150,000							
Director: Children & Young People	111,439	-	1,823	94,469	18,790	-	226,521
Director: Regeneration & Environment(1)	77,047	-	1,989	101,843	20,498	-	201,377
Director: Pensions	113,817	-	1,989	-	24,527	22,763	163,096
Director: Customer & Shared Services	96,055	-	-	42,839	20,146	-	159,040
Director: Adults & Community	113,817	-	1,989	-	20,498	-	136,304
Chief Legal Officer	89,077	-	963	-	16,050	8,244	114,334
Chief Financial Officer	86,712	-	1,053	-	16,115	4,336	108,216
Assistant Chief Executive	86,712	-	963	-	15,348	-	103,023

Notes

(1) The post of Chief Executive was held by three individuals during this financial year, including, on an acting-up basis, the Director of Regeneration and Environment.

(2) These costs are funded by the West Midlands Pension Fund and not the council.

(3) "Termination Benefits" are amounts payable as a result of either the council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the council. The amounts shown in the table above for termination benefits include a number of items that have been accrued in 2010/2011, but will not be paid until 2011/2012.

Other

The number of council employees (excluding those shown in the previous tables) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 is shown in the table below. The total number of employees falling within the various bands is affected by termination/redundancy payments made to certain employees (in accordance with the council's and pension scheme policies) who left the council during the year. The numbers of such employees are disclosed in the table below.

Year Ending 31 March 2010 (1)

	Number of employees			Left during year		
	West Midlands Pension		Other Council	West Midlands Pension		Other Council
	Schools	Fund	Employees	Schools	Fund	Employees
£145,000-£150,000	1	-	-	1	-	-
£140,000-£145,000	-	-	-	-	-	-
£135,000-£140,000	-	-	-	-	-	-
£130,000-£135,000	-	-	-	-	-	-
£125,000-£130,000	-	-	-	-	-	-
£120,000-£125,000	-	-	-	-	-	-
£115,000-£120,000	2	-	-	-	-	-
£110,000-£115,000	-	-	-	-	-	-
£105,000-£110,000	-	-	-	-	-	-
£100,000-£105,000	1	-	-	-	-	-
£95,000-£100,000	-	-	-	-	-	-
£90,000-£95,000	2	-	-	-	-	-
£85,000-£90,000	1	1	3	-	-	1
£80,000-£85,000	2	-	8	-	-	-
£75,000-£80,000	5	-	5	1	-	2
£70,000-£75,000	15	-	3	-	-	-
£65,000-£70,000	13	-	6	2	-	1
£60,000-£65,000	21	-	20	-	-	2
£55,000-£60,000	47	1	24	1	-	1
£50,000-£55,000	73	4	40	-	-	1

Year Ending 31 March 2011

	Number of employees			Left during year		
	West Midlands Pension		Other Council	West Midlands Pension		Other Council
	Schools	Fund	Employees (2)	Schools	Fund	Employees (2)
£155,000-£160,000	-	-	1	-	-	1
£150,000-£155,000	-	-	-	-	-	-
£145,000-£150,000	-	-	1	-	-	1
£140,000-£145,000	-	-	-	-	-	-
£135,000-£140,000	-	-	-	-	-	-
£130,000-£135,000	1	-	-	-	-	-
£125,000-£130,000	-	-	1	-	-	1
£120,000-£125,000	-	-	1	-	-	1
£115,000-£120,000	-	-	2	-	-	2
£110,000-£115,000	-	-	-	-	-	-
£105,000-£110,000	1	-	1	-	-	1
£100,000-£105,000	-	-	-	-	-	-
£95,000-£100,000	1	-	-	-	-	-
£90,000-£95,000	3	-	-	2	-	-
£85,000-£90,000	2	1	-	-	-	-
£80,000-£85,000	2	-	7	-	-	-
£75,000-£80,000	9	-	4	-	-	3
£70,000-£75,000	9	-	8	-	-	2
£65,000-£70,000	16	-	6	-	-	1
£60,000-£65,000	30	-	15	2	-	2
£55,000-£60,000	53	2	21	1	-	2
£50,000-£55,000	54	3	60	3	-	1

Notes

(1) The Department for Communities and Local Government has issued a clarification that employer's pension contributions are to be excluded from the above analysis. The figures for 2009/2010 have been restated accordingly.

(2) Due to the council implementing a senior management restructure during the year, seven of its chief officers were made redundant. The resulting termination benefits are reflected in an increase in the number of employees in higher bands as shown above.

36 EXTERNAL AUDIT COSTS

The council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors:

	2009/2010 £000	2010/2011 £000
Fees payable to the Audit Commission in respect of statutory inspections:	17	(33)
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor for the year:		
• external audit services (Council)	396	425
• external audit services (Pension Fund)	60	62
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	99	110
Fees payable in respect of tax advisory services provided by PricewaterhouseCoopers LLP during the year	4	0
Fees payable to PricewaterhouseCoopers LLP for additional work	15	99
Total	591	663

The credit of £33,000 in 2010/2011 arose as a result of a rebate from the Audit Commission, some of which supports the additional costs authorities have faced as a result of implementing IFRS compliant accounts.

37 DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a restricted range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Over and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2010/2011 are as follows

	Year Ending 31 March 2011		
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010/2011	(11,051)	(139,716)	(150,767)
Plus brought forward from 2009/2010	-	-	-
Less carry forward to 2011/2012 agreed in advance	-	-	-
Agreed budgeted distribution	(11,051)	(139,716)	(150,767)
Less			
Actual central expenditure	11,931	-	11,931
Less			
Actual ISB deployed to schools	-	139,716	139,716
Plus			
Local Authority contribution for 2010/2011	(880)	-	(880)
Carry forward to 2011/2012	-	-	-

38 GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2009/2010 £000	2010/2011 £000
Credited to Taxation and Non Specific Grant Income		
Standards Fund	(987)	(46,717)
Section 31 Transport Grant	(6,271)	(12,157)
New Deal for Communities	(5,200)	(4,571)
Disabled Facilities Grant	(960)	(1,082)
Other grants (each less than £1M)	(4,511)	979
Total	(17,930)	(63,548)
Credited to Services		
Dedicated Schools Grant	(149,595)	(150,767)
Mandatory Rent Allowance	(47,830)	(53,997)
Mandatory Rent Rebates Subsidy	(48,174)	(50,124)
Council Tax Benefit Grant	(27,240)	(27,430)
Standards Fund	(24,631)	(26,207)
6th form Funding - Learning and Skills Council	(13,618)	(13,163)
Childcare Partnerships	(9,497)	(11,207)
School Standards Grant	(8,356)	(8,164)
Housing Benefit Administration	(3,312)	(3,206)
Future Jobs Fund	(1,008)	(1,800)
New Deal for Communities	(2,600)	(1,505)
Housing Subsidy - Supporting People	(8,073)	(110)
Other grants (each less than £1M)	(15,532)	(5,477)
Total	(335,860)	(353,157)

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2011 £000
Capital Grants Receipts in Advance	
Section 106 Planning Receipts	(6,426)
Other Planning Receipts	(3,444)
Other grants (each less than £1M)	(1,602)
Total	(11,473)
Donated Assets Account	
Donations	-
Total	-

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

Central Government

Central government has effective control over the general operations of the council - it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation

Members

Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in 2010/2011 is shown in Note 34. The Register of Members' Interests is open to public inspection at the Civic Centre during office hours.

In 2010/2011 the following entities in which Members had registered an interest received payments summarised below, where the total transactions during the year exceeded £0.1M.

	Year Ending 31 March 2011 Note £000
City of Wolverhampton College	10,683 (1)
The Haven	1,333
Groundwork Black Country	940
Our Lady and St Chad's Catholic Sports College	936
Smestow School, Specialist Sports College	832
The Kings School	723
Black Country Housing Group Limited	664
Wolverhampton Citizens Advice Bureau	643
Wolverhampton Network Consortium	585
Mencap	500
All Saints Action Network Limited	408
Age Concern	368
All Saints and Blakenhall Community Development	260
Wolverhampton Family Information Service	182
Community Transport	147
Royal Wolverhampton Hospitals NHS Trust	147
Wolverhampton City Credit Union Limited	131
Gazebo Theatre-in-Education Co. Limited	129
Heath Town Senior Citizens Welfare Project	126

Note (1) The majority of the transactions with the college were as a result of the abolition of the Learning and Skills Council which led to the establishment of the Young People's Learning Agency. This latter body asked the council to pay College's funding as a matter of convenience from April to August 2010 until they had setup new systems in September 2010. The arrangement has now ended.

Officers

Based on the register of officers declaration of pecuniary interests there have been no material related party transactions in respect of 2010/2011.

Other Public Bodies

Wolverhampton City Council has five pooled budget schemes with Wolverhampton Primary Care Trust (PCT): Child Placements with External Agencies, Home-based Intermediate Care Services, Learning Disability Service, the Integrated Community Equipment Service and Mental Health. Transactions and balances outstanding are detailed in Note 33.

There were transactions during the year with the following parties, details of which are disclosed elsewhere in the accounts:

Party	Disclosed in
West Midlands Fire Service	Supplementary Financial Statements - Collection Fund
West Midlands Pension Fund	Notes 46-47
West Midlands Passenger Transport Authority	Income and Expenditure Account
Wolverhampton City Primary Care Trust	Note 33 and Income and Expenditure Account

Entities Controlled or Significantly Influenced by the council

The council holds two investments in its portfolio in which it has an active shareholding interest. They are Birmingham Airport Holdings, and Wolverhampton Science Park Limited. The council does not hold a sufficiently large interest in either entity to be the controlling interest, and details held at Companies House confirm that the Science Park is in the group holding of the University of Wolverhampton whilst the airport holding company is itself a parent company. Details of the holdings and the transactions between the entities appear below.

		For Financial Year Ending in	
		2009	2010
		£000	£000
Birmingham Airport Holdings LTD			(1)
The Council holds 4.7% of the total ordinary shares of the company, equating to 9.58% of the total 6.31% preference shares. No dividend was paid in year ending March 2010.			
Turnover		107,661	104,127
Net Assets		259,485	257,043
Profit Before Taxation		15,709	4,330
Profit After Taxation		9,889	592
Wolverhampton Science Park Limited			
The Council holds 19% of the total shares.			
Turnover		2,192	1,995
Net Assets		133	216
Profit Before Taxation		(45)	83
Profit After Taxation		(37)	67

The council has two subsidiaries.

Wolverhampton Homes is a wholly owned Arms Length Management Organisation which is incorporated as a private company and provides housing management and maintenance services under a management agreement to the council. The Grand Theatre is managed by the Wolverhampton Grand Theatre Limited, and the council continues to own the building and retains the right to appoint or remove the majority of the members of the board of directors.

As private companies, both entities prepare statements of accounts. The interest in the Grand Theatre is not judged to be sufficiently material to warrant the preparation of group accounts and the details of the transactions between the two entities are summarised below. The interest in Wolverhampton Homes is judged to be material and therefore at the end of these financial statements, the Wolverhampton Homes statements of accounts are combined with the council's to show the overall position of the group.

		For Financial Year Ending in	
		2009	2010
		£000	£000
Wolverhampton Grand Theatre Limited			
The council made an operating grant of £496,170 to the theatre in 2010/2011.			
Turnover		4,984	4,904
Net Assets		1,206	1,206
Profit Before Taxation		140	-
Profit After Taxation		78	-

The council also has an interest in the Lighthouse Media Centre although this interest is not of a nature to require full disclosure in this statement of accounts. The Light House is an independent company that develops and supports the growing creative industries in the city and region and receives a grant from the council towards delivering that aim. The nature of the lease agreement has been fully disclosed in Note 41.

Note 1 - Audited accounts for the entity's financial year ending in 2010 not available at the time of producing the council's accounts.

40 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP 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 council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/2010 £000	2010/2011 £000
Opening Capital Financing Requirement	566,973	644,794
Capital investment		
Property, Plant and Equipment	122,481	157,596
Intangible Assets	407	11
Revenue Expenditure Funded from Capital under Statute	20,856	1,626
Sources of finance		
Capital receipts	(2,848)	(620)
Government grants and other contributions	(39,613)	(67,185)
Sums set aside from revenue:		
Direct revenue contributions	(439)	(148)
Minimum Revenue Provision/loans fund principal	(7,897)	(10,662)
Reserves	(15,126)	(10,467)
Closing Capital Financing Requirement	644,794	714,945
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	79,614	50,215
Increase in underlying need to borrow (unsupported by government financial assistance)	6,104	30,598
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
Minimum Revenue Provision/loans fund principal	(7,897)	(10,662)
Increase/(decrease) in Capital Financing Requirement	77,821	70,151

41 LEASES

Council as Lessee

Finance Leases

The council has acquired a number of non current assets under finance leases, the assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000	31 March 2010 £000
Vehicles, Plant, Furniture and Equipment	1,209	922
	1,209	922

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

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	386	397
- non-current	379	673
Finance costs payable in future years	143	185
Minimum lease payments	908	1,255

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

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	453	497	386	397
Later than one year and not later than five years	455	758	379	673
Later than five years	-	-	-	-
	908	1,255	765	1,070

Operating Leases

The council uses a number of assets under operating leases, the future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2010 £000
Not later than one year	502	502
Later than one year and not later than five years	2,314	2,047
Later than five years	989	1,108
	3,805	3,657

The expenditure charged to the in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/2011 £000	2009/2010 £000
Minimum lease payments	502	502
	502	502

Council as Lessor

Finance Leases

The council has leased out property at the Chubb Building to the Lighthouse Cinema on a finance lease with a remaining term of 84 years.

The council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000
Finance lease assets (net present value of minimum lease payments):		
- non-current	379	379
Unguaranteed residual value of property	1,500	1,500
Gross investment in the lease	1,879	1,879

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Later than one year and not later than five years	1	1	1	1
Later than five years	1,878	1,878	378	378
	1,879	1,879	379	379

Operating Leases

The council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2011 £000	31 March 2010 £000
Not later than one year	2,241	2,241
Later than one year and not later than five years	3,960	4,483
Later than five years	30,938	31,668
	37,139	38,392

Leisure Facility

In 2006/2007 the council signed a thirty year contract for a new leisure facility. The scheme was for the design, build, funding and operation of a major new regional leisure facility. The facility includes a leisure pool with a river run, wave pool and flumes; a 25m 6 lane traditional pool; a studio pool; a 30 station fitness suite; a 300 station fitness suite; a dance/aerobics suite; children's play feature and a café.

The facility cost some £13.3M and opened on 12 December 2006. The facility is being operated by DC Leisure Management 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 £52.5m. Over the remaining life of the project the commitments are:

Analysis of Estimated Payments

	Payment for Services	Interest	Capital Expenditure /Principal Redemption	Total
	£000	£000	£000	£000
Payable in 2011/2012	305	950	186	1,441
Payable within two to five years	1,232	3,601	932	5,765
Payable within six to ten years	1,918	4,050	1,238	7,206
Payable within eleven to fifteen years	2,346	3,483	1,377	7,206
Payable within sixteen to twenty years	2,252	2,845	2,109	7,206
Payable within twenty-one to twenty-five years	1,745	1,470	3,991	7,206
Payable within twenty-six to thirty years	308	36	617	961
Total				36,991

The contract is accounted for as 'on-balance sheet'. The following balances existed in respect of the contract on the dates below:

	Balance at 31 March 2010	Depreciation	Capital Expenditure /Principal Redemption	Balance at 31 March 2011
	£000	£000	£000	£000
Property, Plant and Equipment	12,183	(451)	14	11,746
Long-term Liability	(9,518)	-	158	(9,360)
Total	2,665	(451)	172	2,386

Waste Disposal Contract

In 1996 the council signed a contract for the construction and maintenance of a waste disposal facility. The facility cost £26.6M and became operational in 1998. It is managed by Wolverhampton Waste Services (WWS) Ltd.

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 contract period is for 25 years from the date that the facility became operational. The total amount payable by the council over the life of the contract is estimated to be £155.6m. Over the remaining life of the contract the estimated payments are:

Analysis of Estimated Payments

	Payment for Services	Interest	Capital Expenditure /Principal Redemption	Total
	£000	£000	£000	£000
Payable in 2011/2012	5,516	875	819	7,210
Payable within two to five years	24,675	2,836	3,943	31,454
Payable within six to ten years	37,448	1,624	6,849	45,921
Total	67,639	5,335	11,611	84,585

The contract is accounted for as 'on-balance sheet'. The following balances existed in respect of the contract on the dates below:

	Balance at 31 March 2010	Depreciation/ Amortisation	Capital Expenditure /Principal Redemption	Balance at 31 March 2011
	£000	£000	£000	£000
Property, Plant and Equipment	12,735	(1,158)	-	11,577
Deferred Income	(3,820)	347	-	(3,473)
Long-term Liability	(12,372)	-	762	(11,610)
Total	(3,457)	(811)	762	(3,506)

43 IMPAIRMENT LOSS

During 2010/2011, the council has recognised an impairment loss of £0.389M in relation to its shop investment assets held within the housing portfolio. The asset values have been reduced accordingly and the impairment loss has been charged to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

44 CAPITALISATION OF BORROWING COSTS

The council has elected not to capitalise borrowing costs incurred during the construction stage of capital projects during the year.

45 TERMINATION BENEFITS

The council terminated the contracts of a number of employees in 2010/2011, incurring total liabilities of £5.522M, as analysed below. This included payments to three Directors totalling £0.239M, details of which are disclosed at Note 35.

	£000
Additional Employer's Pension Contributions	1,667
Redundancy Payments	3,723
Salary for period where no services were rendered by the employee	132
	<u>5,522</u>

46 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

In 2010/2011, the council paid £11.77M to teachers' pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/2010 were £12.1M and 14.1%. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

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 that needs to be disclosed at the time that employees earn their future entitlement.

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

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

- Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

- 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.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme including Discretionary		Teachers' Discretionary Pension Scheme	
	2010/2011 £000	2009/2010 £000	2010/2011 £000	2009/2010 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
- current service cost	(25,111)	(14,821)	-	-
- past service costs	60,734	(86)	3,084	(969)
- settlements and curtailments	(423)	(1,231)	(2,461)	-
Financing and Investment Income and Expenditure:				
- interest cost	(57,523)	(52,291)	(2,836)	(3,055)
- expected return on scheme assets	41,994	30,726	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	19,671	(37,703)	(2,213)	(4,024)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
- actuarial gains and losses	50,990	(128,660)	(1,023)	(8,224)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Movement in Reserves Statement				
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	45,589	13,720	1,603	406
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions payable to scheme	25,918	23,983	-	-
- retirement benefits payable to pensioners	-	-	3,816	3,618

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements LGPS		Unfunded Liabilities: Discretionary Benefits Arrangements Teachers'	
	2010/2011 £000	2009/2010 £000	2010/2011 £000	2009/2010 £000	2010/2011 £000	2009/2010 £000
Opening balance at 1 April	(991,602)	(714,181)	(35,150)	(29,554)	(53,473)	(44,843)
Current service cost	(25,111)	(14,821)	-	-	(2,836)	(3,055)
Interest cost	(55,618)	(50,274)	(1,905)	(2,017)	-	-
Contributions - participants	(8,628)	(8,245)	-	-	-	-
Actuarial gains and losses	40,817	(238,034)	2,135	(5,865)	(1,023)	(8,224)
Benefits paid	30,593	35,270	2,251	2,286	3,816	3,618
Past service costs	59,028	(86)	1,706	-	3,084	(969)
Curtailments	(423)	(1,231)	-	-	(2,461)	-
Closing balance at 31 March	(950,944)	(991,602)	(30,963)	(35,150)	(52,893)	(53,473)

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2010/2011 £000	2009/2010 £000
Opening balance at 1 April	615,222	474,585
Expected rate of return	41,994	30,726
Actuarial gains and losses	8,038	115,239
Employer contributions	25,918	23,983
Contributions by scheme participants	8,628	8,245
Benefits paid	(32,844)	(37,556)
Closing balance at 31 March	666,956	615,222

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 £39.6M (2009/2010: (£146.0M)).

Scheme History

	2006/2007 £000	2007/2008 £000	2008/2009 £000	2009/2010 £000	2010/2011 £000
Present value of liabilities:					
Local Government Pension Scheme	(784,322)	(879,077)	(743,735)	(1,026,752)	(981,907)
Discretionary Benefits	(47,861)	(51,756)	(44,843)	(53,473)	(52,893)
Sub total	(832,183)	(930,833)	(788,578)	(1,080,225)	(1,034,800)
Fair Value of Assets in the Local Government Pension Scheme	588,317	589,265	474,585	615,222	666,956
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(196,005)	(289,812)	(269,150)	(411,530)	(314,951)
Discretionary Benefits	(47,861)	(51,756)	(44,843)	(53,473)	(52,893)
Total	(243,866)	(341,568)	(313,993)	(465,003)	(367,844)

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £367.8M has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a positive overall balance of £705.2M. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £25.7M. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £11.8M.

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 mortality rates, salary levels, etc. Both the Teachers' Discretionary Pension Scheme and the West Midlands Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the West Midlands Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Teachers Discretionary Scheme	
	2010/2011 £000	2009/2010 £000	2010/2011 £000	2009/2010 £000
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.50%	7.50%	n/a	n/a
Government Bonds	4.40%	4.50%	n/a	n/a
Other Bonds	5.10%	5.20%	n/a	n/a
Property	6.50%	6.50%	n/a	n/a
Cash/current assets	0.50%	0.50%	n/a	n/a
Other	7.50%	7.50%	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	21.60	21.20	21.60	21.20
- Women	24.20	24.10	24.20	24.10
Longevity at 65 for future pensioners:				
- Men	23.00	22.20	n/a	n/a
- Women	25.80	25.00	n/a	n/a
Rate of inflation	3.40%	3.30%	3.30%	3.20%
Rate of increase in salaries	4.65%	5.05%	-	-
Rate of increase in pensions	2.90%	3.30%	2.80%	3.20%
Rate for discounting scheme liabilities	5.50%	5.60%	5.40%	5.50%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%	n/a	n/a

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

	31 March 2011	31 March 2010
	%	%
Equity Investments	59	54
Government Bonds	8	8
Other Bonds	6	6
Property	9	7
Cash/Current Assets	2	1
Other	16	24
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/2011 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	%	%	%	%	%
Local Government Pension Scheme (including Discretionary):					
Differences between the expected and actual return on assets	0.90	(8.10)	(33.50)	(18.70)	(1.20)
Experience gains and losses on liabilities	-	0.30	-	-	(2.90)
Teachers Discretionary Pension Scheme:					
Experience gains and losses on liabilities	-	4.2	-	-	(2.40)

The council is the administering authority for the West Midlands and Passenger Transport Authority Pension Funds and charged £13.4M in 2010/2011 (£13.1M in 2009/2010) in administration and investment expenses. The transactions relating to those expenses and the recharge to the Pension Fund are included within the totals for Non Distributed Costs.

48 CONTINGENT LIABILITIES

At 31 March 2011, the council had the following contingent liabilities:

A waste disposal contract which was let on 8 February 1996. Under the contract, the waste disposal contractor has constructed a waste energy plant at an estimated cost of £28.3M 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 £28.3M, 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 2011 is £12.13M (31 March 2010 - £13.15M).

A future payment to be paid under the council's well-being powers, that has arisen as a result of investigations into contamination of the site previously occupied by Courtaulds upon which there now stands a mix of private and social housing.

A contingent liability exists for the costs of Equal Pay compensation. The council has established a provision for £14.9M (31 March 2010 - £14.9M). The potential costs of any further cases not addressed by these cannot be reliably quantified at this stage.

There are a number of instances where the council has acquired title to assets of land and buildings by way of compulsory purchase order, but no transfer of economic benefits has taken place pending identification of the original owner. The existence of a recognisable liability can only be confirmed at the point that the owner comes forward to claim reimbursement. The total value of such land and buildings is estimated at £0.5M.

The council granted planning permission to Victoria Halls Ltd for the development and construction of student halls of residence against the advice of the Health and Safety Executive. This resulted in a legal challenge from the HSE during 2009 which has yet to be fully resolved. The outcome of the latest legal challenge will determine whether the council incurs legal and other costs. The existence of a liability cannot therefore be confirmed until this outcome is known.

Under recent guidance issued by Department for Environment Food and Rural Affairs in respect of the Environmental Information Regulations 2004, it has been suggested that local authorities do not have the power to charge fees for 'personal' local land register searches, and that they may be liable to repay fees they have received since 2005. For the council, this would equate to £164,000. However, the legal position is currently unclear, meaning that the existence of a liability cannot be confirmed until the relevant legal issues are resolved.

49 CONTINGENT ASSETS

The council has no contingent assets.

The council seeks to actively identify and manage risks arising from its dealings in financial instruments. An annual written treasury policy is prepared in line with the Treasury Management Strategy Statement, which is approved by full council. The policy includes a series of treasury management practices, which set out the manner in which the council seeks to achieve its treasury management policies and objectives and how it manages and controls those activities. The below is adapted from Treasury Management Practice 1, which sets out the Council's practices in respect of the key risks arising from financial instruments.

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.

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, in accordance with Treasury Management Practice 6: "Reporting requirement and management information arrangements".

It achieves these objectives 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.

Exchange Rate Risk Management

The council manages its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It 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.

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.

Credit and Counterparty Risk Management

The council regards the security of the principal sums it invests to be a prime objective of its treasury management activities. Accordingly, it ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in Treasury Management Practice 4 "Approved Instruments, Methods and Techniques" and listed in a schedule to the Treasury Management Policy. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Price Risk

The council does not generally invest in equity shares but does have shareholdings to the value of £10.072M in Birmingham International Airport. The council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the council is not in a position to limit its exposure to price movements by diversifying its portfolio. The shares are all classified as 'available for sale', 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. In framing its credit and counterparty policy under Treasury Management Practice 1.5 "Credit and Counterparty Risk Management", it ensures that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect 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.

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2010/2011 financial year and its position at 31 March 2011. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2009, 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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.

3. 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 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.

4. 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.

5. 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 the 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.

6. Charges to Revenue for Non-Current Assets

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

- depreciation 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 fixed 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 for the difference between the two.

7. Employee Benefits

Benefits Payable During Employment

Short-term employment benefits are those due to be settled 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, leave entitlement under the flexi-time system, and any other form of leave, earned by employees but not taken before the year end 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 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, and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be changed 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 two separate pension schemes:

- The Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pensions Scheme, administered by West Midlands Pension Fund.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government 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
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (2009/2010 5.6%) 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:
 - 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 seven components:
 - 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
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
 - 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 – debited to the Pensions Reserve
 - contributions paid to the West Midlands Pension Fund – cash paid as employer’s contributions to the pension funding 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events 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.

9. Financial Instruments

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 Account 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 most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 derecognition 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.

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 derecognition 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).

10. Foreign Currency Translation

Where the council entered into a transaction denominated in a foreign currency, the transaction was converted into sterling at the exchange rate applicable on the date the transaction was effective. No amounts in foreign currency were outstanding at the year end.

11. 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 acquired using 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.

Area Based Grant

Area Based Grant (ABG) was a general grant allocated by central government directly to local authorities as additional revenue funding. ABG was non-ring-fenced and was credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement

12. 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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Expenditure on the development of websites is not capitalised if the website is 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. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. 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 purpose, 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.

13. Interests in Companies and Other Entities

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

14. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued 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 posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

17. 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 (debited 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.

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 also 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 rental receivable is 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 posted 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 posted 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 fixed assets 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.

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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. 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 *Best Value Accounting Code of Practice 2010/11* (BVACOP). 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

19. 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
- 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

The council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets 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 - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), the depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where 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 reversed subsequently, 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 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 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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses 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.

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets 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.

20. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited 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, debited 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 towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

21. 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.

Provisions for Back Pay Arising from Unequal Pay Claims

The council has made provision for the costs of Equal Pay compensation. It has funded this provision from capitalisation approvals granted by the Government, which allow it to treat the expenditure as if it were capital for statutory purposes, and amortise it over 20 years.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

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 council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

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

22. 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 to score against the Surplus or Deficit on the Provision for Services in the Comprehensive Income and Expenditure Statement. The revenue 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.

23. 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 of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, 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.

24. VAT

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

25. 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 given in summary form 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 Assistant Director - Corporate Services (Section 151 Officer), Civic Centre, Wolverhampton, WV1 1RL.

52 ISSUE AUTHORISATION

The Statement of Accounts was authorised for issue on 30 June 2011 by the Assistant Director - Corporate Services (Section 151 Officer).

HOUSING REVENUE ACCOUNT FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2011

INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) deals with expenditure and income relating to the provision and maintenance of council houses and flats.

Year Ending 31 March 2010 £ 000	Notes	Year Ending 31 March 2011 £ 000
(72,344) Gross Rents - Dwellings		(74,190)
(1,469) Gross Rents - Non Dwellings		(1,455)
(3,795) Charges to Tenants for Services and Facilities		(4,175)
(56) Contributions Received		(58)
(77,664) Total Income		(79,878)
25,681 Repairs and Maintenance		25,616
17,865 Supervision and Management		17,491
225 Rents, Rates and Taxes		139
3,541 Negative HRA Subsidy Payable	H1	5,700
458 Increase in Provision for Bad Debts		201
15,447 Depreciation of Fixed Assets	H2	15,899
1,220 Impairment of Fixed Assets	H3	7,771
3 Revenue Expenditure Funded from Capital under Statute		13
55 Debt Management Costs		44
64,495 Total Expenditure		72,874
(13,169) Net Cost of HRA Services as included in whole authority Comprehensive Income and Expenditure Statement		(7,004)
177 HRA Share of Corporate and Democratic Core		182
(12,992) Net Cost of HRA Services		(6,822)
(1,482) (Gain) or Loss on Sale of Fixed Assets		(964)
- (Gain) on the Fair Value of Investment Assets		(1,006)
11,788 Interest Payable		13,274
8 Premiums and Discounts		-
(72) Interest and Investment Income		(37)
(2,750) (Surplus) or Deficit for the year		4,445

STATEMENT OF MOVEMENT IN THE HOUSING REVENUE ACCOUNT BALANCE

This statement reconciles the surplus or deficit for the year on the Income and Expenditure Account to the movement in the Housing Revenue Account balance.

Year Ending 31 March 2010 £ 000		Notes	Year Ending 31 March 2011 £ 000
1,139	Opening HRA Balance		3,537
	Increase in the HRA balance for the year analysed between:		
2,750	- Surplus or (Deficit) for the year on the Income and Expenditure Account		(4,445)
(352)	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	H4	5,964
<u>2,398</u>	Increase in the HRA balance for the year		<u>1,519</u>
<u>3,537</u>	Closing HRA Balance		<u>5,056</u>

NOTES TO THE HOUSING REVENUE ACCOUNT**H1 Housing Revenue Account Subsidy**

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
	Subsidy claimed in respect of:	
39,184	- Management and Maintenance	40,349
14,581	- Major Repairs Allowance	14,782
12,779	- Charges for Capital	13,978
66,544		69,109
	Less:	
(10)	- Mortgage Interest	(8)
(70,075)	- Guideline Rent Income	(75,187)
(70,085)		(75,195)
(3,541)	Total Subsidy (Payable) for the Year	(6,086)
	- Adjustment re Prior Year Subsidy	386
(3,541)	Total Subsidy Recognised this Year	(5,700)

H2 Depreciation

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
	Operational Assets	
14,581	- Dwellings	14,782
75	- Garages	74
377	- Area Offices	382
19	- New Start Day Centre	85
201	- Equipment	276
194	- Other	300
15,447	Total Depreciation Charge for the Year	15,899

H3 Impairments

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
	Operational Assets	
1,220	- Dwellings	21
-	- Garages	-
-	- Area Offices	7,750
-	- Land	-
-	- Non-enhancing Capital Expenditure	-
1,220	Total Impairment Charge for the Year	7,771

The impairment charges for dwellings, garages and shops are in respect of assets either demolished or earmarked for demolition during the year. The value of the impairment is equal to the net book value of the assets at 31 March 2011. Non-enhancing capital expenditure represents expenditure on Council assets financed from capital resources in excess of any resulting increase in the asset's value.

H4 Analysis of the Statement of Movement in the HRA Balance

Year Ending 31 March 2010 £ 000	Note	Year Ending 31 March 2011 £ 000
(352)		5,964
Comprising:		
<u>Amounts included in the Income and Expenditure Account but not in the HRA Balance</u>		
(866)	H11	(1,117)
(1,220)	H3	(7,771)
-		2
1,499		964
-		-
(3)		(13)
191		(7)
-		6
-		1,006
(399)		(6,930)
<u>Amounts not in the Income and Expenditure Account but included in the HRA Balance</u>		
311	H5	308
440		445
-		213
751		966
352 Total		(5,964)

H5 Contribution to 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 at note 5 to the Core Financial Statements.

H6 Housing Stock

The number of dwellings held or leased by the council on the below dates (excluding properties earmarked for demolition or sale) were as follows:

31 March 2010		31 March 2011
5,071	Low Rise Flats	5,066
3,027	Medium Rise Flats	3,027
2,120	High Rise Flats	2,119
13,307	Houses and Bungalows	13,261
23,525	Total Dwellings Owned by the Council	23,473
14	Homeless Dwellings (Leased)	14
23,539		23,487

H7 Housing Revenue Account Fixed Assets

The total Balance Sheet values of the land, houses and other property within the Housing Revenue Account on the below dates were as follows:

31 March 2010 £ 000 (Restated)		31 March 2011 £ 000
	Operational Assets	
1,092	- Software	947
1,011,121	- Dwellings	1,060,134
1,986	- Garages	1,912
10,148	- Area Offices	2,021
411	- Day Centres	1,220
914	- Equipment	650
434	- Other	2,863
1,026,106	Total Operational Assets	1,069,747
	Non-operational Assets	
3,313	- Shops	4,188
1,275	- Land	1,416
2,609	- Other	3,641
7,197	Total Non-operational Assets	9,245
1,033,303	Total Fixed Assets	1,078,992

H8 The Vacant Possession Value of Dwellings

The vacant possession value of the current stock of dwellings at 1 April 2010 values amounted to £2,163.5M. The value of dwellings shown on the Balance Sheet is the existing use value (social housing), which is 49% 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.

Capital Expenditure

Capital expenditure on land, houses and other property within the Council's HRA during 2010/2011 totalled £58.1M and was resourced as follows:

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
	Sources of Funding	
64,759	- Borrowing	46,057
1,277	- Usable Capital Receipts	32
14,482	- Major Repairs Reserve	10,265
448	- Government and EU Grants	440
950	- Other Grants and Contributions	1,300
81,916	Total Capital Expenditure	58,094

Capital Receipts

Capital receipts generated during 2010/2011 from the disposal of HRA assets totalled £3.4M as detailed below:

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
1,503	Sale of Council Houses (Right-to-Buy)	2,836
1,068	Sale of Other Land and Buildings	573
27	Mortgages Principal Repayments	32
133	Repaid Discounts	(3)
2,731	Total Capital Receipts	3,438

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
1,246	Paid over to Government	2,142
1,485	Available to Finance Capital Expenditure	1,296
2,731	Total Capital Receipts	3,438

H10 Rent Arrears

During 2010/2011, total rent arrears fell by £326,000 (-17.6%). Within total rent arrears, current tenants' arrears as a proportion of net rental income decreased from 5.5% to 4.6%. The comparative total figures are:

31 March 2010 £ 000		31 March 2011 £ 000
1,325	Current Tenants	1,130
525	Former Tenants	394
<u>1,850</u>	Total Arrears	<u>1,524</u>

A provision is maintained for these debts. The movement in the year is detailed below:

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
1,312	Provision for Bad and Doubtful Debts Brought Forward	1,337
(422)	Amounts Written Off during the Year	(333)
447	Increase in Provision Charged to the HRA during the Year	195
<u>1,337</u>	Provision for Bad and Doubtful Debts Carried Forward	<u>1,199</u>

H11 Major Repairs Reserve

This is a discretionary reserve to which the council's Major Repairs Allowance (MRA) may be transferred, and that is used to finance major repairs to HRA property. The MRA is determined by the government as part of the 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.

Year Ending 31 March 2010 £ 000		Year Ending 31 March 2011 £ 000
	- Balance Brought Forward	(98)
(15,447)	Depreciation charged to Income and Expenditure Account for the Year	(15,899)
867	Transfer of excess of Depreciation over MRA to HRA Balance	1,117
14,482	Capital Expenditure on Land and Property in the HRA	10,265
<u>(98)</u>	Balance Carried Forward	<u>(4,615)</u>

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2011

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the council, on an accruals basis, in relation to Council Tax and Non Domestic Rates, and illustrates the way in which these have been distributed to other preceptors and the council.

Year Ending 31 March 2010 (Restated) £000	Note	Year Ending 31 March 2011 £000
Income		
(77,138) Council Tax	C1	(77,801)
(27,276) Transfers from General Fund: Council Tax Benefits		(27,237)
(71,381) Non Domestic Rates		(70,648)
(175,795) Total Income		(175,686)
Expenditure		
Precepts and Demands		
93,087 Wolverhampton Council		93,453
6,927 West Midlands Police		7,058
3,316 West Midlands Fire and Civil Defence		3,395
103,330		103,906
Non Domestic Rates		
68,944 Payment to National Pool	C2	69,289
367 Cost of Collection Allowance		355
70 Interest Payment		103
69,381		69,747
Distribution of Council Tax Surplus/(Payment of Deficit)		
244 Wolverhampton Council	C3	467
18 West Midlands Police		36
9 West Midlands Fire and Civil Defence		16
271		519
Provision for Bad and Doubtful Debts		
813 Council Tax	C4	613
2,000 Non Domestic Rates	C4	901
2,813 Total Provision for Bad and Doubtful Debts		1,514
175,795 Total expenditure		175,686
- (Surplus)/Deficit for the Year	C3	-

NOTES TO COLLECTION FUND ACCOUNTS

C1 INCOME FROM COUNCIL TAX - THE COUNCIL TAX BASE

Council tax income derives from charges raised according to the residential properties, which have been classified into

Band	Total no of Chargeable Dwellings after Effect of Discount	Ratio	Band D Equivalent Dwellings	Council tax (Single Person Household)	Council tax (Multiple Occupancy)
A Disabled	82	5/9	46	610	813
A	46,871	6/9	31,248	732	976
B	20,053	7/9	15,597	854	1,139
C	14,167	8/9	12,593	976	1,301
D	5,663	9/9	5,663	1,098	1,464
E	2,666	11/9	3,258	1,342	1,789
F	1,526	13/9	2,204	1,586	2,115
G	801	15/9	1,334	1,830	2,440
H	82	18/9	164	2,196	2,928
	91,911		72,106		
	Equivalent Dwellings from				
	Less allowance for collection difficulties		(1,132)		
	Council Tax Base		70,974		

C2 NATIONAL NON DOMESTIC RATES

National Non Domestic Rates (NNDR) is organised on a national basis. The council collects non domestic rates for its area which are based on the rateable values (as determined by the District Valuer) multiplied by the uniform rate multiplier set by the government. The total amount, subject to the effects of transitory arrangements, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn redistributes the sums paid into the pool back to each local authority's General fund, on a the basis of a fixed amount per head of population.

	2009/2010 £000	2010/2011 £000
Non Domestic Rateable value		
£191.7M at 31.03.2011 (£173.3M at 31.03.2010)	84,050	79,364
Multiplied by uniform rate for year 41.4p (2009/2010 48.5p)		
Transitional Surcharges and Adjustments (less Allowances)	(15,106)	(13,940)
Contribution to NNDR Pool	68,944	65,424

C3 DISTRIBUTION OF COLLECTION FUND SURPLUSES/DEFICITS

The Council is required to make an estimate of the surplus or deficit for the council tax transactions for the year. In estimating this surplus or deficit for a year, account is to be taken of any difference between the amount estimated for the previous year, and the actual Collection Fund surplus or deficit shown in the amounts for that year. Such surpluses or deficits do not remain in the Collection Fund, but are distributed in the year following the financial year to which they relate, between the council and other precepting authorities, (the West Midlands Police Authority and the West Midlands Fire and Civil Defence Authority) in proportion to the value of their respective demand and precepts.

C4 PROVISION FOR BAD AND DOUBTFUL DEBTS

The following shows the debts written off to the provision in the year:

	Debts Written Off		Charge in Year		Provision at Year End	
	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011
	£000	£000	£000	£000	£000	£000
Council Tax	375	312	813	613	3,020	3,320
Non Domestic Rates	985	964	2,000	901	3,325	3,262

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Entity Reserves £000	Total Group Reserves £000
Balance at 31 March 2009	29,312	36,887	1,140	868	-	11,941	80,148	958,379	1,038,527		1,038,527
Surplus or (deficit) on the provision of services	(26,706)	-	-	-	-	-	(26,706)	-	(26,706)		(26,706)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(97,492)	(97,492)		(97,492)
Total comprehensive income and expenditure	(26,706)	-	-	-	-	-	(26,706)	(97,492)	(124,198)	-	(124,198)
Adjustments between council accounts and group accounts							-		-		-
Net increase/(decrease) before transfers	(26,706)	-	-	-	-	-	(26,706)	(97,492)	(124,198)	-	(124,198)
Adjustments between accounting basis and funding basis under regulations	43,226	2	2,397	(301)	98	2,036	47,458	(47,458)	-		-
Net increase/(decrease) before transfer to earmarked reserves	16,520	2	2,397	(301)	98	2,036	20,752	(144,950)	(124,198)	-	(124,198)
Transfers (to)/from earmarked reserves	(13,912)	13,268	-	-	-	-	(644)	644	-		-
Net increase/(decrease) for the year	2,608	13,270	2,397	(301)	98	2,036	20,108	(144,306)	(124,198)	-	(124,198)
Balance at 31 March 2010	31,920	50,157	3,537	567	98	13,977	100,256	814,073	914,329	-	914,329
Surplus or (deficit) on the provision of services	99,862	-	-	-	-	-	99,862	-	99,862		99,862
Other comprehensive income and expenditure	-	-	-	-	-	-	-	60,423	60,423		60,423
Total comprehensive income and expenditure	99,862	-	-	-	-	-	99,862	60,423	160,285	-	160,285
Adjustments between council accounts and group accounts							-		-		-
Net increase/(decrease) before transfers	99,862	-	-	-	-	-	99,862	60,423	160,285	-	160,285
Adjustments between accounting basis and funding basis under regulations	(77,007)	(1)	1	1,188	4,516	22,145	(49,158)	48,028	(1,130)		(1,130)
Net increase/(decrease) before transfer to earmarked reserves	22,855	(1)	1	1,188	4,516	22,145	50,704	108,451	159,155	-	159,155
Transfers (to)/from earmarked reserves	(15,194)	13,287	1,519	-	-	-	(388)	388	-		-
Net increase/(decrease) for the year	7,661	13,286	1,520	1,188	4,516	22,145	50,316	108,839	159,155	-	159,155
Balance at 31 March 2010	39,581	63,443	5,057	1,755	4,614	36,122	150,572	922,912	1,073,484	-	1,073,484

GROUP ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2011

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This account shows income and expenditure on all of the services for which the Council is ultimately responsible, whether provided by the Council itself or by Wolverhampton Homes.

31 March 2010			31 March 2011		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000s	£000s	£000s	£000s	£000s	£000s
13,816	(8,475)	5,341	14,456	(2,351)	12,105
96,529	(27,917)	68,612	74,783	(26,629)	48,154
					Central services to the public
					Cultural, environmental, regulatory and planning services
330,340	(265,918)	64,422	337,624	(267,197)	70,427
24,028	(5,192)	18,836	28,098	(3,788)	24,310
150,467	(175,549)	(25,082)	79,040	(87,692)	(8,652)
-	-	-	10,517	(1,755)	8,762
135,846	(50,962)	84,884	125,407	(53,346)	72,061
11,028	(288)	10,740	4,682	-	4,682
189,649	(182,353)	7,296	97,793	(157,251)	(59,458)
5,417	-	5,417	-	-	-
					Exceptiona
957,120	(716,654)	240,466	772,400	(600,009)	172,391
					Cost Of Services
					11,269 Other Operating Expenditure
					50,112 Financing and Investment Income and Expenditure
					(273,783) Taxation and Non-Specific Grant Income
					28,063 (Surplus) or Deficit on Provision of Services
					83 Tax expenses - Corporation tax payable
					28,146 Group Surplus or Deficit
					(29,000) Surplus or deficit on revaluation of non current assets
					(10,392) Surplus or deficit on revaluation of available for sale financial assets
					136,884 Actuarial gains / losses on pension assets / liabilities
					97,492 Other Comprehensive Income and Expenditure
					125,638 Total Comprehensive Income and Expenditure
					(100,746)
					(161,153)

RECONCILIATION OF SINGLE ENTITY SURPLUS OR DEFICIT TO THE GROUP SURPLUS OR DEFICIT

This statement reconciles the surplus or deficit on the council's Income and Expenditure Account to the surplus or deficit on the Group Income and Expenditure Account.

Year Ending 31 March 2010		Year Ending 31 March 2011 £000
£000		
124,198	Deficit (Surplus) for the year on the council's single entity Income and Expenditure Account	(160,285)
	Less:	
	- Subsidiary and associated dividend income and any other distributions from group entities included in the single entity surplus or deficit on the Income and Expenditure account	-
	Add:	
	Surplus arising from other entities included in the group accounts analysed into the amounts attributable to:	
1,440	Subsidiaries	(868)
	- Associates	-
	- Joint Ventures	-
<u>1,440</u>		<u>(868)</u>
<u>125,638</u>		<u>(161,153)</u>

BALANCE SHEET

This account summarises the Group's financial position at the year end, indicated by the value of its assets less its liabilities and the level of balances and reserves at its disposal.

1 April 2009 £000s	31 March 2010 £000s		Notes	31 March 2011 £000s
		Single Entity (England & Wales)		
		Property, Plant & Equipment	12	
947,210	1,011,121	- Council dwellings		1,060,134
739,803	728,756	- Other land and buildings		765,038
		- Vehicles, plant, furniture and equipment		22,436
24,398	24,966	- Infrastructure		135,068
131,988	134,060	- Community Assets		22,051
9,956	22,173	- Assets Under Construction		3,548
2,429	2,560	- Surplus assets Not Held for sale		1,451
19,519	19,547			
		Investment Property	13	
3,196	7,381	- Investment property		18,667
		Intangible Assets	14	
-	1,115	- Software		920
		Long Term Investments		
6,461	16,853	- Non property investments	15	16,853
		Investments in Associates and Joint Ventures		
		Long Term Debtors		
172	139	- Mortgages	15	103
34.0	-	- Other		-
		Deferred tax asset (groups)		
1,885,166	1,968,671	Long Term Assets		2,046,269
		Non property investments excl cash equivalent	15	30,831
53,786	5,409	Inventories	16	610
412	393	Short Term Debtors	18	63,001
45,432	52,046	Cash and Cash Equivalents	19	5,443
4,185	9,047	Current tax asset (groups)		
103,815	66,895	Current Assets		99,885
		Bank Overdraft/Cash and Cash Equivalents	19	
(99)	(21,823)	Short Term Borrowing	15	(21,823)
(69,435)	(71,571)	Short Term Creditors	21	(78,795)
(12,388)	(17,808)	Provisions	22	(20,262)
(81,922)	(111,202)	Current Liabilities		(120,880)
		Long Term Creditors	15	
(495,303)	(486,386)	Long Term Borrowing	15	(524,797)
		Other Long Term Liabilities	15	
(313,993)	(489,309)	- Net pensions liability	47	(382,278)
(22,741)	(25,313)	- Finance Leases		(21,349)
(10,084)	(10,391)	Capital Grants Receipts in Advance	38	(11,473)
(22,071)	(22,570)	Deferred liability		(19,557)
(4,340)	(139)	Deferred income (Contingent Rentals)		(3,955)
(868,532)	(1,034,108)	Long Term Liabilities		(963,409)
1,038,527	890,256	Net Assets		1,061,865

CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash relating to both revenue and capital transactions with other organisations and individuals.

Year Ending 31 March 2010 £000	Year Ending 31 March 2011 £000
25,207 Net (surplus) or deficit on the provision of services	(101,456)
(121,564) Adjust net surplus or deficit on the provision of services for noncash movements	(1,549)
50,117 Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	44,346
(46,240) Net cash flows from Operating Activities (G10)	(58,659)
46,454 Investing Activities (G11)	92,930
(1,646) Financing Activities (G12)	(30,830)
(1,432) Net increase or decrease in cash and cash equivalents	3,441
(7,687) Cash and cash equivalents at the beginning of the reporting period	(9,119)
(9,119) Cash and cash equivalents at the end of the reporting period	(5,678)

G1 INTRODUCTION TO THE GROUP ACCOUNTS

The Code of Practice requires that where an authority has material interests in one or more subsidiary or associated companies, it should prepare group financial statements. The aim of consolidation is to give an overall picture of the council's financial activities and the resources employed in carrying out those activities. In 2010/11, the only organisation whose relationship with the council brought it within the scope of Group Accounts was Wolverhampton Homes. Wolverhampton Homes is controlled at arm's length by the council, and so is considered a subsidiary for the purposes of consolidation. No organisations have left or joined the Group in 2010/2011.

G2 BASIS OF CONSOLIDATION

The Group financial statements have been prepared using the merger accounting method and consolidated on a line by line basis. Accounting policies which differ within the Group, and in respect of which adjustments to the statements of Wolverhampton Homes have been made prior to consolidation, are as follows:

Notes relating to the Group accounts have only been prepared where the information therein is materially different from the corresponding note to the council's accounts. References to notes are therefore to the notes to the Core Financial Statements, except where indicated by the prefix "G".

G3 DETAILS OF SUBSIDIARY COMPANY - WOLVERHAMPTON HOMES**Nature of Business**

On 1st October 2005, the council established the Arms Length Management Organisation (ALMO) to manage its stock of council houses.

Relationship with the Council

The ALMO has no share capital and is wholly controlled by the council. Under the Code of Practice, the ALMO is classed as a subsidiary of the council, and their financial activities have been consolidated into the group financial statements on a 100% basis.

Financial Performance

In 2010/2011 the company made a net profit on ordinary activities before taxation of £884,000 (2009/10: loss of £1,440,000). No provision has been made for Corporation Tax as the company has been granted mutual status by HM Revenue and Customs in respect of its trading with the City Council. Non-council net income subject to tax was below the threshold for the payment of Corporation Tax. Following alignment of accounting policies, the Company's adjusted accounts showed a net loss of £2,815,000 (2009/10: loss of £233,000). Net assets on 31st March 2011 (after adjustments for accounting policies) were £11,619,000 credit (2009/2010: £24,073,000 credit).

Transactions and Services with Wolverhampton Homes

The principal income of Wolverhampton Homes is from the council, in the form of a management fee which amounted to £37.2M for the period to 31st March 2011 (2009/10: £37.2M). The council leases various premises to Wolverhampton Homes and also provides a number of support services to them, for which charges are made separately from the management fee.

Accounts

The Financial Statements of Wolverhampton Homes can be obtained from:

Mr P. Toni - Finance Director

Registered Office: Wolverhampton Homes, Hickman Avenue, Chillington Fields, Wolverhampton, WV1 2BY

G4 STOCKS AND WORK IN PROGRESS

Balance at 31 March 2010 £000		Balance at 31 March 2011 £000
393	Stocks	610
-	Work in Progress	-
393	Total Stocks and Work in Progress	610

G5 DEBTORS

Balance at 31 March 2010 £000		Balance at 31 March 2011 £000
14,164	Central Government Bodies	13,735
5,633	Local Taxpayers	6,825
1,423	Council Tenants	3,207
3,613	Prepayments	2,999
569	Other Local Authorities	646
110	Employees	79
37,533	Other entities and individuals	46,563
63,045	Gross Debtors	74,054
(10,999)	Less: Allowance for Impairment and Uncollectability	(11,115)
52,046	Net Debtors	62,939

G6 CASH

Balance at 31 March 2010 £000		Balance at 31 March 2011 £000
	Cash at Bank and in Hand	
4,118	Wolverhampton City Council	1,889
4,929	Wolverhampton Homes	3,554
9,047	Total Cash	5,443

G7 CREDITORS

Balance at 31 March 2010 £000		Balance at 31 March 2011 £000
(5,611)	Employee Leave Accrual	(5,655)
(3,188)	Receipts in Advance	(4,503)
(1,919)	Revenue Grants Received in Advance	(3,532)
	- NHS Bodies	(3,335)
(951)	DSOs	(1,155)
(1,370)	Local Taxpayers	(727)
(470)	Central Government	(700)
	- Council Tenants	(646)
(57,665)	Other entities and individuals	(58,154)
<u>(71,174)</u>	Total	<u>(78,407)</u>

G8 HOUSING REVENUE ACCOUNT RESERVE

The adjusted profit and loss reserve of Wolverhampton Homes has been added to the Housing Revenue Account reserve on consolidation, as the activities of the company relate entirely to Housing Revenue Account services.

Balance at 31 March 2010 £000		Balance at 31 March 2011 £000
(3,537)	Housing Revenue Account	(5,057)
(233)	Wolverhampton Homes Profit and Loss Reserve	(2,815)
<u>(3,770)</u>	Total	<u>(7,872)</u>

The underlying assets and liabilities for retirement benefits attributable to the Group are:

	Local Government Pension Scheme		Discretionary Pension Scheme	
	Balance at 31 March 2011 £000	Balance at 31 March 2011 £000	Balance at 31 March 2010 £000	Balance at 31 March 2011 £000
Estimated Liabilities in Scheme				
Wolverhampton City Council	(1,026,752)	(981,907)	(53,473)	(52,893)
Wolverhampton Homes	(88,492)	(92,426)	-	-
Estimated Assets in Scheme				
Wolverhampton City Council	615,222	666,956	-	-
Wolverhampton Homes	64,186	77,992	-	-
Net Liability	(435,836)	(329,385)	(53,473)	(52,893)

The liabilities show the underlying commitments that the group has in the long-run to pay retirement benefits. The total liability of £351.3M has a substantial impact on the net worth of the group as recorded in the balance sheet. Statutory arrangements for funding the deficit within the local authority, as set out below, mean that the financial position of the council remains healthy, however these arrangements do not exist for private companies and the net worth of Wolverhampton Homes has decreased by £9.8M.

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary pensions when the pensions are actually paid.

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 mortality rates, salary levels etc. Both scheme liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates for the Local Government Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in the actuary's calculations are the same as for the City Council and are detailed in notes 46 and 47 to the core financial statements.

G10 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/2010		2010/2011
£000		£000
(1,313)	Interest received	(766)
15,620	Interest paid	28,520
(93)	Dividends received	(47)
14,214		27,707

G11 CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/2010		2010/2011
£000		£000
122,904	Purchase of property, plant and equipment, investment property and intangible assets	157,917
(48,449)	Net purchase of short-term and long-term investments	22,453
3,091	Other payments for investing activities	1,626
(3,793)	Proceeds from the sale of property, plant and equipment, investment	(3,952)
(27,299)	Other receipts from investing activities	(85,114)
46,454	Net cash flows from investing activities	92,930

G12 CASH FLOW STATEMENT - FINANCING ACTIVITIES

2009/2010		2010/2011
£000		£000
(17,224)	Cash receipts of short- and long-term borrowing	(60,000)
0	Other receipts from financing activities	0
243	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1350
9,509	Repayments of short and long-term borrowing	26500
5,826	Other payments for financing activities	1320
(1,646)	Net cash flows from financing activities	(30,830)

WEST MIDLANDS PENSION FUND STATEMENTS FOR THE YEAR ENDING 31 MARCH 2011

FUND ACCOUNT

	Notes	2009/10 £000	2010/11 £000
Contributions & Benefits			
Contributions Receivable	P7	436,206	434,996
Transfers In	P8	29,251	20,950
Other Income	P9	17,041	16,774
Total contributions and other income		482,498	472,720
Benefits Payable	P10	363,763	395,994
Payments to and on account of leavers	P11	36,374	21,751
Other Payments		257	192
Administration Expenses	P12	5,227	5,518
Total contributions and benefits expenditure		405,621	423,455
Net additions from dealings with members		76,877	49,265
Returns on Investments			
Investment Income	P13	122,847	129,755
Change in market value of investments		1,797,740	460,955
Investment Management Expenses	P12	(7,301)	(7,337)
Net return on investments		1,913,286	583,373
Net(decrease) / increase in the Fund during the year		1,990,163	632,638
Net Assets of the Fund at the beginning of the year		6,017,712	8,007,875
Net Assets of the Fund at the end of the year		8,007,875	8,640,513

NET ASSETS STATEMENT

	Notes	Balance at 31 March	
		2010 £000	2011 £000
Investment Assets (at Market Value)	P14/15/16		
Fixed Interest Securities		178,360	152,799
UK Equities		1,114,223	975,369
Overseas Equities		1,913,439	1,901,451
Pooled Investment Vehicles		4,178,795	4,867,099
Property		433,060	571,100
Foreign Currency Holdings		62,664	28,269
Cash Deposits		115,229	99,272
Other Investments assets		-	5
Outstanding dividend entitlement and recoverable with-holding tax		8,386	12,302
Investment Assets		8,004,156	8,607,666
Investment Liabilities (at Market Value)	P14/15		
Other Investments liabilities		(31,417)	
Investment Liabilities		(31,417)	
Net Investment Assets		7,972,739	8,607,666
Current Assets	P17	48,400	42,411
Current Liabilities	P18	(13,264)	(9,564)
Net Assets of the Fund at the end of the year		8,007,875	8,640,513

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

P1 GENERAL

The West Midlands Pension Fund is administered by Wolverhampton City Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund.

The City Council Superannuation Committee administers the Pension Fund function. It meets at approximately quarterly intervals, and has members from each of the seven Metropolitan District Councils in the West Midlands Region. An Investment Advisory Sub-Committee and a Joint Consultative Panel have been established to deal with these two areas of management and administration of the Fund.

The Fund is administered under the rules of the Local Government Pension Scheme as set out in the Local Government Pension Scheme Regulations. Membership of the Fund is available for 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. Employees' contributions are payable at a percentage of pensionable pay (between 5.5% and 7.5%, based on gross pay), while employers' contributions are payable at the rate specified for each employing authority by the Fund's Actuary.

The Fund's Statement of Investment Principles (SIP) can be found in the Annual Report and on the fund's website: www.westmids-pensions.org.uk.

P2 BASIS OF PREPARATION

The financial statements have been prepared in line with the requirements of the Local Government Pension Scheme Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations. They follow the recommendations of the Statement of Recommended Practice (SORP) "The Financial Reports of Pension Schemes" (as revised in May 2007), except for the recommendation to recognise liabilities for pensioners at the latter of retirement and the date on which any option is communicated to the Fund, and follow the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

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

P3 STATEMENT OF ACCOUNTING POLICIES

(a) Inclusion of income and expenditure

(i) Fund Account

In the fund account income and expenditure are accounted for in the year in which they arise by the creation of debtors and creditors 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 8).

(ii) Contribution Income

Contributions receivable have been included in the accounts on the accruals basis at the rates set out in notes 1 and 5 for basic contributions. Additional contributions as notified by employers for the period have also been included.

(iii) 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 2011, calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 11). They are not accounted for on an accruals basis.

(iv) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2011 relating to the financial year 2010/2011.

(v) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates have been used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at 31 March 2011.

(vi) Investment Income

Dividends, interest and property management income and expenditure have been accrued for in the accounts where amounts were known to be due at the end of the accounting period. This includes income from Pooled Investment Vehicles. All unquoted portfolio distributions tend to arise from sales of investments and are therefore treated as capital transactions.

(b) Valuation of Investments

The market values of investments as shown in the net assets statement have been determined as follows:-

(i) Quoted Securities

Securities have been valued at the bid-market price ruling on 31 March 2011 where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) Unquoted Securities

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

(iii) Pooled Investment Vehicles

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

(iv) 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 DTZ Debenham Tie Leung, Chartered Surveyors as at 31 March 2011. Agricultural properties were valued by F P D Savills Limited, Agricultural Valuers at the same date. A full valuation takes place prior to the full actuarial valuation of the Fund which takes place every three years with desktop valuations carried out in the intervening years. The valuation undertaken at 31 March 2011 was therefore a desktop valuation.

(v) Foreign Currencies

Investments held in foreign currencies have been valued as set out in paragraphs (b) (i) to (b) (ii) above and translated at exchange rates ruling at 31 March 2011.

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

(c) Monitoring and Benchmarking of Investment Management Expenses

Investment management expenses are monitored whether in-house or externally managed. In addition the return on investments is assessed independently by external specialists against the Fund's benchmarks and the industry generally. All income and expenditure is accounted for on an accruals basis.

P4 MEMBERSHIP

Overall membership of the Fund at the end of the year was as follows:-

	31 March	
	2010	2011
Active Members	104,612	102,011
Pensioner Members	66,871	70,521
Deferred Members	77,786	81,161

A detailed list of Member bodies is available at note 21.

P5 ACTUARIAL VALUATION OF THE FUND

A full actuarial valuation of the Fund was made as at 31 March 2007 by the Fund's Actuary, C R Hull of Mercer Human Resource Consulting Limited. In accordance with the Local Government Pensions Scheme Regulations, the Actuary has determined employers' contribution rates to meet 100% of the Fund's existing and prospective liabilities over a period of 25 years in line with the Funding Strategy Statement of the Scheme. Employers' contribution rates include provision for the funding of pensions increase costs. Contribution rates consist of a common rate, expressed as a percentage of employees' pensionable pay, payable by all employers together with a secondary rate which is individually assessed for each employer to reflect circumstances peculiar to any one employer. These rates are to be phased in over a period of 3 years.

The results of the valuation as at 31 March 2007, and the main actuarial assumptions used are set out below.

	31 March 2007 Valuation 100%
Funding target as % of existing and prospective liabilities	
Common rate of employers' contributions (calculated using the projected unit method)	12.20%
Employers' contributions rates as funding target	
District Councils	14.7% to 16.4%
Other Bodies	7.5% to 25%
Market value of the Fund	£7,513M
Actuarial value of liabilities	£9,194M
Deficit in relation to past service	£1,681M
Funding level in relation to past service liabilities	82%

The key financial assumptions used for the valuation are as follows:

	2007 Funding Target	2007 Normal Cost
Investment return pre-retirement	6.4% p.a.	6.5% p.a.
Investment return post-retirement	5.4% p.a.	6.5% p.a.
Salary increases	4.85% p.a.	4.5% p.a.
Pension increases in payment	3.1% p.a.	2.75% p.a.
Non-retired members' mortality	PA92 MC YoB tables + 1 year	
Retired members' mortality	PA92 MC YoB tables + 1 year	

Because of the small number of employees remaining with Centro (The West Midlands Passenger Transport Executive), the Actuary has determined that Centro shall pay, in addition to a percentage of employees' pensionable pay, an annual fixed contribution to meet the accrued unfunded liabilities which arose as a result of premature retirements prior to the formation of West Midlands Travel Limited in 1986. Employer's contributions for Centro are as follows:-

	Employers' Rate %	Fixed Amount £M
2008/09	11.1 plus	£6.80
2009/10	11.5 plus	£6.80
2010/11	11.9 plus	£6.80

Pensions increases in respect of a number of bodies which had no active members in the Fund at the valuation date will continue to be recharged direct. These include the Trustee Savings Bank Plc and Severn Trent Water Plc.

Statement by Consulting Actuary

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the West Midlands Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £8,008 million represented 75% of the Funding Target of £10,622 million at the valuation date. The valuation also showed that a common rate of contribution of 11.9% 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 6.2% of pensionable pay for 25 years. This would imply an average employer contribution rate of 18.1% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. These contributions were determined having regard to the individual circumstances of each employer and included specific allowances (zero for some employers) for early retirement costs. Additional payments will be made by employers where the non-ill health early retirement costs exceed the allowances certified.

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. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2011. The rates payable by the Unitary Authorities were certified as follows:

Future Service Rate (% of pay) plus lump sum (£)			
	2011/12	2012/13	2013/14
Birmingham City Council	12.1% plus £26,500,000	12.1% plus £27,800,000	12.1% plus £29,100,000
Coventry City Council	12.1% plus £6,300,000	12.1% plus £6,600,000	12.1% plus £6,900,000
Dudley MBC	11.8% plus £5,500,000	11.8% plus £5,700,000	11.8% plus £6,000,000
Sandwell MBC	11.7% plus £7,500,000	11.7% plus £7,900,000	11.7% plus 8,300,000
Solihull MBC	11.7% plus £4,100,000	11.7% plus £4,300,000	11.7% plus £4,500,000
Walsall MBC	11.7% plus £7,700,000	11.7% plus £8,000,000	11.7% plus £8,400,000
Wolverhampton City Council	12.2% plus £7,100,000	12.2% plus £7,400,000	12.2% plus £7,800,000

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:		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	4.75% per annum	4.75% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value .

The Administering Authority determined that certain employers with a lesser financial covenant (based on criteria set by the Administering Authority) would have their contribution requirement assessed with reference to more cautious actuarial assumptions based on gilt yields. Further details surrounding this approach can be found in the FSS and the Administering Authority's separate document on admitted bodies.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £11,387 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £9,975 million.

P6 TAXATION

(i) Value Added Tax

The Fund pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

(ii) 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. Where relief is available it may be either in full at source (USA, Belgium, Australia, Finland and Norway), or partial relief by claim (Austria, Denmark, France, Netherlands, Switzerland and Spain).

In some markets (Poland, Canada, Italy, and Sweden) tax is deducted at the treaty rate so that no further adjustment is required, and there are also markets (Malaysia, Hong Kong and Singapore) where no double taxation agreements exist and where the full amount is payable.

P7 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2009/10 £000	2010/11 £000
From Employers		
Basic Contributions	281,600	293,197
Deficit Funding	6,925	6,800
Augmented Membership	881	466
Additional Cost of Early Retirement	27,149	14,718
	<u>316,555</u>	<u>315,181</u>
From Employees		
Basic Contributions	118,134	118,414
Additional Contributions	1,517	1,401
Sub-total	<u>119,651</u>	<u>119,815</u>
Total Contributions	<u>436,206</u>	<u>434,996</u>

The additional contributions above represent the purchase of added membership or additional benefits under the Pension Scheme and are included in the revenue accounts.

Several organisations made small augmented membership payments as one offs to remove liability relating to individual employees who had left their employment.

Payments can be analysed by type of Member Body as follows:-

	2009/10 £000	2010/11 £000
Administering Authority	32,159	31,263
Scheme Employers	380,167	376,341
Admitted Employers	23,880	27,392
	<u>436,206</u>	<u>434,996</u>

P8 TRANSFERS IN

	2009/10 £000	2010/11 £000
Individual transfers in from other schemes	29,251	20,950

P9 OTHER INCOME

	2009/10 £000	2010/11 £000
Benefits Recharged to Employers		
Compensatory Added Years	10,216	10,192
Pensions Increases	6,825	6,582
	<u>17,041</u>	<u>16,774</u>

P10 BENEFITS PAYABLE

An analysis of expenditure on benefits by type is given below:-

	2009/10 £000	2010/11 £000
Pensions		
Retirement Pensions	253,334	269,447
Widows' Pensions	23,188	23,320
Children's Pensions	898	865
Widowers' Pensions	2,090	2,353
Ex-Spouse	33	77
Equivalent Pension Benefits	74	91
Civil Partnership	-	5
Co-habiting Partners	-	3
	<u>279,617</u>	<u>296,161</u>
Lump Sum Benefits		
Retiring Allowances	75,264	89,808
Death Grants	8,882	10,025
	<u>84,146</u>	<u>99,833</u>
Total Benefits Payable	<u>363,763</u>	<u>395,994</u>

The total benefits payable can be analysed by type of Member Body as follows:-

	2009/10 £000	2010/11 £000
Administering Authority	34,138	32,608
Scheme Employers	309,709	337,081
Admitted Employers	19,916	26,305
	<u>363,763</u>	<u>395,994</u>

P11 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2009/10 £000	2010/11 £000
Individual transfers out to other schemes	36,341	21,701
Refunds of Contributions	50	42
State Scheme Premiums	(17)	8
	<u>36,374</u>	<u>21,751</u>

Note:- Following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it has now been calculated by Mercer Ltd that the Fund is due to receive a total of £27,677,168. 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 £3,261,152 .

P12 INVESTMENT AND ADMINISTRATION EXPENSES

Costs incurred in the management of the investments of the Fund and the administration of the Fund have been charged to the Fund in accordance with the Local Government Pension Scheme Regulations and can be analysed as follows:

<u>Administration</u>	2009/10 £000	2010/11 £000
Pensions Administration	4,809	5,142
Actuarial fees	266	296
Audit fees	123	59
Legal and other professional fees	29	21
	<u>5,227</u>	<u>5,518</u>

<u>Investments</u>	2009/10 £000	2010/11 £000
External management of investments	4,866	4,729
In-house management of investments	1,998	2,191
Performance Measurement Service	25	31
Property and legal fees	37	39
Safe Custody Expenses	375	347
	<u>7,301</u>	<u>7,337</u>

The pensions administration function and the in-house management of investments are performed by Wolverhampton City Council and the costs shown in the table above are recharged to the Pension Fund each year on an estimated basis with an end of year adjustment for actual costs shown as a debtor or creditor in the accounts. This is a related party transaction as Wolverhampton City Council is also a member body of the fund.

P13 INVESTMENT INCOME

Investment income is analysed below:-

	2009/10 £000	2010/11 £000
Dividends and Interest		
Fixed interest Securities		
UK Private Sector – Quoted	10,332	9,664
Equities		
UK	42,061	33,213
Overseas	43,727	44,496
Index Linked Securities		
UK Public Sector	-	-
Pooled Investment Vehicles		
UK	1,704	9,825
Overseas Equities	531	1,972
Interest on Cash Deposits	585	749
Stocklending	1,404	1,766
UK Tax, Irrecoverable	(29)	(68)
Overseas Taxation	<u>(2,075)</u>	<u>(2,194)</u>
TOTAL DIVIDENDS AND INTEREST	98,240	99,423
Property Management Income	<u>31,659</u>	<u>37,823</u>
Property Management Expenses	<u>(7,052)</u>	<u>(7,491)</u>
	<u>24,607</u>	<u>30,332</u>
TOTAL INVESTMENT INCOME	<u>122,847</u>	<u>129,755</u>

Stocklending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £60.9m (2010: £952.1m) in exchange for which the custodian held collateral worth £63.9m (2009: £1,061m). Collateral consists of acceptable securities and government debt.

P14 NET INVESTMENT ASSETS

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

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.

	31 March	
	2010	2011
	£000	£000
Fixed Interest Securities		
UK Companies – Segregated (external)	178,360	152,799
	<u>178,360</u>	<u>152,799</u>
UK Equities		
Quoted	1,113,455	975,369
Quoted – Segregated (external)	768	-
	<u>1,114,223</u>	<u>975,369</u>
Overseas Equities		
Quoted	1,475,988	1,583,899
Quoted – Segregated (external)	437,451	317,552
	<u>1,913,439</u>	<u>1,901,451</u>
Pooled Investment Vehicles		
Managed Funds		
UK Quoted, Fixed Interest	239,541	207,091
Other Fixed Interest	100,190	187,524
UK Quoted, Index Linked	550,791	735,084
Overseas Equities	939,944	913,541
UK Unquoted Equities	331,169	343,979
Overseas Unquoted Equities	1,068,670	1,347,426
UK Absolute Returns	528,504	593,760
Foreign Absolute Returns	71,816	68,495
UK Property	14,145	21,065
Foreign Property	80,705	140,664
Unit Trusts		
UK Quoted Equities	24,670	25,223
Overseas Equities	218,870	274,256
Overseas Property	9,780	8,991
	<u>4,178,795</u>	<u>4,867,099</u>
Property		
UK Freehold	402,510	545,100
UK Leasehold*	30,550	26,000
	<u>433,060</u>	<u>571,100</u>

	2010 £000	2011 £000
Foreign Currency Holdings		
United States Dollars	35,589	13,024
Euro	2,519	8,000
Canadian Dollars	5,744	706
Danish Kroner	903	690
Hong Kong Dollars	6,057	590
Swedish Kroner	133	378
Swiss Francs	1,684	571
Japanese Yen	2,334	1,031
Norwegian Kroner	392	751
Malaysian Ringits	1,938	-
Singapore Dollars	1,586	474
Australian Dollars	2,538	1,097
New Zealand Dollars	17	17
Hungarian Florints	783	388
Polish Zloty	447	415
Israeli Shekels		137
	<u>62,664</u>	<u>28,269</u>
Cash Deposits		
UK	115,229	99,272
Other Investments		
Broker Balances	(31,417)	5
Outstanding Dividend Entitlement and Recoverable With-holding Tax	8,386	12,302
TOTAL NET INVESTMENT ASSETS	<u>7,972,739</u>	<u>8,607,666</u>

* All leasehold properties are held on long leases

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			
	2010 £000	%	2011 £000	%
In-house	3,178,759	39.9	3,243,015	37.7
Managers: UK Quoted	25,438	0.3	49,115	0.6
Managers: US Quoted	88,622	1.1	99,481	1.2
Managers: European Quoted	185,594	2.3	206,120	2.4
Managers: Japanese Quoted	186,690	2.3	34,530	0.4
Managers: Pacific Basin	60,419	0.8	98,974	1.2
Managers: Emerging Markets	542,619	6.8	608,446	7.1
Managers: Global Equities	532,321	6.7	457,797	5.3
Managers: Fixed Interest	1,068,882	13.4	1,282,498	14.9
Managers: Indirect Property	94,851	1.2	161,729	1.9
Managers: Emerging Market Debt	262,637	3.3	262,316	3.1
Managers: Unquoted	-	-	-	-
Managers: Commodities	227,459	2.9	251,471	2.9
Managers: Active Currency	-	-	-	-
Managers: Infrastructure Funds	185,869	2.3	248,867	2.9
Managers: Absolute Return	600,320	7.5	928,750	10.8
Managers: Private Equity	723,873	9.1	662,255	7.7
	<u>7,964,353</u>	100.0	<u>8,595,364</u>	100.0
Outstanding Dividend Entitlement and Recoverable With-holding Tax	8,386		12,302	
TOTAL INVESTMENT ASSETS	<u>7,972,739</u>		<u>8,607,666</u>	

P15 INVESTMENT - MARKET VALUE MOVEMENTS ANALYSIS

The change in the value of investments during 2010/11 is set out below:-

	Value at 31 March 2010	Purchases at Cost & Derivative Payments £000	Sales Proceeds & Derivative Receipts £000	Change in Market Value £000	Value at 31 March 2011 £000
Fixed Interest Securities	178,360		(30,000)	4,439	152,799
UK Equities	1,114,223	72,012	(195,665)	(15,201)	975,369
Overseas Equities	1,913,439	211,773	(277,202)	53,441	1,901,451
Pooled Investment Vehicles	4,178,795	1,262,224	(716,905)	142,985	4,867,099
Property	433,060	67,339	(25,316)	96,017	571,100
	<u>7,817,877</u>	<u>1,613,348</u>	<u>(1,245,088)</u>	<u>281,681</u>	<u>8,467,818</u>
Broker Balances	(31,417)				5
Outstanding dividend entitlement and recoverable With-holding tax	8,386				12,302
Foreign Currency	62,664				28,269
Cash Deposits	115,229				99,272
Total Investments	<u>7,972,739</u>				<u>8,607,666</u>

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. There were 41 late payments amounting to £1.255m of contributions during the year which constituted employer related investments until the amounts were received. Other than this there were no employer related investments. The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year including profits and losses realised on sales of investments during the year.

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 £0.449m (2009-2010: £1.617m). In addition to the transaction costs disclosed above, 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.

	2010 £	31 March 2011 £
Equities - UK Quoted	658,941	219,229
- Overseas Quoted	957,974	229,651
	<u>1,616,915</u>	<u>448,880</u>

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.

P16 INVESTMENT COMMITMENTS

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

	31 March	
	2010 £000	2011 £000
Non-Equities	1,215,661	1,367,690
Property	281,338	256,256
	<u>1,496,999</u>	<u>1,623,946</u>

P17 CURRENT ASSETS

	31 March	
	2010	2011
	£000	£000
DEBTORS AND PREPAYMENTS		
Contributions Receivable		
- Employers	34,405	24,820
- Employees	9,580	9,264
Wolverhampton City Council	-	
Other Debtors	4,197	7,985
	<u>48,182</u>	<u>42,069</u>
Cash	218	342
	<u>48,400</u>	<u>42,411</u>

P18 CURRENT LIABILITIES

	31 March	
	2010	2011
	£000	£000
CREDITORS AND RECEIPTS IN ADVANCE		
Pensions and Lump Sum Benefits	(3,755)	(6,981)
Other Creditors	(9,509)	(2,246)
Trustee Account	-	(337)
	<u>(13,264)</u>	<u>(9,564)</u>

Note:-Following an ongoing dispute by the beneficiaries of a pensioner who died in 2008 and on advice from the Chief Legal Officer, the sum due to the beneficiaries of £337,349 has been paid into a trustees of the deceased account. Once the dispute is resolved the money due to the beneficiaries will be paid from this account .

P19 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Pension Fund provides for Additional Voluntary Contributions (AVC) for scheme members. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year. These investments are held outside of the Fund. The aggregate amounts of AVC investments are as follows:-

	31 March	
	2010	2011
	£000	£000
Equitable Life Assurance Society	4,119	3,855
Prudential	24,509	28,144
	<u>28,628</u>	<u>31,999</u>

Additional voluntary contributions are not included in the Pension Fund accounts in accordance with regulation 5(2)(C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

P20 POST YEAR END TRANSACTIONS

There were no major events following the end of the financial year that would affect the validity of the figures shown in the Accounts Statement.

P21 PARTICIPATING EMPLOYERS OF THE FUND AT 31 MARCH 2011

Scheduled Bodies	
<p>District Councils Birmingham City Council Coventry City Council Dudley Metropolitan Borough Council Sandwell Metropolitan Borough Council Solihull Metropolitan Borough Council Walsall Metropolitan Borough Council Wolverhampton City Council</p>	<p>Major Employers Centro Staffordshire & West Midlands Probation Trust West Midlands Fire & Civil Defence Authority West Midlands Police Authority</p>
<p>Universities (former Polytechnics) Birmingham City University Coventry University University of Wolverhampton (The)</p>	<p>Other Bodies Arden Academy Trust ARK Schools (formerly ARK Academies) Balsall Parish Council Bickenhill Parish Council Castle Bromwich Parish Council Chelmsley Wood Parish Council City of Wolverhampton Academy Trust E-ACT Heartlands Academy E-ACT North Birmingham Academy E-ACT Shenley Academy Fordbridge Parish Council Grace Academy Harborne Academy Heartlands Academy Hockley Heath Parish Council (<i>terminated 31 March 2009</i>) John Henry Newman Catholic College Trust King Edward VI Sheldon Heath Academy Trust Kingshurst Parish Council Meriden Parish Council Ninestiles Academy Trust North Birmingham Academy Ormiston Sandwell Community Academy Park Hall Academy Park Hall Infants Academy</p>
<p>Colleges of Further Education and Higher University College Birmingham Bourneville College of Further Education Cadbury Sixth Form College City College, Birmingham City College, Coventry Dudley College of Technology Halesowen College Henley College Hereward College Joseph Chamberlain College Josiah Mason College King Edward VI College Sandwell College Solihull College Solihull Sixth Form College South Birmingham College Stourbridge College Sutton College Walsall College Wolverhampton College</p>	<p>Q3 Academy RSA Academy Sandwell Academy Sandwell Homes Sandwell Leisure Trust Sheffield Community Academy Shenley Academy Sidney Stringer Academy Trust Smiths Wood Parish Council Solihull Community Housing St Patricks Church of England Primary Academy Tudor Grange Academy Solihull Trust Valuation Tribunal Service (formerly Birmingham Valuation Tribunal) Walsall City Academy Trust Limited West Midlands Regional Fire Control Centre (<i>terminated 28 February 2011</i>) Wolverhampton Homes</p>
<p>Schools King Edward VI Aston School King Edward VI Camp Hill School for Boys King Edward VI Camp Hill School for Girls King Edward VI Fire Ways School King Edward VI Handsworth School</p>	<p>Q3 Academy RSA Academy Sandwell Academy Sandwell Homes Sandwell Leisure Trust Sheffield Community Academy Shenley Academy Sidney Stringer Academy Trust Smiths Wood Parish Council Solihull Community Housing St Patricks Church of England Primary Academy Tudor Grange Academy Solihull Trust Valuation Tribunal Service (formerly Birmingham Valuation Tribunal) Walsall City Academy Trust Limited West Midlands Regional Fire Control Centre (<i>terminated 28 February 2011</i>) Wolverhampton Homes</p>

ADMITTED BODIES

With Active Members

ACUA Limited
 Adoption Support
 Age Concern Birmingham
 Age Concern Wolverhampton
 Aston University
 BID
 Beechdale Community Housing Association Limited
 Black Country Connexions (*terminated 31 May 2010*)
 Black Country Consortium Ltd
 Black Country Museum Trust Limited (The)
 Bloomsbury Local Management Organisation
 BME United Ltd
 Brownhills Community Association Limited
 Bushbury Hill Estate Managements Board Limited
 BXL
 Chuckery Tenant Management Organisation Limited
 Coventry and Solihull Waste Disposal Company
 Coventry Heritage & Arts Trust
 Coventry Law Centre
 Coventry Sports Trust Limited
 CSW Partnership Limited
 CV One Limited
 Delves East Estate Management Limited
 Dovecotes TMO
 Edith Cadbury Nursery School
 Family Care Trust
 Heart of England Care
 Home Start – Northfield
 Home Start – Stockland Green/Erdington
 Home Start – Walsall
 Intelligent Career Development Limited (*terminated 7 February 2011*)
 Leamore Residents Association Limited
 Leisure and Community Partnership Ltd
 Lieutenancy Services (West Midlands) Limited
 Life Education Centres – West Midlands
 Light House Media Centre
 Manor Farm Community Association
 Marketing Birmingham Limited
 Midland Heart Ltd
 Milbury Community Services Limited
 Millennium Point Trust
 Museum of British Road Transport (Coventry) Ltd
 Murray Hall Community Trust
 New Park Village Tenant Management Co-operative
 Northern Housing Consortium Limited
 Optima Community Association
 Palfrey Community Association
 Pendrells Trust (The)
 Pool Hayes Community Association
 Regent Office Care (City College)
 Riverside Housing Association Ltd (formerly Riverside Group Limited)
 Sandwell Arts Trust
 Sandwell Leisure Trust (The)
 Sandbank Tenant Management Organisation Limited
 Sandwell Community Caring Trust
 Serco Limited (Stoke) (*terminated 15 April 2011*)
 Sickle Cell and Thalassaemia Support Project
 Solihull Care Limited
 Solihull Care Trust
 Springfield/Horseshoe Housing Management Co-operative Ltd
 St Columba Day Care Centre
 Steps to Work (Walsall) Limited
 Sunderland ARC Limited (*terminated 31 March 2011*)

Titan Partnership
 University of Warwick
 Walsall Housing Group
 Walsall Regeneration Company (*terminated 30 September 2010*)
 Watmos Community Homes
 West Midlands Councils (formerly West Midlands Leaders Board)
 West Midlands Transport Information Services Limited
 Whitefriars Housing Group
 Wildside Activity Centre
 Wolverhampton Development Corporation (*terminated 30 September 2010*)
 Wolverhampton Family Information Service Ltd
 Wolverhampton Grammar School
 Wolverhampton Network Consortium
 Wolverhampton Voluntary Sector Council

Without Active Members

All Saints Haque Centre
 Aquarius Action Projects
 Asian Welfare Centre
 Asian Women's Adhikar Association (AWAAZ)
 Belgrade Theatre Trust Limited
 Bilston and Ettingshall SureStart
 Birmingham and Solihull Connexions Services
 Birmingham and Solihull Learning Exchange
 Birmingham Heartlands Development Corporation
 Black Business in Birmingham
 Black Country Museum Development Trust (The)
 Cannon Hill Trust (now Midlands Arts Council)
 Cerebral Palsy Midlands
 Community Justice National Training Organisation
 Coventry Voluntary Service Council
 Druids Heath TMO
 Dudley Zoo Development Trust
 East Birmingham Family Service Unit
 Heath Town Estate Management Board (*terminated 4 August 2008*)
 Job Change Limited
 Metropolitan Authorities Recruitment Agency (METRA)
 Moseley and District Churches Housing Association Limited
 National Urban Forestry Unit
 National Windows (Homes Improvements) Limited
 Newman College (*terminated 31 March 2008*)
 Relate
 Sandwell Regeneration Co. (*terminated 31 March 2010*)
 Select Windows (Homes Improvements) Limited
 Smethwick Asra
 Solihull Community Caring Trust
 South Birmingham Family Services Unit
 St Basil's Centre
 Target Excel plc (Walsall MBC)
 The Chris Laws Day Care Centre for Older People (*terminated 30 November 2010*)
 TSB Bank plc (formerly Birmingham Municipal Bank)
 University of Birmingham (Westhill)
 Walsall Enterprise Agency Limited
 Wednesbury Action Zone
 West Bromwich Afro-Caribbean Resource Centre (*terminated 31 October 2008*)
 West Midlands (West) Valuation Tribunal
 West Midlands Examination Board
 West Midlands Local Authorities Employers' Organisation
 Wolverhampton Community Safety Partnership (*terminated 30 April 2009*)
 Wolverhampton Race Equality Council

TRANSFEREE ADMISSION BODIES (BEST VALUE)

<p>Agilsys Limited Agilsys Limited (OCOS/WODO/Tipton) Agilsys Limited (Smethwick) Alliance in Partnership - Camp Hill Amey Highways Limited Amey LG Ltd APCOA Parking (UK) Limited APCOA Parking (UK) Limited - Solihull Axis Security Ltd (formerly Temple Security Limited) Balfour Beatty Workplace Limited Balfour Beatty Workplace Limited (Birmingham) Balfour Beatty Workplace Limited (Coventry) BAM Construct UK Limited Bespoke Cleaning Services Limited Bovis Lend Lease Management Services British Telecom plc Enterprise Plc Enterprise (AOL) Limited (Shrewsbury) Enterprise (AOL) Limited (Shropshire) Enterprise (AOL) Limited (Telford and Wrekin) Enterprise Managed Services Galliford (UK) Limited GF Tomlinson (Birmingham) Limited Housing 21 Icare GB Limited Inspace Integral UK Limited Interserve Project Services Limited Interserve Project Services Limited (Rowley Regis Campus) Interserve Project Services Limited (Smethwick Campus) KGB Cleaning and Support Services Limited Leisure Living Limited Liberata UK Limited Mears Group plc Mitie Cleaning (Midlands) Limited – Birmingham City Council Mitie Cleaning (Midlands) Limited - Wednesfield Mitie PFI Limited Mitie Property Services (UK) Limited (<i>terminated 4 April 2010</i>) NSL Limited Pell Frischmann Redcliffe Catering Limited (Bordesley Green Girls School) Regent Office Care Limited Regent Office Care Limited (City College) (<i>terminated 16 April 2010</i>) Regent Office Care Limited (COWAT) Regent Office Care Limited (Hereward College) Regent Office Care Limited (Whitefriars) Research Machines Plc Serco Limited (Sandwell) Serco Limited (Stoke) (<i>terminated 15 April 2011</i>) Serco Limited (Walsall) Service Birmingham Ltd Superclean Services (<i>terminated 31 May 2010</i>) Tarmac Limited Taylor Shaw Limited (COWAT) Taylor Shaw Limited (St Albans) Thomas Vale Construction plc Vertex Data Science Limited (<i>terminated 28 February 2010</i>) Wates Construction Limited (Birmingham) Willmot Dixon Partnership Ltd (North Contract) Willmot Dixon Partnership Ltd (South Contract)</p>	<p>Without Active Members Accord Operations (Birmingham) Alliance in Partnership - Aston AWG Facilities Services Limited Birmingham Accord Limited Burrowes Street Tenant Management Organisations Limited Central Parking Systems Forest Community Association JDM Accord Limited (Shrewsbury & Atcham) JDM Accord Limited (Shropshire) JDM Accord Limited (Tamworth) JDM Accord Limited (Telford & Wrekin) Kite Food Services Limited Methodist Homes for the Aged (<i>terminated 31 March 2010</i>) Mitie Managed Services (S&SW) Limited (<i>terminated 31 December 2009</i>) Mitie Managed Services (S&SW) Limited - Coventry (<i>terminated 31 December 2009</i>) Mitie Cleaning (Midlands) Limited - Wednesfield MLA West Midlands (<i>terminated 31 March 2009</i>) Morrison Facilities Services Limited Redcliffe Catering Limited (Aston School) MLA West Midlands (<i>terminated 31 March 2009</i>) Morrison Facilities Services Limited Redcliffe Catering Limited (Aston School) Redcliffe Catering Limited (Camp Hill School) Research Machines plc Revenue Management Services Service Team Limited South Warwickshire Tourism Limited Strand Ltd (<i>terminated 31 July 2009</i>) Target Excel Plc (Magistrates Courts) Target Excel Plc (Solihull MBC) Technology Innovation Centre (<i>terminated 31 March 2009</i>) Veolia Environmental Serviced Cleanaway (UK) Limited West Midlands E-Learning Company</p> <p>Other Major Employers who have Participated in the Fund Birmingham International Airport Plc Department of Transport Department of Health and Social Security Severn Trent Water Authority West Midlands Magistrates Courts Committee</p>
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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.

⇒ Debtors, Creditors

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 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 fixed assets, for which depreciation applies).

⇒ Depreciation

Capital Adjustment Account

From 2007/2008 onwards, an account whose purpose is to serve as a balancing mechanism between the different rates at which assets are depreciated in line with the SORP, 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.

⇒ Capital Financing Requirement

Capital Expenditure

Expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing asset.

⇒ Deferred Charge, Fixed Asset

Capital Financing Requirement

An amount calculated as Long Term Assets less the balances on Capital Financing Account and Fixed Asset Restatement Account, and Deferred Grant Account.

⇒ Minimum Revenue Provision

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.

⇒ 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.

⇒ 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 on behalf of Central Government.

Community Assets

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

Consistency

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:-

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

Corporate and Democratic Core

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

Creditors

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.

⇒ Accruals, Debtors

Debtors

Sums of money owed to the council but not received at the end of the year.

⇒ Accruals, Creditors

Deferred Charge

A deferred charge is one which is made to the Comprehensive Income and Expenditure Statement representing expenditure which has been capitalised but does not come under the heading of fixed assets

⇒ Fixed Assets

Defined Benefit Scheme

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

Defined Contribution Scheme

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

De Minimis

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

⇒ Capital Expenditure

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

⇒ [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.

⇒ [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.

⇒ [Premium](#)

Dividend

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

Earmarked Reserve

A sum set aside for a specific purpose.

⇒ [Usable and Unusable Reserves](#)

Emoluments

Payments received in cash and benefits for employment.

Estimation Techniques

The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves. Examples include methods of depreciation and the calculation of the provision for bad debts.

Events after the Balance Sheet Date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

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.

⇒ [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 a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

⇒ [Operating Lease](#)

Fixed Assets

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.

⇒ [Capital Expenditure](#)

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.

Generally Accepted Accounting Practice (GAAP)

The principles used when preparing financial statements prior to January 2010.

⇒ [International Financial Reporting Standards](#)

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.

HRA Subsidy

A funding stream, particular to the HRA, by which government and local authorities with assumed surpluses on their HRA subsidise those local authorities with assumed deficits on their HRA, in accordance with a formula set by government. Those authorities with assumed surpluses are required to pay monies over to the government for redistribution: this is known as "Negative Subsidy".

⇒ [Housing Revenue Account](#)

Impairment

A diminution in value of a fixed asset resulting from inter alia, 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.

⇒ [Fixed Assets](#)

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.

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.

⇒ [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.

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 arms length.

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.

⇒ [Accruals, Creditors](#)

Materiality

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

Minimum Revenue Provision (MRP)

A minimum amount, set by law, which the council must charge to the revenue account, for debt redemption or for the discharge of other credit liabilities.

⇒ [Capital Financing Requirement](#)

National Non-Domestic Rates (NNDR)

Rates which are levied on business properties. The council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

Net Book Value

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

⇒ [Fixed Assets](#)

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 Debt

The council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference is made to net funds rather than net debt.

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.

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.

⇒ [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.

⇒ [Fixed Assets](#)

Operating Leases

Leases other than a finance lease.

⇒ [Finance Leases](#)

Post Balance Sheet Events

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.

Precept

The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the city 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.

⇒ [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.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved 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.

Related Party

There is a detailed definition of related parties in FRS8. For the council's purposes, related parties are deemed to include:

- (i) the elected members of the council and their partners.
- (ii) the chief officers of the council.
- (iii) the companies in which the council has an interest.
- (iv) central government and preceptors of Wolverhampton's Collection Fund.
- (v) other entities which the council has the ability to control or influence.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either

- (i) an employer's decision to terminate and 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

Revenue Expenditure

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

Revenue Support Grant (RSG)

Grant from central government towards the cost of providing General Fund services.

Statement of Recommended Practice (SORP)

The set of accounting principles and practices which, prior to 2010, specified the standards to which a local authority's accounts were prepared. Now replaced by the Code of Practice on Local Authority Accounting.

⇒ [Code of Practice on Local Authority Accounting](#)

Statement of Standard Accounting Practice (SSAP)

A document issued by the Accounting Standards Board, setting out approved accounting treatments.

⇒ [Financial Reporting Standards, Generally Accepted Accounting Practice](#)

Tangible Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provide for a period of more than one year.

Usable Reserves

Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.

Useful life

The period over which the local authority will derive benefits from the use of a fixed 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.

⇒ [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).