

Audit Committee

8 July 2013

Time 2.00pm **Public meeting?** YES **Type of meeting** Regulatory

Venue Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Room Committee Room 3 (3rd floor)

Membership

Chair Cllr Keith Inston (Lab)
Vice-chair Cllr Mrs Wendy Thompson (Con)

Labour	Conservative	Independent members
Cllr Harbans Bagri Cllr Phil Bateman Cllr Alan Bolshaw Cllr Dr Mike Hardacre Cllr Jasbir Jaspal	Cllr Matthew Holdcroft	Mr Mike Ager Mr Terry Day

Information for the Public

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

Contact Martin Fox
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Address Democratic Support, Civic Centre, 2nd floor, St Peter's Square,
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <http://wolverhampton.cmis.uk.com/decisionmaking>
Email democratic.support@wolverhampton.gov.uk
Tel 01902 555043

Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

Item No. Title

MEETING BUSINESS ITEMS

1. **Apologies for absence**
2. **Declarations of interest**
3. **Minutes**
 - (a) **Audit committee – 15 April 2013**
[for approval]
 - (b) **Audit (final accounts monitoring and review) sub-committee – 22 April 2013**
(for information)
 - (c) **Audit (monitoring of audit investigations) sub-committee – 29 April 2013**
(for information)
4. **Matters arising**
[To consider any matters arising from the minutes]
5. **Dates of meetings 2013/2014**
[To note that meetings of the committee are scheduled to be held on the following dates commencing at 2.00 pm:-

23 September 2013
16 December 2013
10 March 2014
14 April 2014]
6. **Work programme 2013/14**
[for information]

DECISION ITEMS

7. **INTERNAL AUDIT REPORTS:**
 - a **Annual review of effectiveness of internal audit**
[To approve the annual review of the effectiveness of internal audit in order to discharge the committee's responsibility under Regulation 6 of the Accounts and Audit Regulations 2011]

8. **OTHER GOVERNANCE REPORTS:**

- a **Audit committee – annual report**
[To endorse the report and refer it to Full Council for approval]

INFORMATION ITEMS

9. **FINAL ACCOUNTS/ANNUAL GOVERNANCE STATEMENT:**

- a **Draft statement of accounts 2012/13**
[To note the draft statement]
- b **Annual governance statement 2012/13**
[To note the statement]

10. **EXTERNAL AUDIT REPORTS AND INSPECTION:**

- a **External audit update report 2012/13**
[To receive the report]

11. **RISK MANAGEMENT – ASSURANCE ON CORPORATE RISKS:**

- a **Corporate risk register - update**
[To note and comment on the current list of corporate risks and the actions being taken to manage them]

12. **INTERNAL AUDIT REPORTS:**

- a **Annual internal audit report 2012/13**
[To note the content of the internal audit report]
- b **CIPFA Audit committee update**
[To note the latest CIPFA update]
- c **Payment transparency**
[To note continued compliance with the Code of Recommended Practice]

Part 2 – exempt items, closed to the press and public

NIL

M M I N U T E S

meeting: **AUDIT COMMITTEE**

date: **15 APRIL 2013**

PRESENT:

Councillor Inston (Chair);
Councillors Claymore, Dr Hardacre, Holdcroft, Jasbir Jaspal
and Mrs Thompson

EMPLOYEES IN ATTENDANCE:

Delivery

K Ireland	-	Strategic Director
P Farrow	-	Head of Audit
D Johnston	-	Head of Risk Management and Insurance
K Morgan	-	Audit Services
M Taylor	-	Assistant Director-Finance
M Fox	-	Democratic Support

Community

S Norman	-	Strategic Director (part)
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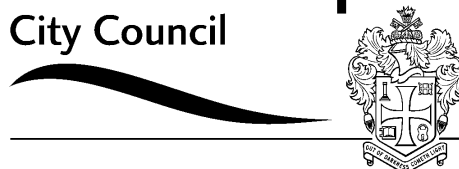
Education and Enterprise

N Edwards	-	Assistant Director-Regeneration
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PRESENT BY INVITATION:

J Howse	-	PricewaterhouseCoopers – External Auditors
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Wolverhampton
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Part I – Open items
(open to press and public)

Declarations of interest

61 There were no declarations of interest.

Minutes

62 Resolved:

 (a) That the minutes of the meeting of the Audit Committee held on 11 March 2013 be confirmed as a correct record.

 (b) That the minutes of the meeting of the Audit (Final Accounts Monitoring and Review) Sub-Committee held on 25 February 2013 be noted.

Work programme 2012/13 (appendix 45)

63 Resolved:-

 That the work programme be received.

EXTERNAL AUDIT REPORTS AND INSPECTION:

Annual grants certification report (appendix 46)

 The Council's External Auditors presented their report on certification work carried out in 2011/2012. Councillor Mrs Thompson expressed concern regarding the need for qualification letters to be issued setting out matters arising in 4 areas from the certification of the claim. The Strategic Director-Delivery responded that this was due to staffing changes in a specialised area although he added that remedial action had now been taken in terms of future grant claim work.

64 Resolved:-

 That the report be received.

RISK MANAGEMENT – ASSURANCE ON CORPORATE RISKS:

Corporate risk register (appendix 47)

 This report detailed the current list of corporate risks and actions being taken to manage them. The Head of Risk Management and Insurance also circulated information about the welfare reform programme 2013, welfare reform being one of the items which had been included in the risk register.

65 Resolved:

That the list of corporate risks and the actions being taken to manage them be noted.

RISK MANAGEMENT – ASSURANCE ON SERVICE RISKS:

Community directorate – risk management and governance (appendix 48)

This report detailed the assurance measures being provided by the community directorate to mitigate current risks.

66 Resolved:

That the assurance measures detailed within the report to mitigate current risks within the community directorate be noted.

Education and enterprise – risk management and governance (appendix 49)

This report detailed the assurance measures being provided by the education and enterprise directorate to mitigate current risks.

67 Resolved:

That the assurance measures detailed within the report to mitigate current risks within the education and enterprise directorate be noted.

Vote of thanks

The Chair expressed his appreciation to the councillors and employees in attendance for their support of the committee during the current municipal year.

68 Resolved:

That the thanks of the committee to the Chair for his able and courteous service in the chair during the municipal year be placed on record.

MINUTES

meeting: **AUDIT (FINAL ACCOUNTS MONITORING AND REVIEW) SUB-COMMITTEE**

date: **22 APRIL 2013**

PRESENT:

Councillors Holdcroft, Inston and Mrs Thompson

IN ATTENDANCE:

Delivery

- D Kane - Head of Finance-Corporate Services
- M Fox - Democratic Support Officer-Governance

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City Council



Chair

In the absence of the Chair it was:

16 Resolved:

That Councillor Mrs Thompson be elected Chair for the meeting.

Declarations of interest

17 No interests were declared.

Minutes

18 That the minutes of the meeting held on 25 February 2013 be approved as a correct record.

Budget risks update and review (resolution 15)

19 It was noted that a briefing note had been circulated on 1 March, providing further information about items included in the budget for demographic growth for older people's services and savings relating to employee terms and conditions incorporated in the 2012/2013 budget. The Chair indicated that she had found the figures to be slightly misleading and the Head of Finance undertook to bear these comments in mind in terms of future budgets.

2012/2013 Statement of accounts progress update (appendix 1/6)

The Head of Finance presented a report, which detailed progress on planning and delivering the statement of accounts for 2012/13. He added that work on the outstanding risks as shown in the timetable as attached at appendix A of the report had now been completed

20 Resolved:

(a) That progress on planning and delivering the statement of accounts for 2012/2013 be noted.

(b) That the risks associated with a successful production and audit of the 2012/2013 statement of accounts, which at this stage continue to be quantified as amber, be noted.

(c) That it be noted that the Assistant Director Finance continues to be of the opinion that the council has provided sufficient resources to allow the statutory responsibilities in relation to the statement of accounts to be fulfilled.

M MINUTES

meeting: **AUDIT (MONITORING OF AUDIT INVESTIGATIONS)
SUB-COMMITTEE**

date: **29 APRIL 2013**

Present:

Councillor Mrs Thompson (Chair);
Councillors Dr Hardacre and Inston

Employees in attendance:

Delivery

P Farrow	-	Head of Audit
S Lunn	-	Head of Operational Finance
R Morgan	-	Senior Audit Manager
M Webb	-	Head of Service- Delivery
M Wilkes	-	Principal Auditor
M Fox	-	Democratic Support Officer, Governance Services Division

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PART I – OPEN ITEMS
(Open to press and public)

Declarations of interest

29 There were no declarations of interest.

Minutes

30 Resolved:
 That the minutes of the meeting of the Audit (Monitoring of Audit Investigations) Sub-Committee held on 21 January 2013 be confirmed as a correct record.

Training for schools – financial matters (resolution 26)

Councillor Hardacre asked about progress with the provision of training for schools regarding financial matters and compliance with agreed recommendations. The Senior Audit Manager indicated that a tailored awareness session would be explored for schools and the Chair suggested that this should include governors and headteachers.

31 Resolved:

 That appropriate training packages be explored for schools regarding financial matters and compliance with agreed recommendations.

Schedule of outstanding minutes (appendix 11)

The Democratic Support Officer presented the Schedule of outstanding minutes.

32 Resolved:
 That the report be received and noted.

Exclusion of press and public

33 Resolved:
 That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from consideration of the items of business in part II of the agenda on the grounds that, in view of the nature of the business to be transacted or the nature of the proceedings, exempt information falling within paragraph 1, 2 & 3 of schedule 12A of the act, is likely to be disclosed.

PART II – EXEMPT ITEMS
(Press and public excluded)

Audit services – counter fraud report – April 2013 (appendix 12)

Mark Wilkes, Principal Auditor, presented a report which updated the Sub-Committee on the current counter-fraud activities undertaken by Audit Services. Councillor Hardacre asked whether audit services are sufficiently well staffed to deal with the current workload. The Head of Audit responded that he believed the section to be suitably staffed with the appropriate skills and experience, but undertook to report back if any difficulties were perceived in the future. The Chair stressed the importance of appropriate resources in this area. A discussion also took place about current fraud awareness training for officers and the need to ensure that as many officers attend as possible. Wide circulation of the Frauditor newsletter was also encouraged.

34 Resolved:

That the report be received and noted.

Audit update (appendix 13)

The Principal Auditor presented a report on current audit investigations. Councillor Hardacre asked whether consideration could be given to an audit of the pupil premium as used in schools and officers undertook to look into the matter.

Councillors also asked that case ref WBP101 (disabled facilities grant) as considered at a previous meeting be added to the current summary of investigations list as attached to the report. They also expressed appreciation of the action taken to date by employees in relation to this case.

35 Resolved:

(a) That the report be received and noted.

(b) That officers consider carrying out an audit of the pupil premium.

(c) That case ref WBP101 be added to the summary of investigations as attached to the report.

Vote of thanks

Reference was made to the services of the Chair to the sub-committee during the year.

36 Resolved:

That the appreciation to the Chair for her services during the year be placed on record.

Audit Committee Work Programme 2013/14

The Governance & Assurance Framework

- Corporate **Objectives**
- Corporate (Strategic) **Risks**
- **Controls** to Mitigate the Risks
- Sources of **Assurance**
- Identifying and addressing the **Gaps**

The Assurance Framework Life Cycle

Identification of	Corporate Objectives	the Corporate Plan
Assessment of	Corporate (Strategic) Risks	Risk Workshops
Identification of	Key Controls	Risk Management Plans
Identification of	Sources of Assurance	Service Plans, Project Plans, Corporate Policies, External Reviews
Analysis of	Assurance on Key Controls	Risk Management & Insurance Corporate Risk Management Group Internal and External Audit

Reports to Audit Committee on	Assurance on Key Controls Gaps in Key Controls Gaps in Sources of Assurance	{ Risk Management & Insurance Corporate Risk Management Group Internal and External Audit
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Response

Action Plans 12 of 336

Directors, Management Teams, Project Teams

Audit Committee Work Programme 2013/14

Committee Meeting Date All at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit Reports *	Risk Management – Assurance on Corporate Risks	Risk Management – Assurance on Service Risks ^{Note 1}	External Audit Reports and Inspection	Other Governance Issues
8 July 2013	2012/13 Annual Governance Statement 2012/13 Draft Statement of Accounts	Annual Internal Audit Report 2012/13 Annual Review of Effectiveness of Internal Audit CIPFA Audit Committee Update Payment Transparency	Corporate Risk Register		External Audit Update Report	Sub-Committees: Minutes and Matters Arising Audit Committee – Annual Report
23 September 2013	2012/13 Audited Statement of Accounts	Internal Audit Update Review of Fraud Related Policies Payment Transparency Internal Audit Management Arrangements Update Internal Audit Charter	Corporate Risk Register		Annual Report to those charged with Governance (ISA 260) Medium Term Financial Strategy Review	Sub-Committees: Minutes and Matters Arising

Committee Meeting Date All at 2.00pm	Final Accounts / Annual Governance Statement	Internal Audit Reports *	Risk Management – Assurance on Corporate Risks	Risk Management – Assurance on Service Risks ^{Note 1}	External Audit Reports and Inspection	Other Governance Issues
16 December 2013		Internal Audit Update Payment Transparency	Corporate Risk Register		Annual Audit Letter	Sub-Committees: Minutes and Matters Arising Audit Committee Self-Assessment Workshop Benefits Fraud Sanctions Report 2012/13
10 March 2014	Annual Governance Statement – Significant Governance Issues	Internal Audit Update Strategy for Internal Audit 2014/15 – 2016/17 Payment Transparency	Risk Management Policy and Strategy Corporate Risk Register	Delivery Directorate	External Audit Plan 13/14	Sub-Committees: Minutes and Matters Arising Audit Committee Terms of Reference Review
14 April 2014			Corporate Risk Register	Community Directorate Education and Enterprise Directorate	Annual Grants Certification Report	

Also, to include:

- As and when issued, CIPFA's Audit Committee Technical Updates will be brought before the Committee
- Audit fee letter – once further guidance issued as to when and where this should be presented

Note 1: Risk Management / Corporate Risks Reports

An annual cycle of reports from:

- Chief Executive
- Strategic Director for Delivery
- Strategic Director for Community
- Strategic Director for Education and Enterprise

These reports should provide Audit Committee with assurance of that adequate governance and risk management arrangements are in place within each service group. They will focus on the ongoing operational activities of the service group rather than major projects which are picked up in the reports on Major Projects/Partnerships in the workplan. Key questions which may inform the report to Audit Committee include:

- What are the key statutory functions the service group is required to deliver?
- What are the key strategic objectives that the service group is responsible for delivering?
- What arrangements are in place to ensure these key statutory functions and strategic objectives are properly delivered?
- What are the main 'red risks' that the service group has to manage on an ongoing basis and how are these risks managed?
- What external assurance is available eg external inspection reports. How have significant issues identified in such reports been addressed?
- What significant problems have occurred in the past year and what arrangements have been made to avoid such problems going forward?

Assurance gained on the corporate governance arrangements in place within the service groups will inform the Annual Governance Statement.

**Final Accounts Monitoring & Review Sub-Committee
Work Programme 2013/14**

Sub-Committee Meeting Date All at 2.00pm	Final Accounts / Annual Governance Statement	Revenue Budget & Capital Programme	Other Finance Matters
22 July 2013		Revenue Budget Outturn 2012/13 Capital Budget Outturn 2012/13 (incl Q1) Reserves, Provisions and Balances 2012/13 Quarter 1 Revenue Budget Monitoring 2013/14 2014/15 Draft Budget Strategy & Medium Term Financial Strategy	Treasury Management Annual Report 2012/13 Quarter 1 – Treasury Management 2013/14 Monitoring
16 September 2013	Update on External Audit of Statement of Accounts		
9 December 2013		Quarter 2 – Revenue Budget Monitoring Quarter 2 – Capital Budget Monitoring 2014/15 Draft Budget Strategy & Medium Term Financial Strategy	Quarter 2 – Treasury Management 2013/14 Monitoring
24 February 2014		Quarter 3 – Revenue Budget Monitoring Quarter 3 – Capital Budget Monitoring 2014/15 Budget Strategy & Medium Term Financial Strategy – Update	Quarter 3 - Treasury Management 2013/14 Monitoring

7 April 2014	2013/2014 Statement of Accounts Progress update		
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**Monitoring of Audit Investigations
Sub-Committee Work Programme 2013/14**

Sub-Committee Meeting Date All at 2pm	Monitoring of Audit Investigations: to include details of completed investigations, implementation of recommendations, fraud risk register, pro-active testing, NFI updates, raising fraud awareness events, benchmarking and other fraud related activities
15 July 2013	Counter Fraud Report Audit Issues Update
21 October 2013	Counter Fraud Report Audit Issues Update
20 January 2014	Counter Fraud Report Audit Issues Update
28 April 2014	Counter Fraud Report Audit Issues Update

Audit Committee Member Training Programme 2013/14

Date	Training Event
24 June 2013	<ul style="list-style-type: none">• Raising Fraud Awareness• The Statement of Accounts

Wolverhampton City Council

OPEN DECISION ITEM

Audit Committee

Date **8 July 2013**

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

M TAYLOR **P FARROW**

Telephone Number(s)

4500 **4460**

Title/Subject Matter

**ANNUAL REVIEW OF THE EFFECTIVENESS OF
INTERNAL AUDIT 2012/2013**

RECOMMENDATION

That members of the Audit Committee formally approve the annual review of the effectiveness of internal audit in order to discharge their responsibility under Regulation 6 of the Accounts and Audit Regulations 2011, where “the relevant body shall, at least once in each year, conduct a review of the effectiveness of internal audit”.

1. **PURPOSE AND BACKGROUND**

1.1 The Accounts & Audit Regulations 2011 state that the relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control” and that “for principal local authorities, proper internal control practices for internal audit are those contained within the Code of Practice for Internal Audit in Local Government”

1.2 At paragraph 6 the regulations also state that “the relevant body shall, at least once in each year, conduct a review of the effectiveness of internal audit” The regulations go on to say that the findings of this review be considered by a committee of the relevant body, or by the members of the relevant body as whole, as part of the wider consideration of the system of internal control. At the Council, the Audit Committee perform this role.

1.3 The current policy with regard to reviewing the effectiveness of the system of Internal Audit was established in April 2007 when it was agreed that:

- The CIPFA Code of Practice for Internal Audit in Local Government 2006 be formally adopted as the standard by which Internal Audit is assessed in Wolverhampton. However, from 1 April 2013 this code has been replaced by a new set of Public Sector Internal Audit Standards.
- Members of the Audit Committee receive and consider the results of the review to discharge the responsibility under paragraph 6 of the regulations.

This report provides the Committee with sources of information and measures in place in order to assist in being able to reach a conclusion on the adequacy and effectiveness of the Internal Audit Service.

2. **DETAILS**

2.1 The Council’s arrangements for Internal Audit are contained within the Constitution, which states that “The Section 151 Officer shall ensure that an adequate and effective internal audit of all Council activities is carried out in accordance with the most recent CIPFA Statements on Internal Audit Practice and relevant legislation.”

2.2 Throughout 2012/13 Internal Audit followed the CIPFA Code of Practice for Internal Audit in Local Government 2006 which covered the following standards:

- Scope of Internal Audit
- Independence
- Ethics
- Audit Committees
- Relationships
- Staffing, Training and Continuing Professional Development
- Audit Strategy and Planning
- Undertaking Audit Work
- Due Professional Care
- Reporting
- Performance, Quality and Effectiveness

From 1 April 2013 this code has been replaced by a new set of Public Sector Internal Audit Standards.

In reviewing the effectiveness of internal audit, the following have been taken into consideration:

- The process by which the control environment and key controls have been identified.

- The process by which assurance has been gained over controls.
- The adequacy and effectiveness of the remedial action taken where there are deficits in controls.
- The operation of the Audit Committee and the internal audit function to current codes and standards.
- An assessment against the five principles contained in the CIPFA document “The Role of the Head of Internal Audit”.

Further details on each of these are detailed below.

The process by which the control environment and key controls have been identified

The control environment and key controls of the Council are identified through the risk management system. Risks to the achievement of the Council’s priorities are identified and mitigated within the control environment through risk management, with risk registers at various levels across the council. However, a register at a corporate level is still being developed.

The process by which assurance has been gained over controls

Assurance is gained over controls through a number of sources including the work of Internal and External Audit (currently PwC). Internal Audit produce a risk based Strategy for Internal Audit, which is driven by the risks the Council faces. They also report progress on the delivery of this plan on a quarterly basis to the Audit Committee, and for 2012/13 produced an Annual Internal Audit Report, which gave the following opinion:

“Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes”.

The adequacy and effectiveness of the remedial action taken where there are deficits in controls

Where deficits in internal control are identified, both Internal and External Audit will make recommendations that are entered onto an action plan. Management are then responsible for identifying what remedial action will be undertaken, who by and by when. Internal Audit will then follow up all key recommendations and report back on any significant non-compliance to the Audit Committee.

The operation of the Audit Committee and the internal audit function to current codes and standards

Internal Audit

A review of the self-assessment checklist completed by Internal Audit taken from the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, has been undertaken, and this indicated that the standards included in the code were being met. A full copy of the completed checklist can be made available upon request. From 1 April 2013 this code has been replaced by a new set of Public Sector Internal Audit Standards, and again Audit Services will ensure that they comply with these requirements in the year ahead.



PwC were commissioned to undertake a review of the effectiveness of the internal audit function and the role of the Audit Committee, which was reported upon in 2011. In 2012 the Committee requested that PwC undertake a follow up report in order to give the Committee assurance that action had been taken to address their recommendations, which were as follows:

Ref	Recommendation	Priority
1	Address inefficiencies in the internal audit plan.	High
2	Create a more risk-focused internal audit plan.	High
3	Provide pro-active fraud awareness training.	Medium
4	Create investigative specialism within the internal audit team.	Medium
5	Consideration of open plan environment.	Low
6	Consideration of paid accounts process.	High
7	Introduction of timescales for internal audit reporting.	Low
8	Increase service involvement in clearing reports.	High
9	Introduction of automated audit software and consideration of further specialisms.	Medium
10	Introduction of Key Performance Indicators and a robust quality assurance framework.	Medium
11	Improve compliance with the CIPFA Code of Internal Audit.	Medium
12	Introduction of a new internal audit Charter.	High
13	Consideration of Audit Committee preparation and practice.	High
14	Provision of Member training.	Medium
15	Introduction of CIPFA guidance compliant Audit Committee role and remit.	High
16	Consideration of independent membership of Audit Committee.	High

They were able to report that 15 of the 16 recommendations they originally made had been implemented. The only outstanding recommendation related to number 3 around the need to prioritise and implement the actions identified through the CIPFA 'Managing the Risk of Fraud – Red Book 2' self-assessment, which was now also been completed.

Internal Audit also seek feedback from each audit they undertake by providing a service quality questionnaire for the auditee to complete and return. Feedback from these has been positive throughout the year, and further details can be provided upon request.

Finally a series of Internal Audit effectiveness measures have been agreed by the Audit Committee, including delivery of at least 80% of the Internal Audit Plan, and good progress has been made against these and is reported in more detail in the Annual Internal Audit Report.

The below is an extract from the minutes of the Audit Committee held in September 2012:

Internal Audit Management Arrangements Update (Appendix 20)

A report was submitted which updated the Committee on arrangements to extend the partnership with Sandwell MBC for the role of Head of Audit. The Chair felt that the current arrangements are working very well and he also asked for his appreciation to be passed to the internal audit team for their continuing good service.

Also, in their 2011/12 External Audit Report (also reported to the Audit Committee), PwC reviewed the work of internal audit across a number of areas and were able to place full reliance on their work:

Section 4 – Review of the work of Internal Audit

We have reviewed the work of Internal Audit across the following key financial systems:

- Cash / general ledger
- Debtors
- Creditors
- Treasury management (borrowings and investments)
- Budgetary control
- Property, plant and equipment
- Payroll
- Council tax income
- Housing benefits and rent

In completing our work we found that:

- the scope of the work of Internal Audit met our requirements;
- the quality of the work undertaken by Internal Audit was of a good standard;
- the conclusions of Internal Audit were consistent with the work they had completed;
- our re-performance testing (of a sample of work undertaken by Internal Audit) reached the same conclusion in every instance;

Our review of the aforementioned reviews of Internal Audit also found that:

- no material control weaknesses were identified; and
- all systems achieved an assurance rating of at least 'satisfactory';

On the basis of the above we were able to conclude that:

- we are able to place reliance on the work of Internal Audit, as planned;
- we are able to place reliance on the controls within the Council's key financial systems, as planned; and
- there are no findings which would require changes to our planned audit approach.

Our final accounts audit approach will therefore continue as planned.

We have provided feedback to the Internal Audit Team on their good performance and suggested a number of areas where efficiencies could be gained in the delivery of the managed audit in future years.

Audit Committee

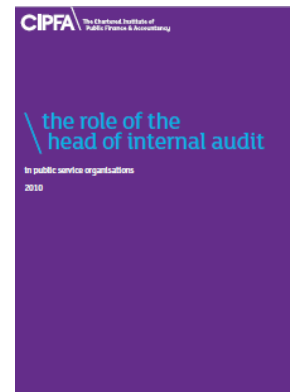
The Audit Committee operate within a Terms of Reference based on the model provided by CIPFA in their "Audit Committees – Practical Guidance for Local Authorities" guidelines. During the year they also undertook a self-assessment exercise and a skills audit.



Assessment of the five principles contained in CIPFA's "Role of the Head of Internal Audit in public service organisations"

This document includes five principles for the Head of Internal Audit:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and the Audit Committee.
- Must lead and direct an internal audit service that is resourced to be fit for purpose.
- Must be professionally qualified and suitably experienced.



Underpinning each of the above 5 principles in the CIPFA document is a series of governance requirements, core responsibilities and personal skills and professional standards. As part of this review the current arrangements have been assessed against these requirements and found to be in compliance.

The Council's Head of Internal Audit's background and experience

The Head of Audit is a qualified accountant (FCCA) and also has the following experience:

- Executive Board member, with lead responsibility for risk management for the National Anti-Fraud Network (NAFN)
- Former Chair and a current member of the Organising Committee for the CIPFA in the Midlands Audit Training Seminars (CATS)
- Chair of the Audit Committee and Governor at an FE college
- A regular speaker on internal audit matters for a number of organisations, including CIPFA and the Chartered Institute of Internal Auditors (CIIA)

The post is a shared service role as part of an arrangement with Sandwell MBC, and the current Head of Audit throughout 2012/13 acted in a similar role for a number of Midlands based public sector organisations. Also, during the year the audit teams have continued to work closely together and have developed a series of innovative ways of working, across their wide and varied client base. This included being successfully awarded the audit role at three of Wolverhampton's recent academy convertors. The following 'flyer' provides more information on the current arrangement:

A shared internal audit, counter fraud and risk service

Since January 2012 Wolverhampton City Council and Sandwell MBC have entered into a unique shared service arrangement for their internal audit and related services.

The shared service has a wide and varied customer base including the two local authorities, West Midlands Fire Service, West Midlands Pension Fund, both Sandwell Leisure and Arts Trust and three recent academy converters. Our aim is to add real benefits to our customers in their key areas of governance, control and risk.

Key highlights from this unique arrangement include:

'blue chip' clients	expertise	benefits to customers
<ul style="list-style-type: none"> • Wolverhampton CC • Sandwell MBC • WM Fire Service • WM Pension Fund 	<ul style="list-style-type: none"> • internal audit • counter fraud • investigations service • risk management • assurance mapping • partnership governance 	<ul style="list-style-type: none"> • innovation • wider skills pool • efficiency savings • commercial awareness • flexibility • professionalism



"A joint local professional team providing the internal audit service to a wide range of public and related organisations across the West Midlands - putting true 'localism' into practice".

For further information please contact Peter Farrow – Head of Audit, at peter.farrow@wolverhampton.gov.uk

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising from the recommendations in this report. (GE/03062013/P)

4. LEGAL IMPLICATIONS

- 4.1 The report is submitted to comply with the Accounts and Audit Regulations (2011).and associated statutory instruments which are issued from time to time. (MW/03062012/A)

5. EQUAL OPPORTUNITIES IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

- 7.1 Accounts and Audit Regulations (2011)
CIPFA Code of Practice for Internal Audit (2006)
CIPFA Role of the Head of Internal Audit in Public Service Organisations
CIPFA Audit Committees – Practical Guidance for Local Authorities
Wolverhampton City Council Constitution

Wolverhampton City Council

OPEN DECISION ITEM

Audit Committee

Date **8 July 2013**

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

P FARROW

R MORGAN

Telephone Number(s)

4460

5612

Title/Subject Matter

AUDIT COMMITTEE ANNUAL REPORT - 2012/13

RECOMMENDATION

That the contents of the Audit Committee Annual Report be endorsed and referred to Full Council for approval.

1. PURPOSE AND BACKGROUND

- 1.1. This report is submitted to summarise the work undertaken by the Audit Committee during the 2012/13 year.

2. DETAILS

2.1 Activity During 2012/13

- 2.1.1 The Audit Committee agreed a work programme for the 2012/13 year which was monitored and revised on an on-going basis throughout the year, and was based on the following categories of reports which provide the main sources of assurance:

Final Accounts/Annual Governance Statement.

These are the statutory reports which the Audit Committee approves in relation to the Council's Annual Statement of Accounts.

Internal Audit Reports.

These relate to the ongoing work of the Audit Services Division and allow the Audit Committee to approve and monitor the Audit Plan and to remain informed of significant issues arising.

Risk Management/Corporate Governance Reports.

These reports relate to the corporate governance and risk management arrangements in each of the Council's directorates.

External Audit and Inspection Reports.

These are the reports submitted to Audit Committee by the Council's external auditors PricewaterhouseCoopers (PwC) and other inspection agencies.

Other Governance Issues.

These constitute other areas of governance which the Audit Committee needs to keep under review.

- 2.1.2 The two Sub-Committees of the Audit Committee have adopted separate work programmes:

- The Final Accounts Monitoring and Review Sub Committee which receives reports on the Final Accounts and Annual Governance Statement, Revenue and Capital Budget Programme and other finance matters and;
- Monitoring of Audit Investigations Sub-Committee which receives reports on counter fraud issues and audit/whistleblowing investigations.

All work programmes are circulated with agenda papers for Audit Committee meetings to ensure that Members are kept informed about progress towards completing scheduled reports.

- 2.1.3 The Audit Committee was established under guidelines produced by CIPFA and has been working to these throughout the year. During the year a self-assessment exercise was undertaken which identified that the Committee was operating in accordance with recognized best practice.

- 2.1.4 Looking forward to 2013/14, the terms of reference of the Committee will be subject to review to ensure that there is clarity of focus and that the Committee operates effectively on a strategic level.

- 2.1.5 Key areas of business reviewed by the Committee during the year, are summarised below:

Meeting	Activity
6 July 2012	Annual Internal Audit Report 2011/12 PwC Review of the Effectiveness of Internal Audit Progress Report Annual Review of the Effectiveness of Internal Audit 2011/12 Strategic Risk Register External Audit Update Report 2011/12 Draft Statement of Accounts Annual Governance Statement 2011/12
24 September 2012	External Audit Report to those charged with Governance External Audit - Medium Term Financial Strategy Review Audited Statement of Accounts 2011/12 Internal Audit Update Review of Fraud Related Policies Audit Committee Skills Audit Payment Transparency CIPFA Audit Committee Update Internal Audit Management Arrangements Update Corporate Risk Register Procurement Improvement Programme
17 December 2012	Annual Audit Letter 3012/13 Report of the External Auditors Corporate Risk Register Internal Audit Update Payment Transparency Review of the Assurance Framework CIPFA Audit Committee Update Audit Committee Self-Assessment Benefits Fraud Sanctions Report 2011/12 Human Resources Improvement Plan
11 March 2013	External Audit Plan 2012/13 Annual Governance Statement Update Risk Management Policy and Strategy Delivery Directorate - Risk Management and Governance Internal Audit Update PwC Review of the Effectiveness of Internal Audit – Follow Up Report Strategy for Internal Audit 2013/14 – 2015/16 Payment Transparency Public Sector Internal Audit Standards Audit Committee Terms of Reference – Annual Review
15 April 2013	External Audit – Annual Grants Certification Report Corporate Risk Register Community Directorate – Risk Management and Governance Education and Enterprise – Risk Management and Governance

2.2 **Future Workplan for the Audit Committee**

2.2.1 A detailed workplan for 2013/14 is currently being developed and will be presented to the next meeting of the Audit Committee. It is envisaged that a consistent approach will be taken to that adopted during 2012/13, thus ensuring that the Audit Committee is able to discharge all its delegated responsibilities while at the same time maintaining high level scrutiny of governance and risk managements affecting the Council at a corporate level. This will include receiving periodic update reports on the risk profile of all significant projects.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no direct financial implications arising from this report. (GE/03062012/P)

4. **LEGAL IMPLICATIONS**

4.1 There are no direct legal implications arising from this report. Individual reports referred to will contain legal implications where appropriate. (MW/03062012/R)

5. **EQUAL OPPORTUNITIES IMPLICATIONS**

5.1 There are no direct equal opportunities implications arising from this report.

6. **ENVIRONMENTAL IMPLICATIONS**

6.1 There are no direct environmental implications arising from this report.

7. **SCHEDULE OF BACKGROUND PAPERS**

A Toolkit for Local Authority Audit Committees (CIPFA)

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **08.07.2013**

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

MARK TAYLOR

Telephone Number(s)

6609

Title

DRAFT STATEMENT OF ACCOUNTS 2012/2013

SUMMARY

That Audit Committee:

- (1) Note that the Assistant Director Finance approved the Draft Statement of Accounts 2012/2013 on 26 June 2013, as required by the Accounts and Audit Regulations.
- (2) Note that the 2012/2013 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 2012/2013 Statement of Accounts is required by 30 September 2013 (Accounts and Audit Regulations 2011).
- (4) Note that the Statement of Accounts incorporates a signed copy of the Annual Governance Statement as required by the Accounts and Audit Regulations 2011.

1. **PURPOSE**

- 1.1 The draft Statement of Accounts for 2012/2013, which is subject to audit, has been approved by the Assistant Director Finance 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 2013.

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 2013. 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 2013.
- 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). 2012/2013 is the third year that the council has prepared accounts in accordance with International Financial Reporting Standards (IFRS). There were no significant changes to the Code for 2012/2013.

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) **Introduction to the Statements**, which provides a brief overview of each of the main parts of the statement.

- (b) **Financial Performance 2012/2013:** this section provides a summary of the council's financial performance for the year, as shown in Cabinet outturn reports.
- (c) **The Medium Term Financial Strategy:** this section provides a summary of the council's medium term financial strategy, for each of the General Fund, the Housing Revenue Account and the Capital Programme.
- (d) **Statement of Responsibilities:** this sets out the respective responsibilities of the council and the Section 151 Officer with regard to the accounts.
- (e) **The Auditor's Report:** 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.
- (f) **The Financial Statements:** this section comprises the financial statements themselves, which include:
 - (i) **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.
 - (ii) **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.
 - (iii) **Movement in Reserves Statement:** this statement analyses the movements across all of the council's reserves, including the General Fund and HRA balances.
 - (iv) **Cash Flow Statement:** this statement summarises the inflows and outflows of cash during the year.
 - (v) **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.
- (g) **The Housing Revenue Account (HRA) Statements:** comprising the HRA Income and Expenditure Account, the Statement of Movement in the HRA Balance, and Notes to the HRA Statements.

- (h) **The Collection Fund Statements:** comprising the Collection Fund Income and Expenditure Account and the Notes to the Collection Fund Statements.
- (i) **West Midlands Pension Fund Statements:** 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.
- (j) **Annual Governance Statement:** This is a statement required by the Accounts and Audit regulations that outlines the council's governance arrangements.
- (k) **Glossary:** explaining some of the terms used in the financial statements, particularly those that are not part of everyday English.

4 KEY ELEMENTS OF THE 2012/2013 STATEMENT OF ACCOUNTS

- 4.1 The net cost of providing services, according to the Comprehensive Income and Expenditure Statement, was a deficit of £102.0M. This compares to a surplus of £26.0M for 2011/2012. 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 4.5.
- 4.2 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 2012/2013 they amounted to a net loss of £135.0M, while in 2010/2011 they caused a net loss of £57.6M. 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.
- 4.3 The net worth of the council as shown on the Balance Sheet has decreased to £396.6M from £633.6M. The major reasons for this decrease are set out below:

	Comments	Change (£M)
<u>Increases in Net Worth</u>		
Fixed Assets	Expenditure on capital programme	103.0
Debtors/Creditors	Net increase in debtors/increase in creditors	27.7
<u>Decreases in Net Worth</u>		
Fixed Assets	Depreciation and Impairment Charges for the Year (*)	(135.8)
	Disposal of fixed assets	(52.9)

	Comments	Change (£M)
	Revaluation of fixed assets	(33.1)
Borrowing	Net increase in borrowing during the year	(41.5)
Pension Liability	Due primarily to changes in Actuarial assumptions and calculations (*)	(108.3)

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

- 4.4 The net decrease in the council's reserves for the year, as shown in the Movement in Reserves Statement, was £237.0M. This is made up of a decrease of £28.4M on usable reserves, and a decrease of £208.6M on unusable reserves (unusable reserves are accounting technicalities, usually reflecting statutory adjustments). This compares to a net decrease of £31.6M in 2011/2012 (£5.6M increase in usable reserves; £37.2M decrease in unusable reserves).
- 4.5 The Movement in Reserves Statement also shows the true movement in the council's General Fund and HRA balances for 2012/2013: these were decreases of £3.6M and £5.5M respectively. The General Fund Balance stands at £15.9M at 31 March 2013, and the HRA balance at £5.0M.
- 4.6 The HRA Income and Expenditure Account shows a surplus of £9.3M for the year compared to 2011/2012's surplus of £51.3M. However, following the adjustments outlined in the Statement of Movement on the HRA Balance, the true movement in the level of the HRA balance for the year is a decrease of £5.5M (2011/2012: an increase of £5.4M). This reflects the HRA's capital financing strategy of using available revenue resources to make provision for the redemption of debt where possible, in order to create headroom to fund capital expenditure in the future.
- 4.7 The HRA reserve stands at £5.0M at 31 March 2013. 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 deficit for the year of £0.6M. This will be distributed between the three precepting authorities in 2012/2013, with the council being responsible for approximately 90% of this sum.
- 4.9 The Group Comprehensive Income and Expenditure Statement shows a net deficit on the provision of services for the year of £103.4M, compared to a net surplus of £28.5M in 2011/2012. The net gain for 2012/2013 is made up of the council's net loss of £102.0M and a net loss for Wolverhampton Homes of £1.4M (2011/2012: net gains of £26.0M and £2.5M respectively).

5. FINANCIAL IMPLICATIONS

- 5.1 The statement of accounts was prepared by staff in the council's Strategic Finance department, the costs of which were included in the 2013/2014 approved budget.
- 5.2 The statement of accounts is one of the most important financial documents that the council produces. The statements, and the forthcoming audit of those statements by PwC, are fundamental to the processes of accountability and transparency in the council's finances.

[DK/25062013/P]

6. LEGAL IMPLICATIONS

- 6.1 The Accounts and Audit Regulations require the 2012/2013 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 2013 and published by 30 September 2013.

[MW/26062013/I]

7. EQUALITY IMPLICATIONS

- 7.1 There are no equality implications arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 There are no environmental implications arising from this report.

9. SCHEDULE OF BACKGROUND PAPERS

2012/2013 Statement of Accounts Progress Update, report to Audit (Final Accounts Monitoring and Review) Sub Committee, 22 April 2013

WOLVERHAMPTON CITY COUNCIL

STATEMENT OF ACCOUNTS

2012/2013

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1. INTRODUCTION TO THE STATEMENTS

Important note for readers of the accounts

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

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

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

The purpose and contents of this document

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

Section 2 provides a summary of the council's financial performance for 2012/2013, and a summary of changes to accounting policies and key items of interest in the accounts. Following on from this, Section 3 provides an outline of the council's medium term financial strategy, including its budget for 2013/2014 and forecasts through to 2017/2018.

Section 4 contains the statement of responsibilities, and sets out the roles and responsibilities of the authority and of the responsible (finance) officer in preparing the statement of accounts. The independent auditor's report is included at section 5. This report draws readers' attention to any important information they might need to take into account when reading the statements.

1. INTRODUCTION TO THE STATEMENTS

Section 6 contains the financial statements prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). These comprise four main statements, and a series of notes. The four main statements are:

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

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

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

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

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

Note 1 – Financial Performance for 2012/2013 – this note provides more information on the council's financial performance for 2012/2013. Crucially, it provides figures in the format that councillors and senior officers use when making decisions about the running of the council (none of the four main statements described above are ever used in decision-making because of the numerous discrepancies between them and the legal accounts).

Note 2 – Income and Expenditure – this note provides information about a number of specific areas of income and expenditure required by law or by the Code.

1. INTRODUCTION TO THE STATEMENTS

Note 3 – Current Debtors and Creditors – this note summarises how much money was owed to the council at the end of the year, and how much the council owed other people.

Note 4 – Provisions and Contingent Liabilities – this note provides information about things for which the council knows it will or may have to pay money to other people, but there is uncertainty about one or more elements of that payment. This may be the amount of the payment, when it has to be paid, or even whether the council will actually have to make a payment.

Note 5 – Non-Current Assets – this note provides information about the council's non-current assets, which are assets that it uses for more than one year.

Note 6 – Employee Pensions – this note provides information about employee pensions, including the net pensions liability (the difference between current pension commitments and the assets available to fund those) at the end of the year.

Note 7 – Financial Instruments – this note provides information about the council's financial instruments, which are assets or liabilities entered into under contracts.

Note 8 – Members of the Wolverhampton City Council Group and Other Related Parties – the council has relationships with a number of other organisations that readers should be aware of when reading the accounts, and this note provides information about those relationships.

Note 9 – Trust Funds – this note provides information about the trust funds that the council manages on behalf of other people.

Note 10 – Reconciliation of the Financial Statements to the Statutory Accounts – as mentioned earlier, there are many differences between the financial statements and the legal accounts that the council actually uses to manage its finances. This detailed note analyses all of those differences for interested readers.

Note 11 – Accounting Policies – this note describes the policies that have been used by the council to prepare these statements, changes in those since last year, and any significant judgements about applying the policies that had to be made when preparing the statements.

1. INTRODUCTION TO THE STATEMENTS

Section 7 provides a set of financial statements and associated notes relating to the Housing Revenue Account. By law, the council has to account for its council housing service separately from other services, to ensure that rents only pay for housing (and likewise, that council tax does not subsidise housing).

Section 8 contains statements for the Collection Fund. These show how much council tax was raised in Wolverhampton during the year, and how it was allocated between the council, fire and police authorities.

Section 9 provides the financial statements of West Midlands Pension Fund. These are completely separate from the council's accounts, but because the council is the administering body it has to include the Pension Fund's accounts alongside its own. They follow a similar format to the council's accounts, with two main statements followed by a series of notes.

Section 10 is the council's Annual Governance Statement. This provides important information about how the council is run, and in particular how it manages key risks. Finally, there is a glossary at Section 11, which describes many of the technical accounting terms and abbreviations used in these statements.

Note on Group Accounts

Because the council owns another organisation (Wolverhampton Homes), it has to produce group accounts. These combine the accounts of the two organisations and show them as if they were one. Throughout the financial statements (Section 6), numbers in italics relate to the group, while non-italic numbers relate to the council only. Usually, these are combined in the same table, but occasionally, owing to space they are shown in completely separate tables. Where there is only one figure given, this means that the figure is the same for the group and the council.

2. FINANCIAL PERFORMANCE 2012/2013

Outturn 2012/2013

General Fund

2012/2013 was a very challenging year for the council's General Fund, with savings targets of £21.1M included in the approved budget. The council was able to achieve the majority of this challenging savings target, with its outturn position for the year being a deficit of £3.6M. When net transfers to/from earmarked reserves are taken into account, total usable General Fund reserves fell from £103.1M to £77.0M. The following table analyses the outturn for 2012/2013, compared to budget, by directorate. It should be noted that the figures used in this table include certain accounting charges, such as impairment of non-current assets, which are reversed under statutory provisions and are therefore not budgeted for: these can give rise to significant variations for this reason alone.

Service	2012/2013 Net Budget £000	2012/2013 Net Outturn £000	Total Variation Over/(Under) £000
Community	142,287	143,401	1,114
Delivery	39,131	38,914	(217)
Education and Enterprise	50,195	133,719	83,524
Office of the Chief Executive	2,790	2,697	(93)
Corporate Budgets	374	(82,870)	(83,244)
Budget Requirement	234,777	235,861	1,084
Funding:			
Formula Grant	(136,807)	(134,206)	2,601
Council Tax	(94,314)	(94,314)	-
Other General Government Grants	(2,700)	(3,729)	(1,029)
(Use of)/Contribution to Reserves	(956)	(3,612)	(2,656)
Total Funding	(234,777)	(235,861)	(1,084)
Budget (Surplus)/Deficit	-	-	-

2. FINANCIAL PERFORMANCE 2012/2013

Housing Revenue Account

2012/2013 was the first year of the new HRA self-financing regime, under which the council does not have to pay housing subsidy to the Government, and has discretion over the use of any operating surpluses. The outturn position for the year was an operating surplus of £8.8M, compared to a budgeted surplus of £5.5M. Of this £5.5M, £4.7M had originally been earmarked for debt redemption, however in the event the council was able to use £14.3M on making provision for the redemption of debt. This has the major advantage of creating additional 'headroom' under the HRA borrowing limit as set by law, which will enable the council to pay for additional investment in its houses in the future.

The operating surplus was generated primarily by savings on interest payable and receivable. This was due to the council's treasury management policy of using internally-generated cash balances ahead of external borrowing wherever possible. Smaller savings were also achieved on rent and service charge income, due to right-to-buy sales being slightly lower than forecast at the time of setting the budget, and on management and maintenance expenditure.

	Budget 2012/2013 £000	Outturn 2012/2013 £000	Variance 2012/2013 £000
Income	(89,072)	(89,584)	(512)
Expenditure	66,938	66,716	(222)
Net Cost of Services	(22,134)	(22,868)	(734)
Net Cost of Borrowing and Investments	16,619	14,071	(2,548)
Surplus for the Year	(5,515)	(8,797)	(3,282)
<u>Allocation of Surplus for the Year</u>			
Provision for Redemption of Debt	4,735	14,250	9,515
Transfer to/(from) Reserves	780	(5,453)	(6,233)
Total	5,515	8,797	3,282

2. FINANCIAL PERFORMANCE 2012/2013

Capital Programme

Capital expenditure by the council during 2012/2013 totalled £188.931M, as set out in the following table.

Expenditure	Approved Budget £000	Outturn £000	Variation Over/(Under) £000
General Fund			
Private Sector Housing	4,059	2,792	(1,267)
Delivery	4,595	2,895	(1,700)
Community	4,322	1,860	(2,462)
Education and Enterprise	127,977	111,949	(16,028)
	140,953	119,496	(21,457)
Housing Revenue Account	47,978	41,424	(6,554)
Total Expenditure	188,931	160,920	(28,011)

Significant Changes in Accounting Policies

There have been no significant changes in accounting policies for 2012/2013.

2. FINANCIAL PERFORMANCE 2012/2013

Items of Interest in the Accounts

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

Provisions and Contingent Liabilities

The council's total level of provisions decreased by £3.6M (net) over the course of the year. This was almost entirely due to the use of £3.5M of the Capitalisation Risks provision. Total provisions at 31 March 2013 stood at £30.6M: further details are provided at Note 4A to the Financial Statements.

Capital Expenditure

The council once again successfully managed a large capital expenditure programme in 2012/2013, resulting in additions to non-current assets of £150.8M, along with other capital expenditure of £38.1M. The main additions were on council dwellings (£41.4M), mostly due to spend under the council's Decent Homes programme, and other land and buildings (£96.5M), which reflects a number of major investments including Building Schools for the Future, and the i54 development. There is more information on capital expenditure for the year in Note 1 to the Financial Statements, while information about non-current assets held by the council can be found in Note 5.

Net Pensions Liability

The council's net pensions liability shows the extent to which its existing pension commitments to employees and former employees exceed the assets currently available to meet those commitments. This liability increased by £108.3M during 2012/2013, made up of a growth of £181.4M in liabilities, offset by a growth of 72.9M in assets. The main reasons for the net movement were losses of £101.9M resulting from changes in actuarial assumptions, net interest payable of £13.8M, and other net income of £7.4M. Note 6 to the Financial Statements provides further information on employee pensions.

In practice, the value of the net pensions liability is not entirely meaningful, because pensions payments will generally not need to be made for many years, and the Pension Fund plans over long timescales as a result. Furthermore, the amount the council has to charge to its revenue accounts is the amount of employee contributions payable for the year, and not the costs calculated under the accounting rules. It is also important to note that the calculation of the net pensions liability relies on a number of complex judgements and assumptions, variations in which can lead to significant differences in the outcome: this is discussed in Note 11D to the Financial Statements.

3. THE MEDIUM TERM FINANCIAL STRATEGY

General Fund

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

Economic Conditions

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

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

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

Government Spending Cuts and Controls

Since the economic downturn took hold, it has been a national Government priority to reduce public sector borrowing and the public sector budget deficit. This has meant reductions in funding for local government which would have been inconceivable just a few years ago.

Wolverhampton will see a reduction in general Government grants of 7.1% in real terms in 2013/14, leaving the council with over £10 million less than in 2012/13. Having received provisional grant figures from the Government for 2014/15, a further reduction of 9.5% in real terms, or £15.4 million, has been incorporated into the MTFS. By then Wolverhampton will have lost 40% in real terms over the period of the current spending review.

3. THE MEDIUM TERM FINANCIAL STRATEGY

At the same time as making cuts to grants, the Government has also sought to restrict increases in council tax, this has involved:

- Introducing a requirement to carry out a local referendum where a council proposes to increase its council tax by more than a threshold set by the Government. For 2013/14 this was 2%, a reduction compared to the 2012/13 threshold of 3.5%.
- Paying a 'council tax freeze grant' to councils who freeze their council tax. For 2013/14 this was equivalent to a 1% increase in council tax and was payable for two years, a reduction compared to the 2.5% in 2012/13, although that was only payable for one year. As this grant is time limited taking the grant also serves to increase funding and budget pressures in future years.

The council decided to freeze council tax in 2013/14 and to accept the 1% grant from Government. For 2014/15 and beyond the MTFS is based on the assumption that council tax will increase by 2% annually. The actual increases in council tax will however be agreed on an annual basis.

New Local Government Finance System

Major changes to the funding of local government take effect in 2013/14. These are centred on the concept of business rates localisation, in which councils keep around 50% of business rates raised in their own area, with the balance being paid over to the Government.

The intention of this is to provide councils with a direct financial incentive to increase business activity in their local area. Crucially, this also transfers a number of key risks from the Government to councils, increasing the overall level of risk associated with the MTFS.

At the same time as introducing this new system, the Government has also abolished council tax benefit, effectively localising it so that all councils have to develop their own scheme. This was combined with a 10% cut in the funding from Government, which is now fixed rather than being linked to expenditure as was the case in the past. After undertaking a comprehensive consultation exercise the council approved a transitional scheme which includes a minimum charge of 8.5% of council tax, except for pensioners who are protected under legislation, as well as providing a tapered reduction out of support for those returning to work. As a result the council qualified for a transitional Government grant of £600,000.

Due to the requirement to collect small sums from households that have previously paid nothing combined with the fixed nature of the grant, regardless of the level of expenditure the overall level of risk associated with the MTFS has once again increased.

3. THE MEDIUM TERM FINANCIAL STRATEGY

Social and Demographic Factors

The city of Wolverhampton is amongst the most densely populated local authority areas in England with 249,470 people living in its 26.8 square miles. In addition the latest Indices of deprivation (2010) indicate that Wolverhampton is more deprived than it was three years before (2007), a decline from the 28th most deprived to the 20th (out of 326 councils). Although it is important to note that deprivation in the city continues to be concentrated in a number of 'hot spots'.

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

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

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

3. THE MEDIUM TERM FINANCIAL STRATEGY

The Medium Term Financial Strategy

Whilst the council's financial planning process is driven by the annual statutory budget cycle, its horizons extend to the next five financial years. The Medium Term Financial Strategy is a critical part of the council's planning and performance framework, and is kept under continuous review. The latest version of the Medium Term Financial Strategy is summarised below.

	2013/14 £M	2014/15 £M	2015/16 £M	2016/17 £M	2017/18 £M
Net Expenditure Budget	598.5	596.8	607.5	620.9	632.0
Specific Grants	(342.9)	(342.3)	(340.8)	(340.7)	(340.6)
Net Budget	255.6	254.5	266.7	280.2	291.4
General Funding	(255.6)	(238.1)	(233.0)	(232.1)	(232.3)
Projected Deficit	0	16.4	33.7	48.1	59.1

As is shown in this table, the council forecasts that it will need to save a further £59M over the next five years, in addition to £39M of savings already planned, and £80M achieved over the previous four financial years. This demonstrates the scale of the financial challenge facing the council. Achieving savings of this size will require the council to fundamentally review its priorities and the way that it allocates budgets. To achieve this it is currently implementing a new budgeting framework that will:

- Include an enhanced focus on efficiency, value for money and outcomes in the provision of services;
- Seek to maximise invest to save opportunities;
- Seek to maximise income generation;
- Improve the targeting and alignment of resources with priorities.

3. THE MEDIUM TERM FINANCIAL STRATEGY

Housing Revenue Account

A number of significant developments are planned for the Housing Revenue Account (HRA) in 2013/14. The council is planning to begin using the new freedoms and resources resulting from the introduction of self-financing in April 2012 to develop new affordable housing in the city. The council has also just approved a new 15-year management agreement with Wolverhampton Homes to continue to manage a large proportion of the council's housing stock.

An updated HRA business plan was approved in February 2013, which reflected the council's plans to invest £1.7bn in its houses over the next 30 years, and demonstrated that under current forecasts there is sufficient funding for this. In terms of 2013/2014, the plan included an average rent increase of 6%, and a freeze in management and maintenance allowances for managing agents. The table below shows the approved budget for 2013/14, along with forecasts for the next two years. Current projections indicate that there are sufficient resources within the HRA to finance the 30 year business plan.

	Budget 2013/2014 £M	Forecast 2014/2015 £M	Forecast 2015/2016 £M
<u>Income</u>			
Gross Rents - Dwellings	(88.973)	(92.037)	(94.821)
Gross Rents - Non Dwellings	(1.614)	(1.661)	(1.691)
Charges to Tenants for Services and Facilities	(5.124)	(5.271)	(5.381)
Total Income	(95.711)	(98.969)	(101.893)
<u>Expenditure</u>			
Management and Maintenance	46.707	47.226	48.654
Depreciation of Fixed Assets	33.267	36.024	38.150
Net Financing Costs	15.737	15.719	15.089
Total Expenditure	95.711	98.969	101.893
Balance	-	-	-

3. THE MEDIUM TERM FINANCIAL STRATEGY

Capital Programme

Capital expenditure is investment in the council's property, plant, equipment and other long-life assets. It can also include investment in assets owned by other people, in certain circumstances. Capital funding has declined significantly at a national level, but nonetheless the council has been able to put together a capital programme that includes major projects such as Building Schools for the Future, Decent Homes, City Centre Regeneration and the i54 business park. The table below shows the council's capital programme for the next five years, as approved by the council in March 2013.

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	TOTAL
	£M	£M	£M	£M	£M	£M
Projected Expenditure	189.4	109.8	45.0	43.4	26.8	414.4

The following table lists some of the main projects in 2013/2014:

Project	Forecast Expenditure 2013/2014 £M
<u>Delivery</u>	
Fleet Services	5.0
ICT Developments	4.8
Facilities Management	3.7
Energy Efficiency Measures	2.8
Provision for Future Rolling Programmes	0.7
Markets Investment	0.5
Recycling and Waste Efficiency Initiatives	0.3
	17.8
<u>Community</u>	
Sports Investment Strategy	3.8
Community Hubs	2.9
Youth Zone	2.2
Parks Refurbishment Programme	1.7
Residential Care for Children and Young People	1.4
Adult Social Care - Other projects	0.9

3. THE MEDIUM TERM FINANCIAL STRATEGY

Project	Forecast Expenditure 2013/2014 £M
Early Education for Two Year Olds	0.7
Electronic Social Care Records	0.7
	14.3
<u>Education and Enterprise</u>	
Building Schools for the Future	37.8
Schools Modernisation, Suitability and Condition	14.6
Physical Regeneration	10.6
i54 Access & Infrastructure	8.9
Highways - West Midlands Major Schemes	6.5
Remediation of contaminated land	6.1
Private Sector Housing	5.2
Highways - Network Development Programme	4.8
Highways - Structural Maintenance	3.3
Schools Devolved Formula Capital	2.8
Property Management - Other projects	1.3
Wolverhampton City Centre Interchange	1.3
Targeted Disposals Programme	1.0
Corporate Asset Management Initiatives	0.7
Civic Halls & Museums	0.1
	105.0
<u>Housing Revenue Account</u>	
Decent Homes Stock Condition	34.7
Major Stock Condition Improvements	10.8
Other Stock Condition Improvements	3.9
Service Enhancements and Miscellaneous	1.4
Adaptations for People with Disabilities	1.0
Other Improvements to the Public Realm	0.4
Estate Remodelling	0.1
	52.3
GRAND TOTAL	189.4

3. THE MEDIUM TERM FINANCIAL STRATEGY

Finally, the following table shows how the council is planning to fund the projects listed above:

Source of Funding	Forecast Expenditure 2013/2014 £M
Grants and Contributions	82.1
Borrowing	75.6
Reserve Funds	27.6
Capital Receipts	4.1
TOTAL	189.4

4. STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The council is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Assistant Director Finance.
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Approve the Statement of Accounts.

The Assistant Director Finance's Responsibilities

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

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

- (i) Selected suitable accounting policies and then applied them consistently.
- (ii) Made judgements and estimates that were reasonable and prudent.
- (iii) Complied with the Code.

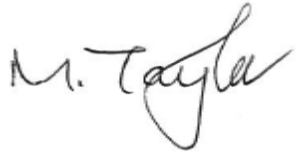
The Assistant Director Finance has also:

- (i) Kept proper accounting records which were up to date.
- (ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

4. STATEMENT OF RESPONSIBILITIES

Certification of the Assistant Director Finance

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the council as at 31 March 2013 and its income and expenditure for the year ended the same date.

A handwritten signature in black ink that reads "M. Taylor". The signature is written in a cursive style with a large, looped 'T'.

Mark Taylor

Assistant Director Finance

26 June 2013

5. INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WOLVERHAMPTON CITY COUNCIL

To follow.

6. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Council only)

2011/2012								2012/2013		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure			
£M	£M	£M			£M	£M	£M			
127.2	(53.9)	73.3	Adult Social Care		126.5	(57.0)	69.5			
19.1	(4.2)	14.9	Central Services to the Public		21.6	(4.0)	17.6			
325.3	(240.7)	84.6	Education and Children's Services		396.8	(227.7)	169.1			
4.6	(0.1)	4.5	Corporate and Democratic Core		4.7	-	4.7			
29.5	(9.8)	19.7	Cultural and Related Services		30.8	(11.6)	19.2			
28.3	(7.0)	21.3	Environment and Regulatory Services		27.1	(8.2)	18.9			
11.8	(3.8)	8.0	Planning Services		9.6	(3.0)	6.6			
26.3	(4.9)	21.4	Highways and Transport Services		31.7	(4.7)	27.0			
88.3	(90.5)	(2.2)	Housing Services		83.1	(94.0)	(10.9)			
12.1	(59.8)	(47.7)	- Exceptional Item: HRA Self-Financing Settlement	2H	-	-	-			
172.6	(170.1)	2.5	Non-Distributed Costs		165.0	(167.5)	(2.5)			
			Other Exceptional Items							
10.1	-	10.1	- Contribution to Provision	2H	-	-	-			
855.2	(644.8)	210.4	Net Cost of Services		896.9	(577.7)	319.2			
13.6	-	13.6	Levies		13.4	-	13.4			
2.4	-	2.4	Payments to the Housing Capital Receipts Pool		1.5	-	1.5			
17.6	(6.6)	11.0	(Gains)/Losses on the Disposal of Non-Current Assets		53.0	(9.3)	43.7			

6. THE FINANCIAL STATEMENTS

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

2011/2012				2012/2013		
Gross Expenditure £M	Gross Income £M	Net Expenditure £M	Note	Gross Expenditure £M	Gross Income £M	Net Expenditure £M
0.3	(0.5)	(0.2)	External Trading Organisations	2.1	(0.8)	1.3
28.2	-	28.2	Interest Payable	25.4	-	25.4
56.5	(44.7)	11.8	Pensions Interest Cost and Expected Return on Pensions Assets	54.2	(40.4)	13.8
-	(0.7)	(0.7)	Interest Receivable	-	(0.4)	(0.4)
-	(0.1)	(0.1)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	-	-	-
-	(0.6)	(0.6)	Other Investment Income	-	(0.6)	(0.6)
-	(93.1)	(93.1)	Council Tax	(0.1)	(93.7)	(93.8)
-	(110.8)	(110.8)	National Non-domestic Rates	-	(134.2)	(134.2)
-	(37.7)	(37.7)	Unringfenced Revenue Grants Receivable	-	(7.8)	(7.8)
-	(60.2)	(60.2)	Capital Grants Receivable	-	(79.5)	(79.5)
973.8	(999.8)	(26.0)	(Surplus) or Deficit on the Provision of Services	1,046.4	(944.4)	102.0
-	(9.2)	(9.2)	(Surplus) or Deficit on Revaluation of Non-current Assets	33.1	-	33.1
-	(1.7)	(1.7)	(Surplus) or Deficit on Revaluation of Available-for-sale Financial Assets	-	-	-
68.5	-	68.5	Actuarial (Gains) and Losses on Pension Assets and Liabilities	101.9	-	101.9
1,042.3	(1,010.7)	31.6	Total Comprehensive Income and Expenditure	1,181.4	(944.4)	237.0

6. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Group)

2011/2012			Note	2012/2013			
Gross Expenditure £M	Gross Income £M	Net Expenditure £M		Gross Expenditure £M	Gross Income £M	Net Expenditure £M	
127.2	(53.9)	73.3	Adult Social Care		126.5	(57.0)	69.5
19.1	(4.0)	15.1	Central Services to the Public		21.6	(4.0)	17.6
325.3	(240.7)	84.6	Education and Children's Services		396.8	(227.7)	169.1
4.6	(0.1)	4.5	Corporate and Democratic Core		4.7	-	4.7
29.5	(9.8)	19.7	Cultural and Related Services		30.8	(11.6)	19.2
28.3	(7.0)	21.3	Environment and Regulatory Services		27.1	(8.2)	18.9
11.8	(3.8)	8.0	Planning Services		9.6	(3.0)	6.6
26.3	(4.8)	21.5	Highways and Transport Services		31.7	(4.4)	27.3
174.8	(180.4)	(5.6)	Housing Services		81.0	(92.6)	(11.6)
12.1	(59.8)	(47.7)	- Exceptional Item: HRA Self-Financing Settlement	2H	-	-	-
172.6	(169.3)	3.3	Non-Distributed Costs		165.0	(167.5)	(2.5)
			Exceptional Items				
10.1	-	10.1	- Contribution to Provision	2H	-	-	-
941.7	(733.6)	208.1	Net Cost of Services		894.8	(576.0)	318.8
13.6	-	13.6	Levies		13.4	-	13.4
2.4	-	2.4	Payments to the Housing Capital Receipts Pool		1.5	-	1.5
17.6	(6.6)	11.0	(Gains)/Losses on the Disposal of Non-Current Assets		53.0	(9.3)	43.7

6. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Group) (Continued)

2011/2012			Note	2012/2013		
Gross Expenditure £M	Gross Income £M	Net Expenditure £M		Gross Expenditure £M	Gross Income £M	Net Expenditure £M
0.3	(0.5)	(0.2)	External Trading Organisations	2.1	0.9	3.0
28.2	-	28.2	Interest Payable	25.4	-	25.4
61.6	(50.0)	11.6	Pensions Interest Cost and Expected Return on Pensions Assets	59.4	(45.4)	14.0
-	(0.7)	(0.7)	Interest Receivable	-	(0.5)	(0.5)
-	(0.1)	(0.1)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	-	-	-
-	(0.6)	(0.6)	Other Investment Income	-	(0.6)	(0.6)
-	(93.1)	(93.1)	Council Tax	(0.1)	(93.7)	(93.8)
-	(110.8)	(110.8)	National Non-domestic Rates	-	(134.2)	(134.2)
-	(37.7)	(37.7)	Unringfenced Revenue Grants Receivable	-	(7.8)	(7.8)
-	(60.2)	(60.2)	Capital Grants Receivable	-	(79.5)	(79.5)
1,065.4	(1,093.9)	(28.5)	(Surplus) or Deficit on the Provision of Services	1,049.5	(946.1)	103.4
-	(9.2)	(9.2)	(Surplus) or Deficit on Revaluation of Non-current Assets	33.1	-	33.1
-	(1.7)	(1.7)	(Surplus) or Deficit on Revaluation of Available-for-sale Financial Assets	-	-	-
72.0	-	72.0	Actuarial (Gains) and Losses on Pension Assets and Liabilities	110.7	-	110.7
1,137.4	(1,104.8)	32.6	Total Comprehensive Income and Expenditure	1,193.3	(946.1)	247.2

6. THE FINANCIAL STATEMENTS

Balance Sheets

31 March 2012				31 March 2013	
Council £M	Group £M		Note	Council £M	Group £M
1,631.2	1,631.2	Property, Plant and Equipment	5	1,561.8	1,561.8
16.3	16.3	Investment Property	5	14.3	14.3
1.4	1.4	Intangible Assets	5	1.7	1.7
11.5	11.5	Heritage Assets	5	11.5	11.5
18.6	18.6	Non-current Investments		18.6	18.6
1.0	1.0	Non-current Debtors		1.5	1.5
1,680.0	1,680.0	Total Non-current Assets		1,609.4	1,609.4
8.6	8.6	Current Investments		4.5	4.5
0.5	0.5	Inventories		0.6	0.6
52.4	50.7	Current Debtors	3	69.6	69.0
2.6	14.1	Cash and Cash Equivalents		3.5	12.1
64.1	73.9	Total Current Assets		78.2	86.2
(13.7)	(13.7)	Current Borrowing		(43.8)	(43.8)
(87.1)	(91.0)	Current Creditors	3	(76.6)	(79.1)
(34.2)	(34.2)	Current Provisions	4A	(30.6)	(30.6)
(135.0)	(138.9)	Total Current Liabilities		(151.0)	(153.5)
(481.0)	(481.0)	Non-current Borrowing		(492.4)	(492.4)
(443.4)	(461.9)	Net Pension Liability	6	(551.7)	(580.0)
(8.5)	(8.5)	Capital Grants Received in Advance		(9.9)	(9.9)
(42.6)	(42.6)	Other Non-current Liabilities		(86.0)	(86.0)
(975.5)	(994.0)	Total Non-current Liabilities		(1,140.0)	(1,168.3)
633.6	621.0	Net Assets		396.6	373.8

6. THE FINANCIAL STATEMENTS

Balance Sheets (Continued)

31 March 2012				31 March 2013	
Council £M	Group £M		Note	Council £M	Group £M
(19.5)	(19.5)	General Fund Balance	10B, 10C	(15.9)	(15.9)
(83.6)	(83.6)	General Fund Earmarked Reserves	10B, 10C	(61.1)	(61.1)
(10.5)	(10.5)	Housing Revenue Account Balance	10B, 10C	(5.0)	(5.0)
(5.2)	(5.2)	Major Repairs Reserve	10B, 10C	(9.7)	(9.7)
(2.3)	(2.3)	Capital Receipts Reserve	10B, 10C	(5.5)	(5.5)
(36.1)	(36.1)	Capital Grants Unapplied Account	10B, 10C	(31.6)	(31.6)
-	12.6	Reserves of Subsidiary	10B, 10C	-	22.8
(157.2)	(144.6)	Total Usable Reserves		(128.8)	(106.0)
6.2	6.2	Short-term Accumulating Compensated Absences Account	10B, 10C	6.9	6.9
(12.1)	(12.1)	Available-for-sale Financial Instruments Reserve	10B, 10C	(12.1)	(12.1)
(649.9)	(649.9)	Capital Adjustment Account	10B, 10C	(611.4)	(611.4)
0.1	0.1	Collection Fund Adjustment Account	10B, 10C	0.5	0.5
2.9	2.9	Financial Instruments Adjustment Account	10B, 10C	3.2	3.2
443.4	443.4	Pensions Reserve	10B, 10C	551.7	551.7
(267.0)	(267.0)	Revaluation Reserve	10B, 10C	(206.6)	(206.6)
(476.4)	(476.4)	Total Unusable Reserves		(267.8)	(267.8)
(633.6)	(621.0)	Total Reserves		(396.6)	(373.8)

The notes on pages 31 to 116 form part of the financial statements.

6. THE FINANCIAL STATEMENTS

Movement in Reserves Statement – 2012/2013

(For a detailed breakdown of the figures in this Statement, see Note 10B)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	Reserves of Subsidiary	TOTAL (Group)
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Balance Brought Forward	(19.5)	(83.6)	(10.5)	(5.2)	(2.3)	(36.1)	(157.2)	(476.4)	(633.6)	12.6	(621.0)
Surplus or Deficit on Provision of Services	111.3	-	(9.3)	-	-	-	102.0	-	102.0	1.4	103.4
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	135.0	135.0	8.8	143.8
Total Comprehensive Income and Expenditure	111.3	-	(9.3)	-	-	-	102.0	135.0	237.0	10.2	247.2
Adjustments between Accounting Basis & Funding Basis under Regulations	(85.4)	-	15.0	(4.5)	(3.2)	4.5	(73.6)	73.6	-	-	-
Net (Increase)/Decrease before Transfers & Other Movements	25.9	-	5.7	(4.5)	(3.2)	4.5	28.4	208.6	237.0	10.2	247.2
Transfers to/from other Reserves	(22.3)	22.5	(0.2)	-	-	-	-	-	-	-	-
(Increase)/Decrease for the Year	3.6	22.5	5.5	(4.5)	(3.2)	4.5	28.4	208.6	237.0	10.2	247.2
Balance Carried Forward	(15.9)	(61.1)	(5.0)	(9.7)	(5.5)	(31.6)	(128.8)	(267.8)	(396.6)	22.8	(373.8)

6. THE FINANCIAL STATEMENTS

Movement in Reserves Statement – 2011/2012

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	Reserves of Subsidiary	TOTAL (Group)
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Balance Brought Forward	(39.5)	(63.5)	(5.1)	(4.6)	(1.8)	(37.1)	(151.6)	(513.6)	(665.2)	11.6	(653.6)
Surplus or Deficit on Provision of Services	25.3	-	(51.3)	-	-	-	(26.0)	-	(26.0)	(2.5)	(28.5)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	57.6	57.6	3.5	61.1
Total Comprehensive Income and Expenditure	25.3	-	(51.3)	-	-	-	(26.0)	57.6	31.6	1.0	32.6
Adjustments between Accounting Basis & Funding Basis under Regulations	(25.6)	-	46.1	(0.6)	(0.5)	1.0	20.4	(20.4)	-	-	-
Net Increase/Decrease before Transfers & Other Movements	(0.3)	-	(5.2)	(0.6)	(0.5)	1.0	(5.6)	37.2	31.6	1.0	32.6
Transfers to/from other Reserves	20.3	(20.1)	(0.2)	-	-	-	-	-	-	-	-
(Increase)/Decrease for the Year	20.0	(20.1)	(5.4)	(0.6)	(0.5)	1.0	(5.6)	37.2	31.6	1.0	32.6
Balance Carried Forward	(19.5)	(83.6)	(10.5)	(5.2)	(2.3)	(36.1)	(157.2)	(476.4)	(633.6)	12.6	(621.0)

6. THE FINANCIAL STATEMENTS

Cash Flow Statement

2011/2012			2012/2013	
Council £M	Group £M		Council £M	Group £M
(26.0)	(28.5)	Net (surplus) or deficit on the provision of services	102.0	103.4
(136.7)	(139.1)	Adjust for non-cash movements	(163.5)	(161.8)
6.6	6.6	Adjust for items that are investing and financing activities	9.3	9.3
(156.1)	(161.0)	Net cash flows from operating activities	(52.2)	(49.1)
		<u>Comprising:</u>		
29.0	29.0	Interest paid	25.4	25.2
(0.7)	(0.7)	Interest received	(0.4)	(0.4)
(0.6)	(0.6)	Dividends received	(0.6)	(0.6)
(183.8)	(188.7)	Other operating activities	(76.6)	(73.5)
(156.1)	(161.0)	Net cash flows from operating activities	(52.2)	(49.3)
		<u>Investing activities</u>		
124.0	124.0	Purchase of property, plant and equipment, investment property and intangible assets	150.7	150.7
627.0	627.0	Purchase of short-term and long-term investments	571.2	571.2
0.4	0.4	Other payments for investing activities	-	-
(6.6)	(6.6)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9.3)	(9.3)
(642.3)	(642.3)	Other receipts from investing activities	(576.2)	(576.2)
102.5	102.5	Net cash flows from total investing activities	136.4	136.4

6. THE FINANCIAL STATEMENTS

Cash Flow Statement (continued)

2011/2012			2012/2013	
Council £M	Group £M		Council £M	Group £M
		Financing activities		
(1.6)	(1.6)	Cash receipts of short- and long-term borrowing	(171.5)	(171.5)
1.2	1.2	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	1.0	1.0
53.3	53.3	Repayments of short-and long-term borrowing	85.4	85.4
52.9	52.9	Net cash flows from total financing activities	(85.1)	(85.1)
(0.7)	(5.6)	Net (increase) or decrease in cash and cash equivalents	(0.9)	2.0
		Cash and cash equivalents at the start of the year:		
0.2	0.2	- Cash held by the council	0.2	0.2
1.7	8.3	- Bank current accounts	2.4	13.9
1.9	8.5		2.6	14.1
		Cash and cash equivalents at the end of the year:		
0.2	0.2	- Cash held by the council	0.2	0.2
2.4	13.9	- Bank current accounts	3.3	11.9
2.6	14.1		3.5	12.1

6. THE FINANCIAL STATEMENTS

Note 1 – Financial Performance for 2012/2013

The purpose of this note is to show how the council's financial performance for 2012/2013 was reported to its management (senior officers and councillors).

General Fund

The following table compares the council's General Fund outturn for 2012/2013 to its budget. It splits the figures by directorate, which is the format used for internal reporting to management. This table is calculated in line with the legal requirements. As the table shows, there was a deficit of £3.6M on the council's net General Fund expenditure for the year. After taking into account net transfers to/from earmarked reserves, there was a reduction in the General Fund Balance of £3.6M, to £15.9M.

Service	2012/2013 Net Budget £000	2012/2013 Net Outturn £000	Total Variation Over/(Under) £000
Community	142,287	143,401	1,114
Delivery	39,131	38,914	(217)
Education and Enterprise	50,195	133,719	83,524
Office of the Chief Executive	2,790	2,697	(93)
Corporate Budgets	374	(82,870)	(83,244)
Budget Requirement	234,777	235,861	1,084
Funding:			
Formula Grant	(136,807)	(134,206)	2,601
Council Tax	(94,314)	(94,314)	-
Other General Government Grants	(2,700)	(3,729)	(1,029)
(Use of)/Contribution to Reserves	(956)	(3,612)	(2,656)
Total Funding	(234,777)	(235,861)	(1,084)
Budget (Surplus)/Deficit	-	-	-

6. THE FINANCIAL STATEMENTS

Housing Revenue Account

The outturn position for the year was an operating surplus of £8.8M, compared to a budgeted surplus of £5.5M. The following table shows the outturn position on the HRA during the year, as reported to the council's Cabinet. The table excludes any transactions which are required by the Code but are not a charge or credit to the HRA under law.

	Approved Budget	2012/2013 Outturn	Variation
	£000	£000	£000
Income			
Gross Rents - Dwellings	(82,666)	(82,977)	(311)
Gross Rents - Non Dwellings	(1,552)	(1,600)	(48)
Charges to Tenants for Services and Facilities	(4,854)	(5,007)	(153)
Total Income	(89,072)	(89,584)	(512)
Expenditure			
Repairs and Maintenance	26,263	26,089	(174)
Supervision and Management	17,573	17,240	(333)
Rents, Rates and Taxes	153	237	84
Negative HRA Subsidy Payable	-	40	40
Increase in Provision for Bad Debts	1,000	563	(437)
Depreciation of Fixed Assets	21,949	22,547	598
Total Expenditure	66,938	66,716	(222)
Net Cost of HRA Services	(22,134)	(22,868)	(734)
Interest Payable	16,640	14,239	(2,401)
Interest and Investment Income	(3)	(150)	(147)
Adjustment for Premiums & Discounts	(18)	(18)	-

6. THE FINANCIAL STATEMENTS

	Approved Budget	2012/2013 Outturn	Variation
	£000	£000	£000
(Surplus)/Deficit before Transfers to/from Reserves and Provision for Redemption of Debt	(5,515)	(8,797)	(3,282)
Allocation of (Surplus)/Deficit			
Provision for Redemption of Debt	4,735	14,250	9,515
Transfer to/(from) Reserves	780	(5,453)	(6,233)
Balance for the Year	-	-	-

Capital Programme

The following tables show capital expenditure for the year, and how that expenditure was financed. As with the General Fund revenue account, this is presented according to the breakdown used internally by councillors and senior managers when making decisions about capital budgets.

Expenditure	Approved Budget	Outturn	Variation Over/(Under)
	£000	£000	£000
General Fund			
Private Sector Housing	4,059	2,792	(1,267)
Delivery	4,595	2,895	(1,700)
Community	4,322	1,860	(2,462)
Education and Enterprise	127,977	111,949	(16,028)
	140,953	119,496	(21,457)
Housing Revenue Account	47,978	41,424	(6,554)
Total Expenditure	188,931	160,920	(28,011)

6. THE FINANCIAL STATEMENTS

Financing	Approved Funding £000	Outturn Funding £000	Variation Over/(Under) £000
General Fund			
<u>External Funding</u>			
Supported Borrowing	(40)	-	40
Grants & Contributions	97,216	96,581	(635)
	97,176	96,581	(595)
	68.94%	80.82%	
<u>Council Funding</u>			
Capital Receipts	4,649	3,032	(1,617)
Prudential Borrowing	39,016	19,653	(19,363)
Revenue Contributions	112	230	118
	43,777	22,915	(20,862)
	31.06%	19.18%	
Total General Fund Financing	140,953	119,496	(21,457)
Housing Revenue Account			
<u>External Funding</u>			
Supported Borrowing	40	-	(40)
Grants & Contributions	20,900	21,291	391
	20,940	21,291	351
	43.65%	51.40%	
<u>Council Funding</u>			
Capital Receipts	1,950	1,259	(691)

6. THE FINANCIAL STATEMENTS

Financing	Approved Funding £000	Outturn Funding £000	Variation Over/(Under) £000
Prudential Borrowing	3,973	1,391	(2,582)
Major Repairs Reserve	21,115	17,483	(3,632)
	27,038	20,133	(6,905)
	56.35%	48.60%	
Total Housing Revenue Account Financing	47,978	41,424	(6,554)

Reserves

The table below analyses the council's usable reserves, in the format reported to the Cabinet.

	Balance at 31 March 2012 £000	Net Movement 2012/2013 £000	Balance at 31 March 2013 £000
<u>Earmarked Reserves</u>			
Community	3,834	(1,212)	2,622
Education and Enterprise (Non-Schools)	10,106	(2,645)	7,461
Office of the Chief Executive and Delivery	5,318	(329)	4,989
Corporate	43,135	(3,244)	39,891
Total Earmarked Reserves	62,393	(7,430)	54,963
<u>Other Reserves</u>			
Schools' Balances	21,209	(3,607)	17,602
General Fund Balance	19,540	(3,575)	15,965
Housing Revenue Account Balance	10,452	(5,452)	5,000
Total Usable Revenue Reserves	113,594	(20,064)	93,530

6. THE FINANCIAL STATEMENTS

Note 2 – Income and Expenditure

2A – Trading Operations

2011/2012		Operation	2012/2013	
(Turnover) £M	(Surplus)/ Deficit £M		(Turnover) £M	(Surplus)/ Deficit £M
(2.2)	(0.2)	Markets	(2.3)	2.4
(3.9)	(0.5)	Cleaning of Buildings	(4.0)	(0.5)
(3.3)	(0.2)	Ground Maintenance	(3.2)	-
(3.0)	0.1	Street Cleaning	(3.0)	-
(7.9)	(1.3)	Schools and Welfare Catering	(7.4)	(1.1)
(0.3)	-	Other Catering	(0.3)	-
(7.0)	(0.7)	Transport Services	(9.4)	(0.8)
(0.9)	0.2	Former DSO Depots	(0.9)	-
(28.5)	(2.6)	Total	(30.5)	-

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

6. THE FINANCIAL STATEMENTS

2B – Pooled Budgets

The council takes part in a number of pooled budget schemes with Wolverhampton Primary Care Trust (PCT). The table below provides a summary of these schemes, with the administering body's name in brackets.

2011/2012			Scheme	2012/2013		
Council Contribution £M	PCT Contribution £M	Total Expenditure £M		Council Contribution £M	PCT Contribution £M	Total Expenditure £M
1.8	1.2	3.0	Child Placements with External Agencies (Council) - An integrated service to provide placements for children with social care, education and health needs	2.3	1.5	3.8
0.4	0.8	1.2	Intermediate Care Services (PCT) - Provides an integrated service with a focus on independence and effective rehabilitation	-	-	-
16.5	0.8	17.3	Learning Disability Services (Council) - Covers the provision and purchase of residential and nursing, domiciliary and day care placements	25.4	1.0	26.4
1.6	0.5	2.1	Independent Living Service (Council) - Provides equipment and adaptations for Wolverhampton residents	-	-	-
4.4	16.3	20.7	Mental Health Service (Council and PCT) - Covers the provision and purchase of residential and nursing, domiciliary and day care placements	4.6	16.4	21.0

2C – Councillors' Allowances

The council paid £1.0M in councillors' allowances during 2012/2013 (2011/2012: £1.0M).

6. THE FINANCIAL STATEMENTS

2D – Senior Officers' Remuneration

2012/2013							
Name / Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits	Employers' Pension Contribution	West Midlands Pension Fund Responsibilities (Note 1)	TOTAL
	£	£	£	£	£	£	£
<u>Senior employees with a salary of £0.150M or more.</u>							
Simon Warren, Chief Executive	140,958	-	1,989	-	30,165	17,505	190,617
Charles Green, Strategic Director, Education and Enterprise (Note 2)	187,223	-	-	-	-	-	187,223
Keith Ireland, Strategic Director, Delivery (Note 3)	162,063	-	497	-	6,203	-	168,763
Tom Rennie, Strategic Director, Delivery (Note 4)	9,420	-	-	-	-	-	9,420
<u>Senior employees with a salary of less than £0.150M</u>							
Strategic Director, Communities	130,818	-	1,989	-	24,968	-	157,775
Director of Pensions	120,831	-	1,989	-	23,090	-	145,910
Assistant Chief Executive	73,012	-	722	48,984	12,628	-	135,346
Assistant Director, Governance	63,503	-	599	139,200	10,974	5,307	219,583
Assistant Director, Corporate Services (Section 151 Officer) (Note 5)	89,563	-	963	-	18,521	8,956	118,003
Chief Financial Officer (Section 151 Officer) (Note 5)	71,427	-	963	-	13,428	-	85,818
TOTAL	1,048,818	-	9,711	188,184	139,977	31,768	1,418,458

6. THE FINANCIAL STATEMENTS

2011/2012							
Name / Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits	Employers' Pension Contribution	West Midlands Pension Fund Responsibilities (Note 1)	TOTAL
	£	£	£	£	£	£	£
<u>Senior employees with a salary of £0.150M or more</u>							
Simon Warren, Chief Executive	138,432	-	1,989	-	28,681	17,166	186,268
Tom Rennie, Strategic Director, Delivery (Note 4)	218,218	-	11,838	-	-	-	230,056
Charles Green, Strategic Director, Education and Enterprise (Note 2)	161,730	-	9,222	-	-	-	170,952
<u>Senior employees with a salary of less than £0.150M</u>							
Assistant Chief Executive	87,425	-	963	-	15,911	-	104,299
Assistant Director, Corporate Services (Section 151 Officer) (Note 6)	87,425	-	963	-	19,853	21,657	129,898
Assistant Director, Governance	83,150	-	963	-	16,647	8,315	109,075
Strategic Director, Communities	132,501	-	1,989	-	24,477	-	158,967
Director of Customer and Shared Services	-	-	-	18,995	-	-	18,995
Director of Pensions (Note 7)	113,817	-	1,989	-	25,220	22,763	163,789
Director of Pensions (Note 7)	10,000	-	166	-	1,850	-	12,016
Director of Regeneration and Enterprise	-	-	-	22,814	-	-	22,814
TOTAL	1,032,698	-	30,082	41,809	132,639	69,901	1,307,129

6. THE FINANCIAL STATEMENTS

- Note 1: These costs are funded by West Midlands Pension Fund and not by the council.
- Note 2: The post of Strategic Director, Education and Enterprise was held on an interim basis throughout 2011/2012 and 2012/2013. The figures for 2012/2013 include a late payment in relation to 2011/2012 not previously reported.
- Note 3: The post of Strategic Director, Delivery was held on an interim basis for part of 2012/2013, with the remainder being on a permanent basis.
- Note 4: The post of Strategic Director, Delivery was held on an interim basis throughout 2011/2012, and for part of 2012/2013.
- Note 5: The role of Section 151 Officer was held by two individuals during 2012/2013. The amounts disclosed in this note relate to the full year's salary for both of those individuals, with the transfer of responsibilities having taken place in November 2012.
- Note 6: The Assistant Director, Corporate Services (Section 151 Officer) received back pay for pension responsibilities relating to prior years during 2011/2012.
- Note 7: The post of Director of Pensions was held by two individuals during 2011/2012.

6. THE FINANCIAL STATEMENTS

The following table shows the number of employees whose remuneration for the year (excluding employers' pension contributions) exceeded £50,000, in bands of £5,000.

2011/2012						2012/2013						
Number of Employees			Left During the Year			Band	Number of Employees			Left During the Year		
Schools	Pension Fund	Other	Schools	Pension Fund	Other		Schools	Pension Fund	Other	Schools	Pension Fund	Other
-	-	-	-	-	-	£120-£125,000	-	1	-	-	1	-
-	-	-	-	-	-	£115-£120,000	1	-	-	-	-	-
1	-	-	-	-	-	£110-£115,000	-	-	-	-	-	-
-	-	-	-	-	-	£105-£110,000	-	-	-	-	-	-
-	-	-	-	-	-	£100-£105,000	-	-	-	-	-	-
1	-	-	-	-	-	£95-£100,000	2	-	-	-	-	-
2	-	-	-	-	-	£90-£95,000	1	-	-	-	-	-
5	1	-	-	-	-	£85-£90,000	5	-	9	-	-	1
2	-	9	-	-	-	£80-£85,000	2	1	2	-	1	1
7	-	2	-	-	1	£75-£80,000	3	-	2	-	-	1
9	-	10	-	-	7	£70-£75,000	11	-	4	1	-	4
12	-	6	-	-	3	£65-£70,000	23	-	4	1	-	2
34	-	6	1	-	2	£60-£65,000	30	-	5	2	-	1
50	3	26	3	-	5	£55-£60,000	44	3	32	1	-	4
55	3	43	3	-	4	£50-£55,000	64	1	43	4	-	-
178	7	102	7	-	22	Total	186	6	101	9	2	14

6. THE FINANCIAL STATEMENTS

2E – Exit Packages

The following table provides information about exit packages payable by the council during the year.

Compulsory		2011/2012		Total		Value of Individual Package	Compulsory		2012/2013		Total	
No.	£M	No.	£M	No.	£M		No.	£M	No.	£M	No.	£M
-	-	-	-	-	-	£150,000 to £200,000	1	0.2	-	-	1	0.2
-	-	1	0.1	1	0.1	£100,000 to £150,000	-	-	-	-	-	-
2	-	1	0.1	3	0.1	£80,000 to £100,000	1	0.1	1	0.1	2	0.2
-	-	5	0.3	5	0.3	£60,000 to £80,000	1	0.1	2	0.1	3	0.2
2	0.1	9	0.4	11	0.5	£40,000 to £60,000	2	0.1	4	0.1	6	0.2
10	0.2	24	0.7	34	0.9	£20,000 to £40,000	10	0.2	7	0.1	17	0.3
64	0.2	112	1.0	176	1.2	Less than £20,000	50	0.3	40	0.3	90	0.6
78	0.5	152	2.6	230	3.1	Total	65	1.0	54	0.7	119	1.7

6. THE FINANCIAL STATEMENTS

2F – Amounts Payable to the Auditor

The table below shows amounts payable to the council's external auditors (PricewaterhouseCoopers LLP/the Audit Commission) during the year.

2011/2012 £M		2012/2013 £M
	Audit Commission – statutory inspections:	
-	- Audit inspection fee	-
(0.033)	- Rebates for arrangements relating to the abolition of the Audit Commission (*)	(0.022)
(0.033)	Sub Total Audit Commission	(0.022)
	PricewaterhouseCoopers LLP	
0.419	- External audit (council)	0.251
0.062	- External audit (West Midlands Pension Fund)	0.049
0.100	- Certification of grant claims and returns	0.088
0.427	- Additional work (**)	0.115
1.008	Sub Total PricewaterhouseCoopers LLP	0.503
0.975	TOTAL	0.481

* The rebates of £0.033M in 2011/2012 and £0.022M in 2012/2013 were intended to smooth any financial impact of the abolition of the Audit Commission on Local Authorities.

** The fees to PricewaterhouseCoopers LLP in 2011/2012 for additional work relate to the following: £0.080M risk based work, £0.096M 2010/2011 overruns, £0.224M estates review and £0.027M VAT claims support. In 2012/2013, the additional work related to £0.070M risk based work, £0.036M estates review and £0.009M HRA delivery options review.

6. THE FINANCIAL STATEMENTS

2G – Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a restricted range of educational services provided on 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. The table below shows how the council applied its DSG.

Central Expenditure £M	2011/2012 Individual Schools Budget £M	Total £M		Central Expenditure £M	2012/2013 Individual Schools Budget £M	Total £M
		(187.7)	Final DSG for the year before academy recoupment			(189.8)
		12.6	Academy figure recouped			22.1
		(175.1)	Total DSG after academy recoupment for the year			(167.7)
		-	Brought forward from previous year			-
		-	Carry-forward to following year agreed in advance			-
(15.1)	(160.0)	(175.1)	Agreed initial budgeted distribution in the year	(10.4)	(157.3)	(167.7)
		-	In year adjustments	-	-	-
(15.1)	(160.0)	(175.1)	Final budgeted distribution for the year	(10.4)	(157.3)	(167.7)
16.2		16.2	Less actual central expenditure	10.8		10.8
	160.0	160.0	Less actual ISB deployed to schools		157.3	157.3
(1.1)	-	(1.1)	Plus local authority contribution	(0.4)	-	(0.4)
-	-	-	Carry forward to following year	-	-	-

6. THE FINANCIAL STATEMENTS

Note 2H – Exceptional Items

In 2012/2013, there were no exceptional items of expense or income.

There were two exceptional items of expense and one of income in 2011/2012. Two of these arose from the same source, which was the HRA self-financing settlement carried out by the Government on 28 March 2012. Under the settlement, the council had £47.7M of borrowing paid off, along with £12.1M of associated premiums for early redemption. The council has accounted for the £12.1M premiums as an exceptional item of expense, and for the Government funding, totalling £59.8M, as an exceptional item of income.

The other exceptional item of expense relates to the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendments) Regulations 2003, under which 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. At 1 April 2011, the council held £20.9M (1 April 2010: £14.9M) in a provision for any such costs. Based on updated forecasts, the provision has been increased by £10.1M in 2011/2012 (2010/2011: £6.0M). In order to ensure that in future, employees whose work is of equal value will receive equal pay, the Council is nearing the completion of an extensive job evaluation exercise, in line with the 1997 Single Status agreement between the National Joint Council and trade unions.

Note 2I – Post Balance Sheet Events

On 1 April 2013, significant changes to the funding of local government took effect. One of these changes was the partial retention by councils of business rates raised in their area (in contrast to the previous system, which required all rates to be paid over to the Government for national redistribution). As part of this change, councils assumed the liability for refunding rate payers who successfully appeal against the rateable value of their properties, including amounts that were paid to the Government in 2012/2013 and earlier. This will require the council to set aside a provision for these refunds in future years. Had this treatment applied at 31 March 2013, the council would have set aside a provision of £2.7M.

6. THE FINANCIAL STATEMENTS

Note 3 – Current Debtors and Creditors

The tables below show amounts owed to the council (debtors), and amounts owed by the council (creditors) at the end of the year, split by type of organisation.

3A – Current Debtors

31 March 2012		Type of organisation	31 March 2013	
Council £M	Group £M		Council £M	Group £M
12.5	12.5	Central government bodies	32.4	32.4
39.9	38.2	Bodies external to general government	37.2	36.6
52.4	50.7	Total	69.6	69.0

3B – Current Creditors

31 March 2012		Type of organisation	31 March 2013	
Council £M	Group £M		Council £M	Group £M
(54.3)	(56.0)	Central government bodies	(4.3)	(5.4)
(0.1)	(0.1)	Other local authorities	(0.2)	(0.2)
-	-	NHS bodies	(0.7)	(0.7)
(32.7)	(34.9)	Bodies external to general government	(71.4)	(72.8)
(87.1)	(91.0)	Total	(76.6)	(79.1)

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Note 4 – Provisions and Contingent Liabilities

4A – Provisions

Balance at 31 March 2012 £M	Provision Name	Provision Details	Amounts Used in 2012/2013 £M	Provisions Made in 2012/2013 £M	Balance at 31 March 2013 £M
(30.0)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. The council has had approval from the Government to capitalise payments it may need to make in respect of Equal Pay Back Pay claims. It is currently uncertain when payments might need to be made, and the value of any such payments. No reimbursement would be receivable.	3.5	-	(26.5)
(2.3)	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 £2.6M is in respect of the outstanding claims under the self-insurance programme covering the current and past years.	-	(0.3)	(2.6)
(1.0)	Termination Benefits	During 2011/2012 and 2012/2013, the council undertook a voluntary redundancy exercise. As a result of this initiative, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at the end of the year.	1.0	(0.5)	(0.5)
(0.3)	Midlands Housing Consortium (MHC)	MHC was previously a member of the West Midlands Pension Fund. It paid a lump sum to the council to support pension payments to fund members. This provision will reduce gradually over time as pension payments are made.	0.1	-	(0.2)
(0.4)	Carbon Reduction Commitment	This provision is in respect of the council's liability under the national, compulsory Carbon Reduction Commitment scheme. It represents the council's estimate of the amount it will have to pay to purchase allowances for its use of carbon in 2012/2013.	0.4	(0.5)	(0.5)

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Balance at 31 March 2012 £M	Provision Name	Provision Details	Amounts Used in 2012/2013 £M	Provisions Made in 2012/2013 £M	Balance at 31 March 2013 £M
-	Housing Revenue Account	There are three separate provisions: for legal disrepair claims, for tenant management organisation expenditure and for rent bonds.	-	(0.1)	(0.1)
(0.2)	Other	These are small amounts relating to ex-members of the pension fund and refunds of aftercare payments made by residents subsequently falling within Section 117 of the Mental Health Act 1983 and from whom charges are not due.	-	-	(0.2)
(34.2)	TOTAL		5.0	(1.4)	(30.6)

6. THE FINANCIAL STATEMENTS

4B – Contingent Liabilities

At 31 March 2013, the council had the following contingent liabilities:

- The council entered into a waste disposal contract on 8 February 1996. Under the contract, the waste disposal contractor has constructed a waste energy plant at an estimated cost of £26.6M and the plant became operational in February 1998. If the contract is terminated by the council for any reason, the council becomes liable to pay to the contractor a sum, (the termination sum), equal to 90% of £26.6M, 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 2012 is £10.1M (31 March 2012 - £11.1M).
- There is a future payment to be paid under the council's well-being powers, which has arisen as a result of investigations into contamination of the site previously occupied by Courtaulds upon which there now stands a mix of private and social housing. The technical investigations into the land contamination affecting 84 properties are now complete. The council is in the process of assigning liabilities with a view to requiring those responsible to address the contamination. This however is a complex and lengthy legal process with a high likelihood of challenge from any of the parties considered by the council as to be responsible. The ability of the council to progress remediation is directly linked to the legal framework in place.
- A contingent liability exists for the costs of Equal Pay compensation. The council has established a provision for £30.0M (31 March 2012: £30.0M). The potential costs of any further cases not addressed by this provision cannot be reliably quantified at this stage.
- There are a number of instances where the council has acquired title to assets of land and buildings due to the use of compulsory purchase orders or an interest in land and buildings subject to blight notices. In these situations there has been no transfer of economic benefits due to difficulties in either establishing the original owner or in reaching an agreement to the level of compensation to be transferred. The existence of a recognisable liability can only be confirmed at the point that the owner comes forward to claim reimbursement or the formal acknowledgment of blight has been established. The total value of these cases as at 31 March 2013 is estimated at £0.6M (31 March 2012: £0.8M).
- 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 £0.2M. If all property search fees are taken into account, the total liability is £1.9M. However, the legal position is currently unclear, meaning that the existence of a liability cannot be confirmed until the relevant legal issues are resolved.

6. THE FINANCIAL STATEMENTS

- During 2012/2013, the council undertook a voluntary redundancy exercise. There were a number of applications for voluntary redundancy in progress, but which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.
- Advantage West Midlands (AWM) arranged for the land at i54 to be remediated in 2004 and any contamination found at that time was removed from the site. At the time of purchasing part of the land at i54 from Seven Trent Water, AWM (now succeeded by the Housing and Community Agency (HCA)) agreed to indemnify Severn Trent against any future contamination claims from third parties. When Staffordshire County Council purchased the land at i54 from the HCA, Staffordshire County Council were required to agree to the same indemnity relating to the former Severn Trent land. Under the Joint Venture Agreement relating to i54, Wolverhampton City Council would be required to fund 50% of any liability arising from this indemnity, subject to a cap of £2M.
- A further, separate contingent liability exists with respect to infrastructure works at the i54 development. Staffordshire County Council have provided a comprehensive warranty to Jaguar Cars Limited in respect of the design element for earthworks to plots. Under the Joint Venture Agreement relating to i54, Wolverhampton City Council would be required to fund 50% of any liability arising from this warranty, subject to a cap of £2.5M.
- The council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the council may be subject to claw back of both previous and future paid claims. The value of any such claw back is estimated to be approximately £0.5M.

6. THE FINANCIAL STATEMENTS

Note 5 – Non-Current Assets

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

	Carrying Value at 1 April 2012			2012/2013										Carrying Value at 31 March 2013		
	Gross Value	Accumulated Depreciation/Impairment	Net Value	Additions	Disposals (Gross Value)	Disposals (Accumulated Depreciation/Impairment)	Revaluations/ Fair Value Gains/(Losses)	Depreciation Writeback on Revaluation	Impairments	Impairments Reversed	Depreciation/ Amortisation	Other Changes - Gross Value	Other Changes - Accumulated Depreciation/ Impairment	Gross Value	Accumulated Depreciation/Impairment	Net Value
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Council Dwellings	1,224.2	(552.1)	672.1	41.4	(3.8)	-	-	-	-	-	(21.9)	-	-	1,261.8	(574.0)	687.8
Other Land and Buildings	996.0	(219.8)	776.2	96.5	(59.1)	12.9	(109.1)	73.9	(65.1)	3.5	(25.1)	(29.8)	2.0	894.5	(217.7)	676.8
Vehicles, Plant, Furniture and Equipment	62.5	(46.0)	16.5	4.1	-	-	-	-	-	-	(5.9)	0.2	-	66.8	(51.9)	14.9
Infrastructure Assets	250.2	(115.2)	135.0	6.8	-	-	-	-	-	-	(10.5)	(1.0)	-	256.0	(125.7)	130.3
Community Assets	27.4	(4.9)	22.5	0.3	(0.1)	-	(0.1)	-	-	-	-	-	-	27.5	(4.9)	22.6
Surplus Assets	13.2	(5.2)	8.0	1.0	(0.7)	-	(6.5)	8.6	(10.8)	1.4	(1.1)	36.9	(7.4)	43.9	(14.5)	29.4
Assets Under Construction	0.9	-	0.9	-	-	-	-	-	-	-	-	(0.9)	-	-	-	-
Investment Properties	19.2	(2.9)	16.3	0.1	(2.4)	0.3	-	-	-	-	-	-	-	16.9	(2.6)	14.3
Intangible Assets	1.9	(0.5)	1.4	0.6	-	-	-	-	-	-	(0.3)	-	-	2.5	(0.8)	1.7
Heritage Assets	11.5	-	11.5	-	-	-	-	-	-	-	-	-	-	11.5	-	11.5
Total	2,607.0	(946.6)	1,660.4	150.8	(66.1)	13.2	(115.7)	82.5	(75.9)	4.9	(64.8)	5.4	(5.4)	2,581.4	(992.1)	1,589.3

6. THE FINANCIAL STATEMENTS

	Carrying Value at 1 April 2011			2011/2012									Carrying Value at 31 March 2012		
	Gross Value	Accumulated Depreciation/Impairment	Net Value	Additions	Disposals (Gross Value)	Disposals (Accumulated Depreciation)	Revaluations/ Fair Value Gains/(Losses)	Depreciation Writeback on Revaluation	Impairments	Depreciation/ Amortisation	Other Changes - Gross Value	Other Changes - Accumulated Depreciation/ Impairment	Gross Value	Accumulated Depreciation/Impairment	Net Value
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Council Dwellings	1,450.2	(802.0)	648.2	41.0	(1.8)	-	-	-	(1.4)	(15.1)	(265.2)	266.4	1,224.2	(552.1)	672.1
Other Land and Buildings	960.5	(196.6)	763.9	68.3	(20.7)	6.5	8.6	0.5	(8.0)	(24.4)	(20.7)	2.2	996.0	(219.8)	776.2
Vehicles, Plant, Furniture and Equipment	59.5	(37.0)	22.5	3.4	(0.1)	-	-	-	-	(9.1)	(0.3)	0.1	62.5	(46.0)	16.5
Infrastructure Assets	240.4	(105.3)	135.1	9.8	-	-	-	-	-	(9.9)	-	-	250.2	(115.2)	135.0
Community Assets	66.3	(44.9)	21.4	0.5	-	-	-	-	-	-	(39.4)	40.0	27.4	(4.9)	22.5
Surplus Assets	11.5	(10.5)	1.0	0.2	(0.3)	-	(0.1)	-	(3.0)	(0.2)	1.9	8.5	13.2	(5.2)	8.0
Assets Under Construction	3.9	-	3.9	0.8	-	-	-	-	-	-	(3.8)	-	0.9	-	0.9
Investment Properties	17.7	-	17.7	-	(1.8)	-	0.1	-	-	-	3.2	(2.9)	19.2	(2.9)	16.3
Intangible Assets	1.1	(0.2)	0.9	-	-	-	-	-	-	(0.2)	0.8	(0.1)	1.9	(0.5)	1.4
Heritage Assets	11.5	-	11.5	-	-	-	-	-	-	-	-	-	11.5	-	11.5
Total	2,822.6	(1,196.5)	1,626.1	124.0	(24.7)	6.5	8.6	0.5	(12.4)	(58.9)	(323.5)	314.2	2,607.0	(946.6)	1,660.4

6. THE FINANCIAL STATEMENTS

Depreciation/Amortisation

Property, Plant and Equipment assets are depreciated on a straight-line basis over the estimated useful economic life of the asset, with the exception of council dwellings, for which Major Repairs Allowance is used as a proxy for depreciation. Intangible assets are amortised on a straight-line basis over the estimated useful economic life of the asset. No depreciation is charged for Investment Properties or Heritage Assets.

Revaluation

During 2012/2013 the council re-valued a number of assets. These valuations were carried out by the council's in-house valuation team using the guidance and methodology set out in the following paragraphs.

Legislation and guidance

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

Basis of valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2012/13, infrastructure and assets under construction are valued at depreciated historical cost. All other classes of asset are measured at fair value. Where there is no market based evidence of fair value the council estimates fair value using the depreciated historic cost approach. The fair value of council dwellings is measured using existing use value (social housing). The following table describes the measurement bases used to determine the gross carrying value of each of the council's classes of non-current assets.

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

Inspection

The method of inspection varies according to the nature of the property to be valued and ranges from visual external inspection to internal inspections when considered appropriate. It is assumed that any building is constructed in accordance with Building Regulations and does not contain any deleterious or hazardous substances. Detailed building surveys are not requisitioned unless there are obvious areas of concern which are likely to affect the valuation.

Key Assumptions

- Planning - Planning consideration is, in the first instance, by reference to the Local Development Framework to ensure the use of the property to be valued is in accordance with the council's stated policies.
- Ground Conditions - no reference is made to ground conditions unless it is evident upon inspection that a particular property has been affected by exceptional external influences greater than would be anticipated for its locality.
- Contamination - no reference is made to contamination unless, upon inspection, it is evident that a particular property has been affected by external influences greater than would be anticipated for its locality.
- Title - any reference to title is made from Commercial Development file references only if further investigation is not deemed to be required due to lack of clear evidence upon reference to file/site inspection.

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Capital Commitments

At 31 March 2013, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/2014 and future years with an estimated total value of £100.9M (31 March 2012: £59.4M). The major commitments are: Building Schools for the Future (£67.5M), i54 (£17.6M) and Decent Homes (£10.6M).

Investment Properties

During the year the council had £1.0M of income receivable from investment properties (2011/2012: £1.1M) and spent £0.1M on managing and maintaining those properties (2011/2012: £0.2M). There are no restrictions on the council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property, or for repairs, maintenance or enhancements.

Impairment

During 2012/2013, the council identified a number of impairments as part of the regular review of its properties under the five-year revaluation cycle. The total value of those impairments was £75.9M. There were no impairments that were individually material during 2012/2013.

Capital Financing Requirement

The council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £685.8M at 31 March 2013 (31 March 2012: £700.2M).

6. THE FINANCIAL STATEMENTS

Note 6 – Employee Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments, which needs to be disclosed at the time that employees earn their future entitlement.

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

- The Local Government Pension Scheme, administered locally by The West Midlands Pension Fund. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.
- 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 cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

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2011/2012		2012/2013	
LGPS £M	Teachers £M	LGPS £M	Teachers £M
		COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	
		Cost of Services:	
(20.4)	-	-	-
		(21.6)	-
(0.1)	-	-	-
		(0.2)	-
(1.2)	(0.2)	-	-
		2.1	(0.1)
		Financing and Investment Income and Expenditure:	
(53.7)	(2.8)	-	-
		(51.8)	(2.4)
44.7	-	-	-
		40.4	-
(30.7)	(3.0)	(31.1)	(2.5)
		Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:	
(66.7)	(1.8)	-	-
		(94.9)	(7.1)
(97.4)	(4.8)	(126.0)	(9.6)
		Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
		MOVEMENT IN RESERVES STATEMENT	
(30.7)	(3.0)	-	-
		(31.1)	(2.5)
		Actual amount charged against the General Fund Balance for pensions in the year:	
23.0	-	-	-
		23.4	-
	3.7	-	-
		-	3.7
(7.7)	0.7	(7.7)	1.2
		Total Movement in Reserves	

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Assets and Liabilities in Relation to Post-employment Benefits

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

2011/2012 LGPS £M	Assets	2012/2013 LGPS £M
667.0	Opening balance at 1 April	675.0
44.7	Expected rate of return	40.4
(29.9)	Actuarial gains and losses	41.9
23.0	Employer contributions	23.4
7.5	Contributions by scheme participants	7.3
(36.8)	Benefits paid	(38.3)
-	Entity combinations	-
(0.5)	Settlements	(1.8)
675.0	Closing balance at 31 March	747.9

2011/2012 Funded: LGPS £M	2011/2012 Unfunded: LGPS £M	2011/2012 Unfunded: Teachers £M	Liabilities	2012/2013 Funded: LGPS £M	2012/2013 Unfunded: LGPS £M	2012/2013 Unfunded: Teachers £M
(951.0)	(31.0)	(52.9)	Opening balance at 1 April	(1,043.0)	(21.4)	(54.0)
(20.4)	-	-	Current service cost	(21.6)	-	-
(52.1)	(1.6)	(2.8)	Interest cost	(50.8)	(1.0)	(2.4)
(7.5)	-	-	Contributions - participants	(7.3)	-	-
(36.1)	(0.7)	(1.8)	Actuarial gains and losses	(135.0)	(1.8)	(7.0)
35.2	1.6	3.7	Benefits paid	36.7	1.6	3.7
(0.1)	-	-	Past service costs	(0.2)	-	-
-	-	-	Entity combinations	-	-	-
(1.9)	-	(0.2)	Curtailments	(1.2)	-	(0.1)
(9.1)	10.3	-	Settlements	5.1	-	-
(1,043.0)	(21.4)	(54.0)	Closing balance at 31 March	(1,217.3)	(22.6)	(59.8)

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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 £82.3M (2011/2012: (£14.8M)).

Scheme History

2008/2009 £M	2009/2010 £M	2010/2011 £M	2011/2012 £M		2012/2013 £M
				<u>Present value of liabilities</u>	
(743.7)	(1,026.7)	(981.9)	(1,064.3)	Local Government Pension Scheme	(1,239.9)
(44.9)	(53.5)	(52.9)	(54.0)	Discretionary Benefits	(59.8)
(788.6)	(1,080.2)	(1,034.8)	(1,118.3)	Sub Total	(1,299.7)
474.6	615.2	667.0	674.9	Fair Value of Assets in the Local Government Pension Scheme	747.9
				<u>Surplus/(deficit) in the scheme</u>	
(269.2)	(411.5)	(314.9)	(389.4)	Local Government Pension Scheme	(492.0)
(44.8)	(53.5)	(52.9)	(54.0)	Discretionary Benefits	(59.8)
(314.0)	(465.0)	(367.8)	(443.4)	Total	(551.8)

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £551.8M has a substantial impact on the net worth of the council as recorded in the Balance Sheet, reducing it from £948.3M to £396.6M. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy, because:

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

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The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2014 is £23.6M. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £3.7M.

Basis for Estimating Assets and Liabilities

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

2011/2012			2012/2013	
LGPS	Teachers		LGPS	Teachers
		Long-term expected rate of return on assets in the scheme:		
7.00%	n/a	Equity investments	7.00%	n/a
3.10%	n/a	Government Bonds	2.8%	n/a
4.10%	n/a	Other Bonds	3.9%	n/a
6.00%	n/a	Property	5.7%	n/a
0.50%	n/a	Cash/current assets	0.5%	n/a
7.00%	n/a	Other	7.00%	n/a
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
21.70	21.70	- Men	22.10	22.10
24.30	24.30	- Women	24.80	24.80
		Longevity at 65 for future pensioners:		
23.10	n/a	- Men	23.90	n/a
25.90	n/a	- Women	26.70	n/a
2.50%	2.30%	Rate of inflation	2.40%	2.40%
4.25%	-	Rate of increase in salaries	4.15%	-
2.50%	2.30%	Rate of increase in pensions	2.40%	2.40%

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2011/2012			2012/2013	
LGPS	Teachers		LGPS	Teachers
4.90%	4.60%	Rate for discounting scheme liabilities	4.20%	3.70%
50.00%	n/a	Take-up of option to convert annual pension into retirement lump sum	50.00%	n/a

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

31 March 2012			31 March 2013	
%			%	
55	Equity Investments		42	
11	Government Bonds		9	
8	Other Bonds		12	
10	Property		9	
1	Cash/Current Assets		2	
15	Other		26	
100	TOTAL		100	

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/2013 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

2008/2009	2009/2010	2010/2011	2011/2012		2012/2013
%	%	%	%		%
				Local Government Pension Scheme	
(33.50)	(18.70)	(1.20)	(4.40)	- Differences between the expected and actual return on assets	5.6%
-	-	(2.90)	-	- Experience gains and losses on liabilities	-
				Teachers Discretionary Pension Scheme:	
-	-	(2.40)	-	- Experience gains and losses on liabilities	-

6. THE FINANCIAL STATEMENTS

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2012			31 March 2013	
Local Government Pension Scheme £M	Discretionary Pension Scheme £M		Local Government Pension Scheme £M	Discretionary Pension Scheme £M
		<i>Estimated Liabilities in Scheme</i>		
(1,064.3)	(54.0)	Wolverhampton City Council	(1,239.9)	(59.8)
(100.6)	-	Wolverhampton Homes	(122.1)	-
(1,164.9)	(54.0)	Total Liabilities	(1,362.0)	(59.8)
		<i>Estimated Assets in Scheme</i>		
675.0	-	Wolverhampton City Council	747.9	-
82.0	-	Wolverhampton Homes	93.8	-
757.0	-	Total Assets	841.7	-
(407.9)	(54.0)	Net Liabilities	(520.3)	(59.8)

6. THE FINANCIAL STATEMENTS

Note 7 – Financial Instruments

Note 7A – Leases and Lease-Type Arrangements

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

2011/2012				2012/2013				
Amounts Payable		Amounts Receivable		Amounts Payable		Amounts Receivable		
Finance Leases	Operating Leases	Finance Leases (Restated)	Operating Leases (Restated)	Finance Leases	Operating Leases	Finance Leases	Operating Leases	
£M	£M	£M	£M	£M	£M	£M	£M	
0.4	0.6	-	2.5	Payable/receivable in the year	0.5	0.8	-	3.4
0.4	0.6	-	2.0	Due within one year	0.1	0.6	-	2.3
0.2	1.6	-	5.9	Due in one to five years	0.2	1.5	-	6.1
-	0.7	4.4	27.7	Due after five years	-	0.6	6.0	26.7
0.6	2.9	4.4	35.6	Total due in future years	0.3	2.7	6.0	35.1

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

31 March 2012		31 March 2013
£M		£M
0.7	Vehicles, Plant, Furniture and Equipment	0.5
0.7	Total	0.5

6. THE FINANCIAL STATEMENTS

Note 7B – Private Finance Initiative and Similar Contracts

The council has three contracts which are PFIs or similar in nature and which are accounted for as 'on balance sheet': the Bentley Bridge leisure centre, the waste disposal facility, and Highfields and Parkfields School.

Bentley Bridge Leisure Centre: In 2006/2007 the council signed a thirty year contract for a new leisure facility. The scheme was for the design, build, funding and operation of a major new regional leisure facility. The facility includes a leisure pool with a river run, wave pool and flumes; a 25m 6 lane traditional pool; a studio pool; a 140 station fitness suite; a dance/aerobics suite; children's play feature and a café. The facility cost £13.3M and opened on 12 December 2006. The facility is operated by DC Leisure Management Limited on behalf of the council. The contract period is for 30 years, with an end date of 31 October 2036. The total amount payable by the council over the life of the contract is £52.5M. Over the remaining life of the project the commitments are:

	Payment for Services £M	Interest £M	Capital Expenditure /Principal Redemption £M	Total £M
Payable in 2013/2014	0.3	0.9	0.2	1.4
Payable within two to five years	1.5	3.4	0.9	5.8
Payable within six to ten years	2.0	3.8	1.4	7.2
Payable within eleven to fifteen years	2.4	3.3	1.5	7.2
Payable within sixteen to twenty years	2.0	2.4	2.8	7.2
Payable within twenty-one to twenty-five years	1.3	0.7	3.3	5.3
Total	9.5	14.5	10.1	34.1

6. THE FINANCIAL STATEMENTS

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

	Balance at 31 March 2012	Depreciation	Capital Expenditure /Principal Redemption	Balance at 31 March 2013
	£M	£M	£M	£M
Property, Plant and Equipment	11.3	(0.4)	-	10.9
Long-term Liability	(9.2)	-	0.2	(9.0)
Total	2.1	(0.4)	0.2	1.9

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

	Payment for Services	Interest	Capital Expenditure /Principal Redemption	Total
	£M	£M	£M	£M
Payable in 2013/2014	6.0	0.8	0.9	7.7
Payable within two to five years	26.9	2.2	4.6	33.7
Payable within six to ten years	23.4	0.7	4.4	28.5
Total	56.3	3.7	9.9	69.9

6. THE FINANCIAL STATEMENTS

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

	Balance at 31 March 2012	Depreciation/ Amortisation	Capital Expenditure /Principal Redemption	Balance at 31 March 2013
	£M	£M	£M	£M
Property, Plant and Equipment	11.1	(1.2)	-	9.9
Deferred Income	(3.1)	0.3	-	(2.8)
Long-term Liability	(10.8)	-	0.9	(9.9)
Total	(2.8)	(0.9)	0.9	(2.8)

Highfields & Parkfield School: As part of the Building Schools for the Future Programme the council entered in to a PFI contract for the construction and management of a new building for the Highfields Specialist Science College and Penn Fields Special School. The construction of the new building cost £47.8M. The total amount payable by the council over the life of the contract is estimated to be £196.8M. Over the remaining life of the contract the estimated payments are:

	Payment for Services	Interest	Capital Expenditure /Principal Redemption	Total
	£M	£M	£M	£M
Payable in 2013/2014	1.8	4.8	0.5	7.1
Payable within two to five years	7.7	18.8	2.7	29.2
Payable within six to ten years	10.5	21.5	5.8	37.8
Payable within eleven to fifteen years	11.7	18.4	9.2	39.3
Payable within sixteen to twenty years	14.5	12.4	14.3	41.2
Payable within twenty-one to twenty-five years	15.6	4.5	18.0	38.1
Total	61.8	80.4	50.5	192.7

6. THE FINANCIAL STATEMENTS

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

	Balance at 31 March 2012	Depreciation	Capital Expenditure /Recognition of Liability	Balance at 31 March 2013
	£M	£M	£M	£M
Property, Plant and Equipment	-	-	47.8	47.8
Long-term Liability	-	-	(45.7)	(45.7)
Total	-	-	2.1	2.1

6. THE FINANCIAL STATEMENTS

Note 7C – Financial Instruments

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

31 March 2012					31 March 2012			
Carrying Value		Fair Value			Carrying Value		Fair Value	
Long-Term	Current	Long-Term	Current		Long-Term	Current	Long-Term	Current
£M	£M	£M	£M		£M	£M	£M	£M
				Financial Assets				
1.0	61.0	1.0	61.0	Loans and Receivables	1.5	74.1	1.5	74.1
-	-	-	-	Available-for-sale Financial Assets	-	-	-	-
18.6	-	18.6	-	Unquoted Equity Investment at Cost	18.6	-	18.6	-
-	2.6	-	2.6	Cash and Cash Equivalents	-	3.5	-	3.5
19.6	63.6	19.6	63.6	Total Financial Assets	20.1	77.6	20.1	77.6
				Financial Liabilities				
(532.1)	(100.8)	(569.0)	(100.9)	Financial Liabilities at Amortised Cost	(588.3)	(120.4)	(644.6)	(122.2)
(532.1)	(100.8)	(569.0)	(100.9)	Total Financial Liabilities	(588.3)	(120.4)	(644.6)	(122.2)
(512.5)	(37.2)	(549.4)	(37.3)	Net Financial Liabilities	(568.2)	(42.8)	(624.5)	(44.6)

6. THE FINANCIAL STATEMENTS

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

2011/2012				2012/2013				
Financial Assets: Loans and Receivables	Financial Assets: Unquoted Equity Investment at Cost	Financial Liabilities Measured at Amortised Cost	Total	Financial Assets: Loans and Receivables	Financial Assets: Unquoted Equity Investment at Cost	Financial Liabilities Measured at Amortised Cost	Total	
£M	£M	£M	£M	£M	£M	£M	£M	
-	-	28.2	28.2	-	-	25.4	25.4	
(0.7)	-	-	(0.7)	(0.4)	-	-	(0.4)	
-	(1.8)	-	(1.8)	-	-	-	-	
(0.7)	(1.8)	28.2	25.7	(0.4)	-	25.4	25.0	

The council holds a small amount of HM Treasury loans, which have been valued according to published quotations in an active market. The fair values of all other financial instruments have been derived from valuation techniques based on assumptions that are not supported by prices from observable current market transactions in the same instrument, and not based on available observable market data.

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

6. THE FINANCIAL STATEMENTS

Note 7D – Risks Arising from Financial Instruments

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

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

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

Credit and Counterparty Risk Management

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

The council's maximum exposure to credit risk at 31 March 2013 was £74.1M (31 March 2012: £61.0M). This relates entirely to Loans and Receivables. The council does not hold any collateral in respect of these amounts.

Collateral and Other Credit Enhancements Obtained

The council did not obtain any collateral or other credit enhancements during 2012/2013 or 2011/2012.

Liquidity Risk Management

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

6. THE FINANCIAL STATEMENTS

Analysis of Financial Liabilities by Maturity Date

Time until Repayment	£M
Payable next year (2013/2014)	39.0
Payable within two to five years	103.2
Payable within six to ten years	10.2
Payable within eleven to fifteen years	22.6
Payable within sixteen to twenty years	13.3
Payable within twenty-one to twenty-five years	31.0
Payable within twenty-six to thirty years	39.9
Payable within thirty-one to thirty-five years	31.9
Payable within thirty-six to forty years	53.2
Payable within forty-one to forty-five years	44.3
Payable within forty-six to fifty years	26.6
Payable within fifty-one to sixty years	103.8
Total	519.0

Interest Rate Risk Management

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

If interest rates had been 1% higher during 2012/2013, the council's interest payable would have increased by £4.8M, and its interest receivable would have increased by £0.3M, resulting in an increase in net expenditure of £4.5M. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £4.5M.

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.

6. THE FINANCIAL STATEMENTS

Inflation Risk Management

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

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

Price Risk

The council does not generally invest in equity shares but does have shareholdings to the value of £18.6M in Birmingham International Airport. The council is consequently exposed to losses arising from movements in the prices of the shares. As the shareholdings have arisen in the acquisition of specific interests, the council is not in a position to limit its exposure to price movements by diversifying its portfolio. The shares are all classified as 'unquoted equity investment at cost', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Refinancing Risk Management

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

Legal and Regulatory Risk Management

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

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

6. THE FINANCIAL STATEMENTS

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.

6. THE FINANCIAL STATEMENTS

Note 8 – Members of the Wolverhampton City Council Group and other Related Parties

Subsidiary

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

Wolverhampton Homes' main income stream comes from the council, in the form of a management fee for housing management and maintenance which amounted to £38.0M in 2012/2013 (2011/2012: £37.9M). There are a number of other transaction streams between the two entities, including capital works carried out by Wolverhampton Homes for the council, support services provided by the council, and premises leases payable by Wolverhampton Homes. Payments by the council to Wolverhampton Homes amounted to £45.2M in 2012/2013 (2011/2012: £45.8M), whilst payments by Wolverhampton Homes to the council totalled £5.0M (2011/2012: £4.2M). At the year end, Wolverhampton Homes owed the council £1.2M (2011/2012: £2.1M), and the council owed Wolverhampton Homes £1.8M (2011/2012: £0.8M).

Central Government

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties. The following table provides details of the grants received from Central Government.

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2011/2012 £M	Grant	2012/2013 £M
(179.2)	Dedicated Schools Grant	(174.1)
(110.8)	NNDR	(134.2)
(57.5)	Mandatory Rent Allowance	(56.8)
(53.5)	Mandatory Rent Rebates Subsidy	(56.0)
(65.6)	Standards Fund Capital	(54.5)
(27.2)	Council Tax Benefit	(27.6)
-	Decent Homes Backlog Grant	(15.5)
(13.6)	Early Intervention Grant	(13.8)
(14.7)	Section 31 Grant	(13.6)
(10.7)	Learning Disability & Health Reform	(11.0)
(12.3)	6th Form Funding	(9.8)
(3.1)	Housing & Council Tax Benefit Administration	(2.9)
(34.2)	Revenue Support Grant	(2.6)
(1.5)	Adult Community Learning PCDL	(1.5)
(1.2)	Disabled Facilities Grant	(1.3)
(1.1)	Further Education 19+	(1.2)
(0.5)	New Homes Bonus	(1.1)
(2.3)	Council Tax Freeze Grant	(0.2)
(1.2)	School Standards Grant	-
(1.0)	Future Jobs Fund	-
(7.7)	Other grants (each less than £1.0M)	(7.6)
(598.9)	Total	(585.3)

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during the year is shown in Note 2C. The register of members' interests is available on the council's website:

<http://www2.wolverhampton.gov.uk/council/councillors/name>

6. THE FINANCIAL STATEMENTS

Other Related Parties

The table below shows total expenditure and income streams of £0.1M or more with other related parties of the council during the year.

2011/2012		Entity and Nature of Relationship	2012/2013	
Expenditure £M	Income £M		Expenditure £M	Income £M
-	(0.7)	Birmingham Airport Holdings Limited The Council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. In 2012/2013 the council received a preference dividend of £0.1M, ordinary dividend of £0.5M and rental income of £0.1M.	-	(0.7)
0.5	-	Wolverhampton Grand Theatre Limited The Grand Theatre is managed by Wolverhampton Grand Theatre Limited. 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. The council provides grant funding to support the net cost of operating the theatre.	0.5	-
-	-	School Improvement Partnership The Wolverhampton School Improvement Partnership is a company limited by guarantee established to advance educational opportunities and outcomes for children and young people in Wolverhampton. The board of directors comprises of representatives from each school cluster and phase and the senior substantive council officer for schools.	1.2	(1.2)
0.2	-	The Lighthouse Media Centre The Lighthouse Media Centre is an independent company that develops and supports the creative industries. The council provides grant funding to support the net cost of operating the centre. The Lighthouse Media Centre leases premises within the Chubb Building which is owned by the council.	0.2	-
-	-	i54 The council is party to a joint venture with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	5.6	(1.7)
		<u>Entities in which Members have declared an interest:</u>		
14.0	(0.8)	West Midlands Integrated Transport Authority	13.6	(0.4)
12.2	-	West Midlands Police Authority	6.7	(0.1)
3.5	-	West Midlands Fire Service	3.4	-
1.3	-	City of Wolverhampton College	0.2	-

6. THE FINANCIAL STATEMENTS

2011/2012		Entity and Nature of Relationship	2012/2013	
Expenditure £M	Income £M		Expenditure £M	Income £M
0.8	(0.3)		North East Wolverhampton Academy	0.2
0.4	-	Mencap	0.2	-
0.4	-	Black Country Housing Group	0.1	-
0.4	-	All Saints Action Network	0.3	-
0.3	-	Southwest and Bilston Academy	0.2	-
0.2	(0.2)	Heath Park High School	0.2	(0.2)
0.2	-	Wolverhampton Network Consortium	-	-
0.5	-	Wolverhampton Citizens Advice Bureau	0.4	-
0.2	-	Heath Town Senior Citizens Welfare Project	0.1	-

6. THE FINANCIAL STATEMENTS

Note 9 – Trust Funds

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

2011/2012			Fund Name and Purpose	2012/2013		
Income	Expenditure	Fund Value at 31 March 2012		Income	Expenditure	Fund Value at 31 March 2013
£000	£000	£000		£000	£000	£000
-	-	29	Greenway Benefaction Established for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley.	-	-	29
1	-	42	Springfield Reading Room In its capacity as trustee, the council is authorised to apply income in various ways.	-	-	42
-	-	16	Butler Bequest Music in the Parks To provide music in the parks.	-	-	16
-	-	29	Other Smaller Funds	-	-	29
1	-	116	Total	-	-	116

6. THE FINANCIAL STATEMENTS

Note 10 – Reconciliation of the Financial Statements to the Statutory Accounts

10A – Subjective Analysis of the Surplus or Deficit on the Provision of Services, and Reconciliation to Outturn for the Year

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

2011/2012 £M	Category	2012/2013 £M
(362.1)	<i>Fees, charges and other service income</i>	(266.3)
(1.4)	<i>Interest and investment income</i>	(1.1)
(93.1)	<i>Income from council tax</i>	(93.7)
(630.7)	<i>Government grants and contributions</i>	(575.7)
294.3	<i>Employee expenses</i>	286.1
653.0	<i>Other service expenses</i>	556.8
56.3	<i>Depreciation, amortisation and impairment</i>	113.3
28.2	<i>Interest payments</i>	25.4
13.6	<i>Precepts and levies</i>	13.4
2.4	<i>Payments to the national housing capital receipts pool</i>	1.5
11.0	<i>(Gain) or loss on the disposal of non-current assets</i>	43.7
(28.5)	<i>(Surplus) or deficit on the provision of services</i>	103.4

6. THE FINANCIAL STATEMENTS

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

2011/2012 £M		2012/2013 £M
(28.5)	<i>(Surplus) or deficit on the provision of services</i>	103.4
40.6	<i>Less: items included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement</i>	(92.9)
2.5	<i>Less: Surplus or (deficit) attributable to subsidiaries</i>	(1.4)
14.6	<i>Deficit for the year</i>	9.1

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

2011/2012 £M		2012/2013 £M
208.1	<i>Net Cost of Services</i>	318.8
(196.0)	<i>Less: items included in the segmental analysis but not included in the Net Cost of Services</i>	(308.3)
2.5	<i>Less: Surplus or (deficit) attributable to subsidiaries</i>	(1.4)
14.6	<i>Deficit for the year</i>	9.1

6. THE FINANCIAL STATEMENTS

10B – Detailed Analysis of Movement in Reserves Statement:

2012/2013 Part 1 – Usable Reserves

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£M	£M	£M	£M	£M	£M	£M	£M
Balance Brought Forward	(19.5)	(83.6)	(10.5)	-	(5.2)	(2.3)	(36.1)	(157.2)
Surplus or Deficit on Provision of Services	111.3	-	(9.3)	-	-	-	-	102.0
<u>Other Comprehensive Income and Expenditure</u>								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	111.3	-	(9.3)	-	-	-	-	102.0
<u>Adjustments between Accounting Basis & Funding Basis under Regulations</u>								
Depreciation, amortisation & impairment of non-current assets	(113.3)	-	-	-	(22.0)	-	-	(135.3)
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	-	-	-	-	-	-
Revenue Expenditure Funded from Capital under Statute	(58.2)	-	-	-	-	-	-	(58.2)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(48.1)	-	(4.8)	-	-	-	-	(52.9)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	4.0	-	5.5	-	-	(9.0)	-	0.5
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.3)	-	-	-	-	-	-	(0.3)
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(0.4)	-	-	-	-	-	-	(0.4)

6. THE FINANCIAL STATEMENTS

2012/2013 Part 1 – Usable Reserves (Continued)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£M	£M	£M	£M	£M	£M	£M	£M
Net Charges made for retirement benefits in accordance with IAS 19	(33.6)	-	-	-	-	-	-	(33.6)
Capital Expenditure charged in the year to the General Fund	0.2	-	-	-	-	-	-	0.2
Transfer from UCR to meet payments to Housing Capital Receipts Pool	(1.5)	-	-	-	-	1.5	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	27.2	-	-	-	-	-	-	27.2
Transfers of HRA Balance								-
Reversal of financing of unequal pay back provision								-
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	-	117.9	117.9
Capital grants and contributions unapplied credited to CIES	113.4	-	-	-	-	-	(113.4)	-
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.7)	-	-	-	-	-	-	(0.7)
Capital Expenditure Financed from UCR	-	-	-	-	-	4.3	-	4.3
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	-	0.3
Revenue provision for the repayment of debt	25.6	-	14.3	-	-	-	-	39.9
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	-	17.5	-	-	17.5
Net Increase/Decrease before Transfers & Other Movements	25.9	-	5.7	-	(4.5)	(3.2)	4.5	28.4
Transfers to/from other Earmarked Reserves	(22.3)	22.5	(0.2)	-	-	-	-	-
Balance Carried Forward	(15.9)	(61.1)	(5.0)	-	(9.7)	(5.5)	(31.6)	(128.8)

6. THE FINANCIAL STATEMENTS

2012/2013 Part 2 – Unusable Reserves and Reserves of Subsidiary

	Short-term Accumulating Compensated Absences Account	Available-for- sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	Reserves of Subsidiary	TOTAL (Group)
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Balance Brought Forward	6.2	(12.1)	(649.9)	0.1	2.9	443.4	(267.0)	(476.4)	12.6	(621.0)
Surplus or Deficit on Provision of Services	-	-	-	-	-	-	-	-	1.4	103.4
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	33.1	33.1	-	33.1
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	101.9	-	101.9	8.8	110.7
Total Comprehensive Income and Expenditure	-	-	-	-	-	101.9	33.1	135.0	10.2	247.2
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation & impairment of non-current assets	-	-	119.5	-	-	-	15.8	135.3	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	-	-	-	-	-	-	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	58.2	-	-	-	-	58.2	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	41.4	-	-	-	11.5	52.9	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	(0.5)	-	-	-	-	(0.5)	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.3	-	-	0.3	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	0.4	-	-	-	0.4	-	-

6. THE FINANCIAL STATEMENTS

2012/2013 Part 2 – Unusable Reserves and Reserves of Subsidiary (Continued)

	Short-term Accumulating Compensated Absences Account	Available-for- sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	Reserves of Subsidiary	TOTAL (Group)
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	33.6	-	33.6	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.2)	-	-	-	-	(0.2)	-	-
Transfer from UCR to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(27.2)	-	(27.2)	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-
Reversal of financing of unequal pay back provision	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(117.9)	-	-	-	-	(117.9)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.7	-	-	-	-	-	-	0.7	-	-
Capital Expenditure Financed from UCR	-	-	(4.3)	-	-	-	-	(4.3)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-
Revenue provision for the repayment of debt	-	-	(39.9)	-	-	-	-	(39.9)	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(17.5)	-	-	-	-	(17.5)	-	-
Net Increase/Decrease before Transfers & Other Movements	0.7	-	38.5	0.4	0.3	108.3	60.4	208.6	10.2	247.2
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	6.9	(12.1)	(611.4)	0.5	3.2	551.7	(206.6)	(267.8)	22.8	(373.8)

6. THE FINANCIAL STATEMENTS

2011/2012 Part 1 – Usable Reserves

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£M	£M	£M	£M	£M	£M	£M
Balance Brought Forward	(39.5)	(63.5)	(5.1)	(4.6)	(1.8)	(37.1)	(151.6)
Surplus or Deficit on Provision of Services	25.3	-	(51.3)	-	-	-	(26.0)
<u>Other Comprehensive Income and Expenditure</u>							
Revaluations - Gains and losses	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	25.3	-	(51.3)	-	-	-	(26.0)
<u>Adjustments between Accounting Basis & Funding Basis under Regulations</u>							
Depreciation, amortisation & impairment of non-current assets	(51.2)	-	(5.1)	(15.0)	-	-	(71.3)
HRA Share of Contribution to Pension Reserve	(0.2)	-	0.2	-	-	-	-
Movement in the market value of Investment Properties	0.1	-	-	-	-	-	0.1
Revenue Expenditure Funded from Capital under Statute	(45.7)	-	-	-	-	-	(45.7)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(15.8)	-	(1.8)	-	-	-	(17.6)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	2.1	-	4.9	-	(6.4)	-	0.6
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	0.1	-	-	-	-	-	0.1
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(1.3)	-	-	-	-	-	(1.3)

6. THE FINANCIAL STATEMENTS

2011/2012 Part 1 – Usable Reserves (Continued)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£M	£M	£M	£M	£M	£M	£M
Net Charges made for retirement benefits in accordance with IAS 19	(33.7)	-	-	-	-	-	(33.7)
Capital Expenditure charged in the year to the General Fund	0.5	-	-	-	-	-	0.5
Transfer from UCR to meet payments to Housing Capital Receipts Pool	(2.4)	-	-	-	2.4	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	26.6	-	-	-	-	-	26.6
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	84.1	84.1
Capital grants and contributions unapplied credited to CIES	83.1	-	-	-	-	(83.1)	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.9)	-	-	-	-	-	(0.9)
Capital Expenditure Financed from UCR	-	-	(12.1)	-	63.3	-	51.2
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	0.3
Revenue provision for the repayment of debt	12.8	-	0.2	-	-	-	13.0
Transfer of HRA Settlement Receipts to UCR	-	-	59.8	-	(59.8)	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	14.4	-	-	14.4
Net Increase/Decrease before Transfers & Other Movements	(0.3)	-	(5.2)	(0.6)	(0.5)	1.0	(5.6)
Transfers to/from other Earmarked Reserves	20.3	(20.1)	(0.2)	-	-	-	-
Balance Carried Forward	(19.5)	(83.6)	(10.5)	(5.2)	(2.3)	(36.1)	(157.2)

6. THE FINANCIAL STATEMENTS

2011/2012 Part 2 – Unusable Reserves and Reserves of Subsidiary

	Short-term Accumulating Compensated Absences Account	Available-for- sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	Reserves of Subsidiary	TOTAL (Group)
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Balance Brought Forward	5.3	(10.4)	(610.6)	(1.2)	3.0	367.8	(267.5)	(513.6)	11.6	(653.6)
Surplus or Deficit on Provision of Services	-	-	-	-	-	-	-	-	(2.5)	(28.5)
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	(9.2)	(9.2)	-	(9.2)
Gains on Available-for-Sale Financial Assets	-	(1.7)	-	-	-	-	-	(1.7)	-	(1.7)
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	68.5	-	68.5	3.5	72.0
Total Comprehensive Income and Expenditure	-	(1.7)	-	-	-	68.5	(9.2)	57.6	1.0	32.6
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation & impairment of non-current assets	-	-	62.1	-	-	-	9.2	71.3	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	(0.1)	-	-	-	-	(0.1)	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	45.7	-	-	-	-	45.7	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	17.1	-	-	-	0.5	17.6	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	(0.6)	-	-	-	-	(0.6)	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	(0.1)	-	-	(0.1)	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	1.3	-	-	-	1.3	-	-

6. THE FINANCIAL STATEMENTS

2011/2012 Part 2 – Unusable Reserves and Reserves of Subsidiary (Continued)

	Short-term Accumulating Compensated Absences Account	Available-for- sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	Reserves of Subsidiary	TOTAL (Group)
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	33.7	-	33.7	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.5)	-	-	-	-	(0.5)	-	-
Transfer from UCR to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(26.6)	-	(26.6)	-	-
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(84.1)	-	-	-	-	(84.1)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.9	-	-	-	-	-	-	0.9	-	-
Capital Expenditure Financed from UCR	-	-	(51.2)	-	-	-	-	(51.2)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-
Revenue provision for the repayment of debt	-	-	(13.0)	-	-	-	-	(13.0)	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(14.4)	-	-	-	-	(14.4)	-	-
Net Increase/Decrease before Transfers & Other Movements	0.9	(1.7)	(39.3)	1.3	(0.1)	75.6	0.5	37.2	1.0	32.6
Transfers to/from other Earmarked Reserves								-	-	-
Balance Carried Forward	6.2	(12.1)	(649.9)	0.1	2.9	443.4	(267.0)	(476.4)	12.6	(621.0)

6. THE FINANCIAL STATEMENTS

10C – Description of Reserves

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

6. THE FINANCIAL STATEMENTS

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

6. THE FINANCIAL STATEMENTS

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

6. THE FINANCIAL STATEMENTS

Note 11 – Accounting Policies

Note 11A – Accounting Policies Applying to these Statements

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2012/2013 financial year and its position at 31 March 2013. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

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

2. 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.

6. THE FINANCIAL STATEMENTS

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 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. THE FINANCIAL STATEMENTS

6. Charges to Revenue for Non-Current Assets

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

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

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

7. Employee Benefits

Benefits Payable During Employment - Short-term employee 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 (and any other form of leave) earned by employees but not taken before the year end, and which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement in the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits - Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, 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.

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

Post-Employment Benefits - Employees of the council are members of two separate pension schemes:

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

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

- Quoted securities – current bid price;

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- 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 – charged to the Pensions Reserve and recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement;

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

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

Discretionary Benefits - The council 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 Reporting Period

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 event can be identified:

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

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

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9. Financial Instruments

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

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

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

Financial Assets - Financial assets are classified into two types:

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

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

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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

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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.

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 received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the grant issuing body.

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

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

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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. Expenditure on the development of websites would not be capitalised if the website were solely or primarily intended to promote or advertise the council's goods or services.

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

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

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. It has no other material interests in companies or other entities that have the nature of a subsidiary, associate or jointly-controlled entity.

14. Inventories

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

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.

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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

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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.

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

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

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received) – and finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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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 property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

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 Service Reporting Code of Practice (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

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

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

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Dwellings - 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).

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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 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.

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

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

Depreciation is calculated on the following bases:

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

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

Disposals

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.

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

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

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, from the council and third parties where relevant, to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

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

- Fair value of the services received during the year - 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;

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- Payment towards liability - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.
- Third party income – credited to the Comprehensive Income and Expenditure Statement, reflecting the extent to which the asset and the service are financed by third party income.

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.

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.

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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 reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

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 or enhancement of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council determines to meet the cost of this expenditure from capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

24. Value Added Tax

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

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 included within these accounts. The accounting policies for the pension fund can be found at note P3 in the accounts.

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

26. Heritage Assets

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

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

27. Accounting for the Carbon Reduction Commitment Scheme

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the council's services and is apportioned to services on the basis of energy consumption.

Note 11B – Changes in Accounting Policies from Last Year

There have been no changes in accounting policy from 2011/2012.

Note 11C – Critical Judgements Made When Applying the Accounting Policies

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

Group Accounts

The council is the sole shareholder of Wolverhampton Homes, 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.

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The council is the main funder of the Grand Theatre, and in practice bears the risk of the Theatre going into overall deficit. 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.

During 2012/2013, the School Improvement Partnership was established as a company limited by guarantee. The directors of the company are representatives of local schools and the senior substantive council officer for schools. Two councillors are non-voting directors. Whilst in this way the council exerts significant influence over the activities of the company, it has been determined that the transactions and balances of the company are not material to the council's accounts, and it has therefore not been consolidated in the Group Accounts.

The council, along with the other six West Midlands district councils, holds shares in Birmingham 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 or PFI-type contract in three areas: Waste Management, Bentley Bridge Leisure Centre, and Highfields and Parkfield School. In all three 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.

Equal Pay Back Pay

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

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

Property, Plant and Equipment belonging to Voluntary Aided Schools

The council owns land on which a number of voluntary aided schools have, with its consent, placed buildings. The buildings belong to the foundation/controlling interest and therefore the council cannot exercise control over those buildings. Until the tenant decides to remove or vacate and demolish those buildings there is no alternative use for this site and therefore no market value in the land. Whilst the schools provide a service to the

6. THE FINANCIAL STATEMENTS

city of Wolverhampton by delivering education from those sites, the cost of maintaining the schools falls upon the Dedicated Schools Grant or other entities. The land on which those buildings are sited is therefore not recognised as an asset of the council.

Accounting for the Voluntary Redundancy Programme

The council undertook a voluntary redundancy exercise during 2012/2013, 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 2012/2013 where it seemed likely that approval would be given and a redundancy would result.

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Note 11D – Major Assumptions about the Future

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. 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 2013 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	
	Council	Group
Discount Rate 0.1% higher	Decrease of £22.2M	<i>Decrease of £24.9M</i>
Salary Inflation 0.1% p.a. higher	Increase of £22.7M	<i>Increase of £25.3M</i>
Life expectancy of scheme members 1 year higher	Increase of £26.2M	<i>Increase of £28.5M</i>

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Property, Plant and Equipment

In accordance with the requirements of the Code, the council re-values its property, plant and equipment assets on a five-yearly cyclical basis. As a result, it always carries a number of such assets at values which are not recent, but which are nonetheless assumed to be materially correct.

Note 11E – Accounting Standards Issued but Not Yet Adopted

In accordance with the Code, the council has not adopted the amendments to IAS 1 Presentation of Financial Statements (Issued in 2011) but will do so from 1 April 2013. Adoption of the amendments is a presentational issue only and will have no impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.

In accordance with the Code, the council has not adopted the amendments to IAS 12 Income Taxes (Issued in 2010) but will do so from 1 April 2013. The amendments relate to the calculation of deferred tax relating to assets. The adoption of the code will have no impact on the Group Comprehensive Income and Expenditure Statement.

In 2011 amendments were issued to IFRS 7 Financial Instruments. The amendments relate to the offsetting of financial assets and liabilities and will be adopted by the council from 1 April 2013. It is anticipated that the adoption of the amendments will have no impact on the financial statements of the council.

In accordance with the Code, the council has not adopted the amendments to IAS 19 Employee Benefits (Issued in 2011) but will do so from 1 April 2013. The amended requirements relate to the new classes of components of defined benefit cost;

- a) Interest cost and expected return on assets are replaced with the net interest cost.
- b) Administration expenses are categorised separately
- c) Actuarial gains and losses on assets are replaced with re-measurements (assets)
- d) Actuarial gains and losses on liabilities are replaced with re-measurements (liabilities)

The following table details the impact of the new classifications on Transactions Relating to Post-employment Benefits as disclosed in Note 6. It is anticipated that the change in requirement will have no impact on the net pension liability.

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	2012/2013	
	LGPS £M	Teachers £M
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
Cost of Services:		
- Current service cost	(22.2)	-
- Past service costs	(0.2)	-
- Settlements and curtailments	2.1	(0.1)
- Administration Expenses	(0.3)	-
Financing and Investment Income and Expenditure:		
- Net Interest cost	(18.4)	(2.4)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(39.0)	(2.5)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- Re-measurements (liabilities and assets)	(87.0)	(7.0)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(126.0)	(9.5)
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	(31.1)	(2.5)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employer's contributions payable to scheme	23.4	-
- Retirement benefits payable to pensioners	-	3.7
Total Movement in Reserves	(7.7)	1.2

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Housing Revenue Account Income and Expenditure Statement

2011/2012 £M		Notes	2012/2013 £M
(78.9)	Gross Rents - Dwellings		(83.0)
(1.5)	Gross Rents - Non Dwellings		(1.6)
(4.6)	Charges to Tenants for Services and Facilities		(5.0)
(0.1)	Contributions Received		-
(85.1)	Total Income		(89.6)
25.3	Repairs and Maintenance		26.1
18.0	Supervision and Management		17.3
0.2	Rents, Rates and Taxes		0.2
7.0	Negative HRA Subsidy Payable	H1	-
0.8	Increase in Allowance for Bad Debts		0.6
15.7	Depreciation of Property, Plant and Equipment	H2	22.6
4.4	Impairment of Property, Plant and Equipment	H3	-
71.4	Total Expenditure		66.8
(13.7)	Net Cost of HRA Services as Included in Council Comprehensive Income and Expenditure Statement		(22.8)
0.2	HRA Share of Corporate and Democratic Core		0.2
(13.5)	Net Cost of HRA Services		(22.6)
(3.0)	(Gain) on Sale of Property, Plant and Equipment		(0.7)
-	(Gain) on the Fair Value of Investment Assets		-
13.0	Interest Payable		14.2

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

2011/2012 £M		Notes	2012/2013 £M
12.0	Premiums and Discounts		-
-	Interest and Investment Income		(0.2)
(59.8)	Capital Grants and Contributions: HRA Self-financing Settlement		-
(51.3)	(Surplus) for the Year		(9.3)

Movement on the Housing Revenue Account Balance Statement

2011/2012 £M		Notes	2012/2013 £M
(5.1)	Opening HRA Balance		(10.5)
	(Increase) in the HRA balance for the year analysed between:		
(51.3)	- (Surplus) for the year on the Income and Expenditure Account		(9.3)
45.9	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	H4	14.8
(5.4)	(Increase)/Decrease in the HRA balance for the year		5.5
(10.5)	Closing HRA Balance		(5.0)

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Notes to the Housing Revenue Account Statements

Note H1 – Housing Revenue Account Subsidy

2011/2012 £M		2012/2013 £M
	Subsidy claimed in respect of:	
(41.0)	- Management and Maintenance	-
(15.0)	- Major Repairs Allowance	-
(14.6)	- Charges for Capital	-
(70.6)		-
	Less:	
-	- Mortgage Interest	-
(77.5)	- Guideline Rent Income	-
(77.5)		-
6.9	Total Subsidy Payable for the Year	-
0.1	Adjustment re Prior Year Subsidy	-
7.0	Total Subsidy Recognised this Year	-

HRA Subsidy was abolished by the Government on 1 April 2013, meaning that 2011/2012 was the last year for which subsidy was payable.

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Note H2 – Depreciation

2011/2012 £M		2012/2013 £M
15.0	Council Dwellings	21.9
0.4	Other Land and Buildings	0.5
0.3	Vehicles, Plant, Furniture and Equipment	0.2
15.7	Total Depreciation Charge for the Year	22.6

Under the Housing Revenue Account regulations, depreciation and impairment charges (for dwellings only) are reversed out and replaced with MRP.

Note H3 – Impairment

2011/2012 £M		2012/2013 £M
1.4	Council Dwellings	-
3.0	Other Land and Buildings	-
4.4	Total Impairment Charge for the Year	-

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 the beginning of the financial year.

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Note H4 – Analysis of the Movement on the HRA Balance Statement

2011/2012 £M		Note	2012/2013 £M
45.9	Net additional amount required to be debited or credited to the HRA Balance		14.8
	Comprising:		
	<u>Amounts included in the Income and Expenditure Account but not in the HRA Balance</u>		
(0.7)	- Excess of HRA depreciation charge over MRA		-
(4.4)	- Impairment of Property, Plant and Equipment	H3	-
3.1	- Net Gain or (Loss) on Sale of Property, Plant and Equipment		0.7
59.8	- Capital Grants and Contributions : HRA Self-financing Settlement		-
(12.1)	- Credit from Usable Capital Receipts Reserve : HRA Self-financing Settlement		-
45.7			0.7
	<u>Amounts not in the Income and Expenditure Account but included in the HRA Balance</u>		
0.2	- HRA Share of Contribution to Pension Reserve	H5	-
0.2	- Amount Set Aside for the Repayment of Debt		14.3
(0.2)	- Transfer to/(from) Earmarked Reserves		(0.2)
0.2			14.1
45.9	Total		14.8

Note H5 – Contribution to the Pension Reserve

Retirement benefits are offered to employees by the council as part of the terms and conditions of employment. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments. This commitment needs to be disclosed at the time

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

that employees earn their future entitlement. The pension reserve reflects the projected shortfall in the amount which may need to be provided in the future to current employees of the Housing Revenue Account. Further details on this may be found in Note 6 to the Core Financial Statements.

Note H6 – Housing Stock

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

31 March 2012		31 March 2013
5,050	Low Rise Flats	5,032
3,024	Medium Rise Flats	3,016
2,119	High Rise Flats	2,119
13,211	Houses and Bungalows	13,127
23,404	Total Dwellings Owned by the Council	23,294
14	Homeless Dwellings (Leased)	14
23,418		23,308

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Note H7 – Housing Revenue Account Property, Plant and Equipment

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

31 March 2012 £M		31 March 2013 £M
672.1	- Council Dwellings	687.8
10.6	- Other Land and Buildings	9.5
0.4	- Vehicles, Plant, Furniture and Equipment	0.2
0.8	- Intangible Assets	0.7
683.9	Total Property, Plant and Equipment	698.2

Note H8 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2013 (at 1 April 2010 prices) amounted to £2,022.9M (31 March 2012: £1,976.8M). The value of dwellings shown on the Balance Sheet is the existing use value (social housing), which is 34% of the vacant possession value (this ratio is set by the government). The difference between the two values demonstrates the economic cost to government of providing council housing at less than open market rents.

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Note H9 – Capital

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

2011/2012 £M	Sources of Funding	2012/2013 £M
(24.2)	- Borrowing	(1.4)
(2.1)	- Usable Capital Receipts	(1.3)
(14.4)	- Major Repairs Reserve	(17.5)
-	- Government and EU Grants	(20.7)
(0.4)	- Other Grants and Contributions	(0.5)
(41.1)	Total Capital Expenditure	(41.4)

Capital receipts generated during 2012/2013 from the disposal of HRA assets are detailed in the following table.

2011/2012 £M	Sources of Funding	2012/2013 £M
(3.2)	Sale of Council Houses (Right-to-Buy)	(4.7)
(1.6)	Sale of Other Land and Buildings	(0.8)
-	- Mortgages Principal Repayments	-
-	- Repaid Discounts	-
(4.8)	Total Capital Receipts	(5.5)

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

2011/2012 £M	Sources of Funding	2012/2013 £M
(2.4)	Paid over to Government	(1.5)
(2.4)	Available to Finance Capital Expenditure	(4.0)
(4.8)	Total Capital Receipts	(5.5)

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Note H10 – Rent Arrears

During 2012/2013, total rent arrears decreased by £0.1M (5.3%). Within total rent arrears, current tenants' arrears as a proportion of net rental income increased from 4.6% to 6.0%. The comparative total figures are shown in the following table.

31 March 2012 £M		31 March 2013 £M
1.6	Current Tenants	1.0
0.3	Former Tenants	0.8
1.9	Total Arrears	1.8

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

2011/2012 £M		2012/2013 £M
1.2	Allowance for Bad and Doubtful Debts Brought Forward	1.5
(0.5)	Amounts Written Off during the Year	(0.5)
0.8	Increase in Allowance Charged to the HRA during the Year	0.5
1.5	Allowance for Bad and Doubtful Debts Carried Forward	1.5

7. THE HOUSING REVENUE ACCOUNT STATEMENTS

Note H11 – Major Repairs Reserve

This is a discretionary reserve to which the council's Major Repairs Allowance (MRA) is transferred, and that is used to finance major repairs to HRA property. The MRA 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.

2011/2012 £M		2012/2013 £M
(4.6)	Balance Brought Forward	(5.2)
(15.0)	Transfer of MRA from the Capital Adjustment Account	(21.9)
14.4	Capital Expenditure on Land and Property in the HRA	17.5
(5.2)	Balance Carried Forward	(9.6)

8. THE COLLECTION FUND STATEMENT

The Collection Fund Statement

2011/2012 £M		Note	2012/2013 £M
(0.9)	(Surplus) Brought Forward		-
	Income		
(77.5)	Council Tax	C1	(78.1)
(27.4)	Transfers from General Fund: Council Tax Benefits		(27.1)
(70.8)	Non Domestic Rates		(72.1)
(175.7)	Total Income		(177.3)
	Expenditure		
	Precepts and Demands		
93.5	Wolverhampton Council		94.3
7.1	West Midlands Police		7.1
3.4	West Midlands Fire and Civil Defence		3.4
104.0			104.8
	Non Domestic Rates		
67.9	Payment to National Pool	C2	70.0
0.4	Cost of Collection Allowance		0.4
-	Interest Payment		-
68.3			70.4

8. THE COLLECTION FUND STATEMENT

2011/2012 £M		Note	2012/2013 £M
	Distribution of Council Tax Surplus/(Payment of Deficit)		
0.5	Wolverhampton Council		-
-	West Midlands Police		-
-	West Midlands Fire and Civil Defence		-
0.5			-
	Allowance for Bad and Doubtful Debts		
1.4	Council Tax		0.9
2.4	Non Domestic Rates		1.8
3.8	Total Allowance for Bad and Doubtful Debts		2.7
176.6	Total Expenditure		177.9
0.9	Deficit for the Year		0.6
-	Deficit Carried Forward		0.6

8. THE COLLECTION FUND STATEMENT

Notes to the Collection Fund Statement

Note C1 – The Council Tax Base

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

Band	Total Number of Chargeable Dwellings after Effect of Discount	Ratio	Band D Equivalent Dwellings	Council Tax (Single Person Household) £	Council Tax (Multiple Occupancy) £
A Disabled	86	5/9	48	610	813
A	46,857	6/9	31,238	732	976
B	20,268	7/9	15,764	854	1,139
C	14,252	8/9	12,669	976	1,301
D	5,634	9/9	5,633	1,098	1,464
E	2,685	11/9	3,281	1,342	1,789
F	1,533	13/9	2,214	1,586	2,115
G	804	15/9	1,340	1,830	2,440
H	83	18/9	167	2,19	2,928
	92,202		72,354		
Add: Additional Band D Equivalent Dwellings from removing 50% Council Tax Discount for owners of long term void homes			13		
Add: Reliefs and deletions			113		
Less: Allowance for collection difficulties (98.75%)			(906)		
Total Band D Tax Base			71,574		

8. THE COLLECTION FUND STATEMENT

Note 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 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 the basis of a fixed amount per head of population.

2011/2012 £M		2012/2013 £M
82.9	Non Domestic Rateable Value (31 March 2013: £190.5M; 31 March 2012: £191.4M) Multiplied by Uniform Rate for year: (2012/2013: 45.8p; 2011/2012: 43.3p)	87.9
(15.0)	Transitional Surcharges and Adjustments (less Allowances)	(17.9)
67.9	Contribution to NNDR Pool	70.0

9. WEST MIDLANDS PENSION FUND STATEMENTS

Fund Account

2011/2012 £M		Note	2012/2013 £M
	<u>Contributions & Benefits</u>		
412.7	Contributions Receivable	P7	410.9
65.1	Transfers In	P8	22.6
16.2	Other Income	P9	16.2
494.0	Total contributions and other income		449.7
469.2	Benefits Payable	P10	445.1
41.3	Payments to and on account of leavers	P11	15.8
0.3	Other Payments		0.3
5.4	Administration Expenses	P12	5.3
516.2	Total benefits and other expenditure		466.5
(22.2)	Net additions from dealings with members		(16.7)
	<u>Returns on Investments</u>		
179.4	Investment Income	P13	136.8
(72.6)	Changes in Value of Investments		846.0
92.7	Profit and Losses on Disposal of Investments		97.7
(15.6)	Investment Management Expenses	P12	(11.3)
183.9	Net return on investments		1,069.2
161.7	Net increase in the Fund during the year		1,052.5
8,672.1	Net Assets of the Fund at the beginning of the year		8,833.8
8,833.8	Net Assets of the Fund at the end of the year		9,886.3

9. WEST MIDLANDS PENSION FUND STATEMENTS

Net Assets Statement

31 March 2012 £M		Note	31 March 2013 £M
	<u>Investment Assets (at Market Value)</u>	P14	
158.8	Fixed Interest Securities		173.9
861.2	UK Equities		966.6
1,735.6	Overseas Equities		2,021.3
5,236.3	Pooled Investment Vehicles		5,757.5
615.4	Property		567.6
43.7	Foreign Currency Holdings		82.9
139.3	Cash Deposits		241.1
0.2	Other Investments assets		-
11.1	Outstanding dividend entitlement and recoverable with-holding tax		15.4
8,801.6	Investment Assets		9,826.3
	<u>Investment Liabilities (at Market Value)</u>	P14	
-	Other Investments liabilities		(0.1)
-	Investment Liabilities		(0.1)
8,801.6	Net Investment Assets		9,826.2
70.0	Current Assets	P17	73.2
(37.8)	Current Liabilities	P18	(13.1)
8,833.8	Net Assets of the Fund at the end of the year		9,886.3

9. WEST MIDLANDS PENSION FUND STATEMENTS

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.

The notes form part of these financial statements

Notes to the Pension Fund Statements

Note 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 Pensions 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 the 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.wmpfonline.com.

Note P2 – Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2012/2013 financial year and its position at the year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note P5 of these accounts.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P3 – Statement of Accounting Policies

Note P3A - Inclusion of Income and Expenditure

1. 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 P8).

2. Contribution Income

Contributions receivable have been included in the accounts on the accruals basis at the rates set out in notes P1 and P5 for basic contributions. Additional contributions as notified by employers for the period have also been included.

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.

3. 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 2013, calculated in accordance with the Local Government Pension Scheme Regulations (see notes P8 and P11). They are not accounted for on an accruals basis.

4. Investment Income

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

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

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

9. WEST MIDLANDS PENSION FUND STATEMENTS

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

5. Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2013 relating to the financial year 2012/2013.

6. 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 2013.

Note P3B – Valuation of Investments

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

1. Quoted Securities

Securities have been valued at the bid-market price ruling on 31 March 2013 where a quotation was available on a recognised stock exchange or unlisted securities market.

2. Unquoted Securities

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

3. Pooled Investment Vehicles

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

9. WEST MIDLANDS PENSION FUND STATEMENTS

4. Freehold and Leasehold Properties

These have been valued at their open market value. Property is valued by the Fund's Valuers on an annual basis. The market values included in these accounts are contained in a valuation report by Knight Frank LLP, Chartered Surveyors as at 31 March 2013. Agricultural properties were valued by Savills plc, Agricultural Valuers at the same date. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. The valuation undertaken at 31 March 2013 was therefore one third full valuation, and the remaining two thirds desktop valuations.

5. Foreign Currencies

Investments held in foreign currencies have been valued as set out in paragraphs P3B1 to P3B2 above and translated at exchange rates ruling at 31 March 2013.

6. Movement in the net market value of investments

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

Note P3C – Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

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

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P3D - Financial Liabilities

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

Note P3E - Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments, either being managed or in safe custody, and as such will fluctuate as the valuations change.

In addition, performance related fees are negotiated with a number of managers and performance related fees totalled £2.2M in 2012/2013 and £7.0M in 2011/2012.

Where a management fee notification has not been received by the 31st March, an estimate is used for inclusion in the fund account.

The cost of using advice from external consultants is included in investment management fees.

The cost of in-house management is charged to the Fund, as is an element of the administering authority's officers time spent on management of the Pension Fund.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P3F - Membership

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

31 March 2012		31 March 2013	
£M		£M	
95.5	Active Members	97.3	
75.2	Pensioner Members	77.5	
84.5	Deferred Members	86.5	

A detailed list of Member bodies is available at note P23.

Note P4 – Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2013 was £1,232.0M (£1,099.0M at 31 March 2012).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note P5. This estimate is subject to significant variances based on changes to the underlying assumptions.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P4A - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Actuarial present value of promised retirement benefits

Uncertainties

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

Effect if actual results differ from assumptions

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

Change in assumptions – year ended 31st March 2013	Approx % increase in liabilities	Approx monetary value £M
0.5% p.a. decrease in discount rate	9%	1481.0
1 year increase in member life expectancy	2%	304.0
0.5% p.a. increase in salary increase rate	3%	398.0
0.5% p.a. increase in pensions increase rate*	7%	1058.0

*including allowance for change to deferred pension increases

Private Equity

Uncertainties

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

Effect if actual results differ from assumptions

The total private equity investments in the financial statements are £1,232.0M. There is a risk that this investment may be under-or overstated in the accounts.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Hedge funds

Uncertainties

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

Effect if actual results differ from assumptions

The total hedge funds value in the financial statements is £507.0M. There is a risk that these investments may be under-or overstated in the accounts. Given a tolerance of say +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of </-£25.0M.

Note P5 – Actuarial Valuation of the Fund

A full actuarial valuation of the Fund was made as at 31 March 2010 by the Fund's Actuary, P Middleman of Mercer Human Resource Consulting Limited. The Actuary has determined the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £8,008.0M represented 75% of the Funding Target of £10,622.0M 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.

9. WEST MIDLANDS PENSION FUND STATEMENTS

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 (£)			
	2011/2012	2012/2013	2013/2014
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

9. WEST MIDLANDS PENSION FUND STATEMENTS

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.

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

	31 March 2012	31 March 2013
Rate of return on investments (discount rate)	4.9% per annum	4.2% per annum
Rate of pay increases	4.25% per annum	4.15% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.5% per annum	2.4% per annum

We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2012 and 31 March 2013 were £13,226.0M and £15,611.0M respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.), and in addition there was a reduction in inflation expectations (from 2.5% p.a. to 2.4% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS 26 of about £1,765.0M.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P6 - Taxation

1. 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.

2. Taxation of Overseas Investment Income

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

Note P7 – Contributions Receivable

Contributions receivable are analysed below:-

2011/2012 £M		2012/2013 £M
	<u>From Employers</u>	
281.3	Basic Contributions	294.8
6.7	Deficit Funding	-
0.2	Augmented Membership	0.5
13.9	Additional Cost of Early Retirement	8.3
302.1		303.6
	<u>From Employees</u>	
109.5	Basic Contributions	106.4
1.1	Additional Contributions	0.9
110.6		107.3
412.7	Total Contributions	410.9

9. WEST MIDLANDS PENSION FUND STATEMENTS

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

During 2011/12 several organisations made small augmented membership payments as one offs to remove liability relating to individual employees who had left their employment.

-One admitted body, BXL Services, went into liquidation with an outstanding liability identified by the actuary of £4.0M. It is anticipated that the Fund will receive in the order of £0.3M once the liquidation is finalised.

-A further admitted body, Adoption Support, terminated their agreement in January 2012 without the necessary funds to meet their outstanding liabilities of £0.1M. The Fund has since recovered £0.03M from the remaining assets.

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

2011/2012 £M		2012/2013 £M	
31.0	Administering Authority	30.8	
360.4	Scheme Employers	361.4	
21.3	Admitted Employers	18.7	
412.7	Total	410.9	

Note P8 – Transfers In

2011/2012 £M		2012/2013 £M	
65.1	Individual transfers in from other schemes	22.6	

Following the transfer of Staffordshire Probation staff from Staffordshire Pension Fund on 1 April 2010, the Fund received a payment of £46.0M on 27 March 2012. A further payment of £3.8M was received on 10 August 2012 to be included in 2012/13.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P9 – Other Income

2011/2012 £M		2012/2013 £M
	<u>Benefits Recharged to Employers</u>	
9.3	Compensatory Added Years	9.1
6.9	Pensions Increases	7.1
-	Magistrates Courts Committee	-
16.2	Total	16.2

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P10 – Benefits Payable

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

2011/2012 £M		2012/2013 £M
	<u>Pensions</u>	
299.9	Retirement Pensions	328.8
24.4	Widows' Pensions	25.7
0.9	Children's' Pensions	1.0
2.8	Widowers' Pensions	3.1
0.1	Ex-Spouse	0.1
0.1	Equivalent Pension Benefits	0.1
-	Civil Partnership	-
-	Co-habiting Partners	-
328.2	Total Pensions	358.8
	<u>Lump Sum Benefits</u>	
130.3	Retiring Allowances	74.6
10.7	Death Grants	11.7
141.0	Total Lump Sum Benefits	86.3
469.2	Total Benefits Payable	445.1

9. WEST MIDLANDS PENSION FUND STATEMENTS

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

2011/2012 £M		2012/2013 £M	
37.5	Administering Authority	38.1	
405.1	Scheme Employers	379.7	
26.6	Admitted Employers	27.3	
469.2	Total	445.1	

Note P11 – Payments To and On Account of Leavers

2011/2012 £M		2012/2013 £M	
16.5	Individual transfers out to other schemes	12.8	
-	Refunds of Contributions	-	
-	State Scheme Premiums	-	
24.8	Bulk Pension Transfer Increases	3.0	
41.3	Total	15.8	

The Bulk transfer pension increases payment of £24.8M relates to amounts included within current liabilities at the year end in respect of back payments to cover pre October 1986 pension increase payments between 1995 and 31 March 2012 for former retiring employees of West Midlands Passenger Transport Executives. A payment of £25.1M, including interest, was made in November 2012.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note 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:

2011/2012 £M		2012/2013 £M
	<u>Administration</u>	
4.9	Pensions Administration	4.8
0.4	Actuarial fees	0.5
0.1	Audit fees	-
-	Legal and other professional fees	-
5.4	Total Administration	5.3
	<u>Investments</u>	
13.1	External management of investments	8.8
2.2	In-house management of investments	2.1
-	Performance Measurement Service	-
0.1	Property and legal fees	0.1
0.2	Safe Custody Expenses	0.3
15.6	Total Investments	11.3

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. Key management personnel who are employees of the administering authority and members of the Pension Fund are disclosed in the administering authority's statement of accounts along with details of remuneration and pensions contributions.

Performance related fees are negotiated with a number of managers. Included in external management of investments in are performance related fees of £2.2M in 2012/2013 and £7.0M in 2011/2012.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P13 – Investment Income

Investment income is analysed below:-

2011/2012 £M		2012/2013 £M
	Dividends and Interest	
	<u>Fixed Interest Securities</u>	
8.5	UK Private Sector – Quoted	8.5
	<u>Equities</u>	-
33.9	UK	33.2
45.9	Overseas	43.6
	<u>Pooled Investment Vehicles</u>	
32.4	UK	22.8
23.0	UK - Re-invested Income, prior years	-
3.3	Overseas Equities	1.8
0.4	Private Equity	0.1
0.7	Interest on Cash Deposits	0.9
1.1	Stock lending	0.9
-	UK Tax, Irrecoverable	-
(2.4)	Overseas Taxation	(1.9)
146.8	Total Dividends and Interest	109.9
43.0	Property Management Income	35.7
(10.4)	Property Management Expenses	(8.8)
32.6		26.9
179.4	Total Investment Income	136.8

9. WEST MIDLANDS PENSION FUND STATEMENTS

During 2011/2012, re-invested income of £31.7M was allocated to UK Pooled Investment Vehicles in relation to the Funds holding in the Schroders All Maturities Corporate Bond Fund. A corresponding purchase of units is included in the purchase costs detailed in note P15 to the accounts.

Stock lending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £43.9M (2012: £69.6M) in exchange for which the custodian held collateral worth £50.5M (2012: £74.0M). Collateral consists of acceptable securities and government debt.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note 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 2012 £M		31 March 2013 £M
	<u>Fixed Interest Securities</u>	
158.8	UK Companies – Segregated (external)	173.9
158.8		173.9
	<u>UK Equities</u>	
861.2	Quoted	966.6
-	Quoted – Segregated (external)	-
861.2		966.6
	<u>Overseas Equities</u>	
1,438.1	Quoted	1662.2
297.5	Quoted – Segregated (external)	359.1
1,735.6		2,021.3
	<u>Pooled Investment Vehicles</u>	
	<u>Managed Funds</u>	
188.8	UK Quoted, Fixed Interest	196.4
416.3	Other Fixed Interest	646.4
870.7	UK Quoted, Index Linked	963.2
828.9	Overseas Equities	909.9
232.3	UK Unquoted Equities	255.5
1,339.2	Overseas Unquoted Equities	1,509.7
699.3	UK Absolute Returns	593.0
92.2	Overseas Absolute Returns	105.9

9. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2012		31 March 2013
£M		£M
32.8	UK Property	37.6
194.6	Foreign Property	225.7
	<u>Unit Trusts</u>	
3.5	UK Quoted Equities	3.6
329.1	Overseas Equities	303.6
8.6	Overseas Property	7.0
5,236.3		5,757.5
	<u>Property</u>	
589.1	UK Freehold	532.7
26.3	UK Leasehold*	34.9
615.4		567.6
	<u>Foreign Currency Holdings</u>	
29.5	United States Dollars	29.6
1.0	Euro	34.0
1.0	Canadian Dollars	1.5
1.1	Danish Kroner	1.1
1.9	Hong Kong Dollars	0.4
0.4	Swedish Kroner	3.2
0.7	Swiss Francs	4.3
1.1	Japanese Yen	2.0
0.5	Norwegian Kroner	1.2
-	Malaysian Ringits	-
0.6	Singapore Dollars	-
4.2	Australian Dollars	1.1
-	New Zealand Dollars	-
0.6	Hungarian Florints	1.2

9. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2012		31 March 2013	
£M		£M	
-	Polish Zloty		0.9
-	Israeli Shekels		-
0.3	Turkish Lira		1.2
0.8	Czech Koruna		1.2
-	Korean Won		-
43.7			82.9
	<u>Cash Deposits</u>		
139.3	UK		241.1
	<u>Other Investments</u>		
0.2	Broker Balances		(0.1)
11.1	Outstanding Dividend Entitlement and Recoverable with-holding Tax		15.4
8,801.6	Total Net Investment Assets		9,826.2

* All leasehold properties are held on long leases

The following investments represent more than 5% of the net assets of the scheme:

31st March 2012		31st March 2013	
Market Value	% of total Market Value	Market Value	% of total Market Value
£M	%	£M	%
512.6	5.8	664.0	6.8

9. WEST MIDLANDS PENSION FUND STATEMENTS

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 2012			31 March 2013	
Market Value	% of total Market Value		Market Value	% of total Market Value
£M	%		£M	%
3,077.2	35.0	In-house	3497.3	35.6
24.2	0.3	Managers: UK Quoted	26.6	0.3
107.7	1.2	Managers: US Quoted	131.1	1.3
174.9	2.0	Managers: European Quoted	193.3	2.0
34.4	0.4	Managers: Japanese Quoted	37.6	0.4
97.1	1.1	Managers: Pacific Basin	107.4	1.1
556.9	6.3	Managers: Emerging Markets	609.3	6.2
484.5	5.5	Managers: Global Equities	493.9	5.0
1,634.6	18.6	Managers: Fixed Interest	1,979.9	20.2
236.0	2.7	Managers: Indirect Property	270.3	2.8
-	0.0	Managers: Emerging Market Debt	-	0.0
202.7	2.3	Managers: Commodities	206.8	2.1
269.9	3.1	Managers: Infrastructure Funds	326.5	3.3
791.5	9.0	Managers: Absolute Return	698.9	7.1
1,098.9	12.5	Managers: Private Equity	1,231.9	12.6
8,790.5	100.0		9,810.8	100.0
11.1		Outstanding Dividend Entitlement and Recoverable with-holding Tax	15.4	
8,801.6		Total Investment Assets	9,826.2	

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P15 – Investment Market Value Movements Analysis

The change in the value of investments during 2012/2013 is set out below:-

	Value at 1 April 2012 £M	Purchases at Cost £M	Sales Proceeds £M	Change in Market Value £M	Value at 31 March 2013 £M
Fixed Interest Securities	158.8	-	-	15.1	173.9
UK Equities	861.2	30.2	(25.0)	100.2	966.6
Overseas Equities	1,735.6	185.0	(152.7)	253.4	2,021.3
Pooled Investment Vehicles	5,236.3	819.4	(800.5)	502.5	5,757.5
Property	615.4	13.4	(36.2)	(25.2)	567.6
	8,607.3	1,048.0	(1,014.4)	846.0	9,486.9
Broker Balances	0.2				(0.1)
Outstanding dividend entitlement and recoverable Withholding tax	11.1				15.4
Foreign Currency	43.7				82.9
Cash Deposits	139.3				241.1
Total Investments	8,801.6				9826.2

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 114 late payments amounting to £3.9M of contributions during the year which constituted employer related investments until the amounts were received. Other than this there were no employer related investments.

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 £0.4M (2011-2012: £0.6M). 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.

9. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2012		31 March 2013	
£		£	
126,009	Equities - UK Quoted	141,434	
424,768	Equities - Overseas Quoted	243,344	
550,777	Total	384,778	

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.

9. WEST MIDLANDS PENSION FUND STATEMENTS

The change in the value of investments during 2011/2012 is set out below:-

	Value at 31 March 2011 £M	Purchases at Cost £M	Sales Proceeds £M	Change in Market Value £M	Value at 31 March 2012 £M
Fixed Interest Securities	152.8	-	-	6.0	158.8
UK Equities	975.3	20.4	(74.4)	(60.1)	861.2
Overseas Equities	1,901.5	53.9	(155.3)	(64.5)	1,735.6
Pooled Investment Vehicles	4,871.0	1,100.5	(774.9)	39.7	5,236.3
Property	571.1	46.7	(8.8)	6.4	615.4
	8,471.7	1,221.5	(1,013.4)	(72.5)	8,607.3
Broker Balances	-				0.2
Outstanding dividend entitlement and recoverable Withholding tax	12.3				11.1
Foreign Currency	28.3				43.7
Cash Deposits	99.3				139.3
Total Investments	8,611.6				8,801.6

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 and unrealised. The change in market of investments shown in the fund account includes an additional £179.3M which represents profit on sale of the Fund's assets.

Net gains and losses on financial instruments

31 March 2012 £M		31 March 2013 £M
	<u>Financial Assets</u>	
(72.6)	Fair value through profit and loss	846.0
(72.6)	Total	846.0

9. WEST MIDLANDS PENSION FUND STATEMENTS

Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2012			31 March 2013	
Carrying Value	Fair Value		Carrying Value	Fair Value
£M	£M		£M	£M
		<u>Financial Assets</u>		
7,103.8	8,607.3	Fair value through profit and loss	9,486.9	9,486.9
138.7	138.7	Loans and receivables	339.3	339.3
7,242.5	8,746.0	Total	9,826.2	9,826.2

Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

Level 2

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

9. WEST MIDLANDS PENSION FUND STATEMENTS

Level 3

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

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

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

Values at 31 March 2013	Quoted Market Price	Using Observable Inputs	With significant unobservable inputs	Total
	Level 1 £M	Level 2 £M	Level 3 £M	
<u>Financial Assets</u>				
Financial Assets at fair value through profit and loss	5,538.4	1,484.3	2,464.2	9,486.9
Loans and receivables	335.3	-	-	335.3
Total Financial assets	5,873.7	1,484.3	2,464.2	9,822.2

9. WEST MIDLANDS PENSION FUND STATEMENTS

Values at 31 March 2012	Quoted Market Price Level 1 £M	Using Observable Inputs Level 2 £M	With significant unobservable inputs Level 3 £M	Total £M
<u>Financial Assets</u>				
Financial Assets at fair value through profit and loss	4,976.6	1,267.7	2,362.9	8,607.2
Loans and receivables	191.6	-	-	191.6
Total Financial assets	5,168.2	1,267.7	2,362.9	8,798.8

Note P16 – Investment Capital Commitments

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

31 March 2012 £M		31 March 2013 £M
1,071.4	Non-Equities	808.7
184.5	Property	139.0
1,255.9	Total	947.7

These commitments relate to outstanding commitments due on funds held in the private equity, property and infrastructure portfolios.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P17- Current Assets

31 March 2012 £M		31 March 2013 £M
	<u>Debtors and Prepayments</u>	
7.6	Contributions Receivable	21.6
8.8	- Employers	8.4
-	- Employees	-
43.7	Wolverhampton City Council	42.5
60.1	Other Debtors	72.5
	Total Debtors and Prepayments	
9.9	Cash	0.7
70.0	Total Current Assets	73.2

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 Limited 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. The balance due included in Other Debtors is £19,374,018.

31 March 2012 £M		31 March 2013 £M
	<u>Analysis of Debtors</u>	
-	Central Government Bodies	-
49.8	Other Local Authorities	54.3
-	Public Corporations	-
10.3	Other Entities and Individuals	21.0
60.1	Total	75.3

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P18- Current Liabilities

31 March 2012 £M		31 March 2013 £M
	<u>Creditors and Receipts In Advance</u>	
(4.5)	Pensions and Lump Sum Benefits	(4.1)
(8.5)	Other Creditors	(8.9)
-	Trustee Account	(0.1)
(24.8)	Bulk Transfer Pension increases	-
(37.8)	Total	(13.1)

The bulk transfer pension increases amount of £24.8M included within current liabilities at 31 March 2012 relates to amounts owed in respect of back payments to cover pre October 1986 pension increase payments between 1995 and 31 March 2012 for former retiring employees of West Midlands Passenger Transport Executives. A payment of £25.1M, including interest, was made in November 2012.

9. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2012 £M		31 March 2013 £M
	<u>Analysis of Creditors</u>	
(3.1)	Central Government Bodies	(3.2)
(1.8)	Other Local Authorities	(0.1)
(32.9)	Other Entities and Individuals	(9.8)
(37.8)	Total	(13.1)

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P19- Additional Voluntary Contributions

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

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

31 March 2012			31 March 2013	
Equitable Life £M	Prudential £M		Equitable Life £M	Prudential £M
3.9	28.1	Opening Value of the Fund	2.9	27.5
-	-	Prior Year Adjustment (*)	-	-
-	8.5	Income	-	7.3
(1.1)	(10.3)	Expenditure	(0.4)	(5.0)
0.1	1.2	Change in Market Value	0.2	0.4
2.9	27.5	Closing Value of the Fund	2.7	30.2

(*) Post year end adjustment of £21,000 relating to a member incorrectly associated to the fund and £2,000 in cash/ interest adjustments made after year end in 2010/11.

Note 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 statements.

9. WEST MIDLANDS PENSION FUND STATEMENTS

Note P21- The Nature and Extent of Risks Arising From Financial Instruments

Risk Management

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

Credit Risk - the possibility that the other parties might fail to pay amounts due to the Authority.

Liquidity Risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.

Market Risk - the possibility that financial loss might arise as a result of stock market movements.

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

Investment Risk

In order to achieve its statutory obligations to pay pensions the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by matching assets to liabilities through the triennial actuarial valuation followed by an appropriate asset allocation. During the year, the Fund targeted an 80% exposure to 'growth' assets, such as equities, property and other alternatives with equity like returns but with less volatility and lower correlation to quoted equities. The remaining 20% being allocated to 'matching' assets, such as UK bonds or gilts which provide the best match for liabilities, i.e. payments of benefits to members in future years.

Risks in growth assets include market risk (the greatest risk), issuer risk and volatility, which are partly mitigated by diversification across asset classes, global markets and investments funds. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of 'growth' assets would increase the costs of funding. 'Matching' assets backed by the UK Government are considered low risk. However, corporate bonds carry some additional issuer risk. Emerging Market Debt, although within fixed interest, is not viewed as a 'matching' asset.

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Counterparty Risk

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

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

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Credit Risk

The Fund's deposits with financial institutions as at 31st March 2013 totalled £239.3M in respect of temporary loans and treasury management instruments. The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Proposed counterparties are assessed using an amalgamation of credit ratings and market research with the resulting 'score' determining the suitability and individual limit in each case. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite. A credit rating sensitivity analysis as at 31st March 2013 is shown below:

Credit Rating Sensitivity Analysis			
Summary	Rating	Balances as at 31 March 2013	Balances as at 31 March 2012
		£M	£M
<u>Money Market Funds</u>			
AIM STIC Global Sterling Portfolio	AAA	79.4	13.2
HSBC Sterling Liquidity Fund	AAA	81.7	12.2
Northern Trust Global Sterling Fund	AAA	1.2	1.2
<u>Short Term Deposits</u>			
Banco Santander	A+	8.0	10.0
Barclays	A+	9.0	-
Principality Building Society	BBB+	-	5.0
Coventry Building Society	A	5.0	5.0
West Bromwich Building Society	BBB-	-	5.0
Newcastle Building Society	BB+	5.0	1.0
<u>Bank Deposit Accounts</u>			
Nat West Liquidity Select	A	50.0	86.1
Total		239.3	138.7

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Liquidity Risk

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

Foreign Exchange Risk

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

Securities Lending

As at 31 March 2013, £43.9M of stock was on loan to an agreed list of approved borrowers through the Fund's Custodian in its capacity as agent lender. The loans were covered by non-cash collateral in the form of equities, Gilts, DBV's and G10 sovereign debt, totalling £50.5M, giving a margin of 15%.

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Income from stock lending amounted to £0.9M during the year and is detailed in note 13 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation, however there is an obligation to return collateral to the borrowers, therefore its value is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

Reputational Risk

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

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk, which arises from investments held by the

9. WEST MIDLANDS PENSION FUND STATEMENTS

fund for which the future price is uncertain. The Fund mitigates price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

Asset Type	Price Risk			
	Value as at 31 March 2013 £	% Change	Value on Increase £	Value on Decrease £
UK equities	970.2	16.0%	1,125.4	814.9
Global equities (ex UK)	3,234.7	19.0%	3,849.3	2,620.1
Property	837.9	14.5%	959.4	716.4
Corporate bonds (short term)	80.4	7.1%	86.2	74.7
Corporate bonds (medium term)*	639.6	10.4%	706.1	573.1
Corporate bonds (long term)	182.8	18.5%	216.6	148.9
UK fixed gilts (short term)	103.9	2.9%	106.9	100.8
UK fixed gilts (medium term)**	127.4	7.9%	137.5	117.3
UK fixed gilts (long term)	46.5	12.9%	52.5	40.5
UK index linked gilts (short term)	192.5	3.3%	198.9	186.2
UK index linked gilts (medium term)	93.0	5.9%	98.4	87.5
UK index linked gilts (long term)	378.4	8.5%	410.6	346.3
Commodities	206.8	13.8%	235.4	178.3
Cash	323.9	8.0%	326.5	321.3
Private Equity	1,231.9	27.8%	1,574.3	889.4
Infrastructure	326.5	14.4%	373.5	279.5
High Yield Debt***	135.5	13.1%	153.3	117.7
Absolute Return/Diversified Growth	698.9	11.8%	781.4	616.4
Total Assets	9,810.8	11.1%	10,899.8	8,721.8

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Currency Risk - Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the fund's currency exposure as at 31 March 2013:

Currency Risk (by asset class)

Asset Type	Value as at 31 March 2012 £	% Change	Value on Increase £	Value on Decrease £
Overseas Equities	3,234.7	13.0%	3,655.2	2,814.2
Private Equity	1,056.8	13.0%	1,194.1	919.4
Fixed Interest	646.4	13.0%	730.5	562.4
Alternatives	558.8	13.0%	631.4	486.1
Property	232.7	13.0%	263.0	202.5
Liquid Assets	323.9	13.0%	366.1	281.8
Total	6,053.3	13.0%	6,840.3	5,266.4

Interest Rate Risk

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

The fund's direct exposure to interest rate movements as at 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

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Interest rate risk - sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The fund's consulting actuary has advised that the assumed interest rate volatility is 180 basis points per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/-180 BPS change in interest rates:

As at 31 March 2012 £M	Asset Type	As at 31 March 2013 £M
138.7	Cash & Cash Equivalents	239.3
44.3	Cash Balances	84.7
2,651.1	Fixed Interest Securities	1,034.3
2,834.1	Total	1,358.3

Asset Type	Carrying amount as at 31 March 2013 £M	Change in year in the net assets available to pay benefits	
		+180BPS £M	-180BPS £M
Cash & Cash Equivalents	239.3	4.3	(4.3)
Cash Balances	84.7	1.5	(1.5)
Fixed Interest Securities	1,034.3	18.6	(18.6)
Total change in assets available	1,358.3	24.4	(24.4)

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Note P22- Impairment for Bad and Doubtful Debts

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

Write on Analysis		
Individual Value	Number	Total £
Less than £50	6	132.75
£50 - £100	1	88.33
£100 - £500	1	180.86
Over £500	1	764.65
Total	9	1,166.59

Write off Analysis		
Individual Value	Number	Total £
Less than £50	5	118.52
£50 - £100	21	1,477.71
£100 - £500	16	2,515.27
Over £500	7	9,658.04
Total	49	13,769.54

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Note P23- Participating Employers of the Fund at 31 March 2013

Scheduled Bodies		
<u>District Councils</u>		
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		
<u>Major Employers</u>		
Centro	Staffordshire & West Midlands Probation Trust	West Midlands Fire & Civil Defence Authority
West Midlands Police Authority		
<u>Universities (former Polytechnics)</u>		
Birmingham City University	Coventry University	University of Wolverhampton (The)
<u>Colleges of Further Education and Higher Education</u>		
Birmingham Metropolitan College	Bournville College of Further Education	Cadbury Sixth Form College
City College, Coventry	City of Wolverhampton College	Dudley College of Technology
Halesowen College	Henley College	Hereward College
Joseph Chamberlain College	King Edward VI College	Sandwell College
Solihull College	Solihull Sixth Form College	South and City College Birmingham
Stourbridge College	University College Birmingham	Walsall College
<u>Other Bodies with no active members</u>		
Bickenhill Parish Council	Sandwell Homes Limited	

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Scheduled Bodies		
<u>Other Bodies</u>		
Ace Academy (Alexandra Academy)	Alderbrook School	Aldersley High School
Aldridge School - A Science College	Arden Academy Trust	ARK Academies
ARK Kings Academy	ARK Rose Primary Academy	ARK Tindal Primary Academy
Arthur Terry Learning Partnership	Aston Manor Academy	Aston University Engineering Academy
Balsall Common Primary Academy	Balsall Parish Council	Barr Beacon School Trust
Bartley Green School	Billesley Primary School	Birmingham Museums Limited
Bishop Vesey's Grammar School	Black Country University Technical College	Blakenhale Infants School
Blakenhale Junior School	Blue Coat Church of England Academy Limited (The)	BOA Birmingham Ormiston Academy
Castle Bromwich Parish Council	Caludon Castle School	Central Learning Partnership Trust (Heath Park Academy)
Charles Coddy Walker Academy	Chelmsley Wood Town Council	Chilwell Croft Academy
City of Wolverhampton Academy Trust	Collegiate Academy Trust (The)	Coundon Court
Ctc Kingshurst Academy	Croft Primary Academy	Deanery Church of England School
Dorrington Academy Trust	E-ACT Heartlands Academy	E-ACT North Birmingham Academy
E-ACT Shenley Academy	E-ACT Willenhall Academy	Earls High School (The)
EBN Free School	Education Central Multi Academy Trust	Erdington Hall Primary Academy
Fairfax School	Finham Park School	Fordbridge Parish Council
Four Dwellings Primary Academy	George Dixon Academy	Goldsmith Primary Academy
Grace Academy	Great Barr Primary School	Greenholm Primary School
Greenwood Academy	Hall Green Secondary School	Handsworth Wood Girls' School
Harborne Academy	Hillcrest School and Sixth Form Centre	High Arcal School Academy Trust (The)
Heart of England School	Hockley Heath Academy	Holly Hall Academy (The)
Holyhead School	John Henry Newman Catholic College (The)	Joseph Leckie Academy Trust
Jubilee Academy Mossley - ATT	King Edward VI Aston School (Academy)	King Edward VI Camp Hill School for Boys (Academy)

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Scheduled Bodies		
King Edward VI Camp Hill School for Girls (Academy)	King Edward VI Five Ways School (Academy)	King Edward VI Handsworth School (Academy)
King Edward VI Sheldon Heath Academy	Kings Norton Girl's School and Language College	Kings Rise Community Primary School
Kingshurst Parish Council	Kingswinford School and Science College (The)	Langley School
Lea Forest Primary Academy	Light Hall School	Lode Heath School
Lordswood Boys School	Lordswood Girls School and Sixth Form Centre	Mansfield Green E-ACT Academy
Meriden Parish Council	Merritts Brook E-ACT Primary Academy	Mesty Croft Academy
Moseley Park School	Nansen Primary School	Nechells Primary E-ACT Academy
Ninestiles Academy Trust	Oaklands Primary - Ninestiles Academy	Oldbury Academy
Oldknow Academy	Ormiston Academies Trust	Ormiston Forge Academy
Ormiston George Salter Academy	Ormiston Sandwell Community Academy	Park Hall Academy
Park Hall Infant Academy	Park Hall Junior Academy	Park View Educational Trust
Parkfields Community School	Percy Shurmer Primary School	Perry Beeches - The Academy
Plantsbrook School	Queen Mary's High School (Walsall)	Q3 Academy
Queen Mary's Grammar School (Walsall)	Reedswood E-ACT Primary Academy	Rookery School
Rough Hay Primary	RSA Academy	Ryder Hayes Academy Trust
Sandwell Academy Trust Limited	Sandwell Leisure Trust	Shelfield Community Academy
Shire Oak Academy Trust	Shirestone Community Academy	Short Heath School
Sidney Stringer Academy Trust	Smiths Wood Parish Council	Solihull Community Housing Limited
St Clements C of E Academy	St John's C of E Primary School	St Mary's C of E Junior & Infant School
St Michael's C of E Primary School	St Michael's Junior and Infants School	St Patrick's Church of England Primary Academy
St Peter's Collegiate School	Streetly Academy (The)	Sutton Coldfield Grammar School for Girls Academy Trust
The Blue Coat Church of England Academy	Tile Hill Wood School and Language College	Timberley Academy Trust
Tudor Grange Academy Solihull Trust	Tudor Grange Primary Academy St James	Valuation Tribunal Service (formerly Birmingham Valuation Tribunal)

9. WEST MIDLANDS PENSION FUND STATEMENTS

Scheduled Bodies		
Victoria Park Primary Academy	Walsall City Academy Trust Limited	Walsall College Academies Trust (The Mirus Academy)
Warren Farm Primary School	West Walsall E-ACT Academy	Westwood Academy
Whitley Academy	Windsor High School and Sixth Form	Wilson Stuart School
Wolverhampton Homes	Wood Green Academy	Woodlands Academy
Woodlands Academy of Learning	Woodview School	

Admitted Bodies		
<u>With Active Members</u>		
4 Towers TMO Limited	Acivico (Building Consultancy)	Acivico (Design, Construction and Facilities Management)
ACUA Limited	Age Concern Birmingham	Age Concern Birmingham (VSOP)
Age Concern Wolverhampton	Aspen Services Ltd (Gosford Park)	Aston University
BID	Black Country Consortium Limited	Black Country Museum Trust Limited (The)
Black Country Partnership NHS Foundation Trust	Bloomsbury Local Management Organisation Limited	BME United Limited
Brownhills Community Association Limited	Bushbury Hill Estate Management Board Limited	Chuckery Tenant Management Organisation Limited
Coventry and Solihull Waste Disposal Company Limited (The)	Coventry Heritage and Arts Trust	Coventry Law Centre Ltd
Coventry Sports Trust Limited	CSW Partnership Limited	Delves East Estate Management Limited
Dovecotes TMO	Edith Cadbury Nursery School	Family Care Trust
Friendship Care and Housing Limited (formerly Beechdale)	Heart of England Care	Home Start Northfield
Home Start Stockland Green/Erdington	Home Start Walsall	Leamore Residents Association Limited

9. WEST MIDLANDS PENSION FUND STATEMENTS

Admitted Bodies		
Leisure & Community Partnership Limited	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 Trust (Coventry) Limited	Murray Hall Community Trust Limited	Murray Hall Community Trust (Oldbury)
Murray Hall Community Trust (Rowley)	Murray Hall Community Trust (Wednesbury)	Mytime Active
New Park Village Tenant Management Organisation	Northern Housing Consortium Limited	Optima Community Association
Palfrey Community Association	Penderels Trust Limited (The)	Pool Hayes Community Association
Priory Family Centre	Riverside Housing Association Limited (formerly Riverside Group Limited)	Sandwell Arts Trust
Sandbank Tenant Management Organisation Limited	Sandwell Community Caring Trust (The)	Sandwell Community Caring Trust (Sandwell Care Homes)
Sandwell Inspired Partnership	Sickle Cell and Thalassaemia Support Project (Wolverhampton)	Solihull Care Limited
Solihull Care Trust	St Columba's Day Care Centre	Steps to Work (Walsall) Ltd
Titan Partnership	University of Warwick	Voyage Care Ltd (formerly Milbury Community Services)
Walsall Housing Group Limited	Watmos Community Homes	West Midlands Transport Information Services Limited
Whitefriars Housing Group Limited	Wildside Activity Centre	Wolverhampton Grammar School
Wolverhampton Network Consortium	Wolverhampton Voluntary Sector Council	
<u>Without Active Members</u>		
Adoption Support	All Saints Haque Centre	Aquarius Action Projects
Asian Welfare Centre	Asian Women's Adhikar Association (AWAAZ)	Belgrade Theatre Trust (Coventry) Limited
Bilston and Ettingshall SureStart	Birmingham and Solihull Connexions Services	Birmingham and Solihull Learning Exchange (The)
Birmingham Heartlands Development Corporation	Black Business in Birmingham	Black Country Connexions

9. WEST MIDLANDS PENSION FUND STATEMENTS

Admitted Bodies		
Black Country Museum Development Trust (The)	BXL	Cannon Hill Trust (now Midlands Arts Council)
Cerebral Palsy Midlands	Community Justice National Training Organisation	Coventry Voluntary Service Council
CV One Limited	Druids Heath TMO	Dudley Zoo Development Trust
East Birmingham Family Service Unit	Heath Town Estate Management Board	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	Relate
RM Education	Sandwell Regeneration Company Limited	Select Windows (Homes Improvements) Limited
Serco Limited (Stoke)	Smethwick Asra Limited	Solihull Care Trust
Solihull Community Caring Trust	South Birmingham Family Services Unit	Springfield/Horseshoe Housing Management Co-operative Ltd
St Basil's Centre	Sunderland ARC Limited	Target Excel plc (Walsall MBC)
The Chris Laws Day Care Centre for Older People	TSB Bank plc (formerly Birmingham Municipal Bank)	University of Birmingham
University of Warwick	Walsall Enterprise Agency Limited	Walsall Regeneration Company Limited
Wednesbury Action Zone	West Bromwich Afro-Caribbean Resource Centre	West Midlands Councils (formerly West Midlands Leaders Board)
West Midlands (West) Valuation Tribunal	West Midlands Examinations Board (The)	West Midlands Local Authorities Employers' Organisation
Wolverhampton Community Safety Partnership	Wolverhampton Development Corporation Limited	Wolverhampton Family Information Service Limited
Wolverhampton Race Equality Council		

9. WEST MIDLANDS PENSION FUND STATEMENTS

Transferee Admission Bodies (Best Value)		
Action for Children (Smethwick)	Action for Children (West Bromwich)	Agilisys Limited (OCOS/WODO/Tipton)
Agilisys Limited (Rowley/Smethwick)	Alliance in Partnership - Camp Hill	Alliance in Partnership - Ernesford Grange
Alliance in Partnership - President Kennedy	Alliance in Partnership - Stoke Park	Amey Highways Limited
Amey LG Limited	APCOA Parking (UK) Limited	Balfour Beatty Workplace Limited (Birmingham)
Balfour Beatty Workplace Limited (Coventry)	BAM Construct UK Limited	Barnardos (Sandwell)
Bespoke Cleaning Services Limited	British Telecom plc	Carillion (Wolverhampton)
Capita IT Services Limited	Creative Support Limited	DRB Wychall Primary
DRB Yew Tree Primary	Enterprise Managed Services Ltd - Solihull	Enterprise (AOL) Limited (Telford and Wrekin)
Enterprise Managed Services (W-ton)	Elite Cleaning and Environmental Services	Galliford (UK) Limited
Harrison Catering Services Ltd	Housing 21	Initial Catering Services Ltd (Rowley)
Initial Catering Services Ltd (Smethwick)	Integral UK Limited	Interserve Facilities Management (OCOS/WODO)
KGB Cleaning & Support Services Limited	Lawrence Cleaning Limited (Parkfields)	Lawrence Cleaning Limited (St Stephens)
Leisure Living Limited	Lend Lease Construction (EMEA) Four Dwellings School	Lend Lease Construction (EMEA) George Dixon School
Lend Lease Construction (EMEA) Moseley School	Lend Lease Construction (EMEA) Park View School	Lend Lease Construction (EMEA) Saltley School
Lend Lease Construction (EMEA) Stockland Green Broadway School	Lend Lease Construction (EMEA) Waverley School	Lend Lease (EMEA) Ltd - E-ACT Shenley Academy
Lend Lease FM (Broadway School)	Lend Lease FM (EMEA) (George Dixon School)	Lend Lease FM (EMEA) (HML Stockland Green)
Lend Lease FM (EMEA) (International School)	Lend Lease FM (EMEA) (Moseley School)	Lend Lease FM (EMEA) (Park View School)
Lend Lease FM (EMEA) (Saltley School)	Mears Group plc	Mears Limited
Mitie PFI Limited	Mouchel Limited	New Heritage Regeneration Limited
NSL Limited	NSL Limited (Solihull)	Pell Frischmann Consultants Limited
Premier Security Services Ltd	Premier Support Services (Holy Trinity RC)	Premier Support Services (Alumwell School)
Premier Support Services Ltd (Hodge Hill School)	Premier Support Services Ltd (Streetly School)	Premier Support Services Ltd (St Edmunds Campion)
Premier Support Services Ltd (Trinity RC)	Quadron Services Limited	Redcliffe Catering Ltd (Calthorpe School)
Regent Office Care Limited (COWAT)	Regent Office Care Limited (Henley College)	Regent Office Care Limited (Hereward College)

9. WEST MIDLANDS PENSION FUND STATEMENTS

Transferee Admission Bodies (Best Value)		
Regent Office Care Ltd (Willenhall)	Serco Limited	Serco Limited (Sandwell)
Service Birmingham Limited	Sodexo Limited	Tarmac Limited
Taylor Shaw (Colton Hills)	Taylor Shaw Limited (COWAT)	Taylor Shaw (Great Barr School)
Taylor Shaw (Hodge Hill)	Taylor Shaw Limited (St Albans)	Thomas Vale Construction plc
Willmott Dixon Partnership Limited (North Contract)	Willmott Dixon Partnership Limited (South Contract)	
<u>Without Active Members</u>		
Accord Operations (Birmingham)	Alliance in Partnership - Aston	APCOA Parking (UK) Ltd Solihull
AWG Facilities Services Limited	Birmingham Accord Limited	Bovis Lend Lease Management Services
Burrowes Street Tenant Management Organisations Limited	Central Parking Systems	Enterprise (AOL) Limited (Shrewsbury)
Enterprise (AOL) Limited (Shropshire)	Forest Community Association	GF Tomlinson Birmingham Limited
Icare GB Limited	Interserve Project Services Limited (Smethwick Campus)	JDM Accord Limited (Shrewsbury & Atcham)
JDM Accord Limited (Shropshire)	JDM Accord Limited (Tamworth)	JDM Accord Limited (Telford & Wrekin)
Kite Food Services Limited	Liberata UK Limited	Methodist Homes for the Aged
Mitie Cleaning (Midlands) Limited - Birmingham City Council	Mitie Managed Services (S&SW) Limited	Mitie Managed Services (S&SW) Limited - Coventry
Mitie Cleaning (Midlands) Limited - Wednesfield	Mitie Property Services (UK) limited	MLA West Midlands
Morrison Facilities Services Limited	Redcliffe Catering Limited (Aston School)	Redcliffe Catering Limited (Bordesley Green Girls Sch)
Redcliffe Catering Limited (Camp Hill School)	Regent Office Care Limited	Regent Office Care Limited (City College)
Regent Office Care Limited (Whitefriars)	Research Machines plc	Revenue Management Services
Service Team Limited	South Warwickshire Tourism Limited	Strand Limited
Superclean Services	Target Excel Plc (Magistrates Courts)	Target Excel Plc (Solihull MBC)
Taylor Shaw Limited (COWAT)	Taylor Shaw Limited (St Albans)	Technology Innovation Centre
Temple Security Limited	Thomas Vale Construction plc	Veolia Environmental Serviced Cleanaway (UK) Limited
Vertex Data Science Limited	Wates Construction Limited (Birmingham)	West Midlands E-Learning Company

9. WEST MIDLANDS PENSION FUND STATEMENTS

Transferee Admission Bodies (Best Value)		
<u>Other Major Employers who have Participated in the Fund</u>		
Birmingham International Airport Plc	Department of Transport	Department of Health and Social Security
Severn Trent Water Authority	West Midlands Magistrates Courts Committee	

10. ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

The council is also responsible for the strategic management and administration of the West Midlands Pension Fund with the council's Chief Executive, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting the members of the Pensions Committee in their role.

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

The Management Agreement between the Council and Wolverhampton Homes sets out the contractual arrangements between the parties and the governance arrangements and a new 15 year Management Agreement has recently been approved by both the Council and the Wolverhampton Homes Board for adoption from April 2013.

The Purpose of the Governance Framework

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

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

10. ANNUAL GOVERNANCE STATEMENT

effectiveness. The systems of risk management and internal control are based on an on-going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework and Review of Effectiveness throughout 2012/13

The Council has the following Corporate Plan aims and themes: Encouraging Enterprise and Business, Empowering People and Communities, Re-Invigorating the City and Confident, Capable Council, which are underpinned by the governance environment. This environment is consistent with the six core principles of the CIPFA/ SOLACE framework.

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

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area Members and officers working together to achieve a common purpose with clearly defined functions and roles	<ul style="list-style-type: none"> • Delivery and communication of an agreed corporate plan • Quality services are delivered efficiently and effectively • Clearly defined roles and functions • Management of risk • Effectiveness of internal controls • Compliance with laws, 	<ul style="list-style-type: none"> • The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Council, Cabinet and Committees • Scrutiny function • Audit Committee (and 2 x Sub-Committees) • Standards Committee • Internal and External Audit • Strategic Executive Board 	<ul style="list-style-type: none"> • Statement of Accounts 2012/13 • External Audit Report to Those Charged with Governance (ISA 260) Report 2012/13 • Annual Internal Audit Report 2012/13 • Annual Audit Committee Report 2012/13 • Local Government Ombudsman Report 2012/13 	<ul style="list-style-type: none"> • FutureSpace: Corporate Landlord • Information Governance • Partnership Governance • Contract Monitoring • Procurement • Savings Targets • Resilience function • Equalities

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Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p> <p>Developing the capacity and capability of members and officers to be effective</p> <p>Engaging with local people and other stakeholders to ensure robust public accountability</p>	<p>regulation, internal policies and procedures</p> <ul style="list-style-type: none"> • Value for money and efficient management of resources • High standards of conduct and behaviour • Public accountability • Published information is accurate and reliable • Implementation of previous governance issues 	<ul style="list-style-type: none"> • Corporate Development Board • Directors Assurance Statements • Corporate and business plans • Medium Term Financial Strategy • Corporate Risk Register and Risk Strategy • Codes of Conduct • Business Planning and Performance Management Framework • Whistleblowing and other anti-fraud related policies • Complaints System • Governance Statement Working Group • Financial Regulations • Procurement and Contract Procedure Rules • Committee Management Information Systems 	<ul style="list-style-type: none"> • Care Quality Commission Reviews • Safeguarding Children's Board Annual Report 2012/13 • Safeguarding Adult's Board Annual Report 2012/13 • Quality Assurance and Compliance team reviews • Scrutiny reviews • Annual Governance Statement – follow up of 2011/12 issues 	

10. ANNUAL GOVERNANCE STATEMENT

West Midlands Pension Fund

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

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company’s Financial Statements for 2012/13. This states that the control framework has been reviewed by the Company’s Audit Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company’s internal auditors.

In reviewing the council’s priorities and the implications for its governance arrangements, the council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The key changes to the governance framework during the year include:

- The transition of Public Health Services to the council from 1 April 2013 and the appointment by the council of the Director of Public Health.
- The establishment of the Health and Well Being Board as a committee of the council which has responsibility for tackling local health inequalities.
- A Councillor review group looked at the relationship between the Executive and Scrutiny. Receiving all party support it developed the role of scrutiny helping to shape policy development as well as holding the Executive to account. It has been supported by Councillor and Officer training as well and the production of a scrutiny handbook and practice notes on the way scrutiny is undertaken.

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

Internal Audit has concluded that based on the work undertaken during the year of areas key risk, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, it can provide

10. ANNUAL GOVERNANCE STATEMENT

reasonable assurance that the council has adequate and effective governance, risk management and internal control processes". Key areas of concern have been included within the governance issues noted below.

There is a requirement to report in this Statement that the authority is not fully compliant with CIPFA's Statement on the Role of the Section 151 Officer in Local Government (2009) as the Section 151 Officer post is not at the same level in the Authority as members of the Corporate Management Team and they do not report directly to the Chief Executive. However, alternative arrangements are in place whereby the Section 151 Officer attends meetings of the Corporate Management Team and has direct access to the Chief Executive when required.

A number of issues were identified in the 2011/2 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas is included below. Where sufficient progress has not been made, the issues have been included in the 2012/13 issues.

Progress on the Governance Issues from 2011/12

The table below describes the governance issues identified during 2011/12 and the progress made against these during 2012/13.

2011/12 - Key areas for Improvement	Update on position and implication for the 2012/13 Annual Governance Statement
<p>Partnership governance arrangements include responsibility for monitoring performance and managing risk. Improvements are required to the Risk Management arrangements within the major partnerships, in order to ensure that the risks associated with joint working are adequately identified and managed by the Council in conjunction with the appropriate partner. A Partnership Protocol has been agreed. Work continues in collating a partnership register and a reporting mechanism whereby the status of partnerships in which the Council is involved at a significant level are monitored. This is to ensure that adequate risk management arrangements are in place.</p>	<p>While a partnership protocol has been agreed, progress in the completion of a partnership register and the management and reporting of partnership risks continues and is therefore work in progress.</p> <p>Carried forward to 2012/13</p>

10. ANNUAL GOVERNANCE STATEMENT

2011/12 - Key areas for Improvement	Update on position and implication for the 2012/13 Annual Governance Statement
<p>The Council still has to implement Single Status, a national agreement between the National Joint Council (NJC) for Local Government and Signatory Trades Unions made on 1 April 1997. The Council has a dedicated project team to implement and govern this process. During the year the Cabinet has developed and approved a strategy for addressing the risks relating to historic Equal Pay Claims and has commenced a process of implementing this and also meeting the requirements under the Single Status agreement.</p>	<p>The Council implemented a collective agreement on 1 April 2013. The potential for re-introducing pay inequalities is being managed by the Pay Strategy Board who have management oversight of the Wolverhampton Pay and Conditions strategy. The Equal Pay Claims strategy continues to be implemented and is progressing well within the agreed governance arrangement so is therefore no longer considered a governance issue.</p>
<p>The Council invited the Information Commissioner's Officer to carry out a consensual audit in order to provide the basis for an improvement plan. Basic frameworks are now in place and additional resources are being targeted at Information Governance. However, detailed policies, process and training need</p> <p>to be embedded to reduce the profile of this on-going governance issue.</p>	<p>While action has commenced, the Council did receive critical in-year reviews by the Information Commissioners Office in August and December 2012. Therefore, this area has been carried forward while the recommendations from these reviews are implemented.</p> <p>Carried forward to 2012/13</p>
<p>Elections are due in November for Police and Crime Commissioner. There are currently many uncertainties around the likely impact on local issues, but there are likely to be significant governance issues around proper scrutiny and appropriate representation on the Police and Crime Panel, as well as ensuring local democratic accountability.</p>	<p>Officers of the Council have been in regular contact with the new Police and Crime Commissioner and proposals have been put forward by the PCC for the development of Local Police and Crime Boards (LPCB) to significantly increase the role of communities.</p>

10. ANNUAL GOVERNANCE STATEMENT

Action Plan for the Significant Governance Issues identified during 2012/13 which will need addressing in 2013/14

Based on the council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2012/13 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken. These actions will address the need for improvements that were identified in the review of effectiveness and their implementation will be monitored as part of the next annual review and risk management arrangements in place

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
<p>FutureSpace: Corporate Landlord</p> <p>The management of and responsibility for the Council's property assets is currently split between two directorates. Several initiatives and proposals for maintenance programmes and better targeted use of properties have been put forward. It is necessary that clarity of ownership and control of decision making is determined to ensure effective progress is made. Also work is on-going to improve the co-ordination of responsibilities as the Council develops the role of a 'Corporate Landlord' between the Directorates, along with the continued development of a 'One Council' approach to the use of land and assets and the development of options and a strategy to utilise available properties for community use that are not Council owned property.</p>	<p>Strategic Director – Delivery</p> <p>Strategic Director – Education and Enterprise</p> <p>31 March 2014</p>
<p>Information Governance</p> <p>Following critical in-year reviews by the Information Commissioners Office in August and December 2012, the Council is putting in place a robust framework and effective working practices, including:</p> <ul style="list-style-type: none"> • An established and operational Information Governance Board • Mapped out work programme and resources • A new Information Governance structure • Information Governance policies have been approved • Training programmes are underway 	<p>Strategic Director – Delivery</p> <p>Chief Legal Officer (SIRO)</p> <p>Head of Policy</p> <p>31 December 2013</p>

10. ANNUAL GOVERNANCE STATEMENT

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
<p>Partnership Governance</p> <p>Partnerships are increasingly common and increasingly important to the Council, in order to deliver the corporate plan and respond to the Localism agenda. These partnerships take many forms. For example, formal arrangements such as strategic service delivery partnerships, statutory partnerships and looser, informal relationships with community groups or the ‘third sector’. Although each of these partnerships is formed to generate beneficial outcomes they also carry different types of risks and governance can be problematic.</p> <p>In addition, some of the Council’s partnerships have been in place for a number of years and the ‘health’ and governance arrangements of these partnerships have not been systematically reviewed to ensure they continue to contribute effectively to the corporate priorities. Therefore, the Council is to adopt a revised systematic and consistent approach to identifying its significant partnerships. Once the significant partnerships have been identified, a systematic review of the governance arrangements and the ‘health’ of each partnership will be carried out to ensure they continue to contribute to the corporate priorities and provide value for money. The findings of the reviews and the risks associated with these partnerships will then be reported to officers and Councillors with portfolio responsibilities.</p>	<p>Strategic Director – Delivery</p> <p>Chief Legal Officer</p> <p>March 2014</p>
<p>Contract Management and Monitoring</p> <p>The Council has historically had an inconsistent approach to its contract monitoring. New processes are being put in place to ensure that contracts can be monitored and reviewed on an on-going basis for value for money in the future.</p>	<p>Strategic Director - Delivery</p> <p>Head of Procurement</p> <p>31 December 2013</p>

10. ANNUAL GOVERNANCE STATEMENT

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
<p>Procurement</p> <p>The Interim Head of Procurement had raised concerns over past tendering processes and the failure to follow the Council's Contract Procedure Rules. Following an independent review, these concerns were supported by the findings of Internal Audit who identified a number of cases of inconsistencies and ambiguities at various stages of the procurement processes. The recommendations arising from the audit review were agreed with the Interim Head of Strategic Sourcing, who is putting in place a whole range of improved working practices over the coming months.</p>	<p>Strategic Director - Delivery</p> <p>Head of Procurement</p> <p>31 December 2013</p>
<p>Savings Targets</p> <p>While the Council's current and historical savings targets have been largely delivered, there are still a limited number of such targets that have not yet been and also some, where proposals are yet to be developed. A failure to meet these targets will adversely impact upon the Council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p>	<p>Strategic Director – Delivery</p> <p>Assistant Director - Finance</p> <p>31 March 2014</p>
<p>Resilience Function (Emergency Planning and Business Continuity)</p> <p>The Council has identified issues in its ability to respond fully to its responsibilities under the Civil Contingencies Act. The Cabinet has approved the creation of a new Resilience Team in 2013/14 to bring together the separate Emergency Planning and Business Continuity functions. This is to underpin the delivery of the new Major Incident Plan and suite of subsidiary plans. The Resilience Team will operate within new governance arrangements and report to a Board. . The Board will oversee the delivery of the adopted project plan for Resilience that will be reviewed monthly by the Strategic Executive Board. Annual audits will also be conducted to validate progress against the project plan.</p>	<p>Strategic Director – Delivery</p> <p>Assistant Director - Delivery</p> <p>31 March 2014</p>

10. ANNUAL GOVERNANCE STATEMENT

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
<p>Equalities</p> <p>The Council has identified issues in its ability to respond fully to its responsibilities in respect of equalities and consultation. An Equalities Project Board has been formed and approved an equalities work programme. This programme identifies ways of mainstreaming and promoting best equalities practice. Appropriate measures will be implemented during 2103/14.</p>	<p>Strategic Director – Delivery</p> <p>31 March 2014</p>

Future Assurance

Regular progress reports on the implementation of the above actions from these key improvement areas will be produced by Audit Services and reported to the Audit Committee throughout 2013/14.

In addition the following two areas, while not identified as significant governance weaknesses during 2011/12, do represent key challenges to the council for the year ahead and their success will play an important role if the council is to achieve its key aims:

Confident, Capable Council

Achieving the Confident, Capable Council objective depends on the creation of a strong corporate core for the organisation and on delivering high quality, cost-effective services. There is a large transformational programme the Council is undertaking in order to deliver this, and the good governance of this programme will be key.

FutureWorks Programme

The Council is currently involved in the procurement of a substantial new IT system that will also support the required business transformation in order to help it achieve its objectives. The Council will need to continue to manage the risks around the general governance and structure of this programme and through the general programme controls it will bring.

10. ANNUAL GOVERNANCE STATEMENT

Certification

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



Roger Lawrence, Leader of the Council:

Date:



Simon Warren, Chief Executive:

Date:

11. GLOSSARY

Academy

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

Accruals (Accrual Accounting)

Refers to the fundamental accounting principle that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

See 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 control is loose and rarely manifests it directly on day-to-day operations of the subsidiary.

Amortisation

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

See Depreciation

Area Based Grant

Is a non-ring fenced general revenue grant, made up of a wide range of former specific grants from seven Government Departments, to support national, regional and local priorities.

Asset

An item that is owned by and can be used by the Council.

See Fixed Asset

11. GLOSSARY

Bad Debt Provision

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

Budget

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

Business Rate or National Non-Domestic Rates (NNDR)

Businesses across the country have to pay business rates. The government decides how much they should pay and Local Authorities collect the money. Local authorities pass the money to the Government who then share the total amount collected nationally between Authorities to help pay for local services.

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.

See Capital Financing Requirement

Capital Expenditure

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

See Deferred Charge, Property, Plant and Equipment

Capital Financing Requirement

An amount calculated as Long Term Assets less the balances on the Capital Adjustment Account.

See Minimum Revenue Provision

Capital Programme

The plan of approved spending on fixed assets.

11. GLOSSARY

Capital Receipt

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is a UK accountancy body, specialising in the finances of the public sector. CIPFA is responsible for determining the accounting rules and procedures that apply to local authorities.

See Statement of Recommended Practice, Code of Practice

Code of Practice on Local Authority Accounting

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

See International Financial Reporting Standards, Chartered Institute of Public Finance and Accountancy (CIPFA)

Collection Fund

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

11. GLOSSARY

Contingent Liability

A contingent liability is either:-

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

Corporate and Democratic Core

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

Council Tax

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

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.

See Accruals, Debtors

Current Asset

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

Debtors

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

See Accruals, Creditors

Dedicated Schools Grant

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

11. GLOSSARY

Deficit

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

Defined Benefit Scheme

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

Defined Contribution Scheme

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

De Minimis

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

See Capital Expenditure

Depreciation

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

See Impairment

Disclosure

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

See Code of Practice

Discount

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

See Premium

11. GLOSSARY

Dividend

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

Earmarked Reserve

A sum set aside for a specific purpose.

See Usable and Unusable Reserves

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 allowance 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.

See Vacant Possession Value

Fair Value

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

11. GLOSSARY

Fees and Charges

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

Finance Lease

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

See Operating Lease

Financial Instrument

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

Financial Year

This runs from 1 April to 31 March.

Fixed Asset

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

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.

See 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.

11. GLOSSARY

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".

See Housing Revenue Account

Impairment

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

See Property, Plant and Equipment

Income and Expenditure Account / Statement

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

11. GLOSSARY

Infrastructure Assets

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

Intangible Assets

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

International Accounting Standards (IAS)

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

See International Financial Reporting Standards

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

- (i) in respect of which construction work and development have been completed.
- (ii) is held for its investment potential, any rental income being negotiated at arm's length.

11. GLOSSARY

Levy

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

Liabilities

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

See Accruals, Creditors

Major Repairs Reserve

A reserve to pay for large scale repairs to council houses.

Materiality

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

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.

See 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 property plant and equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

See Property Plant and Equipment

Net Current Replacement Cost

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

11. GLOSSARY

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.

See Impairment

Operational & Non-Operational Assets

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

See Property Plant and Equipment

Operating Leases

Leases other than a finance lease.

See Finance Leases

Payments in Advance

Payments made in the current financial year for goods and services to be received in the following financial year.

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.

11. GLOSSARY

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.

See Discount

Prior Year Adjustments

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

Private Finance Initiative (PFI)

A government initiative which enables authorities to carry out capital projects through partnership with the private sector.

Property, Plant and Equipment

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

See Capital Expenditure

Provisions

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.

11. GLOSSARY

Receipts in Advance

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

Related Party

There is a detailed definition of related parties in FRS 8. For the council's purposes, related parties are deemed to include:

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

Retirement Benefits

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

- (i) an employer's decision to terminate an employee's employment before the normal retirement date; or
- (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

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

Revenue Expenditure Funded From Capital Under Statute

Spending on assets that have a lasting value but are not owned by the council, for example, improvement grants.

Revenue Support Grant (RSG)

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

Ring fenced

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

11. GLOSSARY

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.

See 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.

See Financial Reporting Standards, Generally Accepted Accounting Practice

Service Reporting Code of Practice (SERCOP)

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

See Income and Expenditure Account/Statement

Tangible Assets

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

Trust Fund

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

Usable Reserves

Reserves that can be applied to fund expenditure or reduce local taxation, 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 an asset.

Vacant Possession Value

The market value of a property, were it to be sold with no unusual restrictions on the occupation of the property, or the level of any rents or charges made for its use.

See Existing Use Value (Social Housing)

11. GLOSSARY

Work In Progress

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

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **8 July 2013**

Originating Service Group(s)	<u>DELIVERY</u>
Contact Officer(s)/	<u>Keith Ireland</u> <u>Mark Taylor</u> <u>David Johnston</u> <u>Peter Farrow</u>
Telephone Number(s)	<u>4500</u> <u>6609</u> <u>4565</u> <u>4460</u>
Title/Subject Matter	<u>ANNUAL GOVERNANCE STATEMENT – 2012/13</u>

SUMMARY

That members of the Audit Committee note the Annual Governance Statement for 2012/13.

1. PURPOSE AND BACKGROUND

- 1.1 That members note the content of the Annual Governance Statement for the year 2012/2013 signed by the Chief Executive and the Leader of the Council.
- 1.2 In consultation with the Chair of the Audit Committee, the Annual Governance Statement was submitted to and reviewed by the Chair and Vice-Chair of the Committee prior to its signature.
- 1.3 The Council is required under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulation 2006 to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the Council and the Chief Executive.

2. DETAILS

- 2.1 The Annual Governance Statement draws upon the management and internal control framework of the Council, especially the work of internal and external audit and the Council's risk management arrangements. In compiling the Annual Governance Statement assurance is obtained from a range of sources in order that the signatories to the Statement can assure themselves that the statement reflects the governance arrangements for which they are responsible.
- 2.2 The Annual Governance Statement is a key corporate document that is overseen and approved by the Strategic Executive Board and owned by all senior officers and Councillors. The officer group with responsibility for preparing the Annual Governance Statement. is comprised of;
 - Strategic Director, Delivery
 - Assistant Director, Finance
 - Head of Audit Services
 - Head of Risk Management and Insurance
- 2.3 The format of the Annual Governance Statement has been changed from previous years in line with recent guidance provided by CIPFA and various other accountancy organisations, with regards to it being more open and engaging in a readable user-friendly style, with less process and repetition, while incorporating best practice models identified nationally.
- 2.4 The External Auditors (PwC) in their External Audit Update Report 2012/13, commented on the statement as follows:

<p>Risk Management and Annual Governance Statement follow up</p> <p>Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: 'Delivering Good Governance in Local Government'.</p> <p>In 2011/12 we identified that the AGS:</p> <ul style="list-style-type: none"> made no reference to the report on the proposed strategic partnership with Axon Solutions Ltd which we considered to have remained a significant governance issue for the Council during 2011/12; lacked a clear action plan for the significant governance matters identified; and lacked a clear statement as to what extent the Council's systems of internal control include Wolverhampton Homes whose significant activity falls within the Council's group boundary. <p>We agreed with the Section 151 Officer at the time that the Annual Governance Statement, and the underlying process that fed it, should be strengthened.</p>	<p>We reviewed your draft AGS to ensure that the recommendations we made last year had been addressed.</p> <p>We concluded that the AGS, which has been presented in a new format this year, contains both:</p> <ul style="list-style-type: none"> a more detailed action plan for the significant governance matters identified; and a clearer statement as to what extent the Council's systems of internal control include Wolverhampton Homes whose significant activity falls within the Council's group boundary. <p>We will also understand the risk identification process that was used to produce the statement and considered whether any governance issues appear to have been omitted. We did not identify any significant omissions.</p>	<p>We will reconsider the completeness of the AGS prior to issuing the accounts opinion.</p>
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- 2.5 The Annual Governance Statement provides coverage of the following information:
- Scope of Responsibility
 - The purpose of the governance framework
 - The governance framework and review of effectiveness throughout 2012/13
 - Progress on the governance issues from 2011/12
 - Action plan for significant governance issues identified during 2012/13 which will need addressing in 2013/14

3. **FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications arising from the recommendation in this report. [GE/24062013/G]

4. **LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising from the recommendation in this report. [MW/24062013/J]

5. **EQUAL OPPORTUNITIES IMPLICATIONS**

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

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

None

Scope of Responsibility

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

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

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

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

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

The Management Agreement between the Council and Wolverhampton Homes sets out the contractual arrangements between the parties and the governance arrangements and a new 15 year Management Agreement has recently been approved by both the Council and the Wolverhampton Homes Board for adoption from April 2013.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework and Review of Effectiveness throughout 2012/13

The Council has the following Corporate Plan aims and themes: Encouraging Enterprise and Business, Empowering People and Communities, Re-Invigorating the City and Confident, Capable Council, which are underpinned by the governance environment. This environment is consistent with the six core principles of the CIPFA/ SOLACE framework.

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

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p> <p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p> <p>Developing the capacity and capability of members and officers to be effective</p> <p>Engaging with local people and other stakeholders to ensure robust public accountability</p>	<ul style="list-style-type: none"> • Delivery and communication of an agreed corporate plan • Quality services are delivered efficiently and effectively • Clearly defined roles and functions • Management of risk • Effectiveness of internal controls • Compliance with laws, regulation, internal policies and procedures • Value for money and efficient management of resources • High standards of conduct and behaviour • Public accountability • Published information is accurate and reliable • Implementation of previous governance issues 	<ul style="list-style-type: none"> • The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Council, Cabinet and Committees • Scrutiny function • Audit Committee (and 2 x Sub-Committees) • Standards Committee • Internal and External Audit • Strategic Executive Board • Corporate Development Board • Directors Assurance Statements • Corporate and business plans • Medium Term Financial Strategy • Corporate Risk Register and Risk Strategy • Codes of Conduct • Business Planning and Performance Management Framework • Whistleblowing and other anti-fraud related policies • Complaints System • Governance Statement Working Group • Financial Regulations • Procurement and Contract Procedure Rules • Committee Management Information Systems 	<ul style="list-style-type: none"> • Statement of Accounts 2012/13 • External Audit Report to Those Charged with Governance (ISA 260) Report 2012/13 • Annual Internal Audit Report 2012/13 • Annual Audit Committee Report 2012/13 • Local Government Ombudsman Report 2012/13 • Care Quality Commission Reviews • Safeguarding Children's Board Annual Report 2012/13 • Safeguarding Adult's Board Annual Report 2012/13 • Quality Assurance and Compliance team reviews • Scrutiny reviews • Annual Governance Statement – follow up of 2011/12 issues 	<ul style="list-style-type: none"> • FutureSpace: Corporate Landlord • Information Governance • Partnership Governance • Contract Monitoring • Procurement • Savings Targets • Resilience function • Equalities

West Midlands Pension Fund

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

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company’s Financial Statements for 2012/13. This states that the control framework has been reviewed by the Company’s Audit Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company’s internal auditors.

In reviewing the Council’s priorities and the implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The key changes to the governance framework during the year include:

- The transition of Public Health Services to the council from 1 April 2013 and the appointment by the Council of the Director of Public Health.
- The establishment of the Health and Well Being Board as a committee of the Council which has responsibility for tackling local health inequalities.
- A Councillor review group looked at the relationship between the Executive and Scrutiny. Receiving all party support it developed the role of scrutiny helping to shape policy development as well as holding the Executive to account. It has been supported by Councillor and Officer training as well and the production of a scrutiny handbook and practice notes on the way scrutiny is undertaken.

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

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

There is a requirement to report in this Statement that the authority is not fully compliant with CIPFA’s Statement on the Role of the Section 151 Officer in Local Government (2009) as the Section 151 Officer post is not at the same level in the Authority as members of the Corporate

Management Team and they do not report directly to the Chief Executive. However, alternative arrangements are in place whereby the Section 151 Officer attends meetings of the Corporate Management Team and has direct access to the Chief Executive when required.

A number of issues were identified in the 2011/2 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas is included below. Where sufficient progress has not been made, the issues have been included in the 2012/13 issues.

Progress on the Governance Issues from 2011/12

The table below describes the governance issues identified during 2011/12 and the progress made against these during 2012/13.

2011/12 - Key areas for Improvement	Update on position and implication for the 2012/13 Annual Governance Statement
<p>Partnership governance arrangements include responsibility for monitoring performance and managing risk. Improvements are required to the Risk Management arrangements within the major partnerships, in order to ensure that the risks associated with joint working are adequately identified and managed by the Council in conjunction with the appropriate partner. A Partnership Protocol has been agreed. Work continues in collating a partnership register and a reporting mechanism whereby the status of partnerships in which the Council is involved at a significant level are monitored. This is to ensure that adequate risk management arrangements are in place.</p>	<p>While a partnership protocol has been agreed, progress in the completion of a partnership register and the management and reporting of partnership risks continues and is therefore work in progress.</p> <p>Carried forward to 2012/13</p>
<p>The Council still has to implement Single Status, a national agreement between the National Joint Council (NJC) for Local Government and Signatory Trades Unions made on 1 April 1997. The Council has a dedicated project team to implement and govern this process. During the year the Cabinet has developed and approved a strategy for addressing the risks relating to historic Equal Pay Claims and has commenced a process of implementing this and also meeting the requirements under the Single Status agreement.</p>	<p>The Council implemented a collective agreement on 1 April 2013. The potential for re-introducing pay inequalities is being managed by the Pay Strategy Board who have management oversight of the Wolverhampton Pay and Conditions strategy. The Equal Pay Claims strategy continues to be implemented and is progressing well within the agreed governance arrangement so is therefore no longer considered a governance issue.</p>

<p>The Council invited the Information Commissioner's Officer to carry out a consensual audit in order to provide the basis for an improvement plan. Basic frameworks are now in place and additional resources are being targeted at Information Governance. However, detailed policies, process and training need to be embedded to reduce the profile of this on-going governance issue.</p>	<p>While action has commenced, the Council did receive critical in-year reviews by the Information Commissioners Office in August and December 2012. Therefore, this area has been carried forward while the recommendations from these reviews are implemented.</p> <p>Carried forward to 2012/13</p>
<p>Elections are due in November for Police and Crime Commissioner. There are currently many uncertainties around the likely impact on local issues, but there are likely to be significant governance issues around proper scrutiny and appropriate representation on the Police and Crime Panel, as well as ensuring local democratic accountability.</p>	<p>Officers of the Council have been in regular contact with the new Police and Crime Commissioner and proposals have been put forward by the PCC for the development of Local Police and Crime Boards (LPCB) to significantly increase the role of communities.</p>

Action Plan for the Significant Governance Issues identified during 2012/13 which will need addressing in 2013/14

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2012/13 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken. These actions will address the need for improvements that were identified in the review of effectiveness and their implementation will be monitored as part of the next annual review and risk management arrangements in place

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
<p>FutureSpace: Corporate Landlord The management of and responsibility for the Council's property assets is currently split between two directorates. Several initiatives and proposals for maintenance programmes and better targeted use of properties have been put forward. It is necessary that clarity of ownership and control of decision making is determined to ensure effective progress is made. Also work is on-going to improve the co-ordination of responsibilities as the Council develops the role of a 'Corporate Landlord' between the Directorates, along with the continued development of a 'One Council' approach to the use of land and assets and the development of options and a strategy to utilise available properties for community use that are not Council owned property.</p>	<p>Strategic Director – Delivery Strategic Director – Education and Enterprise 31 March 2014</p>

<p>Information Governance</p> <p>Following critical in-year reviews by the Information Commissioners Office in August and December 2012, the Council is putting in place a robust framework and effective working practices, including:</p> <ul style="list-style-type: none"> • An established and operational Information Governance Board • Mapped out work programme and resources • A new Information Governance structure • Information Governance policies have been approved • Training programmes are underway 	<p>Strategic Director – Delivery Chief Legal Officer (SIRO) Head of Policy 31 December 2013</p>
<p>Partnership Governance</p> <p>Partnerships are increasingly common and increasingly important to the Council, in order to deliver the corporate plan and respond to the Localism agenda. These partnerships take many forms. For example, formal arrangements such as strategic service delivery partnerships, statutory partnerships and looser, informal relationships with community groups or the ‘third sector’. Although each of these partnerships is formed to generate beneficial outcomes they also carry different types of risks and governance can be problematic.</p> <p>In addition, some of the Council’s partnerships have been in place for a number of years and the ‘health’ and governance arrangements of these partnerships have not been systematically reviewed to ensure they continue to contribute effectively to the corporate priorities. Therefore, the Council is to adopt a revised systematic and consistent approach to identifying its significant partnerships. Once the significant partnerships have been identified, a systematic review of the governance arrangements and the ‘health’ of each partnership will be carried out to ensure they continue to contribute to the corporate priorities and provide value for money. The findings of the reviews and the risks associated with these partnerships will then be reported to officers and Councillors with portfolio responsibilities.</p>	<p>Strategic Director – Delivery Chief Legal Officer March 2014</p>
<p>Contract Management and Monitoring</p> <p>The Council has historically had an inconsistent approach to its contract monitoring. New processes are being put in place to ensure that contracts can be monitored and reviewed on an on-going basis for value for money in the future.</p>	<p>Strategic Director - Delivery Head of Procurement 31 December 2013</p>

<p>Procurement</p> <p>The Interim Head of Procurement had raised concerns over past tendering processes and the failure to follow the Council's Contract Procedure Rules. Following an independent review, these concerns were supported by the findings of Internal Audit who identified a number of cases of inconsistencies and ambiguities at various stages of the procurement processes. The recommendations arising from the audit review were agreed with the Interim Head of Strategic Sourcing, who is putting in place a whole range of improved working practices over the coming months.</p>	<p>Strategic Director - Delivery Head of Procurement 31 December 2013</p>
<p>Savings Targets</p> <p>While the Council's current and historical savings targets have been largely delivered, there are still a limited number of such targets that have not yet been and also some, where proposals are yet to be developed. A failure to meet these targets will adversely impact upon the Council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p>	<p>Strategic Director – Delivery Assistant Director - Finance 31 March 2014</p>
<p>Resilience Function (Emergency Planning and Business Continuity)</p> <p>The Council has identified issues in its ability to respond fully to its responsibilities under the Civil Contingencies Act. The Cabinet has approved the creation of a new Resilience Team in 2013/14 to bring together the separate Emergency Planning and Business Continuity functions. This is to underpin the delivery of the new Major Incident Plan and suite of subsidiary plans. The Resilience Team will operate within new governance arrangements and report to a Board. . The Board will oversee the delivery of the adopted project plan for Resilience that will be reviewed monthly by the Strategic Executive Board. Annual audits will also be conducted to validate progress against the project plan.</p>	<p>Strategic Director – Delivery Assistant Director - Delivery 31 March 2014</p>
<p>Equalities</p> <p>The Council has identified issues in its ability to respond fully to its responsibilities in respect of equalities and consultation. An Equalities Project Board has been formed and approved an equalities work programme. This programme identifies ways of mainstreaming and promoting best equalities practice. Appropriate measures will be implemented during 2103/14.</p>	<p>Strategic Director – Delivery Head of Policy 31 March 2014</p>

Future Assurance

Regular progress reports on the implementation of the above actions from these key improvement areas will be produced by Audit Services and reported to the Audit Committee throughout 2013/14.

In addition the following two areas, while not identified as significant governance issues during 2012/13, do represent key challenges to the Council for the year ahead and their success will play an important role if the Council is to achieve its key aims:

Confident, Capable Council

Achieving the Confident, Capable Council objective depends on the creation of a strong corporate core for the organisation and on delivering high quality, cost-effective services. There is a large transformational programme the Council is undertaking in order to deliver this, and the good governance of this programme will be key.

FutureWorks Programme

The Council is currently involved in the procurement of a substantial new IT system that will also support the required business transformation in order to help it achieve its objectives. The Council will need to continue to manage the risks around the general governance and structure of this programme and through the general programme controls it will bring.

Certification

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



Roger Lawrence, Leader of the Council:

Date:



Simon Warren, Chief Executive:

Date:

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date 8 July 2013

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

MARK TAYLOR

Telephone Number(s)

6609

Title

EXTERNAL AUDIT UPDATE REPORT 2012/13

SUMMARY

That the report be received.

EXTERNAL AUDIT UPDATE REPORT

1. PURPOSE

- 1.1 The Council's external auditors, PricewaterhouseCoopers (PwC) presented their 2012/13 Audit Plan to the Audit Committee on 11 March 2013. The purpose of the report attached at Appendix 1 is to:
- update Councillors on their progress in delivering their Audit Plan;
 - update Councillors on their view of the progress of the closedown process;
 - inform Councillors of the results of their review of the work of Internal Audit;
 - inform Councillors about some recent publications from PwC's Public Sector Research Centre.

2. BACKGROUND

- 2.1 Representatives from PwC will be in attendance at the meeting to present their report and to respond to Councillors' questions.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising directly from PwC's report. The costs are included within the agreed annual fee for provision of external audit services.

[DK/28062013/O]

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising from this report.

[MW/01072013/D]

5. EQUAL OPPORTUNITIES IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental implications arising from this report

7. SCHEDULE OF BACKGROUND PAPERS

External auditor working papers and reports, PricewaterhouseCoopers

External Audit Plan 2012/2013 (Report to Audit Committee 11 March 2013)

Wolverhampton City Council

External Audit Update Report 2012/13

Government and Public
Sector

June 2013

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In March 2010 the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s [website](#). The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Section 1 - Introduction and Executive Summary

Introduction and Executive Summary

The key messages from our work to date are as follows:

Audit Area	RAG	Comments
Risk based work (per Audit Plan)	Green	<p>We are making good progress against our plan.</p> <p>We completed our interim audit during April, in line with agreed timescales.</p> <p>Management provided the majority of information requested on a timely basis, and key individuals made themselves available to our team during our visit.</p> <p>We progressed our audit work in a number of areas, both in our understanding and validation of controls and our early testing of accounting transactions. In evaluating the effectiveness of key controls we identified no significant or material control weaknesses. We are, therefore, able to continue our controls-based audit in line with our initial plan.</p> <p>We are in the process of reviewing your IT General Controls, and will complete this work before final audit testing of transactions.</p>
Review of the Council's closedown plans	Green	<p>Your finance team continue to work hard to ensure a smooth closedown process. We have no significant concerns to report.</p> <p>As in previous periods, the final accounts audit process will test how effective these arrangements have been.</p>
Review of the work of Internal Audit	Green	<p>We reviewed the work of internal audit and are able to place reliance in all planned areas. We have also been able to rely on the controls within the Council's key financial systems as planned.</p> <p>We held a debrief meeting with internal audit to share our wider observations and further streamline the managed audit process.</p>

Key

Red - significant improvements required

Amber - some improvements required

Green - no or some minor improvements required.

The following sections set out in further detail our progress in delivering our plans.

Section 2 – Audit Plan risk update

Update on risks – Financial Statements

We set out below our progress in responding to the risks we identified in our Audit Plan (as presented to the Audit Committee in March 2013):

<i>Risk</i>	<i>Progress and issues noted</i>	<i>Remaining action</i>
<p>Fraud and management override of controls</p> <p>● - Significant risk</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements. In your organisation, as the pressure to deliver savings increases, so does the risk of management override.</p>	<p>We have:</p> <ul style="list-style-type: none"> considered the design and operating effectiveness of key controls within significant financial processes (including cash, creditor payments and payroll); reviewed the Council's draft accounting policies; and reviewed the Council's processes for raising and approving journals; <p>We have engaged our data assurance team to analyse the Council's journals listings to identify higher risk transactions to test.</p> <p>We are also in the process of completing the following IT specific work:</p> <ul style="list-style-type: none"> detailed testing of financially significant IT systems which underpin the Council's accounts; and testing financial system access controls. <p>Based on our work to date:</p> <ul style="list-style-type: none"> we have identified no significant or material weaknesses; and there are no issues that should impact on our planned audit approach. <p>In addition, we have discussed some of the key areas of accounting judgement with the finance team as part of our interim audit visit, in particular the Council's approach to valuing its land and buildings, the proposed treatment of provisions and other key estimates within the accounts.</p>	<p>We will perform final accounts audit procedures to:</p> <ul style="list-style-type: none"> test the appropriateness of journal entries and other adjustments; review accounting estimates for biases; evaluate the business rationale underlying significant transactions; test exceptional and unusual items highlighted by the Council's bank account (and other) reconciliations; and perform unpredictable procedures.

<p>Revenue recognition (of income and non-pay expenditure)</p> <p>● - Significant risk</p> <p>Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition, we extend this assessment to expenditure recognition.</p> <p>There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to a material misstatement in the reported revenue position.</p> <p>Given that the Council is experiencing increased pressured on many of its budgets as economic conditions have worsened, there is the potential for budget holders to feel under more pressure to push costs into future periods, or to miscode income and expenditure.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed the work of internal audit relating to the income , debtors, expenditure and creditors business processes; considered the design and operating effectiveness of key controls operating in each of these processes; and reviewed the Council’s draft accounting policies relating to income and expenditure. <p>We have discussed with management our proposed approach to testing specific income and expenditure streams. We have refined our testing approach as a result, to ensure a greater focus on the areas of greatest risk. Testing is to be completed during our final accounts audit.</p> <p>Based on our work to date:</p> <ul style="list-style-type: none"> we have identified no significant or material weaknesses; and there are no issues that should impact on our planned audit approach 	<p>As part of our final accounts audit we will perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>Our testing will include procedures in relation to:</p> <ul style="list-style-type: none"> the appropriateness of journal entries and other adjustments; income and expenditure cut off; and reviewing the accounting estimates for income, expenditure, deferred revenues and provisions.
<p>Valuation of properties</p> <p>● - Significant risk</p> <p>Property, plant and equipment (PPE) is the largest balance in your balance sheet. You value your properties at fair value using a range of assumptions and the advice of internal and external experts.</p> <p>We have to consider how expertise is used, how your processes ensure the balance is fairly stated, and your assumptions.</p> <p>Specific areas of risk include:</p> <ul style="list-style-type: none"> asset valuation data may be inaccurate or incomplete; the Council’s valuation assumptions may not be appropriate; assets’ actual market value may fluctuate materially but may not have been re-valued in the accounts; and capital expenditure may not be accurately allocated between enhancing and non-enhancing. 	<p>We have held discussions with the finance team to understand the approach to revaluing the Council’s estate in 2012/13.</p> <p>We have engaged our internal valuation specialists to ensure appropriate input into the process.</p> <p>We have reviewed the Council’s draft accounting policies with respect to the measurement and valuation of property, plant and equipment assets and identified no concerns.</p> <p>We have also considered controls in place to ensure the completeness and accuracy of asset values within the accounts. This has included following up control issues raised during the 2011/12 audit.</p> <p>Based on our work to date:</p> <ul style="list-style-type: none"> we have identified no significant or material weaknesses; and there are no issues that should impact on our planned audit approach. 	<p>As part of our final accounts audit we will:</p> <ul style="list-style-type: none"> review and validate the key judgements, assumptions and supporting data used; assess the reasonableness of any estimation techniques applied; and review the expertise of your internal valuer. <p>Where assets are not re-valued in year we will discuss with you the steps you have taken to ensure that your balance sheet is materially accurate at the year end.</p>

<p>Provision for Equal Pay</p> <p>● - Elevated risk</p> <p>As in previous years, the Council is expected to include a provision in the accounts to reflect its liability for Equal Pay and back pay claims.</p> <p>Over the last four years the Council has received notification of employment tribunal claims against the Council alleging breach of Equal Pay legislation. The Council has engaged Solicitors to provide legal advice and conduct proceedings on behalf of the Council in relation to these claims.</p> <p>On the basis of the advice provided and the information available the Council concluded that at 31 March 2012 the most probable liability was £30 million. This figure reflected known claims as well as other potential claims.</p>	<p>We have updated our understanding of the Council's arrangements for managing these matters through discussion with key officers.</p> <p>The Section 151 Officer has kept us updated on developments regarding the Council's efforts to settle its outstanding equal pay liabilities.</p> <p>We have reviewed the Council's draft accounting policies with respect to the recognition of related expenditure and the measurement and valuation of related liabilities, and have no concerns to report.</p>	<p>During our final accounts audit we will:</p> <ul style="list-style-type: none"> ● test whether payments, journal entries and other adjustments in the financial statements relating to Equal Pay are materially accurate and whether they meet relevant financial reporting standards. ● seek confirmation on these matters from the Council's legal advisors. ● review and challenge assumptions made by the Council regarding relevant case law and the associated implications for the Council's provision.
<p>Trading Surpluses and internal charging</p> <p>● - Normal risk</p> <p>In 2010/11 we reported that your trading areas, particularly Catering and Cleaning services, were consistently reporting large surpluses within the financial statements.</p> <p>During 2011/12 another large surplus position (£2.6m) was recorded.</p> <p>We have discussed with management the risk that inaccurate charging could represent a transfer of resources between services.</p> <p>The Council is currently undertaking its own review of how it records trading income and expenditure, including how it apportions overhead costs.</p>	<p>We have discussed progress made in reviewing internal charging with management.</p> <p>We have also reviewed the Council's draft accounting policies with respect to the treatment of trading accounts, and have no concerns to report.</p>	<p>We will review the outputs of the Council's internal review during our final audit, and will consider the implications for the accounts disclosures, our audit and also our VfM conclusion.</p> <p>We will discuss with the Section 151 Officer the outcome of this work and agree what, if any, further work is needed by us.</p>

<p>Treasury Management Accounting Practices</p> <p>● - Normal risk</p> <p>As a response to the new Housing Revenue Account (HRA) Self-Financing regulations and budgetary pressures on the general fund, the Council has taken the opportunity to develop new methods of calculating interest charges and to revisit the current methods of financing capital expenditure to ensure they remain most appropriate for the Council.</p> <p>The Council has developed new methods for splitting interest costs between the HRA and the General Fund.</p> <p>The Council has also revisited how it calculates and records an appropriate Minimum Revenue Provision (MRP).</p> <p>The adoption of different methods can have a significant impact on the in-year financial outturn and the MTFS for both the general fund and the HRA.</p> <p>As with any accounting change or judgement there is a risk that the new treatment may be in contravention of the relevant accounting standards.</p>	<p>We have held discussions with the finance team to understand the revised approach proposed for calculating and apportioning interest charges between HRA and General Fund, as well as to determine the annual MRP charge.</p> <p>We have understood the new methods that are proposed and reviewed them against the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and other sector guidance.</p>	<p>At the time of drafting this report we are finalising our internal consultation regarding the Council’s proposed changes and will communicate our conclusions shortly.</p>
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Additional support on your Accounts Closedown Plan

Within our 2012/13 audit plan we noted considerable improvements made to the Council’s accounts closedown process during 2011/12. We also recognised the remaining risk that with competing demands for resources in the Corporate Finance team the accounts closedown and audit timetable may not be properly planned, executed and / or monitored effectively.

As planned, we have held regular meetings with the finance team during the year to monitor progress and review closedown plans. We have met regularly with the Section 151 Officer to discuss progress and feedback our observations. We have no concerns to report here; the finance team has made strong progress against closedown plans and appears in a good position for the accounts production and audit process.

We will continue to monitor performance in this area during the working paper and audit preparation process.

Update on risks - Other Audit Code responsibilities

Risk	Progress and issues noted	Remaining action
<p>Savings Plans and the Medium Term Financial Strategy</p> <p>The Council has recently updated its Medium Term Financial Strategy (MTFS). This shows that (before new savings proposals are taken into account) the projected cumulative budget deficit amounts to £59.18 million over the next five years and this already assumes the successful delivery of savings amounting to £38.630M over five years and £28.517M over the next two years.</p> <p>This represents a significant financial challenge.</p> <p>We also note that the 2013/14 budget is in balance only after the use of £3.716M of general balances and the successful delivery of £17.3M.</p> <p>There are a number of significant risks associated with the 2013/14 budget and the wider MTFS including:</p> <ul style="list-style-type: none"> • Identified savings options may not be achieved; • Further efficiency savings may not be identified; • Spending may exceed budgets and/or income may fall short of budgets; • Inflationary pressures may increase, • Demand for council services may exceed estimates; and • Future finance settlements may vary from current assumptions. <p>Effectively managing the above risks is critical to Council's future financial resilience and therefore a key part of our assessment on your arrangements for securing economy, efficiency and effectiveness in the use of Council resources.</p>	<p>We have reviewed your updated MTFS and its key assumptions. We benchmarked the assumptions you made in the following areas against our national portfolio of audit clients:</p> <ul style="list-style-type: none"> • Pay Inflation • Non-Pay Inflation • Council Tax increases • Future Government Grant assumptions • Use of general reserves • Level of general reserves • Level of earmarked reserves • Growth pressures • Efficiency targets • Capital spending profiles <p>We have met regularly with the Section 151 Officer and the Chief Executive to discuss the Council's financial position and plans.</p> <p>We have reviewed in-year finance reports to identify any issues and considered their impact on budgets and plans.</p>	<p>We are due to feedback our findings on your MTFS to the Section 151 Officer and the Audit Committee in a separate report.</p> <p>We will continue to meet regularly with the Section 151 Officer and the Chief Executive to discuss the Council's financial position and plans.</p> <p>We will consider the findings of our detailed testing on the Council's estimates, provisions and journals undertaken as part of our final accounts audit work.</p> <p>If any of these findings have a significant impact upon the Council's financial plans we will feedback our findings to you.</p>

<p>Single Status implementation</p> <p>At the time of drafting our annual audit plan the Council had not yet implemented an affordable Single Status pay agreement</p> <p>The Council is continuing to work toward reaching and implementing an agreement and a number of key activities and decisions are due to take place prior to the date we expect to issue our VfM conclusion.</p> <p>These activities and decisions could impact our VfM conclusion.</p>	<p>We have kept abreast of developments through regular meetings with senior Officers and through review of relevant documentation.</p> <p>We are pleased to note that the Council reached a negotiated agreement with the recognised Trade Unions to implement the National Single Status Agreement; a binding collective agreement and implemented the new structure with effect from 1 April 2013.</p> <p>The main risk to our VfM conclusion was the Council failing to achieve such an agreement so the risk has reduced significantly.</p>	<p>During our final audit we will conclude whether the arrangements provide indicators that value for money has not been achieved by the Council. We will also review documentation from key stages to validate that financial decisions were appropriately reviewed and approved in line with the Council's policies and legal advice.</p>
<p>Shared Service Transformation Programme</p> <p>The Council has a very old IT system. Various options for replacement are being sought which could have a significant impact on the accounting arrangements and on value for money at the Council.</p> <p>The programme team is currently focussed on the procurement phase of the Transformation Programme. The team is expecting to sign contracts with the future supplier on the 1st April 2013. The team has divided the procurement phase into a number of stages in order to appropriately evaluate any potential suppliers. The team has also involved a number of stakeholders, including legal advisors. An assurance framework for the procurement phase has been drafted.</p> <p>Procurement exercises of this nature pose a number of risks that need to be carefully managed.</p>	<p>We carried out an audit 'health check' of the Shared Services Transformation Programme in March and April of 2013.</p> <p>The scope of this review was to consider the Council's programme management controls as at 30 March 2013. Our work specifically focused on the overall programme structure, the Council's assurance framework and controls over the procurement phase of the programme.</p> <p>We reviewed key project documentation and discussed progress with the Programme Team.</p> <p>We concluded that as at April 2013 the Council had good programme and risk management arrangements in place for the procurement phase of the Shared Service Transformation Programme but that more needs to be done to clarify and formalise its future assurance needs for the delivery phase.</p>	<p>We will re-visit the programme this summer for a short, high level review to ensure the robust programme management approach is being maintained post getting the supplier is on-board.</p>
<p>Restructuring costs</p> <p>The Council has incurred costs relating to restructuring and staff changes during 2012/13.</p> <p>We consider the risk of materially misstating these costs to be very low. However, we are required to consider whether the settlements in aggregate or the governance process surrounding the payments would impact our VfM conclusion.</p>	<p>The Strategic Director for Delivery has advised us of the decision making process surrounding a number of the more significant individual payments to date.</p> <p>We have reviewed your arrangements for ensuring that individual financial settlements represent value for money.</p>	<p>At final audit we will revisit the payments in totality and consider the legal advice you have received in order to confirm that there is no reason to amend our value for money conclusion.</p>

<p>Procurement follow up</p> <p>The Council has a significant savings target over the medium term that will be a huge challenge to meet. Success is, in no small part, reliant on procurement savings and although we concluded in prior year that the Council had made some progress we did identify that further work was required to deliver significant savings and that the Council should renew its efforts to improve its procurement related processes and performance.</p> <p>We also recommended that the Council’s Internal Auditors undertake a follow up review of its previous findings in this area; not only to ensure that basic controls are adequate during significant change, but also to ensure that these controls are being complied with in practice. We understand that Internal Audit is revisiting this area during the 2012/13 financial year.</p> <p>The Interim Head of Strategic Sourcing has since produced a number of reports that have identified further shortcomings associated with the Contracts Database, the use of e-shop, external consultancy support and the viability of planned procurement savings projections.</p> <p>Delays in implementation of procurement initiatives and reductions in the related assumptions about what can be achieved are reflected in the latest MTFS but further slippage or failure to meet savings requirements is a significant risk to the Council that needs to be well managed.</p>	<p>We have met with key officers in order to understand the Council’s progress in delivering its broader transformation plans and, more specifically, those plans relating to the Contracts Database, the use of e-shop, external consultancy support and the viability of planned procurement savings projections.</p> <p>We have considered the interface between the Council’s procurement transformation plans and its medium term financial and savings plans.</p>	<p>We will review the outcome of Internal Audit’s follow up review and consider the Council’s arrangements for monitoring its plans, including key governance and reporting arrangements.</p> <p>Where we identify shortfalls in assurance either in the design of new processes or the adherence to formal procedures we will consider what additional work is required and agree that with the Strategic Director of Delivery.</p>
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<p>Risk Management and Annual Governance Statement follow up</p> <p>Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: ‘Delivering Good Governance in Local Government’.</p> <p>In 2011/12 we identified that the AGS:</p> <ul style="list-style-type: none"> made no reference to the report on the proposed strategic partnership with Axon Solutions Ltd which we considered to have remained a significant governance issue for the Council during 2011/12; lacked a clear action plan for the significant governance matters identified; and lacked a clear statement as to what extent the Council’s systems of internal control include Wolverhampton Homes whose significant activity falls within the Council’s group boundary. <p>We agreed with the Section 151 Officer at the time that the Annual Governance Statement, and the underlying process that fed it, should be strengthened.</p>	<p>We reviewed your draft AGS to ensure that the recommendations we made last year had been addressed.</p> <p>We concluded that the AGS, which has been presented in a new format this year, contains both:</p> <ul style="list-style-type: none"> a more detailed action plan for the significant governance matters identified; and a clearer statement as to what extent the Council’s systems of internal control include Wolverhampton Homes whose significant activity falls within the Council’s group boundary. <p>We will also understand the risk identification process that was used to produce the statement and considered whether any governance issues appear to have been omitted. We did not identify any significant omissions.</p>	<p>We will reconsider the completeness of the AGS prior to issuing the accounts opinion.</p>
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Section 3 – Review of the work of Internal Audit

We have reviewed the work of Internal Audit across the following key financial systems:

- Cash / general ledger
- Debtors
- Creditors
- Treasury management (borrowings and investments)
- Budgetary control
- Property, plant and equipment
- Payroll
- Council tax income
- NNDR
- Housing benefits and rent

In completing our work we found that:

- the scope of the work of Internal Audit met our requirements;
- the quality of the work undertaken by Internal Audit was of a good standard;
- the conclusions of Internal Audit were consistent with the work they had completed;
- our re-performance testing (of a sample of work undertaken by Internal Audit) reached the same conclusion in every instance;

Our review of the aforementioned reviews of Internal Audit also identified no material control weaknesses.

On the basis of the above we concluded that:

- we are able to place reliance on the work of Internal Audit;
- we are able to place reliance on the controls within the Council's key financial systems; and
- there are no findings which would require changes to our planned audit approach.

Our final accounts audit approach will therefore continue as planned.

We have met with the Internal Audit team to communicate our views on their performance and have suggested a number of areas where further efficiencies could be gained in the delivery of the managed audit in future years.

Section 4 – Recent developments

As part of our regular reporting to you, we plan to keep you up to date with relevant developments within accounting, as well as the wider sector. Below we have highlighted some matters that may be of interest to the Council:

Changes to IAS19 in 2013/14

The revised version of IAS19 Employee Benefits will apply to local authorities in 2013/14 and will change some of the pension numbers that authorities include in respect of the Local Government Pension Scheme.

Whilst this is a 2013/14 change, it will also impact 2012/13 as local authorities are required to follow IAS8 and disclose the impact of future accounting standard changes such as IAS19 revised.

For 2012/13 authorities will therefore need to disclose of the impact of IAS19 revised, had it been applied in 2012/13. This will likely be a quantifiable figure, such as describing that the pension components of the Comprehensive Income and Expenditure Statement would have been £xm higher/lower or similar. As such, Local Authorities will need access to this figure, whether it be from a full breakdown of the pension components of the Comprehensive Income and Expenditure Statement under IAS19 revised or a narrative as to the likely effect on the total pension components of the Comprehensive Income and Expenditure Statement had IAS19 revised been applied.

In terms of disclosing the 2013/14 impact, while this would be helpful it is unlikely to be required as long as the 2012/13 impact has been stated.

Local Government 2013-14 settlement

The DCLG has outlined ‘50 sensible savings’, a Council Tax freeze and a fair funding for councils to protect residents and local services, as a major shake-up of local finance.

A shift in spending power from Whitehall to the town hall means an estimated 70% of council income will now be raised locally compared to 56% under the previous centrally distributed grant system.

From April 2013 councils are encouraged to channel this greater local control into encouraging local jobs and local firms via a new business rate retention incentive that rewards them for growth. It aims to add £10 billion to the economy by 2020.

To help councils in that regard a document containing 50 suggested ways to make savings has been published was published, which can be found at the following website:

<https://www.gov.uk/government/publications/50-ways-to-save-examples-of-sensible-savings-in-local-government>

The ‘50 ways to save’ include:

- sharing back offices
- adopting Community Budgets to bring staff and money together
- clamping down on corporate charge cards
- utilising non-school reserves creatively
- encourage direct debit and e-billing
- improving property management
- cut expensive travel

- reduce printing costs
- hiring out the town hall

The government has published the Council Tax principles it is proposing for 2013/14. Council Tax increases would trigger a referendum, if they exceed 2% for most principal authorities. The final principles for 2013/14 will be set out in a report for the approval of the House of Commons at the same time as the final report on the local government finance settlement. No equivalent principles are being proposed for town and parish councils for 2013 to 2014, although they may in future years.

‘The Local State We’re In’ - PwC’s annual local government survey, 2013

In March 2013, we conducted our third survey of local authority Chief Executives and Leaders, together with online polling of a representative sample of over 2,000 members of the public. Our aim was to explore how councils are coping with sustained budgetary pressures, where they have delivered savings to date, their confidence and focus for further savings, and the public reaction to the actions they have taken.

This year’s report highlights how the focus of local authorities’ responses to budgetary pressures is changing, as well as outlining where there are differences in views between Chief Executives, Leaders and the public that could have potential implications for the shape of the future council.

Once again, councils have demonstrated their ability to deliver significant financial savings and balanced budgets. They have done so primarily by continuing to focus on ‘how they work’ – by securing savings in internal processes, support services, the management of their assets and their third party expenditure. But below the surface, there are signs that cracks are appearing as councils adjust to the reality of continued and significant financial pressures, and anxiety that these will become even more pronounced after the June 2013 Spending Review.

The report presents the survey findings and focuses on five main areas:

- Actions taken by councils during the last year
- Looking ahead to 2013/14 and the next spending round
- Public attitudes and concerns
- Where next for future savings?
- The future council

This report, and other thought leadership material, can be found at: pwc.blogs.com/publicsectormatters.

In the event that, pursuant to a request which Wolverhampton City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Wolverhampton City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Wolverhampton City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Wolverhampton City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This report has been prepared for and only for Wolverhampton City Council in accordance with the Statement of Responsibilities of Auditors and of Audited Bodies (Local government bodies) published by the Audit Commission in March 2010 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **8 July 2013**

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

David Johnston

Telephone Number(s)

4565

Title/Subject Matter

CORPORATE RISK REGISTER - UPDATE

SUMMARY

That the Committee notes and comments on the current list of Corporate Risks as reviewed by the Strategic Executive Board and the Corporate Delivery Board and recorded in the attached Corporate Risk Register and the actions being taken to manage them.

1. PURPOSE AND BACKGROUND

- 1.1 The Assurance Framework is a key element in the Council's system of internal control and is designed to identify, evaluate the impact of and manage the high-level risks (Corporate Risks) to the delivery of the Corporate Objectives
- 1.2 It should be noted that:
- i) Corporate Risks are events that could impact on the Council's achievement of the aims of the Corporate Plan and also its longer term objectives.
 - ii) they include significant events that could impact upon the infrastructure and the efficient operation of the Council
 - iii) these risks should cover the full range of principal objectives
 - iv) these are risks that are likely to require ongoing control and are unlikely to be fully resolved.
- 1.3 Below this level the Directorates maintain operational risk registers that summarise the risks to the achievement of Directorate objectives. This process ensures that risks are captured and monitored and that appropriate actions are taken to manage them within individual service areas

2. DETAILS

- 2.1 Following the approach agreed by the Strategic Executive Board and Corporate Delivery Board and in accordance with the Risk Management Policy and Strategy the Corporate Risk Register agreed in August 2012 is to be reviewed on a quarterly basis.
- 2.2 Meetings have been held with the relevant risk owners (Directors and Assistant Directors) in respect of the Corporate Risks directly related to the portfolios of services which provide the key control measures.

Discussion points:

- i) the completeness of the Risk Description
- ii) the scoring - probability and impact
- iii) the current control measures managing the risk
- iv) any additional controls which should be implemented

The results of the recent review are incorporated in the attached updated Corporate Risk Register agreed by the Strategic Directors and Assistant Directors. (Appendix 1)

3. COMMENTARY ON CORPORATE RISKS

CR1 Safeguarding

Detailed improvement plan underway following external reviews and inspections. Community Directorate closely monitoring progress.

CR2 Life Chances for Young People; CR3 Increase in Unemployment

Development of closer links between schools and business.
Coordinated approach with Economic Development on job opportunities

CR4 Demographic Pressures

Action plan updated to reflect recent research into LAC population.
Assistant Directors in Community still regularly reviewing the impact score for this risk given the ongoing budgetary pressures in this area; - this revision would move this risk into the RED zone. However, it has been decided to maintain the current score at this review and closely monitor developments and pressures.

CR5 Perception of Crime

Formation of Local Police and Crime Board and Anti-Social Behaviour Unit

CR6 Regeneration; CR7 Business Relationships and Economic Delivery

Continued marketing and focused development activity aligned to the Corporate Aims.

CR8 Welfare Reform

Revised programme structure and projects

CR9 Asset Management and Planning; CR10 Assets; CR11 Assets

Roles and responsibilities clarified; programme of work mapped out, reports commissioned.

CR12 Emergency Preparedness/Major Incident Response

Consistent progress in development of the MIRP.
Corporate Resilience Board to be established in July 2013.
Risk Score reduced from 9 to 6

CR13 Corporate Responsibilities – H&S

Significant progress in the areas of Lone Working management and the formation of a corporate Potentially Violent Persons register. Pilot programme running.

CR14 Corporate Responsibilities - Equality

Resources in place, policy development progressing. Reduction in Probability score from 3 to 2, risk now AMBER

CR15 Equal Pay and Single Status

Single Status implementation completed. Ongoing Equal Pay risks and issues to be managed by the Pay Strategy Board and as BAU for HR team

CR16 FuturePractice - Information Governance

Update IG policies approved and framework in place; Data controllers being identified

CR17 C3 Transformation Programme - Organisational Change

Programmes and methodology agreed ; Controls ongoing

CR18 C3 FutureWorks

Agilysis appointed and mobilisation complete. Programme on track.

CR19 Revenue and Capital Budget

Considered AMBER at present for 2013/14, but long term at RED

CR20 Payroll

Reduction in risk 'triggers' as we have implemented Single Status.
Key aspects of changes required to comply with HMRC still present significant challenges

CR21 FuturePractice

Transformation programme underway.C3 acting as a driver.

CR22 Schools – New Corporate Risk

Potential for ongoing Equal Pay claims due to non-compliance of schools with the Single Status collective agreement on Pay and Conditions.

4. FINANCIAL IMPLICATIONS

4.1 The financial implications of the management of the Corporate Risks are individually identified in the Risk Control plans. [GE/24062013/S]

5. LEGAL IMPLICATIONS

5.1 The legal implications of the management of the Corporate Risks are individually identified in the Risk Control plans. [MW/24062013/X]

6. EQUALITY IMPLICATIONS

6.1 The equality implications of the management of the Corporate Risks are individually identified in the Risk Control plans

7. ENVIRONMENTAL IMPLICATIONS

7.1 The environmental implications of the management of the Corporate Risks are individually identified in the Risk Control plans

The Governance & Assurance Framework

- Corporate **Objectives**
- Corporate (Strategic) **Risks**
- **Controls** to Mitigate the Risks
- Sources of **Assurance**
- Identifying and addressing the **Gaps**

The Assurance Framework Life Cycle

Identification of	Corporate Objectives	the Corporate Plan
Assessment of	Corporate (Strategic) Risks	Risk Workshops
Identification of	Key Controls	Risk Management Plans
Identification of	Sources of Assurance	Service Plans, Project Plans, Corporate Policies, External Reviews
Analysis of	Assurance on Key Controls	Risk Management & Insurance Corporate Risk Management Group Internal and External Audit

Reports to Audit Committee on	Assurance on Key Controls Gaps in Key Controls Gaps in Sources of Assurance	{ Risk Management & Insurance Corporate Risk Management Group Internal and External Audit
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Response

Action Plans

Directors, Management Teams, Project Teams

Wolverhampton City Council - Corporate Risk Register

Corporate Risks are events that could impact on the Council's achievement of the aims of the Corporate Plan and also its longer term objectives.
They include significant events that could impact upon the infrastructure and the efficient operation of the Council

The Corporate Aims

1. Encouraging Enterprise and Business
2. Empowering People and Communities
3. Re-invigorating the City
4. Confident, Capable Council

Profile of Risk Scores

CR1 CR8 CR17 CR19 CR22
CR2 CR3 CR4 CR5 CR6 CR7 CR9 CR10 CR11 CR12 CR13 CR 14 CR15 CR16 CR18 CR20 CR21

Identification							Original Evaluation			Mitigating actions	Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments
CR1	Legal, Customer / Citizen	2	Safeguarding Safeguarding procedures and quality assurance processes fail to adequately manage safeguarding issues, and children and vulnerable adults are not protected from abuse	Consequence: Death, serious abuse or injury to a vulnerable child or adult where the Council has not completely fulfilled its responsibilities Impact: Reduced public confidence; emergency measures; increased inspection.	AD R Willoughby	Open	3	5	15	Existing Controls <ul style="list-style-type: none"> Multi-agency Safeguarding Boards in place which receive performance management reports Safeguarding Procedures, monitored during on-going supervision, and via service quality monitoring arrangements including case file audits. Children and Adults Safeguarding Practice Guidance and Procedures in place for Partners Sharing information frameworks in place Comprehensive and robust recruitment and training and development policies for staff, including safer employment practices and arrangements for induction and ongoing development. Clear arrangements in place for managing allegations against staff and whistle blowing procedures in place Effective implementation of the Common Assessment Framework to identify children at risk. Child protection procedures in place including collaboration with the Police Continuous process of updating practice and procedures, linking to local and national statutory guidance, including learning from local and national reviews such as Serious Case 	3	5	15	Nov 2012 Safeguarding peer reviews by LGA to take place 2013. Safeguarding Boards receive reports of Serious Case Reviews and have a process of ensuring actions are implemented by the LA and partners. Mar 2013 Safeguarding LGA peer review underway. Peer review findings to result in a Safeguarding implementation plan to be monitored closely. Need to closely monitor the impact of Single Status on key social work groups particularly in respect of staff retention. June 2013 Peer review findings have highlighted some key areas for improvement - quality of and completion rate of care assessments - workforce development for social workers Improvement plan instigated which is monitored monthly within the Directorate. In addition a 'neglect' thematic inspection has recently taken place and concerns were expressed about decision making within the duty and assessment (initial intake) team. Actions have been incorporated into the improvement plan. It is anticipated that a full external Ofsted Inspection will take place within the next few months
CR2	Social, Customer/ Citizen	2	Life chances for young people Failure to meet the educational needs of young people and provide them with post-education opportunities	Consequence: Reduced life chances for young people Potential for long-term inequalities in our communities: Lack of employment opportunities leading to poorer mental health, increase in Nets, loss of community cohesion. possible increase in substance misuse and mental health issues. Impact: Increased future costs, Increased demand for services	AD T Westwood	Open	3	3	9	Existing Controls <ul style="list-style-type: none"> Re-engineering curriculum delivery in schools to maximise opportunities for young people Appropriate challenge issued by the Local Authority to underperforming schools Local Authority brokerage of additional support to underperforming schools Facilitating dialogue between schools and local business to identify skills necessary to support business enterprise and encourage business leaders to become governors. 	3	3	9	Nov 2012 Controls ongoing Mar 2013 Controls ongoing June 2013 Peer review scheduled for July. SEB/CDB - challenge session scheduled.

Identification							Original Evaluation			Mitigating actions		Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments	
CR3	Social, Customer/ Citizen	1, 2	Increase in unemployment Lack of employment opportunities for local people unable to compete in the labour market	Consequence: Potential for long-term inequalities in our communities: leading to poorer mental health, increase in Nets, increase in young people leaving the City, loss of community cohesion. Impact: Increased future costs, increased demand for services	AD T Westwood	Open	3	3	9	Existing controls <ul style="list-style-type: none">• Use of Council procurement opportunities (such as BSF) to increase employment chances• Greater emphasis on up-skilling young people - Skills Strategy Proposed control <ul style="list-style-type: none">• Seek to maximise apprenticeships around Section 106 agreements	3	3	9	Nov 2012 Controls ongoing Mar 2013 Controls ongoing June 2013 Development and constructive dialogue between business leaders and schools. Ongoing work with economic development on job opportunities	
CR4	Social, Customer/ Citizen	2,3	Demographic Pressures Demographic pressures – increasing numbers of elderly service users; increasing numbers of service users with learning disabilities living longer, increasing number of looked after children	Consequence: Increased future costs, increased demand for services Impact: The needs of adults and children can not be fully met Adverse affect on strategic objectives Increased risk to vulnerable adults and children	AD J Weisby/A Inko	Open	4	3	12	Existing <ul style="list-style-type: none">• The issues of Adult Social Pressures have been identified and mapped over preceding years – principal control measure is the use of agreed hypothecated incremental funding to support the existing Adult Strategies and Programmes.• LAC – early intervention strategy and action plans• Improvements in place to accelerate the ‘permanency’ process – adoption or other care placement.• Strategies to manage the financial pressures• Analysis of previous years to identify trends/patterns	4	3	12	Nov 2012 <ul style="list-style-type: none">• Ongoing reviews of the strategic financial controls in each Service area – a move to a more ‘holistic’ approach to pressures and long term issues.• Independent research into the LAC profile carried out• Further research has now been commissioned to refine our information and knowledge• External review of our assessment and understanding of our LAC profile carried recently validates our position• Additional research into different early intervention strategies – ‘can we do something different’• Unpredictable budget pressures continue irrespective of ‘modelling’• LAC Transformation Programme in place Mar 2013 Dartington Research Unit currently examining our LAC population and early intervention strategies with a view to developing an action plan Whole family intervention team being set up drawing on short term funds available Troubled families initiative in place which will support families including many whose children are at risk June 2013 Extra research into LAC poulation completed; revised action plan developed by LAC Transformation Group. Peer challenge in June - ‘how to safely reduce LAC numbers’	
CR5	Social, Customer/ Citizen	2,3	Perception of Crime Community Safety – perception of crime and the reputation of the City	Consequence; Negative public image of the City as viewed as ‘unsafe’ Impact Adverse effect on business and retail activity Restriction on growth	AD K Jones	Open	4	3	12	Existing <ul style="list-style-type: none">• Partnership working through re-invigorating the City Cluster and Safer Wolverhampton Partnership• Employment of Neighbour hood Wardens• PACT/Tasking Framework• Promotional Campaigns eg ‘Keep it Safe’ Proposed <ul style="list-style-type: none">• Re-launch ‘Keep it Safe’ – as Better in Wolverhampton with more positive messages• Work with partners on a joint marketing strategy for the City	4	3	12	Nov 2012 <ul style="list-style-type: none">• Increase in SWP performance measures• Keep it safe in Wolverhampton – new task and finish group convened.• New campaign being launched• Ending youth and gang violence programme Mar 2103 Controls ongoing June 2013 Establishing the Local Police and Crime Board To include representation from neighbourhoods, communities and business Launch of newly formed anti-social behaviour unit	

Identification							Original Evaluation			Mitigating actions		Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments	
CR6	Customer/ Citizen	1, 3	Regeneration Economic recession has reduced the availability of funding for developments in the City. Funding from external sources is severely limited	Consequence; Key infrastructure developments and initiatives can not be delivered Impact; Local economy does not develop; Lack of employment opportunities Negative effect on social and community outcomes	AD N Edwards K Jones	Open	3	4	12	Existing <ul style="list-style-type: none"> • Accessing Growing Places Funding • Reorganisation of the Council's operational structure to maximise available opportunities – a 'one council' approach on regeneration • Clearer focus on 3 priorities via the agreed City Strategy to maximise the benefit of available funding <ul style="list-style-type: none"> - encourage enterprise and business - empowering communities - re-invigorating the city Proposed <ul style="list-style-type: none"> • Marketing and promotion of the city that reflects the 'real' opportunities available • City Centre regeneration programme • Bilston regeneration programme • Housing regeneration programme • A planning platform focussed on development • Improve partnerships (HCA/BCC) and a stronger focus on the role of private developers and funders 	3	4	12	Nov 2012 • GPF – accessed and being utilised <ul style="list-style-type: none"> • 'Mapping' exercise undertaken to determine external funding • Bid for BT Broadband as part of 'Superconnected Cities' • Accessing Regional Growth Funding • Principles of City Funding and Cross-Sector Funding Group to be established supporting the City Strategy • New Funding Officer appointed and in post • New Head of Comms and Marketing in post and developing proposals for a City Marketing Strategy – includes a 'city branding' exercise • Prospectus launched and DTZ advising on presentation to maximise development impact/ Youth Zone planned/ Redevelopment of the Mander Centre/ 2cnd Interchange • Bilston – revision to potential development opportunities • Housing Strategy developed in conjunction with the HCA – consideration of self-build opportunities and various funding models Mar 2013 Funding - cross sector group established and managed by WCC; third sector, University, Black Country Chamber, police. Successful ERDF bid for small business - WCC lead on behalf of Black Country authorities. Marketing - workshop at Black Country level; developing a strategy and act Campaigns to promote; JLR supply chain; Enterprise Zone and the visitor e June 2013 AD PEC leading the development of the Black Country EU investment strate	
CR7	Customer/ Citizen	1, 3	Business relationships and economic delivery Perception of the business community that Wolverhampton does not address barriers to growth	Consequence Key business partners do not engage with the Public Sector to maximise opportunities for collaboration Impact Economic growth and benefits to residents do not emerge	AD N Edwards K Jones	Open	3	4	12	Existing <ul style="list-style-type: none"> • Proactive dialogue with business with a view to removing barriers and changing perceptions. • Proactive dialogue with developers and investors to improve business infrastructure • Reorganisation of the Council's operational structure to maximise available opportunities – a 'one council' approach on to economic development and physical regeneration • Participation in the Black Country LEP • Supporting business led groups and networks eg Business Champions • Setting up of a Business Solution Centre, Find it and other business programmes Proposed <ul style="list-style-type: none"> • Strengthen the marketing and promotion of the city, including commissioning professional advice • A planning platform focussed on development • Establish Enterprise and Business Clusters • Identify and bring forward employment land in conjunction with South Staffordshire • Engagement of professional advisors to promote the City to a wider audience 	3	4	12	Nov 2012 <ul style="list-style-type: none"> • Active engagement with developers – Delancey, Neptune, Turner Powertrain and various housing developers • Assistant Director, K Jones, now the WCC representative at operational level on the new Black Country Strategy Group – focus on marketing and communications targeted at inward investment • Business Solution Centre under review • Increased focus on marketing of i54 and Black Country Enterprise Zone sites • Conducting an Employment Land study in conjunction with South Staffs • Representatives attending Business Cluster meetings forming part of the City Strategy • Business Champions meetings progressing - led by large strategic companies • WCC providing new and additional support to small business groups – small 'pump priming' fund plus admin and specialist professional support • Development of Sector forums Mar 2013 New Business Champion reinvigorating the group, providing a clearer focus. CEX and Portfolio Holder attend all meetings. New business leaders group for SME and small business networks established and quarterly meetings with WCC - resolving local barriers to g Small Business scrutiny review underway to inform strategy and plans June 2013 New governance arrangements for WV One means the company will be m	

Identification							Original Evaluation			Mitigating actions		Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments	
CR8	Political, Social, Technological, Legal	1, 2,3, 4	<p>Welfare Reform</p> <p>Welfare Reform Changes</p> <p>Consequence</p> <p>Organisational Changes; changing roles and responsibilities due the transfer of services and responsibilities to and from Central Government</p> <p>Reduced revenues to the Council and partners (Wolverhampton Homes); impact on revenues into the Council either as a result of reduced funding or income, additional expenditure or increases in rent and council tax arrears</p> <p>Insufficient Service Capacity; not having capacity to meet demand, such as welfare advice, financial advice and support and assistance with benefit applications and appeals</p>	<p>Impact</p> <p>Loss of income to residents and the ability of households' to meet their day to day living expenses – with no commensurate reduction in their costs.</p> <p>Demographics; acceleration of existing patterns of deprivation and inequality. Detrimental implications for wellbeing, economic prosperity and educational attainment.</p> <p>Services; increased demand for homelessness and housing advice; increased demand on schools in low rental areas as families move; debt and advice centres; strain on adult social care services where existing accommodation arrangements are not sustainable by users</p>	SD S Norman	Open	4	5	20	<p>Proposed Controls</p> <ul style="list-style-type: none"> • Programme to identify, evaluate and address the issues; • Nominated project managers allocated to identified work streams. • Corporate team being developed • LSP debate started; combined agency responses are needed • Resource mapping taking place <p>Comprehensive communication strategy is needed to raise people's awareness of this issue.</p> <p>Need to understand the likely impact across the city</p>	4	5	20	<p>Nov 2012</p> <p>Welfare Reform Programme established</p> <p>Project work streams underway</p> <ul style="list-style-type: none"> • Local Council Tax Benefits Scheme • Local Discretionary Grants Scheme (people in crisis) • Housing Benefit impact and move to Universal Credit • Co-ordinated advice service and communications operations <p>An impact assessment to establish real impact and risk will report in mid December; this will allow controls and supportive actions to be developed on those most affected.</p> <p>Much of the impact is caused by external factors as opposed to Council Policy.</p> <p>Mar 2013</p> <p>Update at meeting</p> <p>June 2013</p> <p>Revised structure in place and all projects are on track</p> <ol style="list-style-type: none"> 1 Digital by Default 2 Housing Remedies 3 Impact Analysis 4 Benefit Info & Advice Remedies 5 Council Tax Support 6 Local Disc Grant Scheme 7 Debt Remedies 	
CR9	Physical	4	<p>Asset Management and Planning</p> <p>A need to manage and maintain the Council assets in support of the Corporate priorities</p>	<p>Consequence</p> <p>Continued use of unsuitable buildings</p> <p>Retention of unsuitable buildings</p> <p>Impact</p> <p>Increased expenditure and reduction of opportunities</p> <p>Quality of services impacted due to 'less than perfect' environments</p>	AD A Merrick N Edwards	Open	3	2	6	<p>The management of and responsibility for the Council property assets is currently split between two directorates.</p> <p>Several initiatives and proposals for maintenance programmes and better targeted use of properties have been put forward</p> <p>It is necessary that clarity of ownership and control of decision making is determined to ensure effective progress is made.</p> <p>ADs to meet and resolve the outstanding issues and co-ordinate activities.</p>	3	2	6	<p>Nov 2012</p> <ul style="list-style-type: none"> • Work is ongoing to improve the co-ordination of responsibilities as WCC develop the role of 'Corporate Landlord' between the two Directorates • Continued development of a 'One Council' approach to the use of land and assets. • Development of options and strategy to utilise available properties for community use that are not Council owned property • It has been recognised these arrangements will need to have appropriate regard to the new business rates regime <p>Mar 2013</p> <p>Report submitted to Cabinet clarifying the responsibilities for strategic and operational use of properties and assets.</p> <p>June 2013</p> <p>Strategic Property Board established.</p>	
CR10	Physical, Financial	4	<p>Assets</p> <p>Civic Centre mechanical and electrical infrastructure becomes increasingly defective and can not be maintained</p>	<p>Consequence</p> <p>Repeated breakdowns and system failures</p> <p>Increasing maintenance costs .</p> <p>Impact</p> <p>Building becomes 'unfit for purpose' as an operational centre</p>	AD A Merrick	Open	2	4	8	<ul style="list-style-type: none"> • Options for the deep refurbishment of the Civic Centre reported to PGSS and Option 1b confirmed as the preferred option for detailed implementation planning. • Cabinet have confirmed Option 1b as the preferred option for detailed implementation planning. • A Programme Board is to be established to oversee the development of Option 1b. 	2	4	8	<p>Mar 2013</p> <p>Commenced development of strategic design brief 1B - report scheduled for April 2013</p> <p>Target date for on-site work - December 2013</p> <p>June 2013</p> <p>Report to be presented June 2013 with a target date for site operations of April 2014</p>	

Identification							Original Evaluation			Mitigating actions	Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments
CR11	Physical, Financial	4	Assets Estate Assets (Buildings) that are in poor condition or require substantial investment are not brought to the attention of Councillors or Senior Management	Consequence Repeated breakdowns and system failures Increasing maintenance costs . Impact Building becomes 'unfit for purpose' as an operational centre	AD A Merrick	Open	2	4	8	The programme of Condition Surveys for public buildings and consequential maintenance programme to be reported annual to the Cabinet and PGSS to ensure more robust oversight of current practice.	2	4	8	Nov 2012 A Corporate Property Delivery Board is to be established to oversee the management and maintenance of Public Buildings. Mar 2013 Programme of condition surveys to be developed and reported June 2013 Strategic Property Board established Condition survey to be reported in September
CR12	Legal	4	Emergency Preparedness/Major Incident Response The Council is ill prepared and has not planned adequately for civil emergencies or a major incident Local Authority planning regime is not currently aligned with the Public Health regime	Consequence The council can not comply with its Civil Contingency Act responsibilities. Impact Failure to support the emergency services Failure to protect vulnerable citizens with the potential for loss of life or injury Extended disruption to the community Reputational damage and financial loss Consequence Confusion as to roles and responsibilities in the event of an emergency Impact Failure to support the emergency services Failure to protect vulnerable citizens with the potential for	AD A Merrick	Open	3	4	12	Proposed Controls <ul style="list-style-type: none">Development and implementation of the Major Incident Response Plan ProjectUpdated Emergency Plan procedures and supporting documentsResources identified and roles clarified – training undertakenRegular testing and rehearsals	3	3	9	Nov 2012 Main Emergency Plan has been reviewed and updated Local/Regional combined working options being explored Mar 2013 Cabinet Resources Panel - approval of new Resilience Team and the strategic approach to delivery of the resilience function in conjunction with partner organisations. Includes WCC involvement in regional forums. Incident plan reviewed and updated. The Rest Centre Plan has been developed and endorsed by Cabinet. The Temporary Mortuary Plan and City Centre Evacuation Plan are being developed - target date May 2013 Corporate Resilience Board to be established under the Chair of the Director of Public Health - May 2013 June 2013 Continued development of Major Incident Response Plan Corporate Resilience Board to be established July 2013 Risk score reduced to 6
CR13	Legal	4	Corporate Responsibilities Non compliance with our legislative and regulatory requirements eg Health and Safety,	Consequence Injury or fatality to staff or a member of the public; Legal challenge to decisions on service changes or service delivery Impact; Corporate Manslaughter charge, Individual claims, Financial penalties for non-compliance. Increased external inspection Service changes delayed or stopped	SD K Ireland	Open	2	5	10	Existing <ul style="list-style-type: none">Corporate H&S policies and proceduresH&S management systems and training in placeH&S Action plan - for high risk areas; legionella, asbestos, manual handling Planned <ul style="list-style-type: none">Consultation and impact assessments carried out on key decisionsFormation of Corporate Wellbeing, H&S Board to provide an oversight function	2	5	10	Nov 2012 Corporate H&S Board now established and operational Directorate – Operational H&S Groups established Lone Working Policy and Procedures being investigated and a corporate solution to be implemented PVP solution to be implemented Mar 2013 Lone Working - procurement process underway for supporting software PVP - Software purchased; draft policy out for consultation June 2013 PVP - pilot programme running in five service areas

Identification							Original Evaluation			Mitigating actions	Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments
CR14	Legal	4	Corporate Responsibilities Non compliance with our legislative and regulatory requirements in respect of Equalities and Consultation	Consequence Legal challenge to decisions on service changes or service delivery Impact; Financial penalties for non-compliance. Increased external inspection Service changes delayed or stopped	SD K Ireland K Ireland	Open	3	5	15	Planned <ul style="list-style-type: none"> Formation of Corporate Programme Project Manager to be recruited Foundations of basic practice to be re-established iro Equality Impact Analyses etc 	2	5	10	Mar 2013 Head of Service - Equalities appointed Policy development underway June 2013 Work programme developed and approved by Councillors New Equality Analysis Toolkit prepared Mandatory training; e-learning developed for Sept launch
CR15	Legal, Financial	4	Equal Pay and Single Status The Council has yet to reach an affordable Single Status Pay agreement and comply with Equal Pay legislation	Ongoing equal pay claims Potential for increasing numbers of equal pay claims Ongoing and increasing financial liability.	SD K Ireland K Ireland	Open	3	5	15	Programme established with individual project work streams Equal Pay <ul style="list-style-type: none"> Clear strategy established for handling current and future claims following external legal advice Realistic provision for current and probable liabilities Single Status <ul style="list-style-type: none"> Job Families methodology for Job Evaluation approved and implemented Active engagement of Line Management in the assessment/allocation process Regular and full reports to key stakeholder groups	2	5	10	Nov 2012 Programme on track to deliver implementation of compliant pay structure wef 01/04/13 External review by PWC of the Council's arrangement for managing Single Status <ul style="list-style-type: none"> Review of key project documentation, reports, risk registers and minutes of key governance meetings No issues identified in respect of the governance structures and procedures to manage risks Mar 2013 Compliant pay structure will be implemented on 01/04/13 Ongoing compliance issues to be monitored by the formation of a corporate Pay Strategy Board June 2013 <ul style="list-style-type: none"> Single Status is now implemented and we have moved to BAU Now have a signed MoU with Thompsons for the trade unions led claims. Have agreed settlement with Leigh Day for Abdulla type claims, although we are disputing their costs. We are still exposed to the risk of second generation claims (i.e. further claims from those individual who signed a COT3 in 2008) although we have agreement to how this will be resolved through the use of the Employment Tribunal. We will be exposed to claims for 6 years beyond the date of

Identification							Original Evaluation			Mitigating actions	Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments
CR16	Governance	4	FuturePractice - Information Governance The Council and/or its business operations do not fully know the extent, of the information it holds and how it handles its security, sensitivity and importance.	Consequences Loss of confidentiality: Inappropriate disclosure of personal and/or sensitive information; Lack of comprehensive oversight, control and data ownership. Critical information is wrongly destroyed, not kept, cannot be found when needed or lost Impact Financial – including potential substantial fines and wasting public money; Legal – exposure to fraud, malicious acts etc.; Reputational damage – poor media coverage, inability to recover from major incidents and customers suffer.	SD K Ireland	Open	3	4	12	Proposed • Information Governance Board now set up to establish strategy and determine individual work streams to address issues • Working with the Information Commissioners Office to build robust systems	3	4	12	Nov 2012 • IG Board now established and operational • Work programme and resources mapped out • Recruitment into IG Officer post underway • Presentation to SEB/CDB completed 1. HoS presentations to be scheduled 2. Particular focus on key Service areas of high risk potential 3. Operational IG Structure to be implemented 4. Draft policies written Mar 2013 Dedicated resource recruited. Updated IG policies approved or in draft awaiting approval June 2013 IG Board revised and convened Policy Framework in place Data Controllers being identified Some resistance in certain areas to corporate direction
CR17	Governance	4	C3 Transformation Programme - Organisational Change Pace that the organisation needs to change given the broader agenda	Consequence Conflicting demands on resources which are limited and frequently the same ones Impact Inability to deliver it all at the same time Projects are not delivered on time/fail or incomplete Organisation becomes stressed and performance drops	SD K Ireland	Open	3	5	15	Existing • Corporate decision on the clear priority order and realistic timescales agreed • Additional resources sourced to supplement in hose resources • Performance monitoring and assurance • Programme and project management disciplines consistently rolled out	3	5	15	Nov 2012 Controls ongoing Mar 2013 Controls ongoing June 2013 Programmes in place. Methodology agreed. Programme on track and delivered to milestones.

Identification							Original Evaluation			Mitigating actions	Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments
CR18	Finance, Technological	4	C3 FutureWorks The existing back office practices, procedures, ict technology and systems will not allow the organisational and cultural change needed for the Authority to become a Confident, Capable Council.	The objectives of the Corporate Plan will not be achieved	SD K Ireland	Open	3	5	15	Replace Information & Communication Technology (ICT) Infrastructure and in particular replacing the current business support applications that support key Finance, HR, Payroll and Procurement functions and the associated management Information systems.	2	5	10	<p>Nov 2012 Programme on track to</p> <ul style="list-style-type: none"> • Award of contract 01/04/13 • Implementation – 01/04/14 <p>External review by PWC of the key areas of the programme including</p> <ul style="list-style-type: none"> • Governance and reporting • Stakeholder management • Scope definition • Risk and issue management • Planning <p>Conclusion – the Council has</p> <ul style="list-style-type: none"> • Robust project and risk management arrangements • Plans are in place for the development of an effective assurance framework over the lifecycle of the programme <p>Mar 2013 Programme on track Contract award April 2013</p> <p>June 2013 Agilysis appointed as partner and on site. Mobilisation complete. High level designs drafted. Transactional Hub TOM in production</p>
CR19	Economic Financial	1, 2, 3, 4	Revenue and Capital Budget Unforeseen financial pressures due to demand for Council services exceeding estimates Changes in Government planning/allocation Lack of robust financial planning and management	<p>Consequence; Under/over spends, reduction in reserves to support service delivery</p> <p>Impact Identified savings options not achieved</p> <p>Impacts on service delivery and quality both immediate and long term</p> <p>Failure to deliver revenue and capital budgets</p> <p>Regeneration initiatives not delivered</p>	CFO M Taylor	Open	3	5	15	<p>Medium Term Financial Strategy</p> <ul style="list-style-type: none"> • Planning and financial management processes in the MTFS • Regular budget monitoring • Detailed performance monitoring and reports to SEB and Cabinet • Ongoing monitoring of Government funding and allocations • Direct finance support and training to Directorate and Service areas • Regular review of the MTFS for adequacy of resources, trends and demands 	3	5	15	<p>Nov 2012 External PWC review of the MTFS</p> <ul style="list-style-type: none"> • assumptions • financial position and plans • regular reports • savings plans and strategies <p>PWC conclusion</p> <ul style="list-style-type: none"> • Assumptions in line with similar authorities • No areas of significant concern although acknowledging the challenges to delivery <p>Mar 2013 Revised 2013/14 budget set and considered to be AMBER given the current state of knowledge and information Long Term - still considered at RED; revisions to budget setting process on a fundamental basis being considered. These will be implemented in future years in agreed.</p> <p>June 2013</p> <ul style="list-style-type: none"> o 2013/14 Budget remains Amber and will be closely monitored as the year progresses. o 2014/15 and beyond remains Red and a significant challenge, the revised approach to the budget is developing in accordance with the timetable/plan, although this should help to make the decision making more understandable and transparent the delivery of a further £59.2 million will still require some very difficult decisions.

Identification							Original Evaluation			Mitigating actions	Current Evaluation			Review Position
Risk No	Corporate Category	Corporate Aim	Risk - Cause / Event	Risk - Consequence / Impact	Risk Owner	Status	Probability	Impact	Risk score	Treatment / Controls	Probability	Impact	Risk Score	Comments
CR20	Financial Technological	4	Payroll Payroll service, HR and ICTS can not meet the combined demands of the statutory system and record changes required to Payroll (Auto-Pension Enrolment and Real Time information for HMRC) in conjunction with the delivery of changes required for Single Status Implementation	Consequence The Council fails to meet its statutory compliance deadlines Failure to implement the changes to individual records as a result of SS implementation and staff are paid incorrectly Impact Substantial financial penalties imposed by Government departments Increase costs and potential fines to LGPS Financial penalties/costs incurred by Staff as a result of our failures Severe reputational damage	CFO M Taylor	Open	3	5	15	Existing • Ongoing pressures on Payroll as a result of meeting existing compliance demands with a system that is not 'fit for purpose' are managed by manual intervention. Payroll service can not deliver the new changes with the current establishment Proposed • Project team being established to manage the actions and changes need for each 'project' – Auto-enrolment and Real Time Information – to ensure an integrated approach. Additional resources will be required to backfill staff dedicated to the project team. • Project team to liaise with the SS Team and agree an integrated approach to the payroll changes needed as a result of SS Implementation and manage the conflicting demands.	3	4	12	Nov 2012 Proposed controls are now in place 1. Programme Board established 2. Project teams established 3. Project plans drawn up and key milestones mapped Auto Enrolment 1. Lack of clarity from the Pensions regulator hindering progress Potential for significant workload and other issues (Payroll and Corporately) if we do not actually adjust pay from 01/04/13 under SS Mar 2013 Auto-enrolment now converted to Business as Usual activities Real Time Information requirements to HMRC ongoing but being managed, there is however a significant risk associated with this project due to competing demands for ICTS resources. Payroll implementation of Single Status remains an AMBER risk overall as we approach a critical period in the project (early April). This is however being managed and monitored very closely in order to achieve the required outcome. June 2013 o Single Status implemented successfully. o The remaining major development that presents a significant risk continues to be RTI due to competing demands for limited ICT resources, the position is being monitored closely. o There also remains a general risk due to the Payroll System and the reliance
CR21	Professional, Managerial	4	FuturePractice Lack of professional skills and attributes to implement the Corporate Changes needed to produce a 'fit for purpose' organisation	Consequence Over reliance on a 'few' not necessarily professionally competent in the specific area but 'capable' of delivery Impact Inability to deliver it all at the same time Projects not delivered on time or are incomplete Loss of focus on 'core' areas of service and development Failure to respond to the organisational change agenda in a coherent manner	SD K Ireland	Open	3	4	12	Existing • HR Improvement programme • Identification of gaps and resource appropriately • Develop and implement structured workforce plans Proposed • Cultural and attitudinal change programme/initiative	3	4	12	November 2012 Need to establish links to HR Programme and Transformation Programme. Mar 2013 Controls ongoing June 2013 Major transformation programme underway C3 bringing together the different strands New Senior Management programme out to tender
CR22	Legal, Financial	4	Schools Schools undermine the Collective Agreement reached with the Unions by agreeing individual local pay scales and conditions	Ongoing equal pay claims Potential for increasing numbers of equal pay claims Ongoing and increasing financial liability. Employee Relation issues with TUs	SD K Ireland	Open	4	5	20	Legal advice letter to schools clarifying the position in respect of any future liabilities incurred as a result of their unilateral actions. Payroll advised to not to action any unvalidated/unauthorised changes.	4	5	20	June 2013 Potential significant breaches by schools being investigated

Wolverhampton City Council Risk Map

PROBABILITY	High	5					
	Medium / High	4			CR4 CR5		CR8 CR22
	Medium	3		CR9	CR2 CR3	CR6 CR7 CR16 CR20 CR21	CR1 CR17 CR19
	Medium / Low	2			CR12	CR10 CR11	CR13 CR14 CR15 CR18
	Low	1					
	IMPACT		1 Low	2 Low/Medium	3 Medium	4 Medium / High	5 High

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **8 July 2013**

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

P FARROW**R MORGAN**

Telephone Number(s)

4460**5612**

Title/Subject Matter

ANNUAL INTERNAL AUDIT REPORT 2012/13**SUMMARY**

That the contents of the Annual Internal Audit Report and the overall opinion that *“based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Authority by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes”*, be noted.

1. PURPOSE AND BACKGROUND

- 1.1 The purpose of this report is to provide Members with an annual Audit Opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

2. DETAILS

- 2.1 This report gives a brief description of the role of Internal Audit, the control environment within which it operates and also provides a summary of the work carried out during the year to 31 March 2013.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from the recommendations in this report. [GE/24062013/G]

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising from this report. (MW/24062013/J)

5. EQUAL OPPORTUNITIES IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

2012/13 Internal Audit Plan



Audit Services

Wolverhampton City Council Annual Internal Audit Report 2012/13



Section	
1	Introduction
2	Internal Audit opinion
3	Compliance with the CIPFA Code of Practice
4	Summary of work completed

1. Introduction

- 1.1 Our internal audit work for the period from 1 April 2012 to 31 March 2013 was carried out in accordance with the Internal Audit Plan. The Plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Council's governance, risk management and control processes.

In this way our annual report provides one element of the evidence that underpins the Annual Governance Statement the Council is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Council may rely, could include:

- The work of the External Auditors (currently PricewaterhouseCoopers - PwC)
- The result of any quality accreditation
- The outcome of any visits by Her Majesty's Revenues and Customs (HMRC)
- Other pieces of consultancy or third party work designed to alert the Council to areas of improvement
- Other external review agencies (i.e. Ofsted, the Information Commissioner's Office)

As stated above, the framework of assurance comprises a variety of sources and not only the authority's internal audit service. However, Internal Audit holds a unique role within a local authority as the only independent source of assurance on all internal controls. Internal Audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the authority's risks and its overall whole control environment but also all sources of assurance. In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. CIPFA have recently indicated that this role includes responsibility both for assessing the assurance available to the authority from other sources, whether internal or external, and for implementing a plan of internal audit work to obtain the required assurance.

- 1.2 The definition of internal audit, as described in CIPFA's Code of Practice, is set out below:

"Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".

Overall Assurance

- 1.3 As the providers of internal audit to the Council, we are required to provide the Chief Executive and Section 151 Officer with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Chief Executive and Section 151 Officer is reasonable assurance that there are no major weaknesses in the Council's governance, risk management and control processes. In assessing the level of assurance to be given, we have taken into account:

- All audits undertaken for the year ended 31 March 2013.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the Council.

2. Internal Audit opinion

2.1 We have conducted our audits in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Authority by other providers as well as directly by Internal Audit, Internal Audit can provide **reasonable assurance** that the Council has adequate and effective governance, risk management and internal control processes.

However, throughout the year we did note a number of key control issues, either through our work, the work of other assurance providers or in the preparation of the Annual Governance Statement, and these are listed below:

- The External Auditors (PwC) identified a number of issues in their Annual Grants Certification Report. This report has been presented separately to the Audit Committee and action is underway to address these issues.
- The Information Commissioner's Office undertook a follow up review on the Council's information governance improvement plan in December 2012, which indicated that more work was required in this area. As above, the Council is putting in place processes in order to address these.
- While not fundamental to the overall control environment, we gave a 'limited' rating in the following areas:
 - Deferred Payment Agreements
 - In-Tend – Systems / Compliance Review
 - Cultural Identity Group
 - Procurement of Insurance
 - Corporate Procurement – Tendering Arrangements for Class III and IV Contracts
 - Corporate Information Governance Assurance Framework
 - Resilience Management

Significant governance issues arising from the Annual Governance Statement:

The Council recognises that the identification, evaluation and monitoring of risks is a key aspect in the governance of the organisation. The following matters represent the most significant current governance issues that are subject to attention in order to ensure that lessons are learnt and good practice is embedded.

FutureSpace: Corporate Landlord

The management of and responsibility for the Council's property assets is currently split between two directorates. Several initiatives and proposals for maintenance programmes and better targeted use of properties have been put forward. It is

necessary that clarity of ownership and control of decision making is determined to ensure effective progress is made. Also work is on-going to improve the co-ordination of responsibilities as the Council develops the role of a 'Corporate Landlord' between the Directorates, along with the continued development of a 'One Council' approach to the use of land and assets and the development of options and a strategy to utilise available properties for community use that are not Council owned property.

Information Governance

Following critical in-year reviews by the Information Commissioners Office in August and December 2012, the Council is putting in place a robust framework and effective working practices, including

- An established and operational Information Governance Board
- Mapped out work programme and resources
- A new Information Governance structure
- Information Governance policies have been approved
- Training programmes are underway

Partnership Governance

Partnerships are increasingly common and increasingly important to the Council, in order to deliver the corporate plan and respond to the Localism agenda. These partnerships take many forms. For example, formal arrangements such as strategic service delivery partnerships, statutory partnerships and looser, informal relationships with community groups or the 'third sector'. Although each of these partnerships is formed to generate beneficial outcomes they also carry different types of risks and governance can be problematic.

In addition, some of the Council's partnerships have been in place for a number of years and the 'health' and governance arrangements of these partnerships have not been systematically reviewed to ensure they continue to contribute effectively to the corporate priorities.

Therefore, the Council is to adopt a revised systematic and consistent approach to identifying its significant partnerships. Once the significant partnerships have been identified, a systematic review of the governance arrangements and the 'health' of each partnership will be carried out to ensure they continue to contribute to the corporate priorities and provide value for money. The findings of the reviews and the risks associated with these partnerships will then be reported to officers and Councillors with portfolio responsibilities.

Contract Management and Monitoring

The Council has historically had an inconsistent approach to its contract monitoring. New processes are being put in place to ensure that contracts can be monitored and reviewed on an on-going basis for value for money in the future.

Procurement

The Interim Head of Procurement had raised concerns over past tendering processes and the failure to follow the Council's Contract Procedure Rules. Following an independent review, these concerns were supported by the findings of Internal Audit who identified a number of cases of inconsistencies and ambiguities at various stages of the procurement processes. The recommendations arising from the audit review were agreed with the Interim Head of Strategic Sourcing, who is putting in place a whole range of improved working practices over the coming months.

Savings Targets

While the Council's current and historical savings targets have been largely delivered, there are still a limited number of such targets that have not yet been and also some,

where proposals are yet to be developed. A failure to meet these targets will adversely impact upon the Council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.

Resilience Function (Emergency Planning and Business Continuity)

The Council has identified issues in its ability to respond fully to its responsibilities under the Civil Contingencies Act. The Cabinet has approved the creation of a new Resilience Team in 2013/14 to bring together the separate Emergency Planning and Business Continuity functions. This is to underpin the delivery of the new Major Incident Plan and suite of subsidiary plans. The Resilience Team will operate within new governance arrangements and report to a Board. . The Board will oversee the delivery of the adopted project plan for Resilience that will be reviewed monthly by the Strategic Executive Board. Annual audits will also be conducted to validate progress against the project plan.

Equalities

The Council has identified issues in its ability to respond fully to its responsibilities in respect of equalities and consultation. An Equalities Project Board has been formed and approved an equalities work programme. This programme identifies ways of mainstreaming and promoting best equalities practice. Appropriate measures will be implemented during 2103/14.

2.3 In reaching our opinion, the following factors were taken into particular consideration:

- The need for management to plan appropriate and timely action to implement our and other assurance providers recommendations, in particular PwC's Annual Grant Certification Report and the Information Commissioner's latest observations.
- Key areas of significance, identified as a result of our audit work performed in year are detailed in section 4 of this report.

3. Compliance with the CIPFA Code of Practice



During 2012/13 we followed the 11 standards as laid out by CIPFA in their Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. From 1 April 2013, this document has been replaced by a new set of Public Sector Internal Audit Standards, which Audit Services will now follow.

4. Summary of work completed

A detailed written report and action plan is prepared and issued for every review. The responsible officer will be asked to respond to the report by completing and returning an

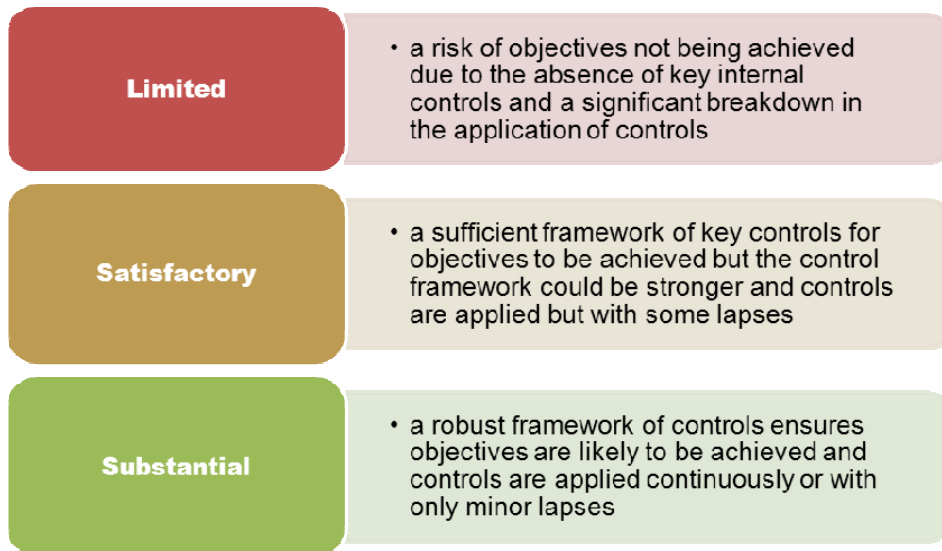
action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

Year on year comparison

A total of 70 pieces of audit work were completed during the year, where an audit opinion has been provided. A summary of these audit opinions, with a comparison over previous years is given below.

Opinion	2012/13	2011/12	2010/11
Substantial (was Strong)	22	36	8
Satisfactory	42	62	50
Limited (was Weak)	6	7	28

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:



The following audit reviews have been completed to date in the current year:

Key: AAN = Assessment of Assurance Need

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Previously reported in Q1, Q2 & Q3 Reports:							
Elections – Postal Voting	Medium	-	-	4	4	4	Substantial
Jacobs Partnership Contract Review	Medium	-	7	3	10	10	Satisfactory
Senior Officers Salaries over £50K check (figures to be disclosed for the 2011/12 final accounts)	High	-	-	-	-	-	N/A
Senior Officer Emoluments (figures to be disclosed for the 2011/12 final accounts)	High	-	-	-	-	-	N/A
New Park Special School	Medium	-	4	12	16	16	Satisfactory
Wilkinson Primary School	Medium	-	2	7	9	8 (i)	Satisfactory
Christ Church CE Junior School	Medium	-	-	6	6	6	Substantial
Graiseley Primary School	Medium	-	4	2	6	6	Satisfactory
Wolverhampton Girls High School	Medium	-	1	5	6	6	Substantial
Review of the Assurance Framework	High	-	5	-	5	5	Satisfactory
Bilston CE Primary School	Medium	-	5	2	7	7	Satisfactory
Bushbury Nursery School	Medium	-	3	3	6	6	Satisfactory
Elston Hall Primary School	Medium	-	10	10	20	20	Satisfactory
Springdale Junior School	Medium	-	-	26	26	26	Satisfactory
Northwood Park Primary School	Medium	-	-	10	10	10	Substantial
Coppice Secondary School	Medium	-	3	7	10	10	Satisfactory

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Palmers Cross Primary School	Medium	-	-	1	1	1	Substantial
Colton Hills Secondary School	Medium	-	3	11	14	14	Satisfactory
Single Status – Terms and Conditions	High	-	-	-	-	-	Satisfactory
SSTP – Project Management and Governance Arrangements – Position Statement July 2012	High	-	1	1	2	2	Substantial
CRC – Annual Assurance Review	High	-	5	1	6	6	Satisfactory
Carbon Reduction Credits – Assurance Statement	High	-	-	-	-	-	Substantial
Payroll Contribution Statements for WMPF	High	-	1	1	2	2	Substantial
St Martin’s CE Primary School	Medium	-	-	5	5	5	Substantial
Field View Primary School	Medium	-	-	5	5	5	Substantial
Stowlawn Primary School	Medium	-	3	10	13	13	Satisfactory
Edward The Elder Primary School	Medium	-	7	2	9	9	Satisfactory
Uplands Junior School	Medium	-	1	8	9	9	Satisfactory
Holy Rosary Catholic Primary School	Medium	-	-	4	4	4	Substantial
Vine Island Improvement Scheme – Tendering Procedures	Medium	-	-	1	1	1	Substantial
Single Status – Employee Notification and Support – Data Management	Medium	-	1	-	1	1	Substantial
Capital Expenditure Managed Audit	High	-	-	-	-	-	Substantial
Family Support and Group Activity Budget	Medium	-	6	1	7	7	Satisfactory
Deferred Payment Agreements	Medium	-	9	3	12	12	Limited
Day Opportunities – Client Income Collection	Medium	-	-	-	-	-	Satisfactory

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Outreach Client Finances	Medium	-	4	6	10	10	Satisfactory
In-Tend – Systems / Compliance Review	Medium	2	4	2	8	8	Limited
Tender Register	Medium	-	3	2	5	5	Satisfactory
Cultural Identity Group	Medium	2	2	-	4	4	Limited
Procurement of Insurance	High	3	3	-	6	6	Limited
Corporate Procurement – Tendering Arrangements for Class III and IV Contracts	High	5	5	-	10	10	Limited
Quarter 4							
Bushbury Hill Primary School	Medium	-	1	5	6	6	Satisfactory
Dunstall Hill Primary School	Medium	-	3	3	6	6	Satisfactory
Eastfield Primary School	Medium	-	3	2	5	5	Satisfactory
Spring Vale Primary School	Medium	-	-	4	4	4	Substantial
Merridale Primary School	Medium	-	6	9	15	15	Satisfactory
St Bartholomew’s CE Primary School	Medium	-	1	6	7	7	Satisfactory
Broadmeadow Nursery Special School	Medium	-	1	9	10	10	Satisfactory
Accountable Bodies	High	-	4	1	5	5	Satisfactory
Homecare System (CM2000)	High	1	4	-	5	5	Satisfactory
Personal Budgets	High	-	4	2	6	6	Satisfactory
Safer Wolverhampton Partnership	Medium	-	2	2	4	4	Satisfactory
Benefits Risk Based Verification Framework – Compliance Review	Medium	-	3	1	4	4	Satisfactory
Accounts Payable Managed Audit	High	-	-	-	-	-	Substantial

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Payroll Managed Audit	High	-	-	2	2	2	Satisfactory
Budgetary Control Managed Audit	High	-	-	-	-	-	Substantial
Housing Benefits Managed Audit	High	-	-	-	-	-	Substantial
General Ledger Managed Audit	High	-	-	2	2	2	Satisfactory
Housing Rents Managed Audit	High	-	1	-	1	1	Substantial
Sundry Debtors Managed Audit	High	-	1	-	1	1	Satisfactory
Local Taxes (Council Tax / NNDR) Managed Audit	High	-	-	-	-	-	Substantial
Treasury Management Managed Audit	High	-	1	-	1	1	Substantial
TR17 Teachers Pension Return Certification	N/A	-	-	-	-	-	Satisfactory
Adoption Allowances	Medium	-	3	2	5	5	Satisfactory
Non Purchase Order Payment Exemptions	Medium	-	-	-	-	-	N/A
Resilience Management	High	7	2	-	9	9	Limited
Corporate Information Governance Assurance Framework	High	5	-	-	5	5	Limited
Single Status Payroll Implementation	High	1	2	-	3	3	Substantial
Academy Conversion	High	-	3	5	8	8	Satisfactory
Offsite Data Back Up Arrangements	Medium	-	6	2	8	8	Satisfactory
Data Centre Management	Medium	-	3	1	4	4	Satisfactory
Pension Auto-Enrolment	Medium	3	3	-	6	6	Satisfactory
Use of Compromise Agreements	Medium	1	4	1	6	6	Satisfactory

Notes

- (i) The recommendation which was not accepted related to the banking of childcare income directly to the school budget rather than to a separate account as required by Financial Procedure Rules for Maintained Schools with Delegated Budgets. It should be noted that the separate accounts were independently audited and all income was properly accounted for.

Key issues arising during the year

Q1, Q2 and Q3 issues have already been flagged to the Audit Committee during the year and are now summarised below, along with the key issues that arose during Q4.

In Quarter 1 we reported:

Jacobs Partnership Contract Review

Whilst our review of performance monitoring and value for money arrangements associated with the Jacobs partnership contract provided satisfactory assurance that controls were sufficient, a number of amber recommendations were nevertheless made. These generally related to improving the quality and effectiveness of performance monitoring.

In Quarter 2 we reported:

Review of the Assurance Framework

The assurance framework provides the Council with a simple and comprehensive method for the effective and focussed management of the principal risks to meeting its objectives. It also provides a structure for the evidence to support the Annual Governance Statement (AGS), which is signed by the Leader of the Council and Chief Executive, and is published with the Statement of Accounts. We identified five development opportunities which could strengthen the assurance framework, arising from the following:

- The previous lack of an up to date risk register detailing the corporate risks faced by the Council and the measures in place to manage these risks.
- The need to strengthen the Council's governance and risk management arrangements in respect of its key partnerships.
- The need to extend accountability surrounding the completion of the annual controls assurance statements.
- Improving the risk and assurance reporting to the Audit Committee.
- The need to develop an overall assurance map.

All of these issues have been agreed and an action plan is in place in order to assist in their implementation.

CRC Pre-submission Assurance Review

A systems audit of the Carbon Reduction Commitment (CRC) pre-submission procedures was undertaken to ensure that the Council could comply with Department of Energy and Climate Change (DECC) directives following the Climate Change Act 2008. Whilst satisfactory assurance was provided that risks material to the achievement of the system's objectives were being effectively managed and controlled, the following concerns were identified:

- Governance arrangements relating to CRC processes were insufficiently robust.
- The Council is unable to clearly monitor its commitment to carbon emissions reduction targets due to the number of policies in circulation and a lack of clarity regarding responsibility for CRC policy.
- Officers responsible for the collation of CRC submission data do not have access to an up to date asset register.

In Quarter 3 we reported:

Corporate Procurement – Tendering Arrangements for Class III and IV Contracts

An audit of the tendering procedures followed by Corporate Procurement for class III and IV contracts (those with a value of over £50,000) was undertaken in order to help give the new Interim Head of Strategic Sourcing an overview of how the service had performed and operated in the past. Since commencing in post, the Interim Head of Strategic Sourcing had raised his concerns over past tendering processes.

The findings of our review supported the view of the interim Head of Strategic Sourcing, and in our opinion the tendering processes for class III and IV contracts could provide only a limited level of assurance. We found a number of cases of inconsistencies and ambiguities at various stages of the procurement processes, particularly around the scoring of bids and an overall lack of detail in the records available.

The recommendations arising from the above were agreed with the Interim Head of Strategic Sourcing, who is putting in place a whole range of improved working practices over the coming months.

In-Tend

The In-tend system was implemented during March 2011, by the Council's Corporate Procurement section. The system was introduced to form part of a cost saving and efficiency drive, as well as a means of delivering service improvements within Corporate Procurement. The system, which has already been successfully implemented at two neighbouring Black Country Councils (Dudley and Walsall), consists of three main elements;

- **A database** which holds details of suppliers who have expressed an interest in tendering for contracts at Dudley MBC, Walsall, Wolverhampton City Council, and other Councils who have purchased the same system. When a Council issues a tender notice for specific goods and services, the system automatically e-mails relevant suppliers and invites them to tender;
- **The e-tendering system** where tenders are sent out and received electronically reducing the need for paper copies. This procedure also ensures a fully auditable process; and
- **A contract management module** which allows details of all Council contracts to be captured and monitored.

The system was expanded to allow for the other members of the Black Country Purchasing Consortium to use the same database enabling local companies to register once to supply all participating local authorities.

We found that the use of the Council's e-tendering system had been sporadic, based on the number of manual tender exercises that had taken place since its implementation. This in turn has highlighted the lack of awareness, training and procedures surrounding the use of the system, along with the need to update the on-line contracts register. Finally, the e-tendering system was not being used for the evaluation of tenders, instead separate evaluation documentation was being maintained but was not being scanned into In-tend in order to provide a full audit trail/history of evidence.

Each of our recommendations arising from these issues, were agreed with the Interim Head of Strategic Sourcing and the Compliance and Administration Manager for implementation within a tight timescale.

Procurement of Insurance

Following a request from the Strategic Director of Delivery, an audit review of the procurement process associated with the provision of external insurance cover to the Council was undertaken. As stated above, we concluded that the controls established for the procurement of

the Council's external insurance cover provided only limited assurance, with specific issues arising from the following:

- The Council's Constitution was felt to be open to interpretation around officer delegations, by the officers involved in its procurement;
- Delegated authority not formally sought from the Cabinet (Resources) Panel prior to awarding the contract for the Council's external insurance cover, nor the reporting of the contract award back to the Panel;
- The Council's Corporate Procurement Division were not formally notified of the contract awarded in respect of the Council's external insurance cover, nor was their input and advice sought; and
- An official purchase order was not raised in respect of the procurement of services.

Deferred Payment Arrangements

The 2001 Health and Social Care Act (Section 55) and the 1983 Health and Social Services and Social Security Adjudications Act (HASSASSA 1983) specify that the Council may enter into a Deferred Payment Agreement with a client and a charge can be placed on their property once their written consent has been obtained so that any deferred care provision costs due to the Council can be recouped. Where a client is unwilling to enter into an agreement, the Council may place a compulsory charge.

The objective of our audit review was to evaluate the adequacy of the procedures and associated documentation relating to Deferred Payment Agreements and legal processes for placing a charge on a property to ensure that funds due to the Council can be recouped at the appropriate time in all applicable instances. The Deferred Payment Agreement documentation had been in the process of being finalised for a number of years and as a result had not been issued to any clients to date for their certification and acceptance. Consequently, no formal agreements existed between the Council and each client for a Deferred Payment Agreement, and instead the Council has relied instead on the provisions under HASSASSA 1983.

As a result the required certified consent forms required for a Deferred Payment Agreement had not been submitted to the Land Registry so that the voluntary charge can be placed on a property in the favour of Wolverhampton City Council. This increases the risk that debts due to the Council cannot be recouped.

We were informed that Financial Assessments were (and still are) referring cases to Legal Services for charges to be placed on properties, either as a pilot under the Deferred Payment Agreement scheme or under HASSASSA 1983; and were unaware of any failings in this process. The Acting Head indicated that Financial Assessments have been able to recover monies wherever applicable to date despite the lack of a robust process being in place.

In conclusion, Financial Assessments and Legal Services need to develop key procedures and associated roles and responsibilities to support the process of putting Deferred Payment Agreements in place. It is understood that test cases will be used to develop such procedures. At the time of reporting, Financial Assessments, Legal Services and the Corporate Procurement Unit were working towards revising an agreed format for the Residential and Nursing Home Care Service contract that is established with each client and care provider for implementation by April 2013.

Cultural Identity Group

The CIG was established during the early 1990's when Social Workers noted an increasing number of foster placements were breaking down, where black and mixed race young people had been placed with carers from different ethnic backgrounds to themselves. The purpose of the CIG is to work with young people and, where appropriate, carers in order to enhance the young person's cultural and racial identity to help prevent placements from breaking down.

The objective of our review was to deliver reasonable assurance on the current arrangements in relation to the work undertaken by the Cultural Identity Group in respect of Looked After Children. This also included a review of resources in order to ensure value for money is being provided. The absence of formal records and issues in relation to accounting for the costs of the service render any conclusions regarding value for money extremely difficult and key issues arising from our review of the Cultural Identity Group included the following:

- Suitable governance arrangements, for the Cultural Identity Group (CIG) were not in place. No clear role had been established for the group and membership arrangements were undefined. There was a significant risk that the group may not be operating effectively;
- Resources employed to provide CIG services were not suitably accounted for. As a result of this, the review was unable to establish the cost of operating the CIG or identify whether the services provided by the group offered value for money;
- The processes in place to identify and assess the need to promote cultural identity were not applied consistently. Therefore, it was not possible to demonstrate either that all needs had been identified or that referrals made had been dealt with equitably;
- No formal measures were in place to capture and monitor the outcomes of CIG and as such there was no method of identifying whether the work that the group are undertaking is meeting the needs of the young people it is working with.

New for Quarter 4:

Corporate Information Governance Assurance Framework

Our review identified five red development opportunities, the need to develop a clear Corporate Information Governance Management structure, strengthen and complete the Corporate Information Governance Policy framework, raise awareness and provide suitable training related to information governance requirements, develop and maintain information assurance controls and measures and develop a greater understanding of the risks posed by information and the effective use of information resources. Information governance issues also formed a key part of the issues raised in the Annual Governance Statement. The Council is aware of the work that needs to be undertaken in these areas and has put in place a whole range of activities in order to meet the challenge.

Resilience Management

A review of Resilience Management and Business Continuity Arrangements established that significant concerns remained in this area. We therefore concluded that there was limited assurance in this area that risks material to the Council had been addressed. Issues raised included the need for an annual assessment of the Council's position against the duties under the Civil Contingencies Act and that all aspects of the various plans needed developing, testing and approval. Once completed, the plans should then be reviewed annually and include refresher training for officers involved in delivering the plan. At the time of producing this report, we are in the process of agreeing appropriate responses to these recommendations with senior management.

Homecare System (CM2000)

Our audit of the CM2000 Homecare System, which facilitates the monitoring and payment of domiciliary care provision invoices, concluded that overall arrangements were satisfactory. However, one key issue was identified in relation to the lack of contingency arrangements in place to cover the absence of a key officer. It was felt that in the absence of formal contingency arrangements, there was a risk that the payment of invoices may be held up and consequently, care provision for vulnerable clients may be disrupted. Senior management agreed to reconsider contingency arrangements. Page 307 of 336

Single Status Payroll Implementation

An audit review concluded that the controls established for the Council's Single Status Payroll Implementation Project provided substantial assurance that risks material to the achievement of the Council's objectives were adequately managed and controlled. One local red recommendation was made regarding the need for all data supplied with regard to hours and weeks worked by the Schools HR team to be reviewed in order to ensure that any discrepancies were identified and corrected. This and two other less significant recommendations have been agreed with management for prompt implementation.

Pension Auto Enrolment

An audit review of the Pensions Auto Enrolment project, identified the following:

- An approved policy needed developing as to how the Council administer individuals paid via the Council's creditors, and classified as a 'worker'. This policy should cover the inclusion/exclusion criteria used, how such individuals will be paid, contracts to be used, auto-enrolment requirements, and the cost implications associated with this.
- In order to avoid unnecessary work, clarity should be sought from the Pensions Regulator regarding the Council's responsibility to automatic enrol individuals paid via the Council's Creditors system.
- The communications plan needed to be reviewed to ensure all statutory communications have been identified and included in the plan.

At the time of producing this report, we are in the process of agreeing appropriate responses to these recommendations with senior management.

Use of Compromise Agreements

Our review of the use of compromise agreements has concluded that overall there is satisfactory assurance that risks material to the Council are adequately controlled. However, one red recommendation was made as detailed management information could not be produced from the payroll as various payment codes were being used for the settlement of compromise agreements.

Managed Audits

Managed Audits are the work we do on the Council's key financial systems and incorporate the requirements of the External Auditors, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly.

The programme of Managed Audit testing undertaken during 2012/13 has been completed to the satisfaction of PwC. Of the ten Managed Audits undertaken, we concluded that there was Substantial Assurance in seven and Satisfactory Assurance in three.

Information governance

We have contributed to the Council's continued efforts to improve its information governance framework, through the work of a specialist Senior Auditor who works closely with members of the ICO Project Team to address the issues identified in the Information Commissioner's recent reports. Work is also being undertaken in support of the Senior Information Risk Owner and will be with the new Information Governance Board, in order to address wider corporate information governance issues. It is intended that when the relevant policies and procedures have been introduced, compliance, guidance and support will be provided through a programme of audit exercises.

School Audits

Our annual school audit review programme focuses upon the adequacy and effectiveness of LA maintained schools' governance, risk management and control processes. Schools completed during the year were assessed as having either satisfactory (18) or substantial (8) levels of assurance. Over the year we found the following recurring issues:

- Schools were failing to obtain declarations of business interests from all staff which is now a requirement within the Scheme for Financing Schools.
- Schools had not established a register of gifts and hospitality which is now a requirement within the Scheme for Financing Schools.
- Purchase orders continue to be raised after receipt of goods and services.
- Schools were failing to review Charging and Remissions Policies and annually review and approve all charges levied.
- Governing Bodies were not always approving expenditure in excess of Headteachers' delegated limits.
- Schools were not always undertaking checks on vehicle details and updating details on the corporate database. Further, there was no evidence that staff had the required business use insurance when performing official school duties.
- Risk assessments were generally not being reviewed and approvals for school trips were not always evident.
- Checks on income bankings were not being completed, or were being undertaken by the same person responsible for the collection, recording and banking of income.
- Income arrears were not being monitored by Governing Bodies and schools had not established suitable arrears policies.
- Inventory records were not being promptly completed or checked on an annual basis.

Savings/reducing potential fraud and error – our contribution

We review the order processing and creditor payments system for potential duplicate payments on an on-going basis. Results of this work during 2012/13 were as follows:

- 218 duplicate payments identified and stopped prior to payment, with a total value of £114,283.
- 76 payments to the value of £45,647 have been or are in the process of being recovered from suppliers.

In addition a number of benefit matches reported via the National Fraud Initiative (NFI) have been processed. To date, 619 are in progress or have been investigated with 28 errors and 43 cases of fraud identified, resulting in savings of £370,781 being recovered. These overpayments largely relate to benefits paid to students but also include overpayments made to Council (WCC or other) employees (£43K) and sundry other cases.

Finally, we undertake the investigation work on Single Person Discount (SPD) referrals via NFI. Savings relating to this work are post-April 2013 and will therefore be reported in Q1 2013/14.

Audit development

The Council's external auditor, PwC were commissioned in to undertake a review of the effectiveness of the internal audit function and the role of the Audit Committee, which was reported upon in 2011. In 2012 the Audit Committee requested that PwC undertake a follow up report in order to give the Committee assurance that action had been taken to address their recommendations. PwC revisited the Council's Internal Audit Section in December 2012 in order to follow up the recommendations from their 2011 report and they were able to report that 15 of the 16 recommendations they originally made had been implemented. The only outstanding recommendation related to the need to prioritise and implement the actions identified through the CIPFA 'Managing the Risk of Fraud – Red Book 2' self-assessment, which has now been completed.

Audit and assurance effectiveness measures

Our performance against the following Audit and Assurance effectiveness measures, that were prepared around the successful delivery of the audit service, is as follows:

Audit Plan measures	
Audit reports identifying suggested areas for action, issued to auditees within two weeks of completion of fieldwork.	Approximately 75% of audit reports were issued within two weeks of the completion of audit fieldwork.
Number of audits where time taken to complete assignment is more than 10% longer than planned.	Approximately 50% of reviews took 10% or more longer than anticipated, with the other 50% completed either on target or under. The majority of these usually arose from unforeseen issues arising during the individual reviews, and with time spent on embedding the new systems thinking style approach to key areas of work. However, ultimately, the vast majority of the Audit Plan was delivered within the original planned budget.
Delivery of at least 80% of the audit plan, and an opinion which provides suitable assurance on the overall governance, risk management and control environment.	Yes – while there were a number of changes during the year as a result of emerging issues and the changing risk profile of the Council, as indicated above, the vast majority of the Audit Plan was delivered.
Risk Based Audit Plan produced and available to the Council in advance of the year to which it relates.	Yes – the Audit Plan was approved before the year commenced.
Recommendations measures	
90% of recommendations accepted by Council management.	We are pleased to report that all of our recommendations made in year, were accepted by Council management.
Number of key recommendations followed up, implemented by the Council by the target date.	Approximately 90% of previous key recommendations followed up had been implemented within the agreed date. Where they had not, this was often as a result of a change in circumstance and where appropriate the date was extended and the recommendation re-iterated.
Relationships measures	
Positive feedback from completed client satisfaction surveys.	Yes, the vast majority of feedback was of a positive nature, and is available for review if required.
External Audit measure	
Full reliance placed on internal audit work by External Audit.	Yes, the External Auditors commented favourably on work completed by Internal Audit in support of the Managed Audit arrangement.

Counter fraud and fraud investigations

We have continued to investigate all allegations of suspected fraudulent activity, throughout the year, and where appropriate whistleblowing allegations. Details of these have been presented to, and monitored through the work of the Audit Committee’s Investigations Sub-Committee.

We have also introduced a wide range of counter fraud initiatives during the year, including a Council newsletter ‘The FRAUDitor’, Fraud seminars, fraud surgeries, a refreshed website and various self-assessments against recognised counter fraud best practice. Again, further details of these have been reported through the Audit Committee’s Investigations Sub-Committee.

FutureWorks programme – the assurance framework and our role

We have agreed, and put in place, an internal audit assurance framework for the current FutureWorks programme as shown below:



A programme of further and on-going reviews will be required at key stages of the project to provide assurance in respect of compliance with this framework.

We continue to work closely with the external auditors (PwC) in relation to this Programme so that our work is co-ordinated and assurance can be provided efficiently. This has included participating in a workshop with PwC to develop an Assurance Framework for the procurement phase of the programme and this has now been completed. As at 31 March 2013, the following combined assurances from internal and external audit had been given against the programme:

Programme area	External and independent assurance obtained to date (i.e. the third line of defence)
<p>Project Governance</p> <p>The governance and reporting structure and the decision making process.</p>	<p>Internal Audit position statement – September 2012 gave substantial assurance on the project’s governance arrangements regarding an appropriate structure being in place to approve key decisions and which addressed the recommendations laid out in the Patricia Hughes report.</p>

<p>Project Management</p> <p>The key project management controls in place i.e. project plan with clearly defined milestones, resourcing plans, and identification and management of key project risks.</p>	<p>PwC health check – September 2012 concluded that the programme has robust project and risk management arrangements in place.</p> <p>Internal Audit position statement – September 2012 gave substantial assurance on the project management arrangements.</p>
<p>Procurement methodology</p> <p>The procurement methodology followed and compliance with the prescribed approach. Evidence will be sought to ensure appropriate sign-off and independent assurance has been given around the completion of each stage of the process.</p>	<p>Internal Audit position statement – September 2012 gave substantial assurance on the sign-off arrangements in respect of documentation completed prior to publication of the OJEU notice.</p>
<p>Tender evaluation and appointment process</p> <p>The evaluation approach/framework to be adopted for the review and evaluation of tender submissions to ensure there is a transparent process in place in the event of the process being challenged.</p>	<p>Internal Audit was able to observe the appropriate conduct of the procurement process up to the appointment of the successful bidder. This included access to dialogue sessions with both shortlisted contractors. Observations and recommendations were fed back to key staff and the Board as appropriate.</p>
<p>Risk Management</p> <p>How the risks associated with the project are being managed, and the role of the Audit Committee in reviewing these.</p>	<p>The Audit Committee in September 2012 received the following reports:</p> <p>PwC health check - concluding that the programme has robust project and risk management arrangements in place.</p> <p>Internal Audit update report – the first 'position statement' giving substantial assurance around both the governance and project management framework put in place to oversee the future delivery of the project.</p>

As the project moves into the delivery phase, it is intended that key stakeholders will get together to develop the assurance framework further. In the meantime, Audit staff are actively participating in workshops focusing on the high level design of key work streams.

Single Status Programme – the assurance framework and our role

Similar to the FutureWorks programme above, we have agreed, and put in place, an internal audit assurance framework for the Single Status Programme as shown below:



Audit reports will be produced to support each of the above reviews. It is our intention that any red or amber issues that are identified throughout the reviews will be communicated immediately, in order to allow for timely action to be taken. As at 31 March 2013 we had completed extensive assurance work in respect of the Payroll Implementation process and transitional pay arrangements. It is proposed that a review of the Council's appeals process will be captured under the 2103/14 audit plan. In addition to the above areas we have also been actively involved in the Pensions Auto-Enrolment Project which has been subsumed under the Single Status programme. We have been embedded into the project team and have audited the process, this work will be summarised in an assurance report, which will be presented to the Single Status Programme Board.

We also provide an on-going assurance role with our presence on the Single Status Board. There are currently no outstanding red or amber issues relating to our work on the Single Status project. In addition to representation on the Single Status Board, we also have a presence on the Pay Strategy Board and the Equality Governance panel. The purpose of both these groups is to ensure on-going compliance with the collective agreement and to prevent any potential pay inequalities arising from the appeals process.

Equal Pay

We have also played an active part in this project and we have previously undertaken assurance reviews around the Council's settlement strategy, the accuracy of proposed settlement offers, and the accuracy of payments. Further work will be required in respect of this area following the recent outcome of the Birmingham City Council v Abdulla case. We continue to have an on-going role in terms of providing assurance around future settlements.

Finally, we are working closely with PwC in relation to Single Status and Equal Pay issues in order to ensure that audit resources are maximised, and that our work is co-ordinated to provide assurance efficiently and effectively. It is proposed that a health check review will be undertaken

to assess whether previous recommendations have been implemented and review the system for managing future claims.

Procurement Transformation – the assurance framework and our role

Similar to the above key programmes, we are in discussions with the Head of Procurement to develop and put in place an internal audit assurance framework for the new Procurement Transformation Programme. This is likely to include Internal Audit representation on the Procurement Transformation Programme Board. In advance of this programme, and at the request of the Head of Procurement, we have completed an audit review of Class III and IV Tendering Procedures. Any proposed changes to the Constitution, as result of these reviews, will be reported to the Constitution Review Group for consideration.

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **8 July 2013**

Originating Service Group(s)

DELIVERY

Contact Officer(s)/

P FARROW R MORGAN

Telephone Number(s)

4460 5612

Title/Subject Matter

CIPFA AUDIT COMMITTEE UPDATE - ISSUE 10

SUMMARY

That the latest CIPFA Audit Committee Update, Issue 10 – helping audit committees to be effective, be received and noted.

1. PURPOSE AND BACKGROUND

- 1.1 CIPFA issue regular briefings for audit committee members in public sector bodies. Their aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

2. DETAILS

- 2.1 The latest edition of these briefings covers, amongst other topics the new Public Sector Internal Audit Standards. A copy of the briefing accompanies this report for Members reference.
- 2.2 Members of the Audit Committee were provided with a full set of the new Public Sector Internal Audit Standards at their meeting on 11 March 2013.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report. (GE/03062012/I)

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising from this report. (MW/03062012/Z)

5. EQUAL OPPORTUNITIES IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

CIPFA Audit Committee Update – Issue 10

CIPFA Better Governance Forum

Audit Committee Update

- helping audit committees to be effective

Issue 10

Public Sector Internal Audit Standards

Regular briefing on current issues

March 2013

Introduction

Dear Audit Committee Member,

This is the 10th issue of Audit Committee Update. It contains a briefing about the new Public Sector Internal Standards that come into effect from 1 April 2013. The standards are mandatory for the providers of internal audit in specified public sector organisations. As audit committees play a significant role in the oversight of internal audit and depend on the assurances received by internal audit, this is a significant development for the audit committee to understand. This article is rather longer than our normal briefings because of the need to cover some of the details in the standards.

In addition we include our round up of developments to help keep you informed and up to date. The round up includes a number of developments in the fields of governance, risks and counter fraud so I am sure you will find topics of interest and use here.

Best wishes

Diana Melville
CIPFA Better Governance Forum

Previous Issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. The earlier issues are on the archive site. Click on the links below to find what you need.

Issue Number	Principal Content	Website Link
1	Reviewing the audit plan	Issue 1
2	Reviewing the annual governance statement	Issue 2
3	Countering Fraud	Issue 3
4	Strategic risk management, Governance risks in 2011, Role of the Head of Internal Audit	Issue 4
5	Understanding the impact of IFRS on the accounts, Key findings from CIPFA's survey of audit committees in local government	Issue 5
6	Partnerships from the audit committee perspective	Issue 6
7	Assurance planning, Risk outlook for 2012, Government response to the future of local audit consultation	Issue 7
8	Commissioning, procurement and contracting risks	Issue 8
9	Reviewing assurance over value for money	Issue 9

Workshops and Training for Audit Committee Members in 2013 from CIPFA

Advanced Audit Committees

Have you cracked the basics? Then how about your role in relation to value for money, countering fraud and treasury management?

19 June London

Essential Skills for Board Members

This course provides board or elected members with the knowledge, skills and confidence to be effective board members.

8 May Cardiff; 2 July London

Audit Committees and the new Police Governance Arrangements

A special half day briefing for audit committee members under the new police governance arrangements from CIPFA's Police Network and the Better Governance Forum.

2 May London; 8 May Leeds

CIPFA Audit Conference, 22 and 23 May 2013, York

The leading audit event in the public sector calendar provides strategic insight and practical support for those working in public sector audit. Early bird booking offers available until 2 April. Day attendance is available using a pre-paid place.

Speakers include: Professor Colin Talbot, Manchester Business School, Dr Emma Stone, Joseph Rowntree Foundation, Ian Carruthers, CIPFA, Gareth Neal, Information Commissioners Office

[View the programme and details of speakers](#)

CIPFA events information and dates available are on the website.

<http://www.cipfa.org/Events>

In house training

In house training tailored to your needs is available. For further details contact Claire Simmons on 0208 6678542 or Claire.Simmons@cipfa.org or visit the website

Receive our briefings directly

This briefing will be sent to all contacts of organisations that subscribe to CIPFA Better Governance Forum with a request that it be sent to all audit committee members.

If you have an organisational email address (for example jsmith@mycouncil.gov.uk) then you will also be able to register on our website and download any of our guides and briefings directly. Register now, please click here <https://www.cipfa.org/Login>

An Introduction to the Public Sector Internal Audit Standards (PSIAS)

The Relevant Internal Audit Standards Setters¹ for the public sector agreed that from 1 April 2013 there shall be a common set of internal audit professional standards across the sectors. The standards encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. Additional requirements and interpretations for the UK public sector have been included where required. The work in compiling the standards has been guided by an advisory board² made up of internal audit practitioners from across the public sector.

The UK Public Sector Internal Audit Standards (PSIAS) replace previous codes and standards, including the *Code of Practice for Internal Audit in Local Government* published by CIPFA and the *Government Internal Audit Standards (GIAS)*.

While the PSIAS come into force from April it is not expected that all elements will be in place on day one. Many of the standards apply to activities that will happen later on in the audit year, for example audit reports, annual audit reporting and quality assurance and improvement processes. Some of the standards will need to be addressed early on however, in particular the development and approval of the audit charter and the completion of the risk-based audit plan.

The PSIAS comprise the definition of internal audit, a code of ethics and a series of attribute and performance standards. The new definition of internal audit is:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

The full standards are available to download from the CIPFA website.

CIPFA is also publishing a *Local Government Application Note (LGAN)* to support internal auditors transferring from the CIPFA Code of Practice to the PSIAS. The Application Note includes a checklist for assessing conformance with the PSIAS and LGAN which can be used to support the external assessment requirements of the PSIAS. This publication will be available from the CIPFA shop shortly.

Proper practices for local government

The Department for Communities and Local Government (CLG) has given both the PSIAS and LGAN the status of "proper practices" for internal audit in organisations covered by the Accounts and Audit Regulations 2011. This includes local authorities, police and fire bodies in England.

¹ The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

² Internal Audit Standards Advisory Board, see <http://www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/UK-Public-Sector-Internal-Audit-Standards-Advisory-Board>

PSIAS – The Role of the Audit Committee

The following article identifies the key aspects of the PSIAS that will be of most interest to an audit committee member. It is not a complete summary of all the standards but it does highlight those where there is most likely to be engagement between internal audit and the audit committee.

Key concepts

The PSIAS use the term 'the board' throughout the standards to define particular governance and accountability roles. It is recognised that in different organisations the application of who the board is will be different but CIPFA expects that in many cases it will be appropriate to consider the audit committee as undertaking these roles.

In adopting the standards each organisation needs to define who will be undertaking the roles.

The following analysis identifies some of the key aspects of the PSIAS and highlights those areas where the audit committee could fulfil what is required from 'the board' in the PSIAS. A comments section suggests how the standards might relate to existing practices or how they can be further developed.

Please note that it is up to each organisation to set out in the internal audit charter which body will undertake the role of the board. The following table includes suggestions of how the role of the board could be applied to the audit committee. Reference should always be made to the original standards and LGAN when drawing up the charter.

PSIAS areas of interest	Potential role of the audit committee	Comments
<p>Code of Ethics</p> <p>The four components of the code of ethics are:</p> <ol style="list-style-type: none"> 1. integrity 2. objectivity 3. confidentiality 4. competency <p>Public sector requirement</p> <p>Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.</p>	<p>The audit committee should be aware of the requirement on internal auditors to conform to the code of ethics in addition to the code of ethics of their professional institute.</p>	<p>The seven principles of public life are often incorporated into internal codes of conduct, so internal auditors may already be required to comply with these. Where internal audit is a contracted service this may be a requirement of the service specification.</p>

PSIAS areas of interest	Potential role of the audit committee	Comments
Attribute standards		
<p>Internal audit charter The charter defines the internal audit activity's purpose, authority and responsibility. It also:</p> <ul style="list-style-type: none"> • establishes the internal audit activity's position within the organisation • the chief audit executive's functional reporting relationship with the board • authorises access to records, personnel and physical properties and • defines the scope of internal audit activities. <p>(1000 Purpose, Authority and Responsibility)</p> <p>The LGAN requires the role of the statutory officers in relation to internal audit to be defined in the charter.</p>	<p>The charter needs to define the terms 'board' and 'senior management' for the purposes of internal audit activity so the charter will need to define when the audit committee will act as 'the board'.</p> <p>Approval is by the board.</p>	<p>Given the audit committee's responsibilities for the oversight of the audit process it would be expected that the audit committee would review the charter.</p>
<p>Independence and objectivity</p> <p>To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. (1100 Independence and Objectivity)</p> <p>The chief audit executive (CAE)³ must confirm to the board, at least annually, the organisational independence of the internal audit activity. (1110 Organisational Independence)</p>	<p>Functional reporting that could be undertaken by the audit committee to ensure the organisational independence of internal audit include:</p> <ul style="list-style-type: none"> • approving the charter • approving the risk based internal audit plan • approving the internal audit budget and resource plan • receiving communications from the chief audit executive on the internal audit activity's performance • making appropriate enquiries to determine whether there are inappropriate scope or resource limitations. 	<p>It is likely that the audit committee already undertakes these roles and that they are set out in both the existing internal audit and audit committee terms of reference. The latter document may need updating to incorporate the PSIAS.</p> <p>The audit committee should ensure that when it undertakes these tasks it is mindful of the importance of ensuring the independence of internal audit.</p> <p>The standards also include two further functional reporting roles:</p> <ul style="list-style-type: none"> • approving decisions regarding the appointment and removal of the chief audit executive

³ The 'chief audit executive' is the title used in PSIAS to refer to the head of internal audit.

PSIAS areas of interest	Potential role of the audit committee	Comments
	The public sector requirement states that the CAE should have unfettered access to the chair of the audit committee.	<ul style="list-style-type: none"> • approving the remuneration of the chief audit executive. The public sector requirement is that as a minimum feedback from the chair of the audit committee should be sought for the performance appraisal of the CAE. Other options could be the involvement of the chair in the recruitment of a new CAE.
<p>Impairment to independence or objectivity</p> <p>If independence or objectivity is impaired, details must be disclosed to appropriate parties.</p> <p>Public sector requirement 'Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.'</p> <p>(1130 Impairment to Independence or Objectivity)</p>	<p>Impairment to independence and objectivity, including conflicts of interest, should be reported to the audit committee.</p> <p>As well as discussing retrospectively with the CAE the performance of internal audit against the plan, the audit committee should monitor and approve plans that could potentially divert internal audit resources away from planned assurance work.</p>	<p>Note the PSIAS cover the 'appearance' of impairment as well as actual impairment.</p> <p>Some discussion might be needed to agree what the definition of 'significant' might be.</p> <p>Where audit committees meet less frequently than once per month, a practical arrangement might be for the approval to be given by the chair of the audit committee and reported at the next meeting.</p>
<p>Proficiency and due professional care</p> <ul style="list-style-type: none"> • Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. • Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. • Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. <p>(1200 Proficiency and Due Professional Care)</p>	<p>There are no specific requirements on the audit committee from this section of the standards, although the audit committee should be aware of what is required from its internal team.</p> <p>There is a public sector requirement that states: 'The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.'</p>	<p>The audit committee will wish to consider this, for example if it contributes to the recruitment of a new CAE.</p>

PSIAS areas of interest	Potential role of the audit committee	Comments
<p>Quality Assurance and Improvement Programme (QAIP)</p> <p>The quality assurance and improvement programme (QAIP) must include both internal and external assessments.</p> <p>Internal:</p> <ul style="list-style-type: none"> On-going performance monitoring. Periodic self-assessments. <p>External:</p> <ul style="list-style-type: none"> At least once every five years by a qualified, independent assessor from outside the organisation. <p>Public sector requirement The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the Accounting/Accountable Officer or chair of the audit committee.</p> <p>Public sector requirement The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.</p> <p>Public sector requirement Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.</p> <p>(1300 Quality Assurance and Improvement Programme)</p>	<p>The chief audit executive must discuss with the board the:</p> <ul style="list-style-type: none"> form of external assessments qualifications and independence of the external assessor. <p>In local government the audit committee will need to bear in mind that internal audit need to conform with the <i>Local Government Application Note</i> also.</p>	<p>The audit committee probably already receives performance information about the internal audit function, during the year and also in the annual report of the head of internal audit.</p> <p>To meet the QAIP the requirement is to review the compliance against the PSIAS. The audit committee should review the scope of the external assessment and be satisfied with the appointment of the external assessor. It should then receive the reports and findings of both the internal and external assessments.</p> <p>For local government there is a requirement to review annually the effectiveness of internal audit to support the annual governance statement under the Accounts and Audit (England) Regulations 2011.</p> <p>This review may cover wider governance arrangements in order to judge 'effectiveness'. For example the effectiveness of the audit committee itself in progressing internal audit issues could be included.</p>

PSIAS areas of interest	Potential role of the audit committee	Comments
Performance Standards		
<p>Managing the internal audit activity</p> <p>The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.</p> <p>Public sector requirement</p> <p>The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework.</p> <p>(2000 Managing the Internal Audit Activity)</p>	<p>The input of senior management and the board must be considered in the documentation of the risk assessment.</p>	<p>It would seem reasonable for the CAE to consult the audit committee on the risks facing the organisation and for this to be included in the risk assessment informing the risk-based plan.</p> <p>The audit committee is likely to be the principal audience for the annual internal audit opinion, so it is important that the audit committee is clear about the audit work underpinning this. The annual internal audit opinion will form a significant part of meeting the audit committee's own assurance needs.</p>
<p>Managing the internal audit activity</p> <p>The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.</p> <p>(2020 Communication and Approval)</p> <p>The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.</p> <p>Public sector requirement</p> <p>The risk-based plan must explain how internal audit's resource requirements have been assessed. Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.</p> <p>(2030 Resource Management)</p>	<p>The audit committee is likely to receive the plan for approval and should be advised of significant changes during the year.</p> <p>When reviewing the plan it should be clear to the audit committee what the resource requirements are to deliver the plan.</p> <p>It is the responsibility of the CAE to bring to the committee's attention any concerns about resources and especially the impact on the internal audit opinion.</p>	<p>The issue of resourcing is difficult to define as it is based on the risk assessment of the organisation and the need for assurance, including the needs of the audit committee itself, combined with the professional judgement of the CAE. Resourcing requirements cover not just numbers of staff but also the knowledge, skills and experience of the internal audit team and the extent to which the team can place reliance on other sources of assurance.</p> <p>Realistically, internal audit resources will come under pressure when the organisation has to undertake significant cost-cutting as a result of budget pressures.</p> <p>The audit committee can play an important part in ensuring that professional standards are maintained, assurance needs are properly assessed and that resource levels are not compromised unduly.</p>

PSIAS areas of interest	Potential role of the audit committee	Comments
<p>Reporting to senior management and the board</p> <p>Periodic reports should include the following:</p> <ul style="list-style-type: none"> • internal audit activity's purpose, authority, responsibility and performance relative to its plan • significant risk exposures and control issues, including fraud risks, governance issues and • other matters needed or requested by senior management and the board <p>(2060 Reporting to Senior Management and the Board)</p>	<p>The audit committee should ensure that its agendas provide for regular reports from internal audit and that the reports include the matters specified in the standards.</p>	
<p>Nature of work</p> <p>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</p> <p>Aspects of internal audit work include:</p> <ul style="list-style-type: none"> • the governance process • ethical governance • IT governance • the effectiveness of risk management processes. <p>Evaluation of risks and control measures relating to:</p> <ul style="list-style-type: none"> • achievement of strategic objectives • reliability and integrity of financial and operational information • effectiveness and efficiency of operations and programmes • safeguarding of assets • compliance with laws, regulations, policies, procedures and contracts • the potential for fraud and how the organisation manages fraud risk. <p>(2100 Nature of Work)</p>	<p>The audit committee should understand the nature of internal audit work and the expectation of professional standards to provide assurance over the full range of governance, risk management and control processes.</p> <p>This will be of particular significance when reviewing the risk-based plan.</p>	<p>The committee should look for coverage of the specific areas listed when reviewing the audit plan, while remembering that the plan is risk-based and cannot hope to include comprehensive assurance over every risk and control process.</p> <p>Where it is not clear why a significant risk area is not covered the audit committee should seek an explanation.</p>

PSIAS areas of interest	Potential role of the audit committee	Comments
<p>Engagement planning</p> <p>Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations.</p> <p>Adequate criteria are needed to evaluate governance, risk management and controls.</p> <p>Public sector interpretation</p> <p>In the public sector, criteria are likely to include value for money.</p> <p>(2200 Engagement Planning)</p>	<p>There are no specific requirements for the audit committee in respect of this section of the standards, although it is helpful for audit committee members reviewing the findings of audit reports to be aware of how the standards shape the content of the audit.</p>	<p>In respect of the public sector interpretation regarding value for money, audit committees may wish to discuss with their internal audit providers how internal audit provide assurance over value for money and what other sources of assurance are available.</p>
<p>Performing the engagement</p> <p>Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement’s objectives.</p> <p>(2300 Performing the Engagement)</p>	<p>There are no specific responsibilities for the audit committee in respect of this standard other than to recognise the importance of obtaining robust and reliable evidence to support the audit’s conclusions.</p>	
<p>Communicating results</p> <p>Internal auditors must communicate the results of engagements.</p> <p>Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations and action plans.</p> <p>Public sector requirement</p> <p>The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.</p>	<p>Audit committees will be familiar with receiving the results of audits in either full or summary reports. This will continue under PSIAS.</p> <p>The audit committee would normally receive the annual internal audit opinion. The opinion must comply with the public sector requirements laid out in the PSIAS.</p>	<p>The timing of the annual opinion will need to be planned to fit in with the reporting timetable for the annual governance statement and so should be planned for audit committee meetings accordingly.</p>

PSIAS areas of interest	Potential role of the audit committee	Comments
<p>The annual report must incorporate:</p> <ul style="list-style-type: none"> the opinion a summary of the work that supports the opinion and a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. <p>(2400 Communicating Results)</p>		
<p>Monitoring progress</p> <p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p> <p>(2500 Monitoring Progress)</p>	<p>The PSIAS require a follow up process but do not specify that process should include the audit committee.</p>	<p>The follow up of audit recommendations is a common area reviewed by audit committees.</p> <p>Good practice for audit committee suggests that this is an area where the committee can have an impact on the risk and control environment of the organisation and where the committee can add value to the effectiveness of the audit process.</p>
<p>Communicating the acceptance of risks</p> <p>When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.</p> <p>(2600 Communicating the Acceptance of Risks)</p>	<p>There is a role for the audit committee to review those risks accepted by management, where the CAE has concerns that the level of risk to the organisation may be unacceptable.</p>	<p>The terms of reference of the audit committee may include the review of actions recommended by internal audit and the effectiveness of control measures by the managers responsible. For example, audit committees may review key areas of risk and discuss with the managers responsible how audit recommendations are being implemented or alternatives considered.</p>

Key questions to ask

1. What is the organisation's plan for adopting the standards from April 2013?
2. Are there any changes the audit committee needs to make to its terms of reference or its approach to support the implementation of the standards?
3. Does the chief audit executive have any concerns about conformance with the standards? Will an action plan be developed to implement any changes required and achieve conformance by the end of March 2014?
4. Are the roles and responsibilities of 'the board' clearly allocated to the audit committee or other body?
5. What opportunities are there to improve the effectiveness of internal audit within the organisation?

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CIPFA Better Governance Forum

Developments you may need to know about:

Annual governance statements, new Addendum for 2012/13 statements

A new addendum has been issued to guide the development of 2012/13 annual governance statements for local government bodies, including police and fire. The addendum is a result of a review carried out by the CIPFA/SOLACE joint working group that included representatives from a number of local authorities. The review provided an opportunity to review the quality of the statements produced as well as consider the impact of new legislation, professional developments and changes impacting on governance in local authorities.

Key messages from the addendum:

- The annual governance statement should be high level, strategic and written in an open and readable style.
- It should be focused on outcomes and value for money and relate to the authority's vision for the area.
- The review of effectiveness part of the statement includes a clearer conclusion that arrangements 'continue to be regarded as fit for purpose in accordance with the governance framework'.

The addendum also highlights developments that should be taken into consideration when reviewing the effectiveness of the governance arrangements. The key areas of change include:

- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- reviewing the effectiveness of the decision making framework
- demonstrating clear accountability in the management of risk
- ensuring effective management of change and transformation
- ensuring effective arrangements for the discharge of statutory functions – head of paid service and monitoring officer
- ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer
- ensuring the authority's assurance arrangements conform with the governance requirement of the *CIPFA Statement on the role of the Head of Internal Audit*.

The new addendum is available to download from the CIPFA website. [Addendum, 2012](#). It is accompanied by a briefing note for local authority leaders.

Delivering Good Governance in Local Government, Guidance Note for English Authorities, 2012 edition

CIPFA's new publication is an updated edition of the guidance note that was published to support the governance framework. The new edition contains a section covering developments and legislation since the 2007 edition and new material on:

- governance in authorities sharing chief executives and management teams
- the audit committee role in governance and value for money and ensuring effectiveness
- counter fraud arrangements
- the governance of risk
- maintaining standards.

The publication also includes examples of annual governance statements and an updated schedule to support the annual review. The publication is available for purchase from the CIPFA shop. [Guidance Note 2012 edition](#)

Delivering Good Governance in Local Government, Guidance Note for Police, 2012 edition

This edition contains some of the same material as the updated guidance note for local authorities but its primary focus is to address the changes in police governance as a result of the introduction of police and crime commissioners. The publication is available for purchase from the CIPFA shop. [Guidance Note of Police 2012 edition](#)

Assurance Frameworks, new guidance from HM Treasury

HM Treasury has issued new guidance on assurance frameworks setting out how the framework should support the annual governance statement in central government bodies. The guidance also sets out the role of the audit and risk assurance committee in monitoring assurance and challenging the management of risk. [Assurance Frameworks](#)

Local Government and NHS Governance Reviews 2013

Grant Thornton have published the second annual reviews of governance in the NHS and local government. As well as assessing governance arrangements and the annual governance statement, the reports examine how successfully governance matters are communicated to stakeholders:

- [Grant Thornton Local Government Review](#)
- [Grant Thornton NHS Governance Review](#)

Financial resilience and sustainability

The financial challenges facing the public sector have brought the resilience of the organisations to budget pressures under scrutiny. A number of reviews have been undertaken. These provide helpful context for the sectors and can help understanding of future challenges:

- [Financial Sustainability of Local Authorities \(National Audit Office, 2013\)](#)
- [Tough Times \(Audit Commission, 2012\)](#)
- [NHS Financial Year 2011/12 \(Audit Commission, 2012\)](#)
- [Health Finances Update \(Wales Audit Office, 2012\)](#)
- [NHS Financial Performance 2011/12 \(Audit Scotland, 2012\)](#)
- [Towards a Tipping Point? \(Grant Thornton, 2012\)](#)

Ad hoc parliamentary committee report on the Draft Local Audit Bill

The ad hoc committee formed to provide parliamentary scrutiny of the draft Local Audit Bill issued its report in January 2013. The report makes several key recommendations over how the bill should be developed. These include:

- that a capacity is retained whose functions are limited to the procurement of audit
- the provisions for auditor panels are replaced with a statutory requirement for strengthened audit committees which have an independent chair and a majority of independent members (if local procurement goes ahead)
- the Bill should be redrafted to include a systematic process to enable benchmarking and like-for-like comparisons between public bodies in the new regime.

Alongside the report are the oral and written evidence considered by the panel. These include a written statement from the Department of Health (DH) that sets out proposals, for the first time, how clinical commissioning groups and NHS trusts that are not yet foundation trusts will appoint their auditors. The DH proposes that the statutory audit committees will be responsible for recommending the appointment of the external auditor rather than a separate auditor panel. CLG has not yet formally responded to the committee report. [Committee report and evidence submitted to the committee](#)

Fighting Fraud Locally 2012 Review

The Fighting Fraud Locally Strategic Board has published a report setting out the progress made since the launch of the counter-fraud strategy for local government. The report includes updates on the tools made available to support counter-fraud work and on the working groups and pilots. There are some very helpful case studies demonstrating achievements in preventing and detecting fraud, including some substantial savings achieved.

[Fighting Fraud Locally 2012 Review](#)

CIPFA Counter-Fraud Benchmarking Club Summary Report 2012

This new benchmarking club was launched in 2012 to support the development of good practice in counter fraud. The summary report provides highlights of some of the findings of the club and an overview of developments impacting on counter fraud in the public sector. On average the organisations taking part in the benchmarking club provided 3.3 days of counter-fraud activity for every £m the organisation spent in the financial year 2011/12. There were considerable variations across the group though. More information is available in the report.

[Benchmarking Summary Report](#)

Protecting the Public Purse 2012

The Audit Commission's annual report on the findings of their comprehensive fraud survey included the key message that local authorities are responding to the fraud risks they face. Increased amounts of fraud are being detected across a range of different fraud types. In 2011/12 local authorities in England detected 124,000 cases of fraud valued at £179m. However the report showed that there is still more that could be done and that there are opportunities to learn from initiatives taken within the sector. The report highlights emerging fraud risks for the sector and recommends a number of actions to support improvement.

[Protecting the Public Purse 2012](#)

Information governance

The Information Commissioner's Office (ICO) has continued to warn local government and health bodies about the need to improve their management of personal data. The ICO published summary audit reports based on their findings from audits across a number of public sector bodies. These reports identify a number of common failings.

[ICO reports](#)

The Audit Committee Cycle

Challenging malpractice and bad governance

In the light of scandals such as the Mid-Staffs hospital and Winterbourne View home there has been much discussion about the effectiveness of systems for raising concerns, or whistleblowing. Public bodies generally have a good record of putting in place appropriate procedures but their effectiveness in encouraging concerns to be raised or following through may not be as robust. Sometimes the culture of an organisation is identified as being a barrier to the raising of concerns, regardless of whether the concerns relate to abuse, quality failures, fraud or some other conduct or governance matter.

When reviewing the effectiveness of their governance this might be an area that audit committees could review or seek assurance on. High standards of conduct and behaviour are an essential part of an effective governance framework, regardless of the organisation type.

Audit planning

Audit plans are likely to come before the committee for approval in the next few months. Key issues to bear in mind when reviewing the plan are:

- the requirements of the Public Sector Internal Audit Standards including nature of work and the need to provide an annual opinion
- the risk profile of the organisation
- the assurance framework of the annual governance statement and the contribution the internal audit plan will make to that.

Issue 1 of Audit Committee Update focused on audit planning and the issues the committee should consider when reviewing the plan. Copies of this issue are available on the Better Governance Forum website (archive).

http://www.cipfanetworks.net/governance/documentation/default_view.asp?library=160&category=1272&content_ref=11243

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Certificate No.

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **8 July 2013**

Originating Service Group(s) **DELIVERY**

Contact Officer(s)/ **P FARROW R MORGAN**

Telephone Number(s) **4460 5612**

Title/Subject Matter **PAYMENT TRANSPARENCY**

SUMMARY

That the Council's continued compliance with the Code of Recommended Practice, regarding the publication of all payments over £500 be noted. Also, to note that from 1 April 2013 the Council has started to publish all of its payment data, rather than just restrict it to that with a value of over £500.

1. PURPOSE AND BACKGROUND

- 1.1 As part of the wider transparency agenda, internal audit continue to review the Council's compliance with the Code of Recommended Practice issued by the Secretary of State for Communities and Local Government and associated guidance, regarding the publication of all payments over £500, to ensure the Council meets the obligations placed upon it. In a move to increase transparency, from 1 April 2013 the Council has begun to publish all spend data, rather than just that over £500.

2. DETAILS

- 2.1 The latest update position on the Council's payment transparency activity is as follows:
- Monthly spending data continues to be published in accordance with the Code of Recommended Practice. The raw data downloads for April and May 2013 should be available on spotlightspend during week commencing 17 June 2013 following enhancements to now publish all of the Council's spending data rather than just the £500 as required by the Code of Recommended Practice.
 - Since last reported to the Audit Committee, there has been one request for information from the public (as an Armchair Auditor) via the mailbox available on the Council's website. This recent request was for monthly spending data for the period April – June 2012, as at the time of the request the data was unfortunately not available on the spotlightspend site due to short term technical issues being experienced by Spikes Cavell, which prevented the monthly raw data downloads being shown on the website. However, the error was quickly rectified and the raw data was again made available for download.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from the recommendations in this report. [GE/24062013/W]

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising from this report. (MW/24062013/U)

5. EQUAL OPPORTUNITIES IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

None