Agenda item: **9a**

Wolverhampton City Council **OPEN INFORMATION ITEM**

Audit Committee Date **08.07.2013**

Originating Service Group(s) **DELIVERY**

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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

CONTENTS

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.

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)**
Allocation of Surplus for the Year			
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**

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.

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.

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
Income			
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)**
Expenditure			
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 £M	2014/2015 £M	2015/2016 £M	2016/2017 £M	2017/2018 £M	TOTAL £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
Delivery	
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
Community	
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

Project	Forecast Expenditure 2013/2014 £M
Early Education for Two Year Olds	0.7
Electronic Social Care Records	0.7
	14.3
Education and Enterprise	
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
Housing Revenue Account	
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

<u>The Council's Responsibilities</u>

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.

<u>The Assistant Director Finance's Responsibilities</u>

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.

Mark Taylor

Assistant Director Finance

26 June 2013

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

To follow.

Comprehensive Income and Expenditure Statement (Council only)

2011/2012					2012/2013		
Gross Expenditure £M	Gross Income £M	Net Expenditure £M		Note	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	(4.2)	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

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**

Comprehensive Income and Expenditure Statement (Group)

2011/2012 Gross Expenditure £M	2011/2012 Gross Income £M	2011/2012 Net Expenditure £M		Note	2012/2013 Gross Expenditure £M	2012/2013 Gross Income £M	2012/2013 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

Comprehensive Income and Expenditure Statement (Group) (Continued)

2011/2012 Gross Expenditure £M	Gross Income £M	Net Expenditure £M		Note	2012/2013 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**

Balance Sheets

31 March 2012 Council £M	31 March 2012 *Group £M*		Note	31 March 2013 Council £M	31 March 2013 *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***

Balance Sheets (Continued)

31 March 2012 Council £M	31 March 2012 Group £M		Note	31 March 2013 Council £M	31 March 2013 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.

Movement in Reserves Statement – 2012/2013

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

	General Fund Balance £M	General Fund Earmarked Reserves £M	HRA Balance £M	Major Repairs Reserve £M	Usable Capital Receipts Reserve £M	Capital Grants Unapplied Account £M	Total Usable Reserves £M	Unusable Reserves £M	TOTAL (Council) £M	*Reserves of Subsidiary £M*	*TOTAL (Group) £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)***

Movement in Reserves Statement – 2011/2012

	General Fund Balance £M	General Fund Earmarked Reserves £M	HRA Balance £M	Major Repairs Reserve £M	Usable Capital Receipts Reserve £M	Capital Grants Unapplied Account £M	Total Usable Reserves £M	Unusable Reserves £M	TOTAL (Council) £M	*Reserves of Subsidiary £M*	*TOTAL (Group) £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)***

Cash Flow Statement

2011/2012 Council £M	2011/2012 *Group £M*		2012/2013 Council £M	2012/2013 *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)***
		Comprising:		
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)***
		Investing activities		
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***

Cash Flow Statement (continued)

2011/2012 Council £M	2011/2012 *Group £M*		2012/2013 Council £M	2012/2013 *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***

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	**-**	**-**	**-**

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 £000	2012/2013 Outturn £000	Variation £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)	-

	Approved Budget £000	2012/2013 Outturn £000	Variation £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 £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)**

Financing	Approved Funding £000	Outturn Funding £000	Variation Over/(Under) £000
General Fund			
External Funding			
Supported Borrowing	(40)	-	40
Grants & Contributions	97,216	96,581	(635)
	97,176	**96,581**	**(595)**
	68.94%	80.82%	
Council Funding			
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			
External Funding			
Supported Borrowing	40	-	(40)
Grants & Contributions	20,900	21,291	391
	20,940	**21,291**	**351**
	43.65%	51.40%	
Council Funding			
Capital Receipts	1,950	1,259	(691)

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
Earmarked Reserves			
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**
Other Reserves			
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**

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.

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 Council Contribution £M	2011/2012 PCT Contribution £M	2011/2012 Total Expenditure £M	Scheme	2012/2013 Council Contribution £M	2012/2013 PCT Contribution £M	2012/2013 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).

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 £**
Senior employees with a salary of £0.150M or more.							
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**
Senior employees with a salary of less than £0.150M							
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**

Name / Post	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Termination Benefits £	Employers' Pension Contribution £	West Midlands Pension Fund Responsibilities (Note 1) £	TOTAL £
			2011/2012				
Senior employees with a salary of £0.150M or more							
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**
Senior employees with a salary of less than £0.150M							
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**

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.

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						Band	2012/2013					
Number of Employees			Left During the Year				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**

2E – Exit Packages

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

2011/2012 Compulsory No.	2011/2012 Compulsory £M	2011/2012 Voluntary No.	2011/2012 Voluntary £M	2011/2012 Total No.	2011/2012 Total £M	Value of Individual Package	2012/2013 Compulsory No.	2012/2013 Compulsory £M	2012/2013 Voluntary No.	2012/2013 Voluntary £M	2012/2013 Total No.	2012/2013 Total £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**

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.

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.

2011/2012 Central Expenditure £M	2011/2012 Individual Schools Budget £M	2011/2012 Total £M		2012/2013 Central Expenditure £M	2012/2013 Individual Schools Budget £M	2012/2013 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**	**-**	**-**	**-**

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 re-distribution). 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.

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)***

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)

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)**

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.

- 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.

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**

	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**

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.

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.

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).

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:

2011/2012 LGPS £M	2011/2012 Teachers £M		2012/2013 LGPS £M	2012/2013 Teachers £M
		COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
		Cost of Services:		
(20.4)	-	- Current service cost	(21.6)	-
(0.1)	-	- Past service costs	(0.2)	-
(1.2)	(0.2)	- Settlements and curtailments	2.1	(0.1)
		Financing and Investment Income and Expenditure:		
(53.7)	(2.8)	- Interest cost	(51.8)	(2.4)
44.7	-	- Expected return on scheme assets	40.4	-
(30.7)	**(3.0)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(31.1)**	**(2.5)**
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
(66.7)	(1.8)	- Actuarial gains and losses	(94.9)	(7.1)
(97.4)	**(4.8)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(126.0)**	**(9.6)**
		MOVEMENT IN RESERVES STATEMENT		
(30.7)	(3.0)	- 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:		
23.0		- Employer's contributions payable to scheme	23.4	
	3.7	- Retirement benefits payable to pensioners		3.7
(7.7)	**0.7**	**Total Movement in Reserves**	**(7.7)**	**1.2**

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)**

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
				Present value of liabilities	
(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**
				Surplus/(deficit) in the scheme	
(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.

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 LGPS	Teachers		2012/2013 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%

2011/2012 LGPS	Teachers		2012/2013 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	-

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2012 Local Government Pension Scheme £M	31 March 2012 Discretionary Pension Scheme £M		31 March 2013 Local Government Pension Scheme £M	31 March 2013 Discretionary Pension Scheme £M
		Estimated Liabilities in Scheme		
(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)***
		Estimated Assets in Scheme		
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)***

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 £M	Operating Leases £M	Finance Leases (Restated) £M	Operating Leases (Restated) £M		Finance Leases £M	Operating Leases £M	Finance Leases £M	Operating Leases £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 £M		31 March 2013 £M
0.7	Vehicles, Plant, Furniture and Equipment	0.5
0.7	**Total**	**0.5**

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**

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 £M	Depreciation £M	Capital Expenditure /Principal Redemption £M	Balance at 31 March 2013 £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 £M	Interest £M	Capital Expenditure /Principal Redemption £M	Total £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**

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 £M	Depreciation/ Amortisation £M	Capital Expenditure /Principal Redemption £M	Balance at 31 March 2013 £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 £M	Interest £M	Capital Expenditure /Principal Redemption £M	Total £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**

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

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 £M	Current £M	Long-Term £M	Current £M		Long-Term £M	Current £M	Long-Term £M	Current £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)**

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 Financial Assets: Loans and Receivables	2011/2012 Financial Assets: Unquoted Equity Investment at Cost	2011/2012 Financial Liabilities Measured at Amortised Cost	2011/2012 Total		2012/2013 Financial Assets: Loans and Receivables	2012/2013 Financial Assets: Unquoted Equity Investment at Cost	2012/2013 Financial Liabilities Measured at Amortised Cost	2012/2013 Total
£M	£M	£M	£M		£M	£M	£M	£M
-	-	28.2	**28.2**	Interest Expense	-	-	25.4	**25.4**
(0.7)	-	-	**(0.7)**	Interest Income	(0.4)	-	-	**(0.4)**
-	(1.8)	-	**(1.8)**	Revaluation Gain	-	-	-	**-**
(0.7)	**(1.8)**	**28.2**	**25.7**	**Net Expense (Income)**	**(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.

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).

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.

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.

Fraud, Error and Corruption Risk, and Contingency Management

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

Note 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.

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

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 Expenditure £M	2011/2012 Income £M	Entity and Nature of Relationship	2012/2013 Expenditure £M	2012/2013 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)
		Entities in which Members have declared an interest:		
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	-

2011/2012 Expenditure £M	2011/2012 Income £M	Entity and Nature of Relationship	2012/2013 Expenditure £M	2012/2013 Income £M
0.8	(0.3)	North East Wolverhampton Academy	0.2	(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	-

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 Income £000	2011/2012 Expenditure £000	Fund Value at 31 March 2012 £000	Fund Name and Purpose	2012/2013 Income £000	2012/2013 Expenditure £000	Fund Value at 31 March 2013 £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**

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

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)	*(Surplus) or deficit on the provision of services*	*103.4*
40.6	*Less: items included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement*	*(92.9)*
2.5	*Less: Surplus or (deficit) attributable to subsidiaries*	*(1.4)*
14.6	***Deficit for the year***	***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	*Net Cost of Services*	*318.8*
(196.0)	*Less: items included in the segmental analysis but not included in the Net Cost of Services*	*(308.3)*
2.5	*Less: Surplus or (deficit) attributable to subsidiaries*	*(1.4)*
14.6	***Deficit for the year***	***9.1***

10B – Detailed Analysis of Movement in Reserves Statement:

2012/2013 Part 1 – Usable Reserves

	General Fund Balance £M	General Fund Earmarked Reserves £M	HRA Balance £M	HRA Earmarked Reserves £M	Major Repairs Reserve £M	Usable Capital Receipts Reserve £M	Capital Grants Unapplied Account £M	Total Usable Reserves £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**
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	**-**
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	**-**
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	**-**
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	-	-	**-**
Total Comprehensive Income and Expenditure	**111.3**	**-**	**(9.3)**	**-**	**-**	**-**	**-**	**102.0**
Adjustments between Accounting Basis & Funding Basis under Regulations								
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)**

2012/2013 Part 1 – Usable Reserves (Continued)

	General Fund Balance £M	General Fund Earmarked Reserves £M	HRA Balance £M	HRA Earmarked Reserves £M	Major Repairs Reserve £M	Usable Capital Receipts Reserve £M	Capital Grants Unapplied Account £M	Total Usable Reserves £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)**

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**	-	***-***

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

	Short-term Accumulating Compensated Absences Account £M	Available-for-sale Financial Instruments Reserve £M	Capital Adjustment Account £M	Collection Fund Adjustment Account £M	Financial Instruments Adjustment Account £M	Pensions Reserve £M	Revaluation Reserve £M	Total Unusable Reserves £M	*Reserves of Subsidiary £M*	*TOTAL (Group) £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)***

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)**
Other Comprehensive Income and Expenditure							
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)**
Adjustments between Accounting Basis & Funding Basis under Regulations							
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)**

2011/2012 Part 1 – Usable Reserves (Continued)

	General Fund Balance £M	General Fund Earmarked Reserves £M	HRA Balance £M	Major Repairs Reserve £M	Usable Capital Receipts Reserve £M	Capital Grants Unapplied Account £M	Total Usable Reserves £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)**

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**	-	**-**

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

	Short-term Accumulating Compensated Absences Account £M	Available-for-sale Financial Instruments Reserve £M	Capital Adjustment Account £M	Collection Fund Adjustment Account £M	Financial Instruments Adjustment Account £M	Pensions Reserve £M	Revaluation Reserve £M	Total Unusable Reserves £M	*Reserves of Subsidiary £M*	*TOTAL (Group) £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)***

10C – Description of Reserves

Name of Reserve	Description
Usable Reserves	
Revenue	
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.
Capital	
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.

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.

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.

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.

- 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. 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.

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;

- 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;

- 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.

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

Statement is the amount receivable for the year in the loan agreement.

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

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

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

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

10. Foreign Currency Translation

Where the council entered into a transaction denominated in a foreign currency, the transaction was converted into sterling at the exchange rate applicable on the date the transaction was effective.

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.

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.

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.

<u>The Council as Lessee: Finance Leases</u> - Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The

asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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

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

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

<u>The Council as Lessee: Operating leases</u> - 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).

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

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is 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.

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).

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.

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.

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;

- 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.

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:

- 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.

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

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.

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	*Decrease of £24.9M*
Salary Inflation 0.1% p.a. higher	Increase of £22.7M	*Increase of £25.3M*
Life expectancy of scheme members 1 year higher	Increase of £26.2M	*Increase of £28.5M*

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.

	2012/2013 LGPS £M	2012/2013 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**

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

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)**

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.

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.

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:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
(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**
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
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 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**

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.

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		2012/2013 £M
	Sources of Funding	
(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		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		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)**

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**

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)**

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**

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**		

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**

Fund Account

2011/2012 £M		Note	2012/2013 £M
	Contributions & Benefits		
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)**
	Returns on Investments		
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**

Net Assets Statement

31 March 2012 £M		Note	31 March 2013 £M
	Investment Assets (at Market Value)	**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**
	Investment Liabilities (at Market Value)	**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**

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.

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.

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.

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.

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.

Note P3F - Membership

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

31 March 2012 £M		31 March 2013 £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.

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.

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.

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

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.

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
	From Employers	
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**
	From Employees	
109.5	Basic Contributions	106.4
1.1	Additional Contributions	0.9
110.6		**107.3**
412.7	**Total Contributions**	**410.9**

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.

Note P9 – Other Income

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

Note P10 – Benefits Payable

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

2011/2012 £M		2012/2013 £M
	Pensions	
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**
	Lump Sum Benefits	
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**

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.

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
	Administration	
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**
	Investments	
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.

Note P13 – Investment Income

Investment income is analysed below:-

2011/2012 £M		2012/2013 £M
	Dividends and Interest	
	Fixed Interest Securities	
8.5	UK Private Sector – Quoted	8.5
	Equities	-
33.9	UK	33.2
45.9	Overseas	43.6
	Pooled Investment Vehicles	
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**

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.

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
	Fixed Interest Securities	
158.8	UK Companies – Segregated (external)	173.9
158.8		**173.9**
	UK Equities	
861.2	Quoted	966.6
-	Quoted – Segregated (external)	-
861.2		**966.6**
	Overseas Equities	
1,438.1	Quoted	1662.2
297.5	Quoted – Segregated (external)	359.1
1,735.6		**2,021.3**
	Pooled Investment Vehicles	
	Managed Funds	
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

31 March 2012 £M		31 March 2013 £M
32.8	UK Property	37.6
194.6	Foreign Property	225.7
	Unit Trusts	
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**
	Property	
589.1	UK Freehold	532.7
26.3	UK Leasehold*	34.9
615.4		**567.6**
	Foreign Currency Holdings	
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

31 March 2012 £M		31 March 2013 £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**
	Cash Deposits	
139.3	UK	241.1
	Other Investments	
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 £M	% of total Market Value %		Market Value £M	% of total Market Value %
		Security		
512.6	5.8	Legal & General - All Stocks Index-Linked Gilts Fund	664.0	6.8

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 Market Value £M	31 March 2012 % of total Market Value %		31 March 2013 Market Value £M	31 March 2013 % of total Market Value %
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**	

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 With-holding 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.

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.

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 With-holding 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.

<u>Net gains and losses on financial instruments</u>

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**

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 Carrying Value £M	31 March 2012 Fair Value £M		31 March 2013 Carrying Value £M	31 March 2013 Fair Value £M
		Financial Assets		
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.

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 Level 1 £M	Using Observable Inputs Level 2 £M	With significant unobservable inputs Level 3 £M	Total £M
Financial Assets				
Financial Assets at fair value through profit and loss	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**

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
Financial Assets				
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.

Note P17- Current Assets

31 March 2012 £M		31 March 2013 £M
	Debtors and Prepayments	
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
	Analysis of Debtors	
-	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**

Note P18- Current Liabilities

31 March 2012 £M		31 March 2013 £M
	Creditors and Receipts In Advance	
(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.

31 March 2012 £M		31 March 2013 £M
	Analysis of Creditors	
(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)**

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 Equitable Life £M	31 March 2012 Prudential £M		31 March 2013 Equitable Life £M	31 March 2013 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.

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.

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.

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 £M**	**Balances as at 31 March 2012 £M**
Money Market Funds			
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
Short Term Deposits			
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
Bank Deposit Accounts			
Nat West Liquidity Select	A	50.0	86.1
Total		**239.3**	**138.7**

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 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	Value as at 31 March 2013 £	Price Risk % 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**

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:

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	Change in year in the net assets available to pay benefits	
		+180BPS	-180BPS
	£M	£M	£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)**

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**

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

Scheduled Bodies		
District Councils		
Birmingham City Council	Coventry City Council	Dudley Metropolitan Borough Council
Sandwell Metropolitan Borough Council	Solihull Metropolitan Borough Council	Walsall Metropolitan Borough Council
Wolverhampton City Council		
Major Employers		
Centro	Staffordshire & West Midlands Probation Trust	West Midlands Fire & Civil Defence Authority
West Midlands Police Authority		
Universities (former Polytechnics)		
Birmingham City University	Coventry University	University of Wolverhampton (The)
Colleges of Further Education and Higher Education		
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
Other Bodies with no active members		
Bickenhill Parish Council	Sandwell Homes Limited	

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Scheduled Bodies		
Other Bodies		
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)

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)

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 Acdemy	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		
With Active Members		
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

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	
Without Active Members		
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

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		

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)

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)	
Without Active Members		
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

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

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 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	• 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,	• 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	• 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	• FutureSpace: Corporate Landlord • Information Governance • Partnership Governance • Contract Monitoring • Procurement • Savings Targets • Resilience function • Equalities

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Developing the capacity and capability of members and officers to be effective Engaging with local people and other stakeholders to ensure robust public accountability	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	• 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	• 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	

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
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.	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. **Carried forward to 2012/13**

2011/12 - Key areas for Improvement	Update on position and implication for the 2012/13 Annual Governance Statement
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.	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.
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.	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. **Carried forward to 2012/13**
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.	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.

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
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.	Strategic Director – Delivery Strategic Director – Education and Enterprise 31 March 2014
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	Strategic Director – Delivery Chief Legal Officer (SIRO) Head of Policy 31 December 2013

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
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.	Strategic Director – Delivery Chief Legal Officer March 2014
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.	Strategic Director - Delivery Head of Procurement 31 December 2013

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
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.	Strategic Director - Delivery Head of Procurement 31 December 2013
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.	Strategic Director – Delivery Assistant Director - Finance 31 March 2014
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.	Strategic Director – Delivery Assistant Director - Delivery 31 March 2014

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
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.	Strategic Director – Delivery 31 March 2014

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.

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.

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.

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

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.

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.

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".

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

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

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

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

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

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

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

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

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

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.

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.

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.

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)

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