[NOT PROTECTIVELY MARKED]

CITY OF WOLVERHAMPTON COUNCIL

Audit Committee

21 September 2015

Dear Councillor

AUDIT COMMITTEE - MONDAY, 21 SEPTEMBER, 2015

I am now able to enclose, for consideration at next Monday, 21 September, 2015 meeting of the Audit Committee, the following report that was unavailable when the agenda was printed.

Agenda No	Item
5	**Audited Statement of Accounts 2014/15 (Pages 3 - 212)** [To approve the formal publication of the accounts]

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

Contact Dereck Francis
Tel 01902 555835
Email dereck.francis@wolverhampton.gov.uk
Address Democratic Support, Civic Centre, 1st floor, St Peter's Square, Wolverhampton WV1 1RL

Encs

This page is intentionally left blank

Statement of Accounts

2014/15

www.wolverhampton.gov.uk

Wolverhampton
City Council

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 2014/15, and key items of interest in the accounts. Section 3 provides an outline of the council's medium term financial strategy, including its budget for 2015/16 and forecasts through to 2019/20.

Section 4 contains the statement of responsibilities, and sets out the roles and responsibilities of the Council and of the Director of Finance in preparing the statement of accounts. The independent auditors' report is included in section 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 it doesn't include adjustments to comply with the accounting concept of accruals.

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

Note 1 – Financial Performance for 2014/15 – this note provides more information on the council's financial performance for 2014/15. 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 Receivables and Payables – this note summarises how much money was owed to the Council at the end of the year, and how much the council owed other 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.

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. The Collection Fund also provides details of Non-Domestic Rates collected by the Council on behalf of Central Government and amount retained by the Council and allocated to the fire authority.

Section 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

The Council owns two other organisations, Wolverhampton Homes Limited and Yoo Recruit Limited, and as a result it is required to produce group accounts. Yoo Recruit Limited became a wholly-owned subsidiary of the Council during the year, however, in the opinion of the Council the accounts are not considered to be material and have not been included in the group accounts. The group accounts combine the accounts of the Council and Wolverhampton Homes Limited and show them as if they were one. Throughout the financial statements (Section 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 2014/15

Outturn 2014/15

General Fund

2014/15 continued to be another challenging year for the Council's General Fund, with a savings target of £59.2 million included in the approved budget. The following table compares the council's General Fund outturn for 2014/15 to its budget. It analyses spend by directorate, which is the format used for internal reporting to management. This table is calculated in line with the legal requirements. As the table shows, the outturn was balanced without calling upon the £9.9 million General Fund reserve that had been budgeted for. After taking into account net transfers to/from earmarked reserves, there was a reduction in the General Fund Balance of £17.0 million, with remaining funds totalling £10.0 million at the end of the financial year.

Service	2014/15 Net Controllable Budget £m	2014/15 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Place	46.3	41.1	(5.2)
People	134.2	132.0	(2.2)
Corporate Services (including education)	30.5	28.7	(1.8)
Corporate Budgets	36.6	38.8	2.2
Net Budget Requirement	**247.6**	**240.6**	**(7.0)**
Funding:			
Government Grant (General)	(161.8)	(164.7)	(2.9)
Council Tax	(76.6)	(76.6)	-
Collection Fund Deficit	0.7	0.7	-
Budgeted Use of Reserves	(9.9)	-	9.9
Total Funding	**(247.6)**	**(240.6)**	**7.0**
Net Budget (Surplus)/Deficit	**-**	**-**	**-**

Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £22.0 million, compared to a budgeted surplus of £12.0 million. Of this £12.0 million, £12.0 million had originally been earmarked for debt redemption, however, based on the outturn, the Council was able to use £22.0 million on making a 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 over the budgeted level of 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.

	Budget 2014/15 £m	Outturn 2014/15 £m	Variance Over/(Under) £m
Income	(98.3)	(99.0)	(0.7)
Expenditure	69.4	67.6	(1.8)
Net Cost of Services	**(28.9)**	**(31.4)**	**(2.5)**
Net Cost of Borrowing and Investments	16.9	9.4	(7.5)
Surplus for the Year	**(12.0)**	**(22.0)**	**(10.0)**
Allocation of Surplus for the Year			
Provision for Redemption of Debt	12.0	22.0	10.0
Transfer to/(from) Reserves	-	-	-
Total	**12.0**	**22.0**	**10.0**

Capital Programme

Capital expenditure by the council during 2014/15 totalled £121.5 million, as set out in the following table. This was £43.1 million under budget primarily due to slippage into future years and cost reductions.

Expenditure	Approved Budget £m	Outturn £m	Variation Over/(Under) £m
General Fund			
Corporate	29.9	23.0	(6.9)
People	6.9	3.1	(3.8)
Place	54.8	39.1	(15.7)
Total General Fund	**91.6**	**65.2**	**(26.4)**
Housing Revenue Account	73.0	56.3	(16.7)
Total Expenditure	**164.6**	**121.5**	**(43.1)**

Page 11

Items of Interest in the Accounts

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

Provisions and Contingent Liabilities

The council's total level of provisions decreased by £8.1 million (net) over the course of the year. This was due to the use of £6.3 million of the Capitalisation Risks provision, £1.6 million use of the provision for termination benefits and other net reductions totalling £0.2 million. Total provisions at 31 March 2015 stood at £17.4 million: further details are provided in Note 4A to the Financial Statements.

Capital Expenditure

The Council once again successfully managed a large capital expenditure programme in 2014/15, resulting in additions to non-current assets of £103.3 million, along with other capital expenditure of £18.2 million. The main additions were on council dwellings (£56.5 million), mostly due to spend under the Council's Decent Homes programme, and infrastructure assets (£23.9 million), which reflects investment in the highway network. 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 £126.7 million during 2014/15, made up of an increase of £220.2 million in liabilities, and growth of £93.5 million in assets. The main reasons for the net movement were losses of £105.4 million resulting from changes in actuarial assumptions, net interest payable of £19.6 million, and other net expenditure of £1.7 million. 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.

Borrowing Facilities and Capital Borrowing

The council borrows to part-fund its capital expenditure programme. As a local authority, the council can borrow funds from the Public Works Loan Board (UK Debt Management Office), which allows the council to benefit from the relatively low cost of Government borrowing. At 31 March 2015, its total borrowing portfolio stood at £591.4 million, of which £422.4 million is owed to the Public Works Loan Board, £103.8 million to private sector lenders and £65.2 million temporary loans from other local authorities. The council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA).

Revaluation of Property, Plant and Equipment

The Council values its property, plant and equipment on a rolling five-year cycle. During 2014/15, assets with a combined value of £75.7 million (post 2014/15 depreciation) became due for revaluation. The impact of this exercise were an upwards revaluation of £36.5 million, a downwards revaluation of £10.6 million and a net impairment of £19.6 million. An additional £0.8 million of impairments arose during the course of the year and was not part of the revaluation exercise. Statutory provisions require the Council to transfer an equivalent amount from its Capital Adjustment Account to its revenue accounts, meaning that there is no impact of this impairment on Council tax or housing rents.

3. THE MEDIUM TERM FINANCIAL STRATEGY

The Medium Term Financial Strategy 2015/16 to 2018/19

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.

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, and 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, which, therefore, suggests 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.

3. THE MEDIUM TERM FINANCIAL STRATEGY

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

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

The Medium Term Financial Strategy

Whilst the council's financial planning process is driven by the annual statutory budget cycle, its horizons extend to the next four financial years. The Medium Term Financial Strategy is a critical part of the council's planning and performance framework, and is kept under continuous review. The Medium Term Financial Strategy, as approved by Full Council in March 2015, is summarised in the table below.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Net Expenditure Budget	**224.875**	**230.108**	**240.610**	**250.855**
General Funding	**(224.875)**	**(215.308)**	**(210.797)**	**(204.571)**
Cumulative Projected Deficit	**-**	**14.800**	**29.813**	**46.284**
Annual Projected Deficit	**-**	**14.800**	**15.013**	**16.471**

As is shown in the table above, the Council forecasts that it will need to save a further £46.3 million over the next four years, in addition to £70.1 million of savings that are already planned and built into the Medium Term Financial Strategy. Further to this, the Council has already identified savings in excess of £150 million over the last four financial years. The extent of the financial challenge over the medium term is the most significant the council has ever faced.

Current projections indicate that the council's general balances could be exhausted by the beginning of 2016/17. Immediate action is therefore required and the following budget strategy to identify further savings has been approved by Council:

- A minimum of £20 million of additional savings for 2016/17 should be identified and reported to Cabinet in July 2015, in order to demonstrate that a balanced budget can be achieved and that general reserves can be maintained at the approved minimum of £10 million.
- That a further £26 million of additional savings should be identified, taking the total additional savings to be identified to £46 million, in order to address the projected budget deficit over the medium term to 2018/19.

It is important to note that the figures remain subject to potentially significant change and the Chancellor's budget announcement scheduled for 8 July is likely to give an indication of how significant that change may be.

3. THE MEDIUM TERM FINANCIAL STRATEGY

Housing Revenue Account

The council is planning to utilise the freedoms and resources resulting from the introduction of self-financing in April 2012 to continue to develop new affordable housing in the city, with the completion of the Thompson Avenue site as well as the proposed development of the Tapworks site while continuing to maintain the existing stock to the Decent Homes standard.

An updated HRA business plan was approved in January 2015, which reflected the council's plans to invest £2.0 billion in its houses over the next 30 years, and demonstrated that under current forecasts there is sufficient funding for this. In terms of 2015/16, the plan included an average rent increase of 3.11%, and a freeze in management and maintenance allowances for managing agents. The table below shows the approved budget for 2015/16, along with forecasts for the next two years.

	Budget 2015/16 £m	Forecast 2016/17 £m	Forecast 2017/18 £m
Income			
Gross Rents – Dwellings	(93.7)	(95.3)	(97.5)
Gross Rents - Non Dwellings	(0.7)	(0.7)	(0.8)
Charges to Tenants for Services and Facilities	(5.1)	(5.2)	(5.2)
Total Income	**(99.5)**	**(101.2)**	**(103.5)**
Expenditure			
Management and Maintenance	45.2	45.3	45.4
Depreciation of Long Term Assets	21.8	21.8	21.7
Net Financing Costs	32.5	34.1	36.4
Total Expenditure	**99.5**	**101.2**	**103.5**
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 Schools Modernisation, Decent Homes and Physical Regeneration. The table below shows the council's capital programme for the next five years, as approved by the council in March 2015.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	TOTAL £m
Forecast Expenditure	**140.5**	**68.2**	**39.6**	**36.2**	**36.5**	**321.0**

The following table lists some of the main projects in 2015/16:

Project	Forecast Expenditure 2015/16 £m
Corporate	
Schools Modernisation, Suitability and Condition	20.9
ICT Developments	4.1
Building Schools for the Future	2.2
Universal Infant Free School Meals	0.4
	27.6
People	
Sports Investment Strategy	1.1
Electronic Social Care Records	0.1
	1.2
Place	
Physical Regeneration	13.4
Facilities Management	12.7

3. THE MEDIUM TERM FINANCIAL STRATEGY

Project	Forecast Expenditure 2015/16 £m
Remediation of contaminated land	3.1
Highways - Structural Maintenance	2.8
Fleet Services	2.6
i54 Access & Infrastructure	1.8
Black Country Growth Deal - Cultural Programme	1.7
Non Strategic Assets Disposals Programme	1.5
Highways - West Midlands Major Schemes	1.3
Energy Management	1.3
Wolverhampton City Centre Interchange	1.0
Corporate Asset Management	0.9
Targeted Strategic Disposals Programme	0.5
Other Projects	0.5
Markets Investment	0.2
	45.3
Housing Private Sector	**3.9**
Housing Revenue Account	
Decent Homes Stock Condition	28.7
Major Stock Condition Improvements	12.5
Estate Remodelling	8.8
Other Stock Condition Improvements	8.1
Decent Homes Public Realm Element	2.2
Adaptations for People with Disabilities	1.0
Service Enhancements and Miscellaneous	0.7
Other Improvements to the Public Realm	0.5
	62.5
Grand Total	**140.5**

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

Source of Funding	Forecast Expenditure 2015/16 £m
Borrowing	103.8
Reserve Funds	20.6
Grants and Contributions	11.1
Capital Receipts	4.9
Capital Expenditure Financed From the Revenue Account	0.1
Total	**140.5**

4. STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

(i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.

(ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

(iii) Approve the Statement of Accounts.

The Director of Finance's Responsibilities

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

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

(i) Selected suitable accounting policies and then applied them consistently.

(ii) Made judgements and estimates that were reasonable and prudent.

(iii) Complied with the Code.

The Director of Finance has also:

(i) Kept proper accounting records which were up to date.

(ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Director of Finance

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended on the same date.

Mark Taylor

Director of Finance

30 September 2015

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

Independent auditors’ report to the Councillors of Wolverhampton City Council

To follow

Comprehensive Income and Expenditure Statement (Council only)

2013/14 (Restated)					2014/15		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
118.6	(29.5)	89.1	Adult Social Care		103.4	(29.7)	73.7
55.3	(30.9)	24.4	Central Services to the Public		61.6	(10.6)	51.0
304.7	(218.7)	86.0	Education and Children's Services		293.4	(197.3)	96.1
4.4	-	4.4	Corporate and Democratic Core		2.5	(0.8)	1.7
42.0	(10.8)	31.2	Cultural and Related Services		26.0	(10.6)	15.4
29.9	(9.4)	20.5	Environment and Regulatory Services		27.7	(9.1)	18.6
11.5	(3.0)	8.5	Planning Services		9.9	(5.9)	4.0
-	-	-	Public Health	2A	18.6	(19.7)	(1.1)
33.0	(4.5)	28.5	Highways and Transport Services		21.4	(6.6)	14.8
199.6	(215.8)	(16.2)	Housing Services		201.6	(220.6)	(19.0)
-	(2.8)	(2.8)	Non-Distributed Costs		1.5	0.0	1.5
799.0	**(525.4)**	**273.6**	**Total Continuing Operations Excluding Acquired Operations**		**767.6**	**(510.9)**	**256.7**
			Services Acquired				
16.4	(19.0)	(2.6)	Public Health	2A	-	-	-
815.4	**(544.4)**	**271.0**	**Net Cost of Services**		**767.6**	**(510.9)**	**256.7**
13.3	-	13.3	Levies		12.7	-	12.7
1.8	-	1.8	Payments to the Housing Capital Receipts Pool		1.9	-	1.9
74.4	(12.5)	61.9	Losses/(gains) on the Disposal of Non-current Assets		64.1	(16.4)	47.7

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

2013/14 (Restated)					2014/15		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
1.2	(1.3)	(0.1)	External Trading Organisations	2B	1.7	(2.0)	(0.3)
31.3	-	31.3	Interest Payable	7C	30.2	-	30.2
22.1	-	22.1	Net Interest Expense	6	19.6	-	19.6
-	(0.4)	(0.4)	Interest Receivable	7C	-	(0.3)	(0.3)
(0.2)	-	(0.2)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value		0.9	-	0.9
-	(4.1)	(4.1)	Other Investment Income		-	(0.9)	(0.9)
-	(73.2)	(73.2)	Council Tax		-	(72.7)	(72.7)
-	(35.1)	(35.1)	National Non-domestic Rates		-	(36.3)	(36.3)
-	(143.5)	(143.5)	Unringfenced Revenue Grants Receivable		-	(138.5)	(138.5)
-	(47.4)	(47.4)	Capital Grants Receivable		-	(51.6)	(51.6)
959.3	**(861.9)**	**97.4**	**Deficit on the Provision of Services**		**898.7**	**(829.6)**	**69.1**
(6.8)	-	(6.8)	Deficit or (surplus) on Revaluation of Non-current Assets	5	(25.9)	-	(25.9)
-	(109.5)	(109.5)	Re-measurement of the net defined benefit liability	6	105.4	-	105.4
-	-	-	Surplus or deficit on revaluation of available for sale financial assets		-	0.6	0.6
(6.8)	***(109.5)***	***(116.3)***	**Other Comprehensive Income and Expenditure**		***79.5***	***0.6***	***80.1***
952.5	**(971.4)**	**(18.9)**	**Total Comprehensive Income and Expenditure**		**978.2**	**(829.0)**	**149.2**

The amounts for the prior year for some service lines for both the Council and Group have been restated. These relate to the re-allocation of income and expenditure incorrectly allocated to non-distributed costs, primarily, in respect of housing benefits grant income and expenditure.

Comprehensive Income and Expenditure Statement (Group)

2013/14 (Restated)					2014/15		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
118.6	(29.5)	89.1	Adult Social Care		103.4	(29.7)	73.7
55.3	(30.9)	24.4	Central Services to the Public		61.6	(10.6)	51.0
304.7	(218.7)	86.0	Education and Children's Services		293.4	(197.3)	96.1
4.4	-	4.4	Corporate and Democratic Core		2.5	(0.8)	1.7
42.0	(10.8)	31.2	Cultural and Related Services		26.0	(10.6)	15.4
29.9	(9.4)	20.5	Environment and Regulatory Services		27.7	(9.1)	18.6
11.5	(3.0)	8.5	Planning Services		9.9	(5.9)	4.0
-	-	-	Public Health		18.6	(19.7)	(1.1)
33.0	(4.1)	28.9	Highways and Transport Services		21.4	(6.6)	14.8
197.4	(215.9)	(18.5)	Housing Services		202.3	(220.9)	(18.6)
-	(2.8)	(2.8)	Non-Distributed Costs		1.5	0.0	1.5
796.8	**(525.1)**	**271.7**	**Total Continuing Operations excluding Acquired Operations**		**768.3**	**(511.2)**	**257.1**
			Services Acquired				
16.4	(19.0)	(2.6)	Public Health	2A	-	-	-
813.2	**(544.1)**	**269.1**	**Net Cost of Services**		**768.3**	**(511.2)**	**257.1**
13.3	-	13.3	Levies		12.7	-	12.7
1.8	-	1.8	Payments to the Housing Capital Receipts Pool		1.9	-	1.9
74.4	(12.5)	61.9	Losses/(gains) on the Disposal of Non-current Assets		64.1	(16.4)	47.7

Comprehensive Income and Expenditure Statement (Group) (Continued)

2013/14 (Restated)					*2014/15*		
Gross Expenditure £m	*Gross Income £m*	*Net Expenditure £m*		*Note*	*Gross Expenditure £m*	*Gross Income £m*	*Net Expenditure £m*
1.2	1.3	2.5	External Trading Organisations	2B	1.7	(2.0)	(0.3)
31.3	-	31.3	Interest Payable	7C	30.2	-	30.2
23.3	-	23.3	Net Interest Expense	6	20.1	-	20.1
-	(0.4)	(0.4)	Interest Receivable	7C	-	(0.3)	(0.3)
(0.2)	-	(0.2)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value		0.9	-	0.9
-	(4.1)	(4.1)	Other Investment Income		-	(0.9)	(0.9)
-	(73.2)	(73.2)	Council Tax		-	(72.7)	(72.7)
-	(35.1)	(35.1)	National Non-domestic Rates		-	(36.3)	(36.3)
-	(143.5)	(143.5)	Unringfenced Revenue Grants Receivable		-	(138.5)	(138.5)
-	(47.4)	(47.4)	Capital Grants Receivable		-	(51.6)	(51.6)
958.3	**(859.0)**	**99.3**	**Deficit on the Provision of Services**		**899.9**	**(829.9)**	**70.0**
(6.8)	-	(6.8)	Deficit or (surplus) on Revaluation of Non-current Assets	5	(25.9)	-	(25.9)
-	(126.0)	(126.0)	Re-measurement of the net defined benefit liability	6	120.6	-	120.6
-	-	-	Surplus or deficit on revaluation of available for sale financial assets		-	0.6	0.6
(6.8)	**(126.0)**	**(132.8)**	**Other Comprehensive Income and Expenditure**		**94.7**	**0.6**	**95.3**
951.5	**(985.0)**	**(33.5)**	***Total Comprehensive Income and Expenditure***		**994.6**	**(829.3)**	**165.3**

Balance Sheets

31 March 2014 Council £m	31 March 2014 *Group £m*		Note	31 March 2015 Council £m	31 March 2015 *Group £m*
1,469.3	*1,469.3*	Property, Plant and Equipment	5	1,450.2	*1,450.2*
16.3	*16.3*	Investment Property	5	18.3	*18.3*
4.5	*4.5*	Intangible Assets	5	4.5	*4.5*
11.5	*11.5*	Heritage Assets	5	11.5	*11.5*
20.3	*20.3*	Non-current Investments		19.7	*19.7*
1.4	*1.4*	Non-current Receivables		1.4	*1.4*
1,523.3	***1,523.3***	**Total Non-current Assets**		**1,505.6**	***1,505.6***
12.5	*12.5*	Current Investments		24.4	*24.4*
0.6	*0.6*	Inventories		0.5	*0.5*
76.2	*75.0*	Current Receivables	3A	99.7	*98.0*
4.1	*15.2*	Cash and Cash Equivalents		1.2	*9.5*
93.4	***103.3***	**Total Current Assets**		**125.8**	***132.4***
(50.3)	*(50.3)*	Current Borrowing		(96.3)	*(96.3)*
(71.2)	*(74.8)*	Current Payables	3B	(97.0)	*(96.5)*
(25.5)	*(25.5)*	Current Provisions	4A	(17.4)	*(17.4)*
(147.0)	***(150.6)***	**Total Current Liabilities**		**(210.7)**	***(210.2)***
(530.7)	*(530.7)*	Non-current Borrowing		(509.1)	*(509.1)*
(461.9)	*(476.4)*	Net Pension Liability	6	(588.6)	*(620.0)*
(6.6)	*(6.6)*	Capital Grants Received in Advance		(4.8)	*(4.8)*
(83.2)	*(83.2)*	Other Non-current Liabilities		(80.1)	*(80.1)*
(1,082.4)	***(1,096.9)***	**Total Non-current Liabilities**		**(1,182.6)**	***(1,214.0)***
387.3	***379.1***	**Net Assets**		**238.1**	***213.8***

Balance Sheets (Continued)

31 March 2014 Council £m	31 March 2014 *Group £m*		Note	31 March 2015 Council £m	31 March 2015 *Group £m*
(27.0)	*(27.0)*	General Fund Balance	10B, 10C	(10.0)	*(10.0)*
(43.6)	*(43.6)*	General Fund Earmarked Reserves	10B, 10C	(66.4)	*(66.4)*
(5.0)	*(5.0)*	Housing Revenue Account Balance	10B, 10C	(5.0)	*(5.0)*
(13.2)	*(13.2)*	Major Repairs Reserve	10B, 10C	(5.9)	*(5.9)*
(9.6)	*(9.6)*	Capital Receipts Reserve	10B, 10C	(15.3)	*(15.3)*
(34.1)	*(34.1)*	Capital Grants Unapplied Account	10B, 10C	(37.1)	*(37.1)*
-	*8.2*	Reserves of Subsidiary	10B, 10C	-	*24.3*
(132.5)	***(124.3)***	**Total Usable Reserves**		**(139.7)**	***(115.4)***
5.9	*5.9*	Short-term Accumulating Compensated Absences Account	10B, 10C	3.4	*3.4*
(12.1)	*(12.1)*	Available-for-sale Financial Instruments Reserve	10B, 10C	(11.5)	*(11.5)*
(537.3)	*(537.3)*	Capital Adjustment Account	10B, 10C	(506.0)	*(506.0)*
1.2	*1.2*	Collection Fund Adjustment Account	10B, 10C	4.4	*4.4*
3.5	*3.5*	Financial Instruments Adjustment Account	10B, 10C	4.0	*4.0*
461.9	*461.9*	Pensions Reserve	10B, 10C	588.6	*588.6*
(177.9)	*(177.9)*	Revaluation Reserve	10B, 10C	(181.3)	*(181.3)*
(254.8)	***(254.8)***	**Total Unusable Reserves**		**(98.4)**	***(98.4)***
(387.3)	***(379.1)***	**Total Reserves**		**(238.1)**	***(213.8)***

The notes on pages 31 to 119 form part of the financial statements.

Movement in Reserves Statement – 2014/15

(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	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**	**(254.8)**	**(387.3)**	***8.2***	***(379.1)***
Surplus/(Deficit) on Provision of Services	91.1	-	(22.0)	-	-	-	**69.1**	-	**69.1**	*0.9*	***70.0***
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	80.1	**80.1**	*15.2*	***95.3***
Total Comprehensive Income and Expenditure	**91.1**	**-**	**(22.0)**	**-**	**-**	**-**	**69.1**	**80.1**	**149.2**	***16.1***	***165.3***
Adjustments between Accounting Basis & Funding Basis under Regulations	(96.9)	-	22.0	7.3	(5.7)	(3.0)	**(76.3)**	76.3	**-**	*-*	***-***
Net Decrease/(Increase) before Transfers & Other Movements	**(5.8)**	**-**	**-**	**7.3**	**(5.7)**	**(3.0)**	**(7.2)**	**156.4**	**149.2**	***16.1***	***165.3***
Transfers to/from earmarked Reserves	22.8	(22.8)	-	-	-	-	**-**	-	**-**	*-*	***-***
(Increase)/decrease for the Year	**17.0**	**(22.8)**	**-**	**7.3**	**(5.7)**	**(3.0)**	**(7.2)**	**156.4**	**149.2**	***16.1***	***165.3***
Balance Carried Forward	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**	**(98.4)**	**(238.1)**	***24.3***	***(213.8)***

Movement in Reserves Statement – 2013/14

	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	**(15.9)**	**(61.1)**	**(5.0)**	**(9.7)**	**(5.5)**	**(31.6)**	**(128.8)**	**(239.6)**	**(368.4)**	***22.8***	***(345.6)***
(Surplus)/Deficit on Provision of Services	112.8	-	(15.4)	-	-	-	**97.4**	-	**97.4**	*1.9*	***99.3***
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(116.3)	**(116.3)**	*(16.5)*	***(132.8)***
Total Comprehensive Income and Expenditure	**112.8**	**-**	**(15.4)**	**-**	**-**	**-**	**97.4**	**(116.3)**	**(18.9)**	***(14.6)***	***(33.5)***
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 10B)	(106.6)	-	15.6	(3.5)	(4.1)	(2.5)	**(101.1)**	101.1	**-**	-	**-**
Net Increase/Decrease before Transfers & Other Movements	**6.2**	**-**	**0.2**	**(3.5)**	**(4.1)**	**(2.5)**	**(3.7)**	**(15.2)**	**(18.9)**	***(14.6)***	***(33.5)***
Transfers from/to other Reserves (Note 10C)	(17.3)	17.5	(0.2)	-	-	-	**-**	-	**-**	-	**-**
Decrease/(Increase) for the Year	**(11.1)**	**17.5**	**0.0**	**(3.5)**	**(4.1)**	**(2.5)**	**(3.7)**	**(15.2)**	**(18.9)**	***(14.6)***	***(33.5)***
Balance Carried Forward	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**	**(254.8)**	**(387.3)**	***8.2***	***(379.1)***

Cash Flow Statement

2013/14 Council £m	2013/14 *Group £m*		Note	2014/15 Council £m	2014/15 *Group £m*
97.4	*99.3*	Net deficit on the provision of services		69.1	*70.0*
(162.0)	*(166.4)*	Adjust for non-cash movements		(161.9)	*(160.0)*
12.5	*12.5*	Adjust for items that are investing and financing activities		16.4	*16.4*
(52.1)	***(54.6)***	**Net cash flows from operating activities**		**(76.4)**	***(73.6)***
		Comprising:			
31.3	*30.2*	Interest paid	7C	30.2	*30.3*
(0.4)	*(0.4)*	Interest received	7C	(0.3)	*(0.9)*
(4.1)	*(4.1)*	Dividends received		(0.9)	*(0.9)*
(78.9)	*(80.3)*	Other operating activities		(105.4)	*(102.1)*
(52.1)	***(54.6)***	**Net cash flows from operating activities**		**(76.4)**	***(73.6)***
		Investing activities			
93.1	*93.1*	Purchase of property, plant and equipment, investment property and intangible assets	5	103.3	*103.3*
584.6	*584.6*	Purchase of short-term and long-term investments		493.4	*493.4*
(12.5)	*(12.5)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(16.4)	*(16.4)*
(571.7)	*(571.7)*	Other receipts from investing activities		(479.7)	*(479.7)*
93.5	***93.5***	**Net cash flows from investing activities**		**100.6**	***100.6***

Cash Flow Statement (continued)

2013/14 Council £m	2013/14 *Group £m*		Note	2014/15 Council £m	2014/15 *Group £m*
		Financing activities			
(164.5)	*(164.5)*	Cash receipts of short- and long-term borrowing		(68.3)	*(68.3)*
1.7	*1.7*	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		3.1	*3.1*
120.8	*120.8*	Repayments of short-and long-term borrowing		43.9	*43.9*
(42.0)	***(42.0)***	**Net cash flows from total financing activities**		**(21.3)**	***(21.3)***
(0.6)	***(3.1)***	**Net (increase) or decrease in cash and cash equivalents**		**2.9**	***5.7***
		Cash and cash equivalents at the start of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
3.3	*11.9*	- Bank current accounts		3.9	*15.0*
3.5	***12.1***			**4.1**	***15.2***
		Cash and cash equivalents at the end of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
3.9	*15.0*	- Bank current accounts		1.0	*9.3*
4.1	***15.2***			**1.2**	***9.5***

Page 33

Note 1 – Financial Performance for 2014/15

The purpose of this note is to show how the council's financial performance for 2014/15 was reported to its management (senior officers and councillors).

General Fund

The following table compares the council's General Fund outturn for 2014/15 to its budget. It analyses spend by directorate, which is the format used for internal reporting to management. This table is calculated in line with the legal requirements. As the table shows, the outturn was balanced without calling upon the £9.9 million General Fund reserve that had been budgeted for. After taking into account net transfers to/from earmarked reserves, there was a reduction in the General Fund Balance of £17.0 million, with remaining funds totalling £10.0 million at the end of the financial year.

Service	2014/15 Net Controllable Budget £m	2014/15 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Place	46.3	41.1	(5.2)
People	134.2	132.0	(2.2)
Corporate Services (including Education)	30.5	28.7	(1.8)
Corporate Budgets	36.6	38.8	2.2
Net Budget Requirement	**247.6**	**240.6**	**(7.0)**
Funding:			
Government Grant (General)	(161.8)	(164.7)	(2.9)
Council Tax	(76.6)	(76.6)	-
Collection Fund Deficit	0.7	0.7	-
Budgeted Use of Reserves	(9.9)	-	9.9
Total Funding	**(247.6)**	**(240.6)**	**7.0**
Net Budget (Surplus)/Deficit	**-**	**-**	**-**

Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £22.0 million, compared to a budgeted surplus of £12.0 million. The following table shows the outturn position on the HRA during the year. The table excludes any transactions which are required by the Code but are not a charge or credit to the HRA under law.

	2014/15 Approved Budget £m	2014/15 Outturn £m	Variation £m
Income			
Gross Rents - Dwellings	(91.5)	(92.1)	(0.6)
Gross Rents - Non Dwellings	(1.6)	(1.7)	(0.1)
Charges to Tenants for Services and Facilities	(5.2)	(5.2)	-
Total Income	**(98.3)**	**(99.0)**	**(0.7)**
Expenditure			
Repairs and Maintenance	26.5	25.8	(0.7)
Supervision and Management	18.8	18.3	(0.5)
Rents, Rates and Taxes	0.2	0.4	0.2
Increase in Provision for Bad Debts	2.0	0.6	(1.4)
Depreciation of Long Term Assets	21.9	22.5	0.6
Total Expenditure	**69.4**	**67.6**	**(1.8)**
Net Cost of HRA Services	**(28.9)**	**(31.4)**	**(2.5)**
(Gain) on sale of property, plant and equipment	-	(1.6)	(1.6)
(Gain) on the fair value of investments	-	(0.1)	(0.1)
Interest Payable	17.0	11.2	(5.8)
Interest and Investment Income	-	(0.1)	(0.1)
Adjustment for Premiums & Discounts	(0.1)	-	0.1

	2014/15 Approved Budget £m	2014/15 Outturn £m	Variation £m
Surplus before Transfers to/from Reserves and Provision for Redemption of Debt	**(12.0)**	**(22.0)**	**(10.0)**
Allocation of Surplus			
Provision for Redemption of Debt	12.0	22.0	10.0
Transfer to/(from) Reserves	-	-	-
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	2014/15 Approved Budget £m	2014/15 Outturn £m	Variation Over/(Under) £m
General Fund			
Corporate	29.9	23.0	(6.9)
People	6.9	3.1	(3.8)
Place	54.8	39.1	(15.7)
Total General Fund	**91.6**	**65.2**	**(26.4)**
Housing Revenue Account	73.0	56.3	(16.7)
Total Expenditure	**164.6**	**121.5**	**(43.1)**

Funding	Approved Funding £m	Outturn Funding £m	Variation Over/(Under) £m
General Fund			
External Funding			
Grants & Contributions	40.7	35.3	(5.4)
	40.7	**35.3**	**(5.4)**
	44.43%	54.14%	
Council Funding			
Capital Receipts	7.4	7.1	(0.3)
Prudential Borrowing	43.3	22.6	(20.7)
Revenue Contributions	0.2	0.2	-
	50.9	**29.9**	**(21.0)**
	55.57%	45.86%	
Total General Fund Funding	**91.6**	**65.2**	**(26.4)**
Housing Revenue Account			
External Funding			
Grants & Contributions	12.2	13.2	1.0
	12.2	**13.2**	**1.0**
	16.71%	23.45%	
Council Funding			
Capital Receipts	2.8	1.5	(1.3)
Prudential Borrowing	28.4	12.0	(16.4)

Funding	Approved Funding £m	Outturn Funding £m	Variation Over/(Under) £m
Major Repairs Reserve	29.6	29.6	-
	60.8	**43.1**	**(17.7)**
	83.29%	76.55%	
Total Housing Revenue Account Funding	**73.0**	**56.3**	**(16.7)**

Reserves

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

	Balance at 31 March 2014 £m	Net Movements 2014/15 £m	Balance at 31 March 2015 £m
Specific Earmarked Reserves			
Efficiency Reserve(corporate)	5.4	0.5	5.9
Budget Contingency Reserve(corporate)	0.5	6.3	6.8
Job Evaluation Reserve(corporate)	2.6	-	2.6
Budget Strategy Reserve(corporate)	-	9.0	9.0
Other Earmarked Reserves			
People	3.7	1.5	5.2
Place	3.8	0.1	3.9
Corporate Services (including Education)	5.3	0.4	5.7
Corporate Budgets	6.3	6.1	12.4
Schools' Balances	16.0	(1.0)	15.0
Total Earmarked Reserves	**43.6**	**22.9**	**66.5**

Other Reserves			
General Fund Balance	27.0	(17.0)	10.0
Housing Revenue Account Balance	5.0	-	5.0
Total Usable Revenue Reserves	**75.6**	**5.9**	**81.5**

Note 2 – Income and Expenditure

2A - Acquired and Discontinued Operations

The Council has not acquired or discontinued any operations during the year under review. In the previous year, with effect from 1 April 2013, responsibility for Public Health was transferred to the Council from the former Primary Care Trust. The income and expenditure for Public Health for the current year has been included in continuing operations while the previous year amounts are included under services acquired.

2B – Trading Operations

2013/14			2014/15	
Turnover £m	Deficit/ (Surplus) £m	Operation	Turnover £m	Deficit/ (Surplus) £m
(2.3)	(0.1)	Markets	(2.1)	(0.3)
(3.8)	0.3	Cleaning of Buildings	(4.1)	-
-	-	Leisure Centres	(0.1)	-
(4.6)	-	Ground Maintenance	(5.3)	-
(2.9)	(0.3)	Street Cleaning	(0.1)	-
(7.5)	-	Schools and Welfare Catering	(7.9)	-
(0.3)	-	Civic Centre and Other Catering	(0.3)	-
(5.7)	-	Transport Services	(5.6)	-
(0.9)	-	Former DSO Depots	(0.2)	-
(28.0)	**(0.1)**	**Total**	**(25.7)**	**(0.3)**

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 (e.g. Street Cleaning), whilst others are support services to the Council's services to the public (e.g. Schools and Welfare Catering). The expenditure of these operations is allocated or recharged to headings within the Net Cost of Services. Expenditure and income attributable to the external element of trading operations are disclosed on the face of the Comprehensive Income and Expenditure Statement.

The (surpluses)/deficits shown in the table above are generated from the Council's external trading operations and are therefore not apportioned at year end.**2C – Pooled Budgets**

The Council takes part in a pooled budget scheme with Wolverhampton Clinical Commissioning Group (CCG). The table below provides a summary of this scheme, with the administering body's name in brackets.

2013/14				2014/15		
Council Contribution £m	PCT Contribution £m	Total Expenditure £m	Scheme	Council Contribution £m	CGG Contribution £m	Total Expenditure £m
2.5	1.7	4.2	Child Placements with External Agencies (Council) - An integrated service to provide placements for children with social care, education and health needs	2.4	1.6	4.0

2D – Councillors' Allowances

The council paid £927,000 in Councillors' allowances during 2014/15 (2013/14: £991,000).

2E – Senior Officers' Remuneration

The following table sets out the remuneration disclosures for Senior Officers for the nine month period 1 April 2014 to 31 December 2014 (with reference to notes where applicable) under the old organisational structure, which ceased on 31 December 2014. The structure was based upon Office of the Chief Executive, Delivery, Community and Enterprise and Education and was replaced by Corporate, People and Place.
The following table sets out the remuneration disclosures for Senior Officers (with reference to notes where applicable):

Post Title / Name		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Employers' Pension Contribution £	Total Remuneration £
Senior Officers with a salary of £150,000 or more per year						
Chief Executive, Simon Warren [1]	**2014/15**	**79,062**	**-**	**-**	**16,129**	**95,191**
	2013/14	158,203	-	-	30,217	188,420
Senior Officers with a salary of £150,000 or less per year						
Strategic Director Delivery [2]	**2014/15**	**97,500**	**-**	**-**	**19,890**	**117,390**
	2013/14	130,000	-	-	24,830	154,830
Strategic Director Community [3]	**2014/15**	**105,242**	**-**	**-**	**21,469**	**126,711**
	2013/14	131,818	-	-	25,177	156,995
Strategic Director Education and Enterprise [4]	**2014/15**	**97,500**	**-**	**-**	**19,890**	**117,390**
	2013/14	112,527	-	-	21,493	134,020
Director of Pensions [5 & 6]	**2014/15**	**97,500**	**-**	**-**	**19,890**	**117,390**
	2013/14	124,637	-	-	23,829	148,466
Assistant Director Finance (Section 151 Officer) [7]	**2014/15**	**63,965**	**-**	**-**	**13,049**	**77,014**
	2013/14	85,287	-	963	16,290	102,540
Assistant Director Education and Enterprise - Interim [8]	**2014/15**	**93,456**	**-**	**-**	**-**	**93,456**
Assistant Director Schools, Skills and Learning - Interim	2013/14	96,052	-	-	-	96,052
Assistant Director Schools, Skills and Learning	2013/14	26,502	-	254	4,363	31,119

Post Title / Name		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Employers' Pension Contribution £	Total Remuneration £
Assistant Director Children, Young People and Families [9]	**2014/15**	**64,494**	**-**	**-**	**13,157**	**77,651**
	2014/15	**7,461**	**-**	**-**	**1,522**	**8,983**
	2013/14	86,712	-	963	16,562	104,237
Assistant Director Older People and Personalisation [10]	**2014/15**	**67,145**	**-**	**-**	**13,697**	**80,842**
	2013/14	86,712	-	963	16,562	104,237
Assistant Director Health, Wellbeing and Disabilities [11]	**2014/15**	**65,034**	**-**	**-**	**13,267**	**78,301**
	2013/14	86,712	-	963	16,562	104,237
Director of Public Health [12]	**2014/15**	**67,230**	**-**	**722**	**9,412**	**77,364**
	2013/14	87,747	-	963	12,285	100,995
Assistant Director Regeneration [13]	**2014/15**	**67,145**	**-**	**-**	**13,697**	**80,842**
	2013/14	86,712	-	963	16,562	104,237
Assistant Director Partnership, Economy and Culture [14]	**2014/15**	**65,034**	**-**	**-**	**13,267**	**78,301**
	2013/14	86,712	-	963	16,562	104,237
Assistant Director Central Services [15]	**2014/15**	**65,034**	**-**	**-**	**13,267**	**78,301**
	2013/14	86,712	-	963	16,562	104,237
Assistant Director Investments [5 & 16]	**2014/15**	**63,965**	**-**	**5,800**	**13,049**	**82,814**
	2013/14	50,897	-	575	9,721	61,193
Assistant Director Business Change [17]	**2014/15**	**63,000**	**-**	**-**	**12,852**	**75,852**
	2013/14	89,535	-	963	17,101	107,599
Chief Human Resources Officer [18]	**2014/15**	**49,825**	**-**	**-**	**10,107**	**59,932**
	2013/14	66,225	-	-	12,649	78,874
Chief Legal Officer - Interim [19]	**2014/15**	**92,837**	**-**	**-**	**-**	**92,837**
	2013/14	131,467	-	-	-	131,467
Chief Accountant - Interim [20]	**2014/15**	**89,955**	**-**	**-**	**-**	**89,955**
	2013/14	52,048	-	-	-	52,048

Note 1: The post of Chief Executive was deleted on 1 October 2014 and had an annual salary of £158,124. Between April to September 2014 pay costs of £11,580 were funded from West Midlands Pension Fund, and not from the General Fund. During 2013/14 the figure was £4,370.

Note 2: The post of Strategic Director Delivery was deleted on 31 December 2014 and had an annual salary of £130,000. Between October to December 2014 pay cost of £4,750 were funded from West Midlands Pension Fund, and not from the General Fund.

Note 3: The post of Strategic Director Community became vacant on 31 December 2014 and had an annual salary of £131,818.

Note 4: The post of Strategic Director Education and Enterprise had an annual salary of £130,000.

Note 5: The pay costs of these officers are funded from West Midlands Pension Fund, and not from the General Fund.

Note 6: The post of Director of Pensions (West Midlands Pension Fund) had an annual salary of £130,000.

Note 7: The Assistant Director Finance post holder was assimilated into the post of Director of Finance on 1 January 2015 and had an annual salary of £85,287. Between April and December 2014 pay costs of £7,650 were funded from West Midlands Pension Fund, and not from the General Fund.

Note 8: The post of Assistant Director Education and Enterprise was held on an interim basis to 31 December 2014. The post was created when the post of Assistant Director Schools, Skills and Learning was deleted, which was held by two individuals during 2013/14, one on an interim basis from 22 July 2013.

Note 9: The post of Assistant Director Children, Young People and Families had an annual salary of £89,526 and was held by two individuals during the year.

Note 10: The post of Assistant Director Older People and Personalisation had an annual salary of £89,526.

Note 11: The post of Assistant Director Health, Wellbeing and Disabilities had an annual salary of £86,712.

Note 12: The post of Director of Public Health had an annual salary of £89,640.

Note 13: The post of Assistant Director Regeneration had an annual salary of £89,526.

Note 14: The post of Assistant Director Partnership, Economy and Culture had an annual salary of £86,712.

Note 15: The post of Assistant Director Central Services became vacant on 31 December 2014 and had an annual salary of £86,712.

Note 16: The post of Assistant Director Investments had a salary payable for the year of £85,713 and was paid a Relocation Allowance of £5,800 during 2014/15.

Note 17: The post of Assistant Director Business Change became vacant on 30 November 2014 and had an annual salary of £94,500. The post was deleted.

Note 18: The post of Chief Human Resources Officer became vacant on 31 December 2014 and was deleted. The post had an annual salary of £66,062.

Note 19: The post of Chief Legal Officer became vacant on 31 December 2014 and was deleted. The post was held on an interim basis. Between April to December 2014 pay costs of £6,530 were funded from West Midlands Pension Fund, and not from the General Fund.

Note 20: The post of Chief Accountant was held on an interim basis during 2014/15 to 31 December 2014. The post was created in November 2013 and was held on an interim basis.

6. THE FINANCIAL STATEMENTS

The following table sets out the remuneration disclosures for Senior Officers for the three month period 1 January 2015 to 31 March 2015 (with reference to notes where applicable) under the new organisational structure, implemented on 1 January 2015. The structure is based upon Corporate, People and Place, and replaces Office of the Chief Executive, Delivery, Community and Enterprise and Education

Post Title / Name		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Employers' Pension Contribution £	Total Remuneration £
Senior Officers with a salary of less than £150,000 per year						
Managing Director [1]	2014/15	35,000	-	-	7,140	42,140
Strategic Director People - Interim [2]	2014/15	62,586	-	-	-	62,586
Strategic Director Place [3]	2014/15	32,500	-	-	6,630	39,130
Strategic Director Pension [4 & 5]	2014/15	32,500	-	-	6,630	39,130
Director of Finance (Section 151 Officer) [6]	2014/15	25,000	-	-	5,100	30,100
Director of Governance [7]	2014/15	25,838	-	-	5,271	31,109
Director of Education [8]	2014/15	25,838	-	-	5,271	31,109
Service Director Children and Young People [9]	2014/15	21,748	-	-	4,437	26,185
Service Director Older People [10]	2014/15	22,829	-	-	4,657	27,486

Post Title / Name		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Employers' Pension Contribution £	Total Remuneration £
Service Director Disability and Mental Health [11]	2014/15	22,112	-	-	4,511	26,623
Service Director Well-Being [12]	2014/15	23,486	-	241	3,288	27,015
Service Director City Assets [13]	2014/15	22,829	-	-	4,657	27,486
Service Director City Economy [14]	2014/15	22,112	-	-	4,511	26,623
Service Director City Environment - Interim [15]	2014/15	36,529	-	-	-	36,529
Assistant Director Investments [4 & 16]	2014/15	21,748	-	-	4,437	26,185
Chief Accountant [17]	2014/15	16,256	-	-	3,316	19,572

Note 1: The post of Managing Director had an annual salary of £140,000. Between January to March 2015 pay costs of £5,120 were funded from West Midlands Pension Fund, and not from the General Fund.

Note 2: The post of Strategic Director People was held on an interim basis.

Note 3: The post of Strategic Director Place had an annual salary of £130,000

Note 4: The pay costs of these officers are funded from West Midlands Pension Fund, and not from the General Fund.

Note 5: The post of Strategic Director Pension had an annual salary of £130,000.

Note 6: The Director of Finance post holder was assimilated from the post of Assistant Director Finance and had an annual salary of £100,000. Between January and March 2015 pay costs of £3,000 were funded from West Midlands Pension Fund, and not from the General Fund.

Note 7: The post of Director of Governance had an annual salary of £103,350 and held main responsibilities for HR and Legal Functions. Between January to March 2015 pay costs of £3,100 were funded from West Midlands Pension Fund, and not from the General Fund.

Note 8: The post of Director of Education had an annual salary of £103,350.

Note 9: The post of Service Director Children and Young People had an annual salary of £86,993.

Note 10: The post of Service Director Older People had an annual salary of £91,317.

Note 11: The post of Service Director Disability and Mental Health had an annual salary of £88,446.
Note 12: The post of Service Director Well-Being had an annual salary of £93,944.
Note 13: The post of Service Director City Assets had an annual salary of £91,317.
Note 14: The post of Service Director City Economy had an annual salary of £88,446.
Note 15: The post of Service Director City Environment was held on an interim basis.
Note 16: The post of Assistant Director Investments had a salary payable for the year of £85,713.
Note 17: The post of Chief Accountant had an annual salary of £65,025.

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

	2014/15				
	Number of Employees				
Remuneration Band	**Schools**	**Pension Fund**	**Rest of Council**	**Total Number of Employees In Band**	**Employees Receiving Termination Packages (included in total)**
£50000 - £54999	50	1	36	87	6
£55000 - £59999	30	-	18	48	5
£60000 - £64999	26	-	9	35	4
£65000 - £69999	12	-	1	13	1
£70000 - £74999	8	-	3	11	2
£75000 - £79999	7	-	1	8	1
£80000 - £84999	1	-	1	2	1
£85000 - £89999	2	-	-	2	-
£90000 - £94999	2	-	1	3	1
£95000 - £99999	1	-	-	1	-
£100000 - £104999	1	-	-	1	1
£105000 - £109999	-	-	-	-	-
£110000 - £114999	1	-	-	1	-
£115000 - £119999	-	-	-	-	-
£120000 - £124999	-	-	-	-	-
£125000 - £129999	-	-	-	-	-
£130000 - £134999	-	-	-	-	-
£135000 - £139999	-	-	-	-	-
£140000 - £144999	-	-	-	-	-
£145000 - £145999	-	-	-	-	-
Total	**141**	**1**	**70**	**212**	**22**

Page 48

	2013/14				
	Number of Employees				
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees In Band	Employees Receiving Termination Packages (included in total)
£50000 - £54999	56	2	31	87	3
£55000 - £59999	32	1	28	60	5
£60000 - £64999	31	1	14	45	9
£65000 - £69999	23	-	5	28	4
£70000 - £74999	7	-	4	11	4
£75000 - £79999	3	-	4	7	4
£80000 - £84999	2	-	1	3	0
£85000 - £89999	6	-	2	8	2
£90000 - £94999	3	-	1	4	1
£95000 - £99999	1	-	-	1	-
£100000 - £104999	1	-	-	1	-
£105000 - £109999	-	-	-	-	-
£110000 - £114999	-	-	-	-	-
£115000 - £119999	1	-	-	1	-
£120000 - £124999	-	-	-	-	-
£125000 - £129999	-	-	-	-	-
£130000 - £134999	-	-	-	-	-
£135000 - £139999	-	-	-	-	-
£140000 - £144999	-	-	1	1	1
£145000 - £145999	-	-	-	-	-
Total	**166**	**4**	**91**	**257**	**33**

2F – Exit Packages

The following table provides information about exit packages payable by the council during the year. This includes both schools and the Pension Fund.

2013/14						Value of Individual Package	2014/15					
Compulsory		Voluntary		Total			Compulsory		Voluntary		Total	
No.	£m	No.	£m	No.	£m		No.	£m	No.	£m	No.	£m
-	-	-	-	-	-	£300,001 to £350,000	-	-	1	0.3	1	0.3
-	-	-	-	-	-	£250,001 to £300,000	-	-	-	-	-	-
-	-	-	-	-	-	£200,001 to £250,0000	1	0.2	-	-	1	0.2
-	-	-	-	-	-	£150,000 to £200,000	-	-	1	0.2	1	0.2
-	-	-	-	-	-	£100,000 to £150,000	-	-	12	1.4	12	1.4
-	-	2	0.2	2	0.2	£80,000 to £100,000	-	-	5	0.5	5	0.5
3	0.2	1	0.1	4	0.3	£60,000 to £80,000	3	0.2	8	0.6	11	0.8
2	0.1	9	0.5	11	0.6	£40,000 to £60,000	3	0.2	42	2.1	45	2.3
10	0.3	73	1.9	83	2.2	£20,000 to £40,000	5	0.2	56	1.6	61	1.8
82	0.5	510	4.0	592	4.5	Less than £20,000	146	0.8	299	2.5	445	3.3
97	**1.1**	**595**	**6.7**	**692**	**7.8**	**Total**	**158**	**1.6**	**424**	**9.2**	**582**	**10.8**

2G – Amounts Payable to the Auditors

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

2013/14(Restated) £m		2014/15 £m
	Audit Commission – statutory inspections:	
-	- Audit inspection fee	-
(0.034)	- Rebates for arrangements relating to the abolition of the Audit Commission (*)	(0.026)
(0.034)	**Sub Total Audit Commission**	**(0.026)**
	PricewaterhouseCoopers LLP	
0.251	- External audit (council)	0.253
0.049	- Certification of grant claims and returns	0.041
0.186	- Additional work (**)	0.109
0.486	**Sub Total PricewaterhouseCoopers LLP**	**0.403**
0.452	**TOTAL**	**0.377**

* The rebates of £26,000 in 2014/15 and £34,000 in 2013/14 were intended to smooth any financial impact of the abolition of the Audit Commission on local authorities.

** The fees to PricewaterhouseCoopers LLP in 2013/14 for additional work relate to £34,000 risk based work, £85,000 estates review, £62,000 Future Space Programme Business Case Support and £9,000, £3,000 multi-tax helpline and £2,000 Decent Home certification. In 2014/15 the additional work relates to £57,000 risk based work, £24,000 Future Works review, £20,000 overpaid landfill tax claim and £8,000 teachers pension return 2013-14.

The prior year amounts have been restated by deleting an amount of £49,000 in respect of the West Midlands Pension Fund.

2H – 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 a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Over and underspends on the two elements are required to be accounted for separately. The table below shows how the council applied its DSG.

2013/14 Central Expenditure £m	2013/14 Individual Schools Budget £m	2013/14 Total £m		2014/15 Central Expenditure £m	2014/15 Individual Schools Budget £m	2014/15 Total £m
(14.0)	(182.7)	(196.7)	Final DSG for the year before academy recoupment	(12.3)	(186.9)	(199.2)
-	35.1	35.1	Academy figure recouped	-	45.8	45.8
(14.0)	**(147.6)**	**(161.6)**	**Total DSG after academy recoupment for the year**	**(12.3)**	**(141.1)**	**(153.4)**
-	-	-	Brought forward from previous year	-	0.8	0.8
-	-	-	Carry-forward to following year agreed in advance	1.5	(0.2)	1.3
(14.0)	**(147.6)**	**(161.6)**	**Agreed initial budgeted distribution in the year**	**(10.8)**	**(140.5)**	**(151.3)**
(14.0)	**(147.6)**	**(161.6)**	**Final budgeted distribution for the year**	**(10.8)**	**(140.5)**	**(151.3)**
14.2	-	14.2	Less actual central expenditure	11.2	-	11.2
-	148.2	148.2	Less actual ISB deployed to schools	-	141.2	141.2
0.2	**0.6**	**0.8**	**Overspend carried forward to following year**	0.4	0.7	1.1

Note 2I – Exceptional Items

There were no new exceptional items of expense or income in 2014/15.

Note 2J – Events after the Reporting Period
There have been no significant events after the reporting period for 2014/15.

Note 3 – Current Receivables and Payables
The tables below show amounts owed to the Council (receivables), and amounts owed by the Council (payables) at the end of the year, split by type of organisation.

3A – Current Receivables

31 March 2014 (Restated)			31 March 2015	
Council £m	*Group £m*	Type of organisation	Council £m	*Group £m*
10.5	*10.5*	Central government bodies	2.6	*2.6*
-	-	Other local authorities	1.0	*1.0*
-	-	NHS bodies	8.3	*8.3*
65.7	*64.5*	Bodies external to general government	87.7	*86.1*
76.2	***75.0***	**Total**	**99.7**	***98.0***

The prior year amounts have been restated by reducing the amounts due by Central Government bodies by £30.2 million. This was incorrectly classified and has now been included with bodies external to Central Government.

3B – Current Payables

31 March 2014			31 March 2015	
Council £m	*Group £m*	Type of organisation	Council £m	*Group £m*
(4.3)	*(5.4)*	Central government bodies	(11.3)	*(13.1)*
(1.0)	*(1.0)*	Other local authorities	(0.8)	*(0.8)*
(0.1)	*(0.1)*	NHS bodies	(0.2)	*(0.2)*
(65.8)	*(68.3)*	Bodies external to general government	(82.0)	*(82.4)*
(71.2)	***(74.8)***	**Total**	**(97.0)**	***(96.5)***

Note 4 – Provisions and Contingent Liabilities

4A – Provisions

Balance at 31 March 2014 £m	Provision Name	Provision Details	Amounts Used in 2014/15 £m	Provisions Made in 2014/15 £m	Balance at 31 March 2015 £m
(18.7)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. The Council 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.	6.3	-	(12.4)
(2.3)	Insurance	The Council self-insures risks to property and assets up to a total aggregate limit of £1.0 million and its liability exposures up to a limit of £250,000 on any one occurrence above which limits the external insurance cover operates. The insurance provision of £2.3 million is in respect of the outstanding claims under the self-insurance programme covering the current and past years.	-	-	(2.3)
(1.8)	Termination Benefits	During 2014/15, the Council undertook a further voluntary redundancy exercise. As a result of this initiative, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at the end of the year.	1.8	(0.2)	(0.2)
(0.2)	Midlands Housing Consortium (MHC)	MHC was previously a member of the West Midlands Pension Fund. It paid a lump sum to the Council to support pension payments to fund members. This provision will reduce gradually over time as pension payments are made.	-	-	(0.2)
(0.6)	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 2014/15.	0.6	-	-
(0.1)	Housing Revenue Account	There are three separate provisions: for legal disrepair claims, for tenant management organisation expenditure and for rent bonds.	-	-	(0.1)

Balance at 31 March 2014 £m	Provision Name	Provision Details	Amounts Used in 2014/15 £m	Provisions Made in 2014/15 £m	Balance at 31 March 2015 £m
(1.7)	Outstanding NNDR appeals	The Collection Fund account requires a provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2015.	0.7	(1.1)	(2.1)
(0.1)	Other	These are small amounts relating to ex-members of the pension fund and refunds of aftercare payments made by residents subsequently falling within Section 117 of the Mental Health Act 1983 and from whom charges are not due.	-	-	(0.1)
(25.5)	**Total**		**9.4**	**(1.3)**	**(17.4)**

4B – Contingent Liabilities

At 31 March 2015, the council had the following contingent liabilities:

- The Council entered into a waste disposal contract on 8 February 1996. Under the contract, the waste disposal contractor has constructed a waste energy plant at an estimated cost of £26.6 million and the plant became operational in February 1998. If the contract is terminated by the Council for any reason, the Council becomes liable to pay to the contractor a sum, (the termination sum), equal to 90% of £26.6 million, written down to zero on a straight line depreciation basis over 25 years commencing from the date the plant became operational. The unexpired value of the termination sum at 31 March 2015 is £8.1 million (31 March 2014 - £9.1 million).

- A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £12.4 million (31 March 2014: £18.7 million). 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 2015 is estimated at £366,000 (31 March 2014: £629,000).

- During 2014/15, the Council undertook a further voluntary redundancy exercise. There were a number of applications for voluntary redundancy that were approved prior to the balance sheet date for payment during 2015/16 for which a provision of £200,000 (31 March 2015:£1.8 million) has been raised. There are, however, a number of applications for voluntary redundancy in progress which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.

- Advantage West Midlands (AWM) arranged for the land at i54 to be remediated in 2004 and any contamination found at that time was removed from the site. At the time of purchasing part of the land at i54 from 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 was 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 £2.0 million.

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

- The Council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the Council may be subject to claw back of both previous and future paid claims. A payment of £305,239 was made in 2013/14 based on a 15% levy applied to the total value of claims paid at that point and a further payment is anticipated. If the levy increased to 26% the clawback is estimated to be approximately £300,000.

- In November 2014 the Employee Appeal Tribunal ruled that non-guaranteed overtime should be taken into account when calculating the amount due to employees in respect of holiday pay and that backdated claims can be made. As a result there is a contingent liability for any potential claims from Council employees that may arise. There is a possibility that an appeal may be made against this ruling and there is a lack of clarity with regard to the basis of any potential claims and the period to be backdated. In view of this and the lack of current data available the Council is unable to estimate the likely financial impact of any claims that may arise.

Contingent Assets

- 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 to be responsible. The ability of the Council to progress remediation is directly linked to the legal framework in place.

Note 5 – Non-Current Assets

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

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Total £m
Gross Value										
At 31 March 2014	**1,297.9**	**779.4**	**71.9**	**262.8**	**20.8**	**49.5**	**18.9**	**5.7**	**11.5**	**2,518.4**
Additions	56.5	12.2	5.8	23.9	0.3	0.9	2.6	1.1	-	**103.3**
Disposals	(8.1)	(62.4)	(0.1)	-	-	(1.5)	-	-	-	**(72.1)**
Revaluations / Fair Value Gains/(Losses)	-	14.2	-	-	-	0.4	(0.8)	-	-	**13.8**
Impairments	(0.2)	(15.4)	-	-	-	(0.4)	0.2	-	-	**(15.8)**
Gross Value as at 31 March 2015	**1,346.1**	**728.0**	**77.6**	**286.7**	**21.1**	**48.9**	**20.9**	**6.8**	**11.5**	**2,547.6**
Accumulated Depreciation / Impairment										
At 31 March 2014	**595.9**	**197.5**	**57.5**	**136.0**	**7.0**	**19.1**	**2.6**	**1.2**	**-**	**1,016.8**
Disposals	(1.7)	(5.9)	(0.1)	-	-	(0.2)	-	-	-	**(7.9)**
Depreciation/Impairment Writeback on	-	(5.6)	-	(0.2)	-	-	-	-	-	**(5.8)**
Impairments Reversed	-	(0.8)	-	-	-	-	-	-	-	**(0.8)**
Depreciation / Amortisation	21.8	22.8	5.1	8.9	-	1.1	-	1.1	-	**60.8**
Accumulated Depreciation / Impairment at 31 March 2015	**616.0**	**208.0**	**62.5**	**144.7**	**7.0**	**20.0**	**2.6**	**2.3**	**-**	**1,063.1**
Net Book Value As at 31 March 2015	**730.1**	**520.0**	**15.1**	**142.0**	**14.1**	**28.9**	**18.3**	**4.5**	**11.5**	**1,484.5**
Net Book Value As at 31 March 2014	**702.0**	**581.9**	**14.4**	**126.8**	**13.8**	**30.4**	**16.3**	**4.5**	**11.5**	**1,501.6**

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Total £m
Gross Value										
At 31 March 2013	**1,261.8**	**866.6**	**66.8**	**256.0**	**27.5**	**43.1**	**16.9**	**2.5**	**11.5**	**2,552.7**
Additions	43.1	31.2	5.1	6.8	1.1	0.3	2.1	3.2	-	**92.9**
Disposals	(7.0)	(75.6)	-	-	-	(2.1)	-	-	-	**(84.7)**
Revaluations / Fair Value Gains/(Losses)	-	(33.4)	-	-	(7.8)	(1.5)	0.2	-	-	**(42.5)**
Impairments	-	-	-	-	-	-	-	-	-	**-**
Other Changes	-	(9.4)	-	-	-	9.7	(0.3)	-	-	**(0.0)**
Gross Value at 31 March 2014	**1,297.9**	**779.4**	**71.9**	**262.8**	**20.8**	**49.5**	**18.9**	**5.7**	**11.5**	**2,518.4**
Accumulated Depreciation / Impairment										
At 31 March 2013	**574.0**	**216.7**	**51.9**	**125.7**	**4.9**	**15.0**	**2.6**	**0.8**	**-**	**991.6**
Disposals	-	(11.1)	-	-	-	0.8	-	-	-	**(10.3)**
Depreciation/Impairment Writeback on Revaluation	-	(44.5)	-	-	(3.4)	(1.6)	-	0.4	-	**(49.1)**
Impairments	0.2	24.2	-	-	5.5	3.2	-	-	-	**33.1**
Impairments Reversed	(0.2)	(11.0)	-	-	-	(0.1)	-	-	-	**(11.3)**
Depreciation / Amortisation	21.9	24.1	5.6	10.3	-	0.9	-	-	-	**62.8**
Other Changes	-	(0.9)	-	-	-	0.9	-	-	-	**-**
Accumulated Depreciation / Impairment at 31 March 2014	**595.9**	**197.5**	**57.5**	**136.0**	**7.0**	**19.1**	**2.6**	**1.2**	**-**	**1,016.8**
Net Book Value at 31 March 2014	**702.0**	**581.9**	**14.4**	**126.8**	**13.8**	**30.4**	**16.3**	**4.5**	**11.5**	**1,501.6**
Net Book Value at 31 March 2013	**687.8**	**649.9**	**14.9**	**130.3**	**22.6**	**28.1**	**14.3**	**1.7**	**11.5**	**1,561.1**

Depreciation/Amortisation
Property, plant and equipment assets are depreciated on a straight-line basis over the estimated useful economic life of the asset, with the exception of council dwellings, for which the Major Repairs Allowance is used as a proxy for depreciation. Intangible assets are amortised on the straight-line basis over the estimated useful economic life of the asset. No depreciation is charged on investment properties, heritage assets or land.

Revaluation
During 2014/15 the council re-valued a number of assets. The effective date of this revaluation was 1 April 2014. 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 Assistant Director Regeneration.

Basis of valuation
In accordance with the CIPFA Code of Practice on Local Authority Accounting 2014/15, infrastructure, community assets, and assets under construction are valued at depreciated historical cost. All other classes of asset are measured at fair value. For vehicles, plant, furniture and equipment fair value is determined by depreciated historical cost due to the short useful life of these assets (2-7 years depending on the asset). The fair value of council dwellings is measured using existing use value (social housing). For all other asset classes, where there is no market-based evidence of fair value, the Council estimates fair value using the depreciated replacement cost approach. The following table describes the measurement basis used to determine the gross carrying value of each of the council's classes of non-current assets.

Asset Class	Measurement Base
Council Dwellings	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 depreciated historical cost due to the short useful life of the asset.
Infrastructure Assets	Depreciated historical cost.
Community Assets	Depreciated historical cost or valuation.
Surplus Assets	Fair value 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) and subsequently measured at fair value
Intangible Assets	Amortised Cost
Heritage Assets	Where the council has information on the cost or value of the asset, the asset is recognised at this amount.

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

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

Capital Commitments
At 31 March 2015, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years with an estimated total value of £38.8 million (31 March 2014: £47.2 million). The major commitments are: Bilston Urban Village (£5.3 million), Interchange Block 10 Development (£5.2 million) and Decent Homes (£4.5 million).

Investment Properties
During the year the Council had £0.9 million of income receivable from investment properties (2013/14: £1.3 million) and spent £122,000 on managing and maintaining those properties (2013/14: £226,000). There are no restrictions on the Council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, or for repairs, maintenance or enhancements.

Impairment
During 2014/15, the Council identified a number of impairments as part of the regular review of its properties. The total value of those impairments was £15.8 million. There were no impairments that were individually material during 2014/15.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £779.0 million at 31 March 2015 (31 March 2014: £766.8 million).

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2013/14 £m		2014/15 £m
750.5	**Opening Capital Financing Requirement**	**766.8**
	Capital Investment	
87.7	Property, Plant and Equipment	99.6
2.1	Investment Properties	2.6
3.2	Intangible Assets	1.1
66.1	Revenue Expenditure Funded from Capital under Statute	18.2
	Sources of finance	
(6.6)	Capital receipts	(8.6)
(99.5)	Government grants and other contributions	(48.5)
	Sums set aside from revenue:	
(18.5)	Direct revenue contributions	(29.7)
(18.2)	MRP/loans fund principal	(22.5)
766.8	**Closing Capital Financing Requirement**	**779.0**
	Explanation of movements in year	
17.8	Increase in underlying need to borrowing (unsupported by government financial assistance)	12.1
0.1	Assets acquired under finance leases	0.1
(1.6)	Assets acquired under PFI contracts	-
16.3	**Increase/(decrease) in Capital Financing Requirement**	**12.2**

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. During the year the Council contributed £3.8 million which was a contribution rate of 14.1% (2013/14: £3.8 million; 14.1%).

- 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.

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

Transactions Relating to Post-employment Benefits

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

2013/14 LGPS £m	2013/14 Teachers £m		2014/15 LGPS £m	2014/15 Teachers £m
		Comprehensive Income And Expenditure Statement		
		Cost of Services:		
(28.9)	-	- Current service cost	(21.8)	-
(0.1)	-	- Past service costs	(0.2)	-
3.5	(0.3)	- Settlements and curtailments	(6.2)	(0.2)
(0.4)	-	- Administration Expenses	(0.3)	-
		Financing and Investment Income and Expenditure:		
(20.0)	(2.1)	- Net Interest cost	(17.3)	(2.3)
(45.9)	**(2.4)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(45.8)**	**(2.5)**
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
106.9	2.7	- Re-measurements (liabilities and assets)	(100.6)	(4.8)
61.0	**0.3**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(146.4)**	**(7.3)**
		Movement In Reserves Statement		
(45.9)	**(2.4)**	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	**(45.8)**	**(2.5)**
		Actual amount charged against the General Fund Balance for pensions in the year:		
24.8	-	- Employer's contributions payable to scheme	23.2	-
-	3.8	- Retirement benefits payable to pensioners	-	3.8

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:

2013/14 LGPS £m	Assets	2014/15 LGPS £m
747.9	**Opening balance at 1 April**	**763.7**
31.3	Interest Income	33.1
(7.4)	Re-measurement Gain/(Loss)	82.0
24.8	Employer contributions	23.1
7.8	Contributions by scheme participants	6.7
(40.0)	Benefits paid	(50.6)
(0.3)	Settlements	(0.5)
(0.4)	Administration expenses	(0.3)
763.7	**Closing balance at 31 March**	**857.2**

2013/14 Funded: LGPS £m	2013/14 Unfunded: LGPS £m	2013/14 Unfunded: Teachers £m	Liabilities	2014/15 Funded: LGPS £m	2014/15 Unfunded: LGPS £m	2014/15 Unfunded: Teachers £m
(1,217.3)	**(22.6)**	**(59.8)**	**Opening balance at 1 April**	**(1,147.5)**	**(22.4)**	**(55.7)**
(28.9)	-	-	Current service cost	(21.8)	-	-
(50.4)	(0.9)	(2.1)	Interest cost	(49.5)	(0.9)	(2.3)
(7.8)	-	-	Contributions - participants	(6.7)	-	-
114.8	(0.5)	2.7	Re-measurement Gain/(Loss)	(180.5)	(2.1)	(4.8)
38.4	1.6	3.8	Benefits paid	49.0	1.6	3.8
(0.1)	-	-	Past service costs	(0.2)	-	-
(1.6)	-	(0.3)	Curtailments	(7.7)	-	(0.2)
5.4	-	-	Settlements	2.1	-	-
(1,147.5)	**(22.4)**	**(55.7)**	**Closing balance at 31 March**	**(1362.8)**	**(23.8)**	**(59.2)**

2013/14 LGPS £m	Asset Category	2014/15 LGPS £m
	Equities	
79.4	- UK quoted	81.8
14.6	- UK unquoted	14.3
40.2	- Global quoted	62.4
79.1	- Global unquoted	89.1
51.2	- Europe	66.5
14.1	- Japan	18.7
30.7	- Pacific Basin	36.8
73.5	- North America	65.7
61.8	- Emerging Markets	71.0
	Bonds	
14.7	- UK Government fixed	11.9
48.1	- UK Government indexed	55.5
36.7	- UK other	41.7
19.9	- Overseas other	22.3
25.4	- Other	27.2
	Property	
45.3	- UK	52.5
1.7	- Overseas	-
21.8	- Property Funds	22.3
	Alternatives	
14.4	- Commodities	-
21.8	- Infrastructure	29.4
48.7	- Absolute Return	53.1
15.2	- Cash instruments	10.1
5.4	- Cash accounts	24.9
763.7	**Total**	**857.2**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £115.2 million (2013/14: (£22.8 million).

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £588.6 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, reducing it from £826.7 million to £238.1 million. 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 2016 is £25.3 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2016 are £3.8 million.

The Discretionary Benefits arrangements have no assets to cover their liabilities. The Local Government Pension Scheme's assets are set out in the following table.

All scheme assets have quoted prices in active markets, except UK unquoted and global unquoted.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about 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.

2013/14 LGPS	2013/14 Teachers		2014/15 LGPS	2014/15 Teachers
		Long-term expected rate of return on assets in the scheme:		
7.0%	n/a	Equity investments	6.5%	n/a
3.4%	n/a	Government Bonds	2.2%	n/a
4.3%	n/a	Other Bonds	2.9%	n/a
6.2%	n/a	Property	5.9%	n/a
0.5%	n/a	Cash/current assets	0.5%	n/a
7.0%	n/a	Other	6.5%	n/a
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
22.9	22.9	- Men	23.0	23.0
25.5	25.5	- Women	25.6	25.6
		Longevity at 65 for future pensioners:		
25.1	n/a	- Men	25.2	n/a
27.8	n/a	- Women	28.0	n/a
2.4%	2.4%	Rate of inflation	2.0%	2.0%
4.2%	-	Rate of increase in salaries	3.8%	-
2.4%	2.4%	Rate of increase in pensions	2.0%	2.0%
4.4%	4.3%	Rate for discounting scheme liabilities	3.2%	3.1%

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2014 Local Government Pension Scheme £m	31 March 2014 Discretionary Pension Scheme £m		31 March 2015 Local Government Pension Scheme £m	31 March 2015 Discretionary Pension Scheme £m
		Estimated Liabilities in Scheme		
(1,169.9)	*(55.7)*	*Wolverhampton City Council*	*(1,386.6)*	*(59.2)*
(114.8)	*-*	*Wolverhampton Homes*	*(149.3)*	*-*
(1,284.7)	***(55.7)***	***Total Liabilities***	***(1,535.9)***	***(59.2)***
		Estimated Assets in Scheme		
763.7	*-*	*Wolverhampton City Council*	*857.2*	*-*
100.3	*-*	*Wolverhampton Homes*	*117.9*	*-*
864.0	***-***	***Total Assets***	***975.1***	***-***
(420.7)	***(55.7)***	***Net Liabilities***	***(560.8)***	***(59.2)***

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.

2013/14					2014/15			
Amounts Payable		Amounts Receivable			Amounts Payable		Amounts Receivable	
Finance Leases	Operating Leases	Finance Leases	Operating Leases		Finance Leases	Operating Leases	Finance Leases	Operating Leases
£m	£m	£m	£m		£m	£m	£m	£m
0.2	**0.8**	**-**	**2.9**	**Payable/receivable in the year**	**0.1**	**0.6**	**-**	**2.1**
0.1	0.5	-	2.3	Due within one year	0.1	0.6	-	1.8
0.1	1.6	-	7.3	Due in one to five years	0.1	1.4	-	4.2
-	0.5	6.0	27.1	Due after five years	-	0.5	6.0	25.2
0.2	**2.6**	**6.0**	**36.7**	**Total due in future years**	**0.2**	**2.5**	**6.0**	**31.2**

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

31 March 2014 £m		31 March 2015 £m
0.3	Vehicles, Plant, Furniture and Equipment	0.1
0.3	**Total**	**0.1**

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 Penn Fields School.

Bentley Bridge Leisure Centre: In 2006/07 the council signed a thirty year contract for a new leisure facility. The scheme was for the design, build, funding and operation of a major new regional leisure facility. The facility includes a leisure pool with a river run, wave pool and flumes; a 25 metre 6 lane traditional pool; a studio pool; a 140 station fitness suite; a dance/aerobics suite; children’s play feature and a café. The facility cost £13.3 million and opened on 12 December 2006. The facility is operated by 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 £52.5 million. Over the remaining life of the project the commitments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable in 2015/16	0.3	0.9	0.3	**1.5**
Payable within two to five years	1.6	3.3	0.9	**5.8**
Payable within six to ten years	2.2	3.6	1.4	**7.2**
Payable within eleven to fifteen years	2.3	3.0	1.9	**7.2**
Payable within sixteen to twenty years	1.8	1.8	3.6	**7.2**
Payable within twenty-one to twenty-two years	0.7	0.2	1.6	**2.5**
Total	**8.9**	**12.8**	**9.7**	**31.4**

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 2014 £m	Depreciation £m	Capital Expenditure /Principal Redemption £m	Balance at 31 March 2015 £m
Property, Plant and Equipment	10.5	(0.5)	-	**10.0**
Long-term Liability	(8.8)	-	0.2	**(8.6)**
Total	**1.7**	**(0.5)**	**0.2**	**1.4**

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

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable in 2015/16	6.6	0.6	1.1	**8.3**
Payable within two to five years	29.3	1.5	5.3	**36.1**
Payable within six years	8.1	0.1	1.6	**9.8**
Total	**44.0**	**2.2**	**8.0**	**54.2**

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 2014 £m	Depreciation and Impairment £m	Capital Expenditure /Principal Redemption £m	Balance at 31 March 2015 £m
Property, Plant and Equipment	8.7	(4.9)	-	**3.8**
Deferred Income	(2.5)	0.4	-	**(2.1)**
Long-term Liability	(9.0)	-	1.0	**(8.0)**
Total	**(2.8)**	**(4.5)**	**1.0**	**(6.3)**

Highfields & Penn Fields 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 School and Penn Fields Special School. The construction of the new building cost £47.8 million. The total amount payable by the council over the life of the contract is estimated to be £192.7 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable in 2015/16	1.9	4.8	0.6	**7.3**
Payable within two to five years	7.7	18.5	3.4	**29.6**
Payable within six to ten years	11.3	20.7	6.4	**38.4**
Payable within eleven to fifteen years	12.3	17.0	10.7	**40.0**
Payable within sixteen to twenty years	16.3	9.4	16.2	**41.9**
Payable within twenty-one to twenty-three years	8.6	1.8	10.6	**21.0**
Total	**58.1**	**72.2**	**47.9**	**178.2**

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 2014 £m	Depreciation £m	Capital Expenditure/Disposal /Principal Redemption £m	Balance at 31 March 2015 £m
Property, Plant and Equipment	44.3	(1.8)	(26.2)	**16.3**
Long-term Liability	(43.5)	-	0.6	**(42.9)**
Total	**0.8**	**(1.8)**	**(25.6)**	**(26.6)**

During the year under review Highfields School converted to an academy and entered into a 125 year lease with the Council. This lease has been recognised as a finance lease and, accordingly, the Highfields School has been derecognised as an asset of the Council. The remaining carrying asset value relates to Penns Field Special School which has not converted to an academy. The terms of the PFI contract and level of unitary payment remains unchanged.

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 2014					31 March 2015			
Carrying Value		Fair Value			Carrying Value		Fair Value	
Long-Term	Current	Long-Term	Current		Long-Term	Current	Long-Term	Current
£m	£m	£m	£m		£m	£m	£m	£m
				Financial Assets				
1.4	88.7	1.4	88.7	Loans and Receivables	1.4	124.1	1.4	124.1
20.3	-	20.3	-	Unquoted Equity Investment at Cost	19.7	-	19.7	-
-	4.1	-	4.1	Cash and Cash Equivalents	-	1.2	-	1.2
21.7	**92.8**	**21.7**	**92.8**	**Total Financial Assets**	**21.1**	**125.3**	**21.1**	**125.3**
				Financial Liabilities				
(620.5)	(121.5)	(651.5)	(121.6)	Financial Liabilities at Amortised Cost	(594.0)	(193.3)	(729.0)	(193.9)
(620.5)	**(121.5)**	**(651.5)**	**(121.6)**	**Total Financial Liabilities**	**(594.0)**	**(193.3)**	**(729.0)**	**(193.9)**
(598.8)	**(28.7)**	**(629.8)**	**(28.8)**	**Net Financial Liabilities**	**(572.9)**	**(68.0)**	**(707.9)**	**(68.6)**

Page 75

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

2013/14					2014/15			
Financial Assets: Loans and Receivables	Financial Assets: Unquoted Equity Investment at Cost	Financial Liabilities Measured at Amortised Cost	Total		Financial Assets: Loans and Receivables	Financial Assets: Unquoted Equity Investment at Cost	Financial Liabilities Measured at Amortised Cost	Total
£m	£m	£m	£m		£m	£m	£m	£m
-	-	31.3	**31.3**	Interest Expense	-	-	30.2	**30.2**
(0.4)	-	-	**(0.4)**	Interest Income	(0.3)	-	-	**(0.3)**
-	-	-	**-**	Gain or loss on valuation of unquoted equity investment	-	0.6	-	**0.6**
(0.4)	**-**	**31.3**	**30.9**	**Net (Income)/Expense**	**(0.3)**	**0.6**	**30.2**	**30.5**

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, Capita Asset Services, which takes into account credit watches and credit outlooks from credit rating agencies, credit default swap spreads, and sovereign ratings. The Council also uses market data and market information, information on Government support for banks and the credit ratings of the Government in question. The Council has combined these factors to develop a range of creditworthiness criteria which it applies strictly when making investment decisions.

The Council's maximum exposure to credit risk at 31 March 2015 was £117.3 million (31 March 2014: £88.7 million). This relates entirely to Loans and Receivables. The Council does not hold any collateral in respect of these amounts.

Collateral and Other Credit Enhancements Obtained

The Council did not obtain any collateral or other credit enhancements during 2014/15 or 2013/14.

Liquidity Risk Management

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

Analysis of External Borrowing Financial Liabilities by Maturity Date

2013/14 £m	Time until Repayment	2014/15 £m
45.0	Payable next year	91.8
118.2	Payable within two to five years	99.6
17.3	Payable within six to ten years	17.3
20.0	Payable within eleven to fifteen years	28.8
8.9	Payable within sixteen to twenty years	-
31.0	Payable within twenty-one to twenty-five years	31.0
44.3	Payable within twenty-six to thirty years	44.3
27.5	Payable within thirty-one to thirty-five years	27.5
97.6	Payable within thirty-six to forty years	97.6
26.6	Payable within forty-one to forty-five years	26.6
23.0	Payable within forty-six to fifty years	23.0
103.8	Payable within fifty-one to sixty years	103.8
563.2	**Total**	**591.3**

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 2014/15, the Council's interest payable would have increased by £5.7 million, and it’s interest receivable would have increased by £353,000, resulting in an increase in net expenditure of £5.3 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £5.1 million.

Inflation Risk Management

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on the Council's treasury management activities, are controlled as an integral part of the Council's strategy for managing its overall exposure to inflation. The Council achieves this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. These are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £18.6 million in Birmingham International Airport as well as an investment of £1.6 million in the SPV for Highfields PFI scheme. 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

Subsidiaries
The Council has two subsidiary entities: Wolverhampton Homes Limited and Yoo Recruit Limited.

Wolverhampton Homes Limited is an arm's length management organisation (ALMO) which was established in 2005 to manage and maintain most of the Council's housing stock, 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 Limited's main income stream comes from the Council, in the form of a management fee for housing management and maintenance which amounted to £37.9 million in 2014/15 (2013/14: £38.0 million). There are a number of other transaction streams between the two entities, including capital works carried out by Wolverhampton Homes Limited for the Council, support services provided by the Council, and premises leases payable by Wolverhampton Homes Limited. Payments by the Council to Wolverhampton Homes Limited amounted to £47.4 million in 2014/15 (2013/14: £46.1 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £3.1 million (2013/14: £4.3 million). At the year end, Wolverhampton Homes Limited owed the Council £2.6 million (2013/14: £1.6 million), and the Council owed Wolverhampton Homes Limited £6.1 million (2013/14: £0.8 million).

Yoo Recruit Limited is a wholly-owned subsidiary which was formed in the current year. As the transactions and balances of this company are considered, by the Council, to be not material they have not been consolidated in the Group Accounts. Payments by the Council to Yoo Recruit Limited amounted to £1.7 million while payments by Yoo Recruit Limited to the Council were £26,000.

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.

2013/14 £m	Grant	2014/15 £m
(177.3)	Dedicated Schools Grant	(153.3)
(105.2)	Revenue Support Grant	(87.0)
(59.0)	Mandatory Rent Allowance	(59.5)
(58.6)	Standards Fund Capital	(12.9)
(56.4)	Mandatory Rent Rebates Subsidy	(58.2)
(34.6)	Top Up Grant	(35.2)
(18.8)	Public Health Grant	(19.3)
(14.1)	Decent Homes Backlog Grant	(11.9)
(7.7)	6th Form Funding	(6.0)
-	Education Services Grant	(4.1)
(6.6)	Section 31 Grant	(12.6)
(2.8)	Housing & Council Tax Benefit Administration	(2.6)
(2.2)	New Homes Bonus	(2.6)
(1.6)	Adult Community Learning PCDL	(1.7)
(1.3)	Further Education 19+	(1.5)
(1.3)	Social Fund Programme Grant	(1.6)
(1.3)	Weekly Collection Support Scheme	(1.3)
(1.1)	Disabled Facilities Grant	(1.1)
(1.1)	Adoption Reform Grant	(0.2)
(1.0)	Council Tax Freeze Grant	-
-	Troubled Families Grant	(1.1)
-	Pupil Premium	(14.1)
-	Universal Infant Free School Meals	(3.0)
-	Business Rates Section 31 Grant	(2.7)
-	Homes and Communities Agency	(1.6)
-	Enterprise Zone	(6.2)
-	BUV Contribution	(2.2)
-	HCA Interchange	(1.8)
(6.4)	Other grants (each less than £1.0 million)	(13.4)
(558.4)	**Total**	**(516.8)**

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid during the year is shown in Note 2D. The register of councillors' interests is available on the council's website:
http://www2.wolverhampton.gov.uk/council/councillors/name

Other Related Parties

The table below shows total expenditure and income streams of £100,000 or more with other related parties of the Council during the year.

2013/14 Expenditure £m	2013/14 Income £m	Entity and Nature of Relationship	2014/15 Expenditure £m	2014/15 Income £m
-	(4.1)	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 2014/15 the council received a preference dividend of £23,000, ordinary dividends of £740,000 and rental income of £72,000.	-	(0.8)
0.4	-	Wolverhampton Grand Theatre Limited The Grand Theatre is managed by Wolverhampton Grand Theatre (1982) 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.	0.4	-
1.6	(1.6)	Wolverhampton Schools' Improvement Partnership The Wolverhampton Schools' Improvement Partnership is a company limited by guarantee established to advance educational opportunities and outcomes for children and young people in Wolverhampton. The board of directors comprises of representatives from each school cluster and phase and the senior substantive council officer for schools.	0.5	(0.5)
0.1	-	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.	-	-
10.0	(0.7)	i54 The council is party to a joint venture with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	15.8	(0.3)

2013/14 Expenditure £m	2013/14 Income £m	Entity and Nature of Relationship	2014/15 Expenditure £m	2014/15 Income £m
		Entities in which Councillors have declared an interest and other Government bodies:		
14.8	(3.6)	West Midlands Integrated Transport Authority	12.7	-
6.2	-	West Midlands Police and Crime Commissioner and Chief Constable	6.0	-
3.9	-	West Midlands Fire and Rescue Authority	3.1	-
-	-	Black Country Partnership NHS FT	0.6	-
-	-	NHS England	-	(6.3)
-	-	NHS Shropshire Clinical Commissioning Group	-	(0.3)
-	-	NHS Walsall Clinical Commissioning Group	-	(0.2)
-	-	NHS Wolverhampton Clinical Commissioning Group	1.3	(7.6)
-	-	Royal Wolverhampton NHS Hospitals NHS Trust	7.4	-
-	-	Walsall Healthcare NHS Trust	0.1	-
-	-	University of Wolverhampton	0.9	-
-	-	Birmingham City Council	0.2	(0.3)
-	-	Dudley Metropolitan Borough Council	0.3	-
-	-	Shropshire County Council	0.1	-
-	-	Walsall Metropolitan Borough Council	0.3	(0.2)
-	-	West Midlands Pension Fund	3.0	-
-	-	Department of Energy and Climate Change	0.9	-
3.3	-	Advanced Childcare Limited	-	-
-	-	Base 25	0.1	(0.3)
0.6	-	City of Wolverhampton College	-	-
0.6	-	Wolverhampton Citizens Advice Bureau	-	-
0.3	-	Mencap	-	-
0.3	-	Royal Mail	-	-
0.3	-	FBC Manby Bowdler LLP	0.4	-
0.2	(0.2)	North East Wolverhampton Academy	0.1	(0.2)
0.2	-	All Saints Action Network	-	-
0.2	(0.3)	Central Learning Partnership Trust	-	-
0.1	-	Mid Counties Co-op	-	-
-	(0.1)	Perry Hall Academy	-	-

2013/14 Expenditure £m	2013/14 Income £m	Entity and Nature of Relationship	2014/15 Expenditure £m	2014/15 Income £m
-	(0.1)	Woden Academy	-	-
-	(0.1)	Our Lady and St Chad Catholic Sports College	-	-
-	(0.1)	Smestow School	-	-
-	(0.1)	Wolverhampton Girls High School	-	-
-	-	Black Country Housing Consortium	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 are not assets of the Council and therefore they have not been included in the Council's balance sheet. The table below provides an overview of the funds and their finances over the last two years.

2013/14				2014/15		
Income £000	Expenditure £000	Fund Value at 31 March 2014 £000	Fund Name and Purpose	Income £000	Expenditure £000	Fund Value at 31 March 2015 £000
-	-	42	**Springfield Reading Room** In its capacity as trustee, the council is authorised to apply income in various ways.	-	-	42
-	-	29	**Greenway Benefaction** Established for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley.	-	-	29
1	-	17	**Butler Bequest Music in the Parks** To provide music in the parks.	-	-	17
-	-	10	**Monica Lloyd** To provide assistance with further education.	1	-	11
1	-	26	Other smaller funds	-	-	26
2	**-**	**124**	**Total**	**1**	**-**	**125**

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.

2013/14 £m	***Category***	***2014/15 £m***
(248.0)	*Fees, charges and other service income*	*(286.7)*
(4.5)	*Interest and investment income*	*(1.2)*
(73.2)	*Income from council tax*	*(72.7)*
(520.8)	*Government grants and contributions*	*(452.9)*
315.5	*Employee expenses*	*276.1*
458.8	*Other service expenses*	*456.0*
63.2	*Depreciation, amortisation and impairment*	*58.9*
31.3	*Interest payments*	*30.2*
13.3	*Precepts and levies*	*12.7*
1.8	*Payments to the national housing capital receipts pool*	*1.9*
61.9	*Loss or (gain) on the disposal of non-current assets*	*47.7*
99.3	***Deficit on the provision of services***	***70.0***

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.

2013/14 £m		2014/15 £m
99.3	*Deficit on the provision of services*	*70.0*
(108.5)	*Less: items included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement*	*(52.1)*
(1.9)	*Less: Deficit attributable to subsidiaries*	*(0.9)*
(11.1)	***Deficit or (surplus) for the year***	***17.0***

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.

2013/14 £m		2014/15 £m
269.1	*Net Cost of Services*	*257.1*
(278.3)	*Less: items included in the segmental analysis but not included in the Net Cost of Services*	*(239.2)*
(1.9)	*Less: Deficit attributable to subsidiaries*	*(0.9)*
(11.1)	***Deficit or (surplus) for the year***	***17.0***

10B – Detailed Analysis of Movement in Reserves Statement: 2014/15 Part 1 – Usable Reserves

	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
Balance Brought Forward	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**
Surplus or Deficit on Provision of Services	**91.1**	**-**	**(22.0)**	**-**	**-**	**-**	**69.1**
Other Comprehensive Income and Expenditure							
Revaluations - Gains and losses	-	-	-	-	-	-	**-**
Gains or losses on Available-for-Sale Financial Assets	-	-	-	-	-	-	**-**
Re-measurements in the pensions reserve	-	-	-	-	-	-	**-**
Total Comprehensive Income and Expenditure	**91.1**	**-**	**(22.0)**	**-**	**-**	**-**	**69.1**
Adjustments between Accounting Basis & Funding Basis under Regulations							
Depreciation, amortisation & impairment of non-current assets	(58.8)	-	(0.1)	(22.3)	-	-	**(81.2)**
Movement in the market value of Investment Properties	(1.0)	-	0.1	-	-	-	**(0.9)**
Revenue Expenditure Funded from Capital under Statute	(18.2)	-	-	-	-	-	**(18.2)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(57.7)	-	(6.4)	-	-	-	**(64.1)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	8.2	-	8.0	-	(16.2)	-	**-**
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.4)	-	(0.1)	-	-	-	**(0.5)**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(3.2)	-	-	-	-	-	**(3.2)**

Page 88

2014/15 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	(48.3)	-	-	-	-	-	**(48.3)**
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	(1.9)	-	-	-	1.9	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	27.0	-	-	-	-	-	**27.0**
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	48.6	**48.6**
Capital grants and contributions unapplied credited to CIES	51.6	-	-	-	-	(51.6)	**-**
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	2.5	-	-	-	-	-	**2.5**
Capital Expenditure Financed from UCR	-	-	-	-	8.6	-	**8.6**
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	**0.3**
Revenue provision for the repayment of debt	2.8	-	20.5	-	-	-	**23.3**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	29.6	-	-	**29.6**
Net Increase/Decrease before Transfers & Other Movements	**(5.8)**	**-**	**-**	**7.3**	**(5.7)**	**(3.0)**	**(7.2)**
Transfers to/from other Earmarked Reserves	22.8	(22.8)	-	-	-	-	**-**
Balance Carried Forward	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	**(139.7)**

Page 89

2014/15 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	TOTAL (Council)	*Reserves of Subsidiary*	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*	*£m*
Balance Brought Forward	5.9	(12.1)	(537.3)	1.2	3.5	461.9	(177.9)	(254.8)	(387.3)	*8.2*	*(379.1)*
Surplus or Deficit on Provision of Services	-	-	-	-	-	-	-	-	69.1	*0.9*	*70.0*
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	(25.9)	(25.9)	(25.9)	-	*(25.9)*
Gains on Available-for-Sale Financial Assets	-	0.6	-	-	-	-	-	0.6	0.6	-	*0.6*
Re-measurements in the pensions reserve	-	-	-	-	-	105.4	-	105.4	105.4	*15.2*	*120.6*
Total Comprehensive Income and Expenditure	-	0.6	-	-	-	105.4	(25.9)	80.1	149.2	*16.1*	*165.3*
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation & impairment of non-current assets	-	-	74.4	-	-	-	6.8	81.2	-	-	-
Movement in the market value of Investment Properties	-	-	0.9	-	-	-	-	0.9	-	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	18.2	-	-	-	-	18.2	-	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	48.4	-	-	-	15.7	64.1	-	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.5	-	-	0.5	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	3.2	-	-	-	3.2	-	-	-

2014/15 Part 2 – Unusable Reserves and Reserves of Subsidiary (Continued)

	Short-term Accumulating Compensated Absences Account	Available-for-sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	*Reserves of Subsidiary*	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*	*£m*
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	48.3	-	**48.3**	**-**	-	**-**
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	-	-	-	-	-	(27.0)	-	**(27.0)**	**-**	-	**-**
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(48.6)	-	-	-	-	**(48.6)**	**-**	-	**-**
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	(2.5)	-	-	-	-	-	-	**(2.5)**	**-**	-	**-**
Capital Expenditure Financed from UCR	-	-	(8.6)	-	-	-	-	**(8.6)**	**-**	-	**-**
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	**(0.3)**	**-**	-	**-**
Revenue provision for the repayment of debt	-	-	(23.3)	-	-	-	-	**(23.3)**	**-**	-	**-**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(29.6)	-	-	-	-	**(29.6)**	**-**	-	**-**
Net Increase/Decrease before Transfers & Other Movements	**(2.5)**	**0.6**	**31.3**	**3.2**	**0.5**	**126.7**	**(3.4)**	**156.4**	**149.2**	***16.1***	***165.3***
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Balance Carried Forward	**3.4**	**(11.5)**	**(506.0)**	**4.4**	**4.0**	**588.6**	**(181.3)**	**(98.4)**	**(238.1)**	***24.3***	***(213.8)***

2013/14 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	**(15.9)**	**(61.1)**	**(5.0)**	**(9.7)**	**(5.5)**	**(31.6)**	**(128.8)**
Deficit on Provision of Services	**112.8**	**-**	**(15.4)**	**-**	**-**	**-**	**97.4**
Other Comprehensive Income and Expenditure							
Revaluations - Gains and losses	-	-	-	-	-	-	**-**
Re-measurements in the pensions reserve	-	-	-	-	-	-	**-**
Total Comprehensive Income and Expenditure	**112.8**	**-**	**(15.4)**	**-**	**-**	**-**	**97.4**
Adjustments between Accounting Basis & Funding Basis under Regulations							
Depreciation, amortisation & impairment of non-current assets	(62.7)	-	(0.5)	(21.9)	-	-	**(85.1)**
Movement in the market value of Investment Properties	-	-	0.2	-	-	-	**0.2**
Revenue Expenditure Funded from Capital under Statute	(66.1)	-	-	-	-	-	**(66.1)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(67.3)	-	(7.0)	-	-	-	**(74.3)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	4.1	-	8.4	-	(12.5)	-	**-**
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	(0.7)	-	-	-	-	-	**(0.7)**

Page 92

2013/14 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	(48.3)	-	-	-	-	-	**(48.3)**
Capital Expenditure charged in the year to the General Fund	0.1	-	-	-	-	-	**0.1**
Transfer from UCR to meet payments to Housing Capital Receipts Pool	(1.8)	-	-	-	1.8	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	28.6	-	-	-	-	-	**28.6**
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	99.5	**99.5**
Capital grants and contributions unapplied credited to CIES	102.0	-	-	-	-	(102.0)	**-**
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	1.0	-	-	-	-	-	**1.0**
Capital Expenditure Financed from UCR	-	-	-	-	6.6	-	**6.6**
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	**0.3**
Revenue provision for the repayment of debt	4.5	-	14.5	-	-	-	**19.0**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	18.4	-	-	**18.4**
Net Increase/Decrease before Transfers & Other Movements	**6.2**	**-**	**0.2**	**(3.5)**	**(4.1)**	**(2.5)**	**(3.7)**
Transfers from/to other Reserves	(17.3)	17.5	(0.2)	-	-	-	**-**
Balance Carried Forward	**(27.0)**	**(43.6)**	**(5.0)**	**(13.2)**	**(9.6)**	**(34.1)**	**(132.5)**

2013/14 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	TOTAL (Council)	*Reserves of Subsidiary*	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*	*£m*
Balance Brought Forward	**6.9**	**(12.1)**	**(575.4)**	**0.5**	**3.2**	**551.7**	**(214.4)**	**(239.6)**	**(368.4)**	***22.8***	***(345.6)***
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**97.4**	***1.9***	***99.3***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	(6.8)	**(6.8)**	**(6.8)**	*-*	***(6.8)***
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	(109.5)	-	**(109.5)**	**(109.5)**	*(16.5)*	***(126.0)***
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**(109.5)**	**(6.8)**	**(116.3)**	**(18.9)**	***(14.6)***	***(33.5)***
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation & impairment of non-current assets	-	-	78.4	-	-	-	6.7	**85.1**	**-**	-	**-**
Movement in the market value of Investment Properties	-	-	(0.2)	-	-	-	-	**(0.2)**	**-**	-	**-**
Revenue Expenditure Funded from Capital under Statute	-	-	66.1	-	-	-	-	**66.1**	**-**	-	**-**
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	37.7	-	-	-	36.6	**74.3**	**-**	-	**-**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	**-**	**-**	-	**-**
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	-	-	-	0.7	-	-	-	**0.7**	**-**	-	**-**

2013/14 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	TOTAL (Council) £m	*Reserves of Subsidiary £m*	*TOTAL (Group) £m*
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	48.3	-	**48.3**	**-**	-	**-**
Capital Expenditure charged in the year to the General Fund	-	-	(0.1)	-	-	-	-	**(0.1)**	**-**	-	**-**
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	-	-	-	-	-	(28.6)	-	**(28.6)**	**-**	-	**-**
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(99.5)	-	-	-	-	**(99.5)**	**-**	-	**-**
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	(1.0)	-	-	-	-	-	-	**(1.0)**	**-**	-	**-**
Capital Expenditure Financed from UCR	-	-	(6.6)	-	-	-	-	**(6.6)**	**-**	-	**-**
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	**(0.3)**	**-**	-	**-**
Revenue provision for the repayment of debt	-	-	(19.0)	-	-	-	-	**(19.0)**	**-**	-	**-**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(18.4)	-	-	-	-	**(18.4)**	**-**	-	**-**
Net Increase/Decrease before Transfers & Other Movements	**(1.0)**	**-**	**38.1**	**0.7**	**0.3**	**(89.8)**	**36.5**	**(15.2)**	**(18.9)**	***(14.6)***	***(33.5)***
Transfers to/from other Earmarked Reserves								**-**	**-**	-	**-**
Balance Carried Forward	**5.9**	**(12.1)**	**(537.3)**	**1.2**	**3.5**	**461.9**	**(177.9)**	**(254.8)**	**(387.3)**	***8.2***	***(379.1)***

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 the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year (however, the balance is not available to be applied to funding HRA services: see Housing Revenue Account Balance below).
Housing Revenue Account Balance	The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.
Earmarked Reserves	Earmarked Reserves represent amounts that the Council has chosen to set aside to fund specific items of expenditure in the future. The most significant earmarked reserves are the Efficiency Reserve (£7.2 million), the Budget Contingency Reserve (£6.9 million), the Job Evaluation Reserve and the Budget Strategy Reserve (£6.1 million).
Capital	
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capital Grants Unapplied Account	The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but 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 revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The reserve only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
Available-for-Sale Financial Instruments Reserve	The Available-for-Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost, or disposed of and the gains are realised.
Capital Adjustment Account	The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
Pensions Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Name of Reserve	Description
Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
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 2014/15 financial year and its position at 31 March 2015. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

- Manual Accruals are only processed for amounts of £10,000 or more. Except where the expenditure is by schools or funded directly from external grants.

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.

7. Employee Benefits

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

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

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

Post-Employment Benefits - Employees of the council are members of 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' Pension Scheme 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 the following components:

Service cost comprising:

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

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

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

Changes in valuations comprising:

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

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

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

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

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

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).

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

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 revalued where the fair value of the assets held by the council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the

Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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.

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

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

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

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

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

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

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

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

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

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. Gains are credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

Where impairment losses are identified, they are accounted for by:

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

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

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

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

Depreciation is calculated on the following bases:

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

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

Disposals

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 Assistant Director Finance, 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. CRC scheme assets are classified as either current intangible assets or if held for the purposes of trading, as current assets. The asset is initially measured at cost. Allowances that are issued for less than their fair value are initially measured at their fair value, with the difference between fair value and the purchase price recognised as income.

Note 11B – Changes in Accounting Policies from Previous Year

There have been no changes in accounting policies from 2013/14.

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

Yoo Recruit Limited was formed as a wholly-owned subsidiary of the Council in the year under review. As the transactions and balances of this company are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.

The Council is the main funder of the Wolverhampton Grand Theatre (1982) Limited and, in practice, bears the risk of the Theatre going into overall deficit as well as having the power to appoint and remove directors of the company. Although the Council does have significant influence as the transactions and balances of this company are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.

During 2012/13, the Wolverhampton Schools' Improvement Partnership was established as a company limited by guarantee. The directors of the company are representatives of local schools and the senior substantive council officer for schools. Two councillors are non-voting directors. Whilst in this way the Council exerts significant influence over the activities of the company, it has been determined that the transactions and balances of the company are not material to the Council's accounts, and it has therefore not been consolidated in the Group Accounts.

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

Private Finance Initiative (PFI) Contracts

The council provides services via private sector partners under a PFI or PFI-type contract in three areas: the Waste Disposal Facility, the Bentley Bridge Leisure Centre, and Highfields and Penn Fields School. In all three contracts, it has been determined that the Council controls the use of the relevant non-current assets. As a result the relevant assets and corresponding liabilities have been recognised in the Council's balance sheet.

Equal Pay Back Pay

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

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

Property, Plant and Equipment Relating to Voluntary Aided Schools

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

Property, Plant and Equipment Relating to Academy Schools

When an agreement in principle has been granted for a school to convert to Academy status on a long term lease the lease is classified as a finance lease since substantially all associated risks and rewards of ownership of the asset have been transferred to the Academy. As the Council would no longer control or maintain the asset for the majority of its economic life the buildings are removed from the balance sheet as a disposal in the period in which the agreement in principle has been granted.

Accounting for the Voluntary Redundancy Programme
The Council undertook a further voluntary redundancy exercise during 2014/15, and there were a number of employees who were part-way through the approval process at the year end. The Council has taken a prudent approach to the treatment of the anticipated costs of such employees, recognising those costs as a provision in 2014/15 where it seemed likely that approval would be given and a redundancy would result.

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

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. Because balances, however, cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Net Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied. The table below sets out the impact on the net pension liability if different assumptions had been made in certain key areas:

Variation to Assumptions	Impact on Net Liability	
	Council	*Group*
Discount Rate 0.1% higher	Decrease of £24.7m	*Decrease of £27.8m*
Rate of Inflation 0.1% p.a. higher	Increase of £25.2m	*Increase of £28.4m*
Rate of increase in salaries 0.1% p.a. higher	Increase of £5.8m	*Increase of £7.0m*
Life expectancy of scheme members 1 year higher	Increase of £29.5m	*Increase of £32.3m*

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, however, based on a review of market conditions and other external data sources these are assumed to be materially correct.

Note 11E – Accounting Standards Issued but Not Yet Adopted
The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard or interpretation that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards and interpretations within the 2015/16 Code:

- **IFRS 13 Fair Value Measurement.** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

- **IFRIC 21 Levies**. This interpretation provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

- **Annual Improvements to IFRSs (2011 – 2013 Cycle**). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation of these standards and interpretations from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

Housing Revenue Account Income and Expenditure Statement

2013/14 £m		Notes	2014/15 £m
(88.9)	Gross Rents - Dwellings		(92.1)
(1.6)	Gross Rents - Non Dwellings		(1.7)
(5.0)	Charges to Tenants for Services and Facilities		(5.2)
(0.1)	Contributions		-
(95.6)	**Total Income**		**(99.0)**
25.9	Repairs and Maintenance		25.8
18.8	Supervision and Management		18.1
0.4	Rents, Rates and Taxes		0.4
0.9	Increase in Allowance for Bad Debts		0.6
22.3	Depreciation of Property, Plant and Equipment	**H1**	22.3
-	Impairment of Property, Plant and Equipment	**H2**	0.2
68.3	**Total Expenditure**		**67.4**
(27.3)	**Net Cost of HRA Services as Included in Council Comprehensive Income and Expenditure Statement**		**(31.6)**
0.2	HRA Share of Corporate and Democratic Core		0.2
(27.1)	**Net Cost of HRA Services**		**(31.4)**
(1.4)	(Gain) on Sale of Property, Plant and Equipment		(1.6)
(0.2)	(Gain) on the Fair Value of Investment Assets		(0.1)
13.4	Interest Payable		11.2
(0.1)	Interest and Investment Income		(0.1)
(15.4)	**Surplus for the Year**		**(22.0)**

Movement on the Housing Revenue Account Balance Statement

2013/14 £m		Notes	2014/15 £m
(5.0)	**Opening HRA Balance**		**(5.0)**
	(Increase)/Decrease in the HRA balance for the year analysed between:		
(14.9)	- (Surplus) for the year on the Income and Expenditure Account		(22.0)
14.9	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	**H3**	22.0
-	**(Increase)/Decrease in the HRA balance for the year**		**-**
(5.0)	**Closing HRA Balance**		**(5.0)**

Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2013/14 £m		2014/15 £m
21.9	Council Dwellings	21.9
0.2	Other Land and Buildings	0.2
0.2	Vehicles, Plant, Furniture and Equipment	0.2
22.3	**Total Depreciation Charge for the Year**	**22.3**

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

Note H2 – Impairment

2013/14 £m		2014/15 £m
-	Council Dwellings	0.2
-	Other Land and Buildings	-
-	**Total Impairment Charge for the Year**	**0.2**

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 31st March 2014. Non-enhancing capital expenditure represents expenditure on Council assets financed from capital resources in excess of any resulting increase in the asset's value.

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

2013/14 £m		Note	2014/15 £m
14.9	**Net additional amount required to be debited or credited to the HRA Balance**		**22.0**
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
-	- Net Gain on Sale of Property, Plant and Equipment		1.6
-	- Impairment of Property, Plant and Equipment	**H2**	(0.2)
0.2	- Net Gain / (Loss) on the Fair Value of Investment Assets		0.1
0.2	**Subtotal**		**1.5**
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
0.2	- HRA Share of Contribution to Pension Reserve	**H4**	-
14.5	- Amount Set Aside for the Repayment of Debt		20.5
-	- Transfer to/(from) Earmarked Reserves		-
14.7	**Subtotal**		**20.5**
14.9	**Total**		**22.0**

Note H4 – Contribution to the Pension Reserve

Retirement benefits are offered to employees by the council as part of the terms and conditions of employment. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments. This commitment needs to be disclosed at the time that employees earn their future entitlement. The pension reserve reflects the projected shortfall in the amount which may need to be provided in the future to current employees of the Housing Revenue Account. Further details on this may be found in Note 6 to the Core Financial Statements.

Note H5 – Housing Stock

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

31 March 2014		31 March 2015
4,995	Low Rise Flats	4,957
2,991	Medium Rise Flats	2,967
2,120	High Rise Flats	2,124
12,987	Houses and Bungalows	12,911
23,093	**Total Dwellings Owned by the Council**	**22,959**
14	Homeless Dwellings (Leased)	14
23,107		**22,973**

Note H6 – Housing Revenue Account Property, Plant and Equipment

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

31 March 2014 £m		31 March 2015 £m
702.0	- Council Dwellings	730.0
10.0	- Other Land and Buildings	10.4
0.1	- Vehicles, Plant, Furniture and Equipment	-
0.5	- Intangible Assets	0.3
712.6	**Total Property, Plant and Equipment**	**740.7**

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2015 (at 1 April 2010 prices) amounted to £2,147.2 million (31 March 2014: £2,064.7 million). 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 H8 – Capital

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

2013/14 £m		2014/15 £m
	Sources of Funding	
(11.1)	- Borrowing	(12.0)
(1.8)	- Usable Capital Receipts	(1.5)
(18.3)	- Major Repairs Reserve	(29.6)
(11.9)	- Government and EU Grants	(13.2)
(43.1)	**Total Capital Expenditure**	**(56.3)**

Capital receipts generated during 2014/15 from the disposal of HRA assets are detailed in the following table.

2013/14 £m		2014/15 £m
(8.0)	Sale of Council Houses (Right-to-Buy)	(7.1)
(0.4)	Sale of Other Land and Buildings	(0.9)
(8.4)	**Total Capital Receipts**	**(8.0)**

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

2013/14 £m		2014/15 £m
(1.5)	Paid over to Government	(1.9)
(4.0)	Available to Finance Capital Expenditure	(6.1)
(5.5)	**Total Capital Receipts**	**(8.0)**

Note H9 – Rent Arrears

During 2014/15, total rent arrears decreased by £0.1 million (-3.4%). Within total rent arrears, current tenants' arrears as a proportion of net rental income decreased from 1.3% to 1.2%. The comparative total figures are shown in the following table.

31 March 2014 £m		31 March 2015 £m
1.2	Current Tenants	1.0
0.9	Former Tenants	1.1
2.1	**Total Arrears**	**2.1**

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

2013/14 £m		2014/15 £m
1.5	**Allowance for Bad and Doubtful Debts Brought Forward**	**1.6**
(0.4)	Amounts Written Off during the Year	(0.4)
0.5	Increase in Allowance Charged to the HRA during the Year	0.6
1.6	**Allowance for Bad and Doubtful Debts Carried Forward**	**1.8**

Note H10 – Major Repairs Reserve

This is a discretionary reserve to which the council's Major Repairs Allowance (MRA) is transferred, and that is used to finance major repairs to HRA property. The MRA was determined by the Government as part of the final HRA subsidy determination. Where total HRA depreciation charges are greater than the MRA it is a requirement that an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve.

2013/14 £m		2014/15 £m
(9.6)	**Balance Brought Forward**	**(13.2)**
(21.9)	Transfer of MRA from the Capital Adjustment Account	(22.3)
18.3	Capital Expenditure on Land and Property in the HRA	29.6
(13.2)	**Balance Carried Forward**	**(5.9)**

The Collection Fund Statement

2013/14 £m		Note	2014/15 £m
0.6	**Deficit/(surplus) Brought Forward**		**(0.7)**
	Income		
(83.4)	Council Tax	**C1**	(88.6)
(75.9)	Non Domestic Rates	**C2**	(72.5)
-	Transition Protection Payments-NDR		0.2
(1.0)	Grant Income		1.0
(160.3)	**Total Income**		**(159.9)**
	Expenditure		
	Precepts and Demands		
73.3	Wolverhampton City Council		76.6
5.7	West Midlands Police and Crime Commissioner and Chief Constable		6.0
2.9	West Midlands Fire and Rescue Authority		3.1
81.9			**85.7**
	Non Domestic Rates		
35.5	Central Government		37.1
0.7	West Midlands Fire and Rescue Authority		0.7
35.2	Wolverhampton City Council		36.3
0.3	Cost of Collection Allowance		0.3
71.7			**74.4**

8. THE COLLECTION FUND STATEMENT

2013/14 £m		Note	2014/15 £m
	Distribution of Council Tax Surplus/(Payment of Deficit)		
0.2	Wolverhampton City Council		(0.7)
-	West Midlands Police and Crime Commissioner and Chief Constable		(0.1)
-	West Midlands Fire and Rescue Authority		-
	Distribution of Business Rates Surplus/(Payment of Deficit)		
-	Wolverhampton City Council		-
-	Central Government		-
-	West Midlands Fire and Rescue Authority		-
	Allowance for Bad and Doubtful Debts		
1.1	Council Tax		2.0
2.6	Non Domestic Rates		1.1
3.7	Total Allowance for Bad and Doubtful Debts		**3.1**
4.2	Provision for appeals		4.5
(2.7)	5 year spread adjustment		-
159.0	**Total Expenditure**		**166.9**
(1.3)	**Deficit/(surplus) for the Year**		**7.0**
(0.7)	**Deficit/(surplus) Carried Forward**		**6.3**

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	85	5/9	47	614	818
A	48,246	6/9	32,164	736	981
B	20,931	7/9	16,280	859	1,145
C	14,553	8/9	12,936	981	1,308
D	5,858	9/9	5,858	1,104	1,472
E	2,745	11/9	3,355	1,349	1,799
F	1,571	13/9	2,269	1,595	2,126
G	813	15/9	1,355	1,840	2,453
H	87	18/9	174	2,208	2,944
	94,889		**74,437**		

Note C2 – Non-Domestic Rates

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

In 2013/14 the administration of NNDR changed following the introduction of business rates retention. Instead of paying NNDR into a central pool, local authorities retain a proportion of the total collectable rates due. In Wolverhampton, the council retain 49%, 50% is paid to Central Government and the remaining 1% is paid to West Midlands Fire Service and Rescue Authority.

The total non-domestic rateable value was £192.8 million as at 31 March 2015 (£190.3 million as at 31 March 2014). The national multipliers for 2014/15 were 47.1p for qualifying small businesses, and the standard multiplier was 48.2 for all other businesses (46.2p and 47.1p respectively in 2013/14).

Fund Account

2013/14 £m		Note	2014/15 £m
	Contributions & Benefits		
(419.3)	Contributions Receivable	**P8**	(500.2)
(11.3)	Transfers In	**P9**	(9.5)
(16.2)	Other Income	**P10**	(15.7)
(446.8)	**Total Contributions and Other Income**		**(525.4)**
472.4	Benefits Payable	**P11**	498.3
23.0	Payments to and on Account of Leavers	**P12**	261.5
0.3	Other Payments		0.4
495.7	**Total Benefits and Other Expenditure**		**760.2**
92.5	**Management Expenses**	**P13**	**86.3**
	Returns on Investments		
(134.8)	Investment Income	**P14**	(160.5)
(161.7)	Changes in Value of Investments		(947.6)
(103.0)	Profits and Losses on Disposal of Investments		(532.6)
(399.5)	**Net Return on Investments**		**(1,640.7)**
(258.1)	**Net (Increase) in the Fund During the Year**		**(1,319.6)**
9,886.3	**Net Assets of the Fund at the Beginning of the Year**		**10,144.4**
10,144.4	**Net Assets of the Fund at the End of the Year**		**11,464.0**

Net Assets Statement

31 March 2014 £m		Note	31 March 2015 £m
	Investment Assets (at Market Value)	**P15**	
171.3	Fixed Interest Securities		185.9
971.3	UK Equities		1,019.6
3,155.9	Overseas Equities		3,861.3
4,908.2	Pooled Investment Vehicles		5,102.5
629.8	Property		656.4
42.2	Foreign Currency Holdings		91.9
211.6	Cash Deposits		458.3
-	Other Investment Assets		1.6
4.9	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		44.3
10,095.2	**Investment Assets**		**11,421.8**
	Investment Liabilities (at Market Value)	**P15**	
(3.3)	Other Investment Liabilities		-
(3.3)	**Investment Liabilities**		**-**
10,091.9	**Net Investment Assets**		**11,421.8**
-	**Long-term Assets**	**P18**	**11.6**
71.1	**Current Assets**	**P19**	**54.8**
(18.6)	**Current Liabilities**	**P20**	**(24.2)**
10,144.4	**Net Assets of the Fund at the End of the Year**		**11,464.0**

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

The notes form part of these financial statements.

Notes to the Pension Fund Statements

Note P1 – General

The description in this note is a high-level summary of the Fund's activities, and more detail is available in the Fund's Annual Report 2015, which can be found on its website at: http://www.wmpfonline.com/article/4764/Annual-Reports.

West Midlands Pension Fund is part of the Local Government Pension Scheme, and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region, together with employees of admitted bodies. At 31 March 2015, the Fund had 473 participating employers, and 277,558 members, as set out in the following table. A full list of participating employers can be found in the Fund's annual report.

31 March 2014 No.		31 March 2015 No.
99,771	Active Members	104,250
90,008	Pensioner Members	82,110
80,551	Deferred Members	91,198
270,330	**Total**	**277,558**

The council's Pensions Committee has delegated responsibility for administering the Fund. It meets at approximately quarterly intervals, and has members from each of the seven metropolitan district councils in the West Midlands. An Investment Advisory Sub-Committee and a Joint Consultative Forum were also in operation during 2014/15. The Joint Consultative Forum was dissolved on 4 March 2015. A local Pensions Board has been established in 2015/16, in accordance with revised LGPS regulations.

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

(i) The Local Government Pension Scheme Regulations 2013 (as amended)
(ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
(iii) The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employer contribution rates during 2014/15 ranged from 5.0% to 45.3% of pensionable pay.

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

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector.

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

Note P3 - Statement of Accounting Policies

A. Fund Account

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

B. Contribution Income

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

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

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

C. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who had either joined or left the scheme as at 31 March 2015, calculated in accordance with the Local Government Pension Scheme Regulations (see Notes P9 and P12). Transfers in respect of individuals are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

D. Investment Income

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

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

E. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

F. Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2015. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

G. 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 2015.

H. Valuation of Investments

1. Quoted Securities
Securities have been valued at the bid-market price ruling on 31 March 2015 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 2015. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Savills Plc, agricultural valuers, at the same date.

5. Foreign Currencies
Investments held in foreign currencies have been valued as set out in paragraph G above and translated at exchange rates ruling at 31 March 2015.

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 the market value of investments.

I. 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.

J. 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.

K. Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. The costs of Fund officers are recharged to the Fund, along with all other costs incurred directly on Fund activities, and an apportionment for corporate support services provided by the council.

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

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

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

L. Actuarial Present Value of Promised Retirement Benefits

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

M. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in acccordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note P21).

Note P4 - Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2015 was £1,351.2million (£1,240.5 million at 31 March 2014).

Pension Fund Liability

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

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

Actuarial present value of promised retirement benefits

Uncertainties
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. 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 31 March 2015	Approx % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	10%	1,737.0
1 year increase in member life expectancy	2%	381.0
0.5% p.a. increase in salary increase rate	2%	377.0
0.5% p.a. increase in pensions increase rate*	9%	1,648.0

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 £1,351.2 million. There is a risk that this investment may be under-or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £67.6million.

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 £226.4 million. 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 +/- £11.3 million.

Note P6 - Actuarial Valuation of the Fund

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

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

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

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process. 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 2014. For comparison purposes, the figures for the two preceding years are also shown. The rates payable by the seven councils were certified as follows:

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

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

	For past service liabilities	For future service liabilities
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases	4.35% per annum*	4.35% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

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

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

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

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	4.15% per annum*	3.75% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

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

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £14,680.0 million. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by £2,533.0 million. Adding interest over the year increases the liabilities by £654.0 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £264.0 million (including any increase in liabilities arising as a result of early retirements/augmentations, and also allowing for the transfer of Probation Service staff to the Greater Manchester Pension Fund on 1 June 2014).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £17,603.0 million.

Note P7 - Taxation

1. Value Added Tax

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

2. Taxation of Overseas Investment Income

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

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

There are also markets where relief is not possible - either no double taxation agreements exists (e.g. Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g. Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

Note P8 – Contributions Receivable

Contributions Receivable by Type

2013/14 £m		2014/15 £m
	From Employers	
301.4	Contributions	361.0
0.3	Augmented Membership	-
8.8	Additional Cost of Early Retirement	28.6
310.5		**389.6**
	From Members	
107.8	Basic Contributions	109.9
1.0	Additional Contributions	0.7
108.8		**110.6**
419.3	**Total Contributions**	**500.2**

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

Contributions Receivable by Type of Member

2013/14 £m		2014/15 £m
32.9	Administering Authority	35.9
367.8	Scheduled Employers	440.9
18.6	Admitted Employers	23.4
419.3	**Total**	**500.2**

Note P9 – Transfers In

2013/14 £m		2014/15 £m
11.3	**Individual transfers in from other schemes**	**9.5**

Note P10 – Other Income

2013/14 £m		2014/15 £m
	Benefits Recharged to Employers	
9.0	Compensatory Added Years	8.5
7.2	Pensions Increases	7.2
16.2	**Total**	**15.7**

Note P11 – Benefits Payable

Benefits Payable by Type

2013/14 £m		2014/15 £m
	Pensions	
346.0	Retirement Pensions	360.7
26.5	Widows' Pensions	27.4
0.9	Children's' Pensions	0.9
3.5	Widowers' Pensions	3.9
0.1	Ex-Spouse	0.1
0.1	Equivalent Pension Benefits	0.1
-	Co-habiting Partners	0.1
377.1	**Total Pensions**	**393.2**
	Lump Sum Benefits	
83.5	Retiring Allowances	92.2
11.8	Death Grants	12.9
95.3	**Total Lump Sum Benefits**	**105.1**
472.4	**Total Benefits Payable**	**498.3**

Benefits Payable by Type of Employer

2013/14 £m		2014/15 £m
40.8	Administering Authority	49.7
400.8	Scheduled Employers	415.8
30.8	Admitted Employers	32.8
472.4	**Total**	**498.3**

Note P12 – Payments To and On Account of Leavers

2013/14 £m		2014/15 £m
20.2	Individual Transfers	10.0
-	Group Transfers	247.8
-	Refunds of Contributions	0.6
-	State Scheme Premiums	0.1
2.8	Bulk Transfer Pension Increases	3.0
23.0	**Total**	**261.5**

The amount for group transfers is primarily made up of £246.0 million transferred to Greater Manchester Pension Fund in respect of Staffordshire and West Midlands Probation Trust, for which responsibility transferred on 1 June 2014.

Note P13 – Management Expenses

2013/14 (Restated) £m		2014/15 £m
3.2	Administrative costs	3.0
87.3	Investment management expenses	81.2
2.0	Oversight and governance costs	2.1
92.5	**Total Management Costs**	**86.3**

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £24.1 million in 2014/15 and £28.9 million in 2013/14.

The Fund has applied CIPFA's guidance 'Accounting for Local Government Pension Scheme Management Costs', which was introduced in June 2014. This requires management expenses to be analysed by the three headings shown above (previously there were two: administrative expenses and investment management expenses). The 2013/14 figures have been restated to comply with the new guidance.

The guidance also requires a change in the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross: the effect of this has been to increase investment management expenses from £10.7 million to £81.2 million (2013/14: £11.0 million to £87.3 million). Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in the Fund's resources available to pay pension benefits.

Note P14 – Investment Income

2013/14 £m		2014/15 £m
	Dividends and Interest	
	Fixed Interest Securities	
8.8	UK Private Sector – Quoted	8.7
	Equities	
31.9	UK	36.3
43.0	Overseas	80.8
	Pooled Investment Vehicles	
19.8	UK	3.5
1.9	Overseas Equities	0.9
1.3	Interest on Cash Deposits	1.5
0.6	Stock lending	1.3
(0.1)	UK Tax, Irrecoverable	-
(1.4)	Overseas Taxation	(2.5)
105.8	**Total Dividends and Interest**	**130.5**
37.4	Property Management Income	39.0
(8.4)	Property Management Expenses	(9.0)
29.0	**Total Property Management**	**30.0**
134.8	**Total Investment Income**	**160.5**

Stocklending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £314.0M (2014: £171.4M) in exchange for which the custodian held collateral worth £333.9M (2014: £184.6M). Collateral consists of acceptable securities and government debt.

Note P15 - Net Investment Assets

31 March 2014 £m		31 March 2015 £m
	Fixed Interest Securities	
171.3	UK Companies – Segregated (external)	185.9
171.3		**185.9**
	UK Equities	
943.5	Quoted	1,019.6
943.5		**1,019.6**
	Overseas Equities	
1,763.9	Quoted	2,660.0
1,392.0	Quoted – Segregated (external)	1,201.3
3,155.9		**3,861.3**
	Pooled Investment Vehicles	
	Managed Funds	
192.5	UK Quoted, Fixed Interest	150.5
600.8	Other Fixed Interest	644.6
948.6	UK Quoted, Index Linked	1,057.6
259.7	Overseas Equities	-
269.6	UK Unquoted Equities	281.2
1,453.9	Overseas Unquoted Equities	1,451.0
553.0	UK Absolute Returns	626.3
89.6	Overseas Absolute Returns	82.0
47.0	UK Property	54.3
211.3	Foreign Property	185.3

31 March 2014 £m		31 March 2015 £m
	Unit Trusts	
66.3	UK Quoted Equities	83.1
209.4	Overseas Equities	481.4
6.5	Overseas Property	5.2
4,908.2		**5,102.5**
	Property	
586.8	UK Freehold	604.6
43.0	UK Leasehold*	51.8
629.8		**656.4**
	Foreign Currency Holdings	
21.3	United States Dollars	4.4
11.3	Euro	8.1
1.0	Canadian Dollars	0.7
0.4	Danish Kroner	0.4
0.6	Hong Kong Dollars	23.0
0.5	Swedish Kroner	6.4
1.4	Swiss Francs	0.5
1.4	Japanese Yen	-
0.5	Norwegian Kroner	1.9
0.6	Singapore Dollars	-
1.1	Australian Dollars	0.2
0.1	New Zealand Dollars	0.5
0.5	Hungarian Florints	0.2
0.7	Polish Zloty	2.0
-	Israeli Shekels	0.9
0.3	Turkish Lira	6.6

31 March 2014 £m		31 March 2015 £m
0.5	Czech Koruna	0.6
-	Korean Won	35.5
42.2		**91.9**
	Cash Deposits	
211.6	UK	458.3
	Other Investments	
(3.3)	Broker Balances	1.6
4.9	Outstanding Dividend Entitlement and Recoverable with-holding Tax	44.3
10,091.9	**Total Net Investment Assets**	**11,421.8**

* All leasehold properties are held on long leases

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

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

31 March 2014			31 March 2015	
Market Value £M	% of total Market Value %		Market Value £M	% of total Market Value %
		Security		
639.1	6.3	Legal & General - All Stocks Index-Linked Gilts Fund	709.9	6.2

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 2014 Market Value £m	31 March 2014 % of total Market Value %		31 March 2015 Market Value £m	31 March 2015 % of total Market Value %
3,615.5	35.7	In-house	4,878.5	42.9
33.2	0.3	Managers: UK Quoted	40.1	0.4
146.5	1.5	Managers: US Quoted	-	-
236.8	2.3	Managers: European Quoted	-	-
36.2	0.4	Managers: Japanese Quoted	-	-
69.5	0.7	Managers: Pacific Basin	-	-
845.9	8.4	Managers: Emerging Markets	826.0	7.3
526.1	5.2	Managers: Global Equities	856.8	7.5
1,913.2	19.0	Managers: Fixed Interest	2,047.7	17.9
298.0	3.0	Managers: Indirect Property	287.8	2.5
189.6	1.9	Managers: Commodities	-	-
293.4	2.9	Managers: Infrastructure Funds	381.0	3.4
642.6	6.4	Managers: Absolute Return	708.4	6.2
1,240.5	12.3	Managers: Private Equity	1,351.2	11.9
10,087.0	**100.0**		**11,377.5**	**100.0**
4.9		Outstanding Dividend Entitlement and Recoverable With-Holding Tax	44.3	
10,091.9		**Total Investment Assets**	**11,421.8**	

Note P16 – Investment Market Value Movements Analysis

	Value at 31 March 2014 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2015 £m
Fixed Interest Securities	171.3	-	(5.4)	20.0	185.9
UK Equities	971.3	52.7	(17.2)	12.8	1,019.6
Overseas Equities	3,155.9	1,744.5	(1,256.7)	217.6	3,861.3
Pooled Investment Vehicles	4,908.2	762.4	(1,206.3)	638.2	5,102.5
Property	629.8	51.3	(83.7)	59.0	656.4
	9,836.5	**2,610.9**	**(2,569.3)**	**947.6**	**10,825.7**
Broker Balances	(3.3)				1.6
Outstanding dividend entitlement and recoverable With-holding tax	4.9				44.3
Foreign Currency	42.2				91.9
Cash Deposits	211.6				458.3
Total Investments	**10,091.9**				**11,421.8**

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profits and losses on the sale of investments shown in the Fund Account include an additional £652.6 million which represents profit realised on sale of the Fund's assets.

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £0.7 million (2013/14: £1.2 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

31 March 2014 £m		31 March 2015 £m
0.1	Equities - UK Quoted	-
1.1	Equities - Overseas Quoted	0.7
1.2		**0.7**

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 2013/14 is set out below:

	Value at 31 March 2013 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2014 £m
Fixed Interest Securities	173.9	-	(5.7)	3.1	171.3
UK Equities	943.5	29.0	(25.9)	24.7	971.3
Overseas Equities	2,072.5	1,099.5	(85.9)	69.8	3,155.9
Pooled Investment Vehicles	5,729.4	1,029.2	(1,870.2)	19.8	4,908.2
Property	567.6	21.5	(3.6)	44.3	629.8
	9,486.9	**2,179.2**	**(1,991.3)**	**161.7**	**9,836.5**
Broker Balances	(0.1)				(3.3)
Outstanding Dividend Entitlement and Recoverable With-Holding Tax	15.4				4.9
Foreign Currency	82.9				42.2
Cash Deposits	241.1				211.6
Total Investments	**9,826.2**				**10,091.9**

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profits and losses on the sale of investments shown in the Fund Account include an additional £103.0 million which represents profit realised on sale of the Fund's assets.

Note P17 – Investment Capital Commitments

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

31 March 2014 £m		31 March 2015 £m
920.8	Non-Equities	768.4
146.5	Property	172.4
1,067.3	**Total**	**940.8**

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

Note P18 - Other Long-Term Assets

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

31 March 2014 £m		31 March 2015 £m
-	Administering Authority	4.0
-	Other Local Authorities	7.6
-	**Total**	**11.6**

Note P19 – Current Assets

31 March 2014 £m		31 March 2015 £m
	Receivables and Prepayments	
	Contributions Receivable	
22.6	- Employers	14.4
9.2	- Members	7.0
39.4	Other Receivables	33.0
71.2	**Total Receivables and Prepayments**	**54.4**
(0.1)	Cash	0.4
71.1	**Total Current Assets**	**54.8**

Note: Following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it was calculated by Mercer Limited that the Fund is due to receive a total of £27.7 million. This is to be paid in 10 equal and annual instalments commencing on 15 April 2011 and finishing on 15 April 2020 together with interest payments resulting in annual income of £3.3 million. The balance due included in Other Receivables at 31 March 2015 is £16.1 million (31 March 2014: £19.4 million).

31 March 2014 £m		31 March 2015 £m
	Analysis of Receivables	
1.3	Administering Authority	4.9
20.2	Other Local Authorities	16.6
49.6	Other Entities and Individuals	32.9
71.1	**Total**	**54.4**

Note P20 – Current Liabilities

31 March 2014 £m		31 March 2015 £m
	Payables and Receipts In Advance	
(4.3)	Pensions and Lump Sum Benefits	(2.4)
(14.3)	Other Payables	(21.8)
(18.6)	**Total**	**(24.2)**

31 March 2014 £m		31 March 2015 £m
	Analysis of Payables	
(3.4)	Central Government Bodies	(3.7)
(6..5)	Administering Authority	(10.5)
(0.1)	Other Local Authorities	(0.1)
(8.6)	Other Entities and Individuals	(9.9)
(18.6)	**Total**	**(24.2)**

Note P21 – 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 2014			31 March 2015	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
2.7	**30.2**	**Opening Value of the Fund**	**2.4**	**35.8**
-	7.3	Income	-	7.2
(0.4)	(7.8)	Expenditure	(0.4)	(8.4)
0.1	6.1	Change in Market Value	0.1	4.1
2.4	**35.8**	**Closing Value of the Fund**	**2.1**	**38.7**

Page 165

Note P22 – Post Year End Transactions

There were no post year end transactions that require disclosure in the accounts.

Note P23 – Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2014 £m		31 March 2015 £m
	Financial Assets	
(138.5)	Fair value through profit and loss	(947.6)
(138.5)	**Total**	**(947.6)**

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 2014 Carrying Value £m	31 March 2014 Fair Value £m		31 March 2015 Carrying Value £m	31 March 2015 Fair Value £m
		Financial Assets		
9,836.5	9,836.5	Fair value through profit and loss	10,825.6	10,825.6
255.4	255.4	Loans and receivables	596.2	596.2
10,091.9	**10,091.9**	**Total**	**11,421.8**	**11,421.8**

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.

Value at 31 March 2015	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	6,796.4	1,588.7	2,440.5	**10,825.6**
Loans and Receivables	596.2	-	-	**596.2**
Total Financial Assets	**7,392.6**	**1,588.7**	**2,440.5**	**11,421.8**

Value at 31 March 2014	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	5,941.9	1,528.6	2,366.0	9,836.5
Loans and receivables	255.4	-	-	255.4
Total Financial assets	**6,197.3**	**1,528.6**	**2,366.0**	**10,091.9**

Note P24 – The Nature and Extent of Risks Arising From Financial Instruments

Risk Management

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

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

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

Investment Risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to liabilities through the triennial actuarial valuation followed by an appropriate asset allocation. During the year, the Fund targeted a 90% exposure to return seeking assets such as equities, property, other alternatives with equity-like returns, including emerging market debt and higher return fixed interest investments. The remaining 10% being allocated to stabilising assets, such as UK Government bonds or gilts, both index linked and conventional.

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

Counterparty Risk

In deciding to 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 31 March 2015 totalled £449.3 million in respect of temporary loans and treasury management instruments (31 March 2014: £211.6 million). The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Proposed counterparties are assessed using an amalgamation of credit ratings and market research with the resulting 'score' determining the suitability and individual limit in each case. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite. A credit rating sensitivity analysis as at 31 March 2015 is shown below:

Credit Rating Sensitivity Analysis Summary	Rating	Value at 31 March 2014 £m	Value at 31 March 2015 £m
Money Market Funds			
AIM STIC Global Sterling Portfolio		28.3	45.0
HSBC Sterling Liquidity Fund		43.3	263.2
Short-Term Deposits			
Nationwide Building Society	A	25.0	25.0
Principality Building Society	BBB+	8.0	10.0
Nottingham Building Society	Baa2	-	10.0
Leeds Building Society	A-	-	10.0
Newcastle Building Society	BB+	-	10.0
Yorkshire Building Society	A-	-	10.0
Skipton Building Society	BBB	8.5	10.0
West Bromwich Building Society	B2	-	5.0
Banco Santander	A-	23.5	-
Lloyds Bank Plc	A	13.0	-
Coventry Building Society	A	12.0	-
Bank Deposit Accounts			
NatWest Liquidity Select		50.0	49.8
GBP Current Accounts		-	1.3
Total		**211.6**	**449.3**

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 2015, £314.0 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2014: £171.4 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £333.9 million, giving a margin of 6.3% (2013/14, £184.6 million, margin of 7.7%).

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 £1.3 million during the year (2013/14: £0.6 million) and is detailed in Note P14 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers; therefore, the value of that collateral 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 2014/15 reporting period:

Price Risk

Asset Type	Value as at 31 March 2015 £	Price Risk % Change	Value on Increase £	Value on Decrease £
UK equities	1,059.7	17.0%	1,239.8	879.6
Global equities (ex UK)	4,342.6	20.1%	5,215.5	3,469.7
Property	944.1	14.7%	1,082.9	805.3
Corporate bonds (short term)	173.0	7.1%	185.3	160.7
Corporate bonds (medium term)*	238.8	9.5%	261.5	216.1
Corporate bonds (long term)	121.8	18.0%	143.7	99.9
UK fixed gilts (short term)	47.4	3.0%	48.8	46.0
UK fixed gilts (medium term)**	42.0	6.7%	44.8	39.2
UK fixed gilts (long term)	61.2	12.2%	68.7	53.7
UK index linked gilts (short term)	73.4	2.2%	75.0	71.8
UK index linked gilts (medium term)	185.9	4.8%	194.8	177.0
UK index linked gilts (long term)	450.6	8.6%	489.4	411.8
Cash	542.9	0.6%	546.2	539.6
Private Equity	1,351.2	28.6%	1,737.6	964.8
Infrastructure	354.2	15.9%	410.5	297.9
Forestry	26.7	16.2%	31.0	22.4
High Yield Debt***	644.6	13.4%	731.0	558.2
Absolute Return/Diversified Growth	708.4	12.0%	793.4	623.4
Total Fund (See Note Below)	**11,368.5**		**13,299.9**	**9,437.1**

* Includes exposure to Loans (£90.0 million) and the Newton Dynamic Bond Fund (£50.0 million)

** Includes exposure to Overseas Bonds (£77.6 million)

*** Includes exposure to Emerging Market Debt, Mezzanine Debt and Convertibles

Total Fund volatility, taking into account the expected interactions between the different asset classes shown (based on the underlying volatilities and correlations of the assets, and in line with mean variance portfolio theory) is 12.5%. On this basis, the total value on increase is £12,789.6 million, and the total value on decrease is £9,947.4 million. Under this approach, in which the beneficial impact of diversification is recognised, the monetary impact on the total Fund assets is lower than the sum of the monetary impact for each asset class.

Currency Risk - Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The one-year expected standard deviation for an individual currency as at 31 March 2015 is 13%. This assumes no diversification with other assets and, in particular, that interest rates remain constant. The following tables summarise the Fund's currency exposure as at 31 March 2015:

Currency Risk (by Asset Class)

Asset Type	Value as at 31 March 2015 £m	% Change	Value on Increase £m	Value on Decrease £m
Overseas Equities	4,342.6	13.0%	4,907.1	3,778.1
Private Equity	1,162.0	13.0%	1,313.1	1,010.9
Fixed Interest	283.6	13.0%	320.5	246.7
Alternatives	363.0	13.0%	410.2	315.8
Property	173.8	13.0%	196.4	151.2
Liquid Assets	91.9	13.0%	103.8	80.0
Total	**6,416.9**	**13.0%**	**7,251.1**	**5,582.7**

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 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Interest rate risk - sensitivity analysis

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

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

Asset Type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£m	£m	£m
Index-linked Gilts	709.9	(147.9)	147.9
Gilts	150.6	(15.3)	15.3
Corporate Bonds	533.6	(43.0)	43.0
Total	**1,394.1**	**(206.2)**	**206.2**

Note P25 – Impairment for Bad and Doubtful Debts

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

Additions Analysis		
Individual Value	**Number**	**Total £**
Less than £100	18	485.20
£100 - £500	1	118.70
Total	**19**	**603.90**

Write off Analysis		
Individual Value	**Number**	**Total £**
Less than £100	32	1,954.43
£100 - £500	49	11,263.58
Over £500	15	28,664.31
Total	**96**	**41,882.32**

Note P26 - Related Parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council, and the costs shown in Note P13 above are recharged to the Fund. Contributions of £36.0 million were receivable from the City of Wolverhampton Council for 2014/15 (2013/14: £32.9 million). Balances owed by and to the council at the year end are shown in Notes P18, P19 and P20.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund (including one substitute member), as set out below:

Pensioner:	Councillors Turner and Page
Active:	Councillors Brookfield, Eling, Hevican, McGregor, Rebeiro, T Singh

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

There are two employing bodies of the Fund in which a member of the Committee has declared an interest for 2014/15: these are Birmingham Museum Trust Ltd, from which contributions of £0.4 million were receivable during the year, and Walsall Housing Group Ltd, from which contributions of £3.1 million were receivable.

Key Management Personnel

The Fund's senior management comprises five individuals: the Strategic Director of Pensions, the Assistant Director (Investments), the Head of Pensions Administration, the Head of Governance and the Head of Finance (with effect from 1 October)/Fund Accountant (to 30 September). The total salary paid to the senior management team in 2014/15 was £369,000. In addition to this, employer's pension contributions of £75,000 were met from the Fund in respect of these individuals.

10. ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The City of Wolverhampton 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 Managing Director, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting both the members of the Pensions Committee and the Local Pension Board in their role.

Wolverhampton Homes is the council's Arm's Length (Housing) Management Organisation (ALMO) and is a company wholly owned by the council. The control of the ALMO is through the Board which has representatives drawn from 1/3 council, 1/3 tenants and 1/3 independent. There is a Management Agreement between the council and Wolverhampton Homes which sets out the contractual and governance arrangements between the parties.

How the statement has been prepared

Each Director is required to complete and sign an annual controls assurance statement. These are then considered by the Head of Audit and other key officers, alongside a number of other key documents as laid out in the table charting the council's governance framework (review of effectiveness column) later in this statement. The outcome of this exercise forms the backdrop to this statement, and the statement was approved by the Strategic Executive Board on 16 June 2015 and the Audit Committee on 6 July 2015.

The Governance and Assurance 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.

The council is composed of 60 Councillors. There are ten Cabinet Members with distinct areas of responsibility. Overview and Scrutiny arrangements include a Scrutiny Board and a number of Scrutiny panels. There are also a number of Committees and Councillor Advisory Groups. All Councillors meet together as the Council and meetings and are open to the public. The conduct of the council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Financial Procedures Rules, Contract Procedure Rules and the Codes of Conduct. The council is required to appoint a Monitoring Officer who, in addition to leading an annual review of the Constitution to ensure it remains fit for purpose, also advises on compliance with the Constitution and ensures that decision making is lawful and fair. The Director of Governance has been appointed to this statutory post.

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.

Both internal and external audit are key assurance providers and they report back regularly to the council throughout the year.

The council has a Corporate Plan, which sets out what the strategic priorities are for the City – a stronger economy, stronger communities, supported by a Confident Capable Council. The plan articulates the seven outcomes the council are working to achieve and the objectives which underpin these. Each objective has a more detailed 'plan on page', which is owned by a Director or Service Director and sets out the key things needed to do to achieve it. This will ensure clear leadership and accountability for performance across the council. This approach is underpinned by the governance environment, which is consistent with the six core principles of the CIPFA/ SOLACE framework. In reviewing the council's priorities and the implications for its governance arrangements, the council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The governance framework has been in place at the council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

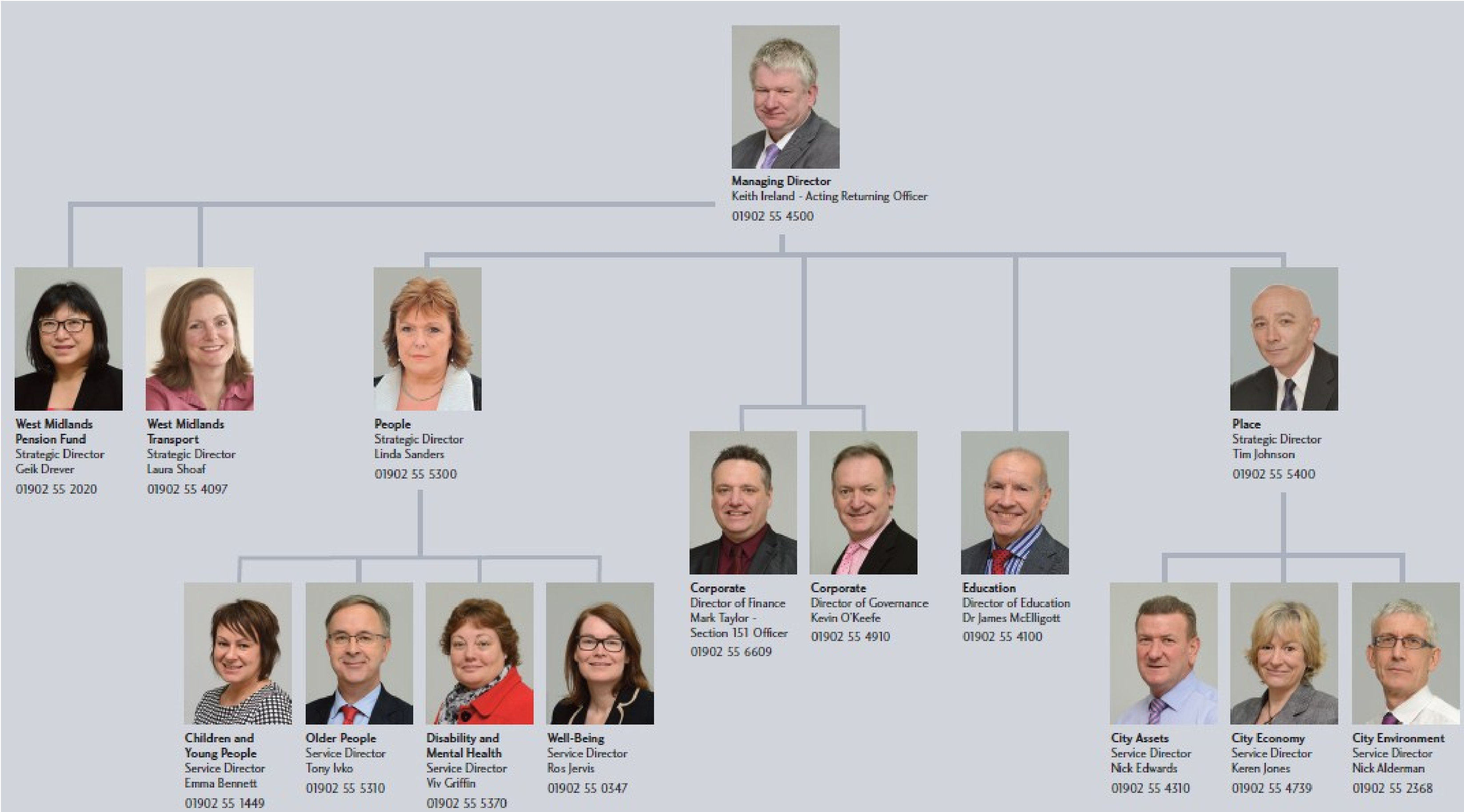
The key elements of the systems and processes that comprise the council's governance framework, and where assurance against these is required, and can be found, are described below.

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 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	← →			
	• Delivery and communication of an agreed corporate plan • Quality services are delivered efficiently and effectively • Clearly defined roles and functions • Management of risk • Effectiveness of internal controls • Compliance with laws, regulation, internal policies and procedures • Value for money and efficient management of resources • High standards of conduct and behaviour • Public accountability • Published information is accurate and reliable • Implementation of previous governance issues	• The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Council, Cabinet and Committees • Scrutiny function • Audit Committee (and Sub-Committee) • Standards Committee • Internal and External Audit • Strategic Executive Board • Wider Leadership Team • Directors Assurance Statements • Corporate Plan • Medium Term Financial Strategy • Strategic Risk Register and Assurance Map • Codes of Conduct • Business Planning and Performance Management Framework • Whistleblowing and other anti-fraud related policies • Complaints System	• LGA Corporate Peer Challenge • Independent Review of the process for the Medium Term Financial Strategy and Budget • External Audit Report to Those Charged with Governance (ISA 260) Report • External Audit – Financial Resilience Report • Annual Internal Audit Report • Annual Audit Committee Report • SIRO Annual Report • Statement of Accounts • Local Government Ombudsman Report • Scrutiny reviews • Annual Governance Statement – follow up of previous year issues	• Future Space • Corporate Landlord • Savings targets • Procurement, Contract Management and Monitoring • The Better Care Fund • Future Works • Partnership Governance • Combined Authority • Corporate Peer Challenge

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		• Financial Procedures Rules • Contract Procedure Rules • modern.gov (the council's committee management information system)		

The key change to the governance framework during the year was that of a senior management restructure creating a new focus on performance and delivery of the council's corporate plan. This was achieved through replacing the Chief Executive post with that of a new Managing Director (Head of Paid Service) role, reducing the number of strategic directors from three to two and refocusing the assistant director roles as service directors in order to ensure accountability.

In previous years statements the council reported that it was 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 was not at the same level in the council as members of the Corporate Management Team (known as the Strategic Executive Board) and they did not report directly to the Chief Executive. However, following the senior management restructure referred to above, the Section 151 Officer is now at this level and reports directly to the new Managing Director post. Therefore, the council is now able to report full compliance with the CIPFA statement. The new senior management structure is shown below.



The role of the Director of Children's Services

The statutory DCS role within the council is held by the Strategic Director – People, who also holds a Statutory Director of Adult Social Services role and reports directly to the Managing Director.

An assurance process was undertaken when the structure was first implemented in 2011 and a matrix management approach is well established to ensure the single and unambiguous line of accountability required. A whole family approach is considered to be fundamental to effective service delivery and capacity to achieve this integrated approach is ensured through a People Directorate Leadership Team with four Service Directors as follows:

- Children and Young People
- Older People
- Disability and Mental Health (including All Age Disabilities)
- Public Health and Well-Being

The Cabinet Member with responsibility for Children and Young People and the DCS meet regularly with and work closely with the Director and Cabinet Member for Education; positions which were deliberately established in order to ensure an enhanced focus on driving educational performance in the City.

A new monthly Education Board involving the Managing Director and chaired by the DCS helps to ensure a co-ordinated approach. The Children and Young People's Trust Board is chaired by the statutory Cabinet Member for Children and Young People and also contributes significantly to a whole system children's approach in the City.

It is considered that these arrangements together provide a clear line of political and professional accountability for children's well-being. They also allow the full and comprehensive leadership focus in the City on delivering the 'People'/Children and Family elements of the council's Corporate Plan whilst also ensuring absolute clarity of senior officer accountability.

West Midlands Pension Fund

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

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company's Financial Statements for 2014/15. 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.

Managing the Risk of Fraud and Corruption

With regards to the CIPFA Code of practice on managing the risk of fraud and corruption - having considered all the principles, we are satisfied that the council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The activities undertaken in this area were primarily led during the year by a dedicated sub-committee of the Audit Committee.

The Review of Effectiveness

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 Members 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.

A number of issues were identified in the 2013/4 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 2014/15 issues.

Progress on the Governance Issues from 2013/14

The table below describes the governance issues identified during 2013/14 and the progress made against these during 2014/15. While a number of issues from 2013/14 have been carried forward to 2014/15, these often relate to a range of on-going activies that develop as issues are addressed and programmes continue.

2013/14 - Key areas for Improvement	Update on position and implication for the 2014/15 Annual Governance Statement
Future Space Delivery arrangements are being developed for the refurbishment of the Civic Centre. The intention is that construction works will begin in early 2015 subject to the final business case evidencing an on-going annual revenue saving of £500,000.	**Future Space** Work has progressed with the programme moving under the Place Directorate (in terms of leadership and accountability). New governance is in place with a Future Space Programme Board meeting monthly. A refreshed business case will be presented to Members in June 2015 after which the council will have clarified the scope and intention of the programme and resources it wishes to deploy to achieve the agreed outcomes. **Carried forward to 2014/15**
Corporate Landlord The adoption of the Corporate Landlord Model is being progressed incrementally against the Strategic Asset Management Review. The adopted work programme for the implementation was approved by both the Strategic Land and Property Board and the Operational Land and Property Board and is now being actively monitored by both Boards. The key deliverables in the programme include: • Centralisation of property related budgets. • Creation and delivery of a funded programme of annual condition surveys and statutory testing. • Creation and delivery of more robust cyclical maintenance programme based on the annual condition surveys. • Development and delivery of a more robust Disposal Programme to achieve the capital receipts from disposals in the MTFS.	**Corporate Landlord** The Corporate Landlord model continues to be embedded within the council's policies and procedures. As part of senior management restructure the Corporate Landlord transferred to City Assets within the Place Directorate in January 2015. An initial review of the functional operation of the Corporate Landlord teams has been undertaken to reflect corporate priorities and statutory compliance – along with ensuring value for money for users of the service.

• Agreement of service profiles by building profile for services for Facilities Management to deliver to their clients. • Development and delivery of the annual renewables programme. • Support to service reviews being conducted with Directorates in respect to providing options appraisals in respect to meeting the property needs for new service operating models. • Development of a revised Corporate Asset Management Plan.	As part of this, a review of the planned actions took place. Some aspects remain on track as previously described (such as the disposals programme). Others have been consciously deferred to allow resources to be re-directed to ensure effective management of the Corporate Landlord services and achievement of corporate objectives (such as financial outturn). One such item which has been deferred is the Strategic Asset Management Plan which will now be developed and subsequently adopted to reflect services' requirements aligned with the Medium Term Financial Plan. **Carried forward to 2014/15**
Savings Targets Whilst the council's current and historical savings targets have been largely delivered the extremely challenging financial environment continues to require substantial year on year savings. The failure to deliver already identified savings and develop further savings 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.	Significant work continued to be undertaken through the budget process to identify the additional savings required for 2015/16. As a result, in March 2015, Council were able to approve a balanced budget for 2015/16 without the use of general reserves. Recasting the projected budget challenge to include pressures that we have become aware of during the last year has resulted in the budget challenge increasing from £123 million to £134 million over the period 2014/15 to 2018/19. The increase is largely due to the rising costs of Looked After Children, pay and pension costs, and continuing Government grant cuts. However, savings totalling £87.8 million have been identified during the 2014/15 and 2015/16 budget setting processes. The council is now faced with finding further savings totalling £46.3 million over the next four years. Council approved that £20 million of additional savings for 2016/17 should be identified and reported to Cabinet in June 2015, in order to demonstrate that a balanced budget can be achieved in 2016/17. Work has started to identify the next £20 million of savings.

	Carried forward to 2014/15
PSN Compliance Prior to 2013 Wolverhampton City Council obtained GCSx accreditation enabling secure access to and exchange of information with central government and government agencies. The introduction of the Public Services Network (PSN) during 2013 demanded improved technical security standards and more robust Information Governance requirements. The council's compliance with the PSN Code of Connection requirements was approved by the Cabinet Office on 19 November 2013 following an independent health check of the council's ICT estate, looking for vulnerabilities from external sources of attack and from within the council followed by a comprehensive evaluation of the council's network and security architecture, ICT operational practices and information governance policies by CLAS consultants at the Cabinet Office. PSN compliance remains at the heart of all ICT decisions regarding the introduction of new services. A continual programme of infrastructure upgrades and refresh ensures compliance is maintained, with the council undertaking the annual accreditation process during May and June 2014.	Significant progress has been made regarding the removal of Windows XP desktops and Windows 2003 servers from the ICT estate. A small number of each type of device remains with a schedule and active programme of work to complete their removal by May 2015. Internal and external ICT health checks have been performed in preparation for the next PSN submission during May and June 2015. Remedial actions are underway in response to a small number of identified vulnerabilities. All vulnerabilities will be dealt with by May 2015. Reconfiguration and enhancement of the remote and mobile access architecture is progressing, reflecting the latest PSN guidance, enabling the provision of additional online services to mobile workers. A pilot architecture is currently operational working towards a full operational solution by the end of quarter two. The existing remote and mobile access architecture remains compliant with PSN guidelines.
Contract Management and Monitoring Having identified the range of contracts that are in place the main task is to establish how the reporting process is being managed and whether the contracts are meeting their original expectations. With the wide variety of contracts it will be necessary to develop several different approaches to contract management however the main principles will be early involvement for the contract managers (at tender stage), regular reporting on performance, planned reviews to assess the options available and general awareness training for nominated contract managers.	A Contract Register has been populated with details of all current contracts with the commissioning officer, responsible person (Service Director) and procurement lead stated. A Category management and Procurement Gateway process has been introduced that includes identification of the Contract Manager at the start of the procurement process. A standard Contract Review template has been developed and a programme of training is being developed to support a consistent

	approach to realising benefits from contracts. **Carried forward to 2014/15**
Procurement The Procurement Board will be instrumental in guiding the development of strategic procurement. The introduction and utilisation of e-procurement systems (Agresso and Due North) will increase the overall visibility of spend and the profile of this spend can be matched to the contract register. The improved management information will be useful to target particular categories of expenditure and develop procurement strategies that will extract value for money. The use of market sounding, options appraisals and output based specifications will also contribute to improving budgetary controls and increasing the percentage of on contract spend. We will be using collaborative arrangements where these are beneficial to the council and selecting the appropriate frameworks will be carried out in conjunction with the operational experts. The use of standardised forms and procedures will also aid compliance.	A Category management and Procurement Gateway process has been introduced that sets out the 3 year plan linked to the MTFS for each category of spend and the steps required to successfully undertake a procurement process. The new Public Contracts Regulations require a revision of the 'Procurement Code' which is in progress to be completed by June 2015. We are working with Wolverhampton University to develop a standard set of procurement documents that can be used by both organisations. **Carried forward to 2014/15**
Health and Social Care Reforms Over the next few years adult social care is required to take a lead role in implementing a service delivery transformation to effectively respond to a number of challenges and opportunities which arise due to significant budget reductions and changes to local and national policy. To be delivered successfully, the service transformation involves putting agreed strategies and plans in place. One of the strategies to be implemented is the Better Care Fund which is an integrated pooled budget to support health and social care to work together in local areas. To achieve the outcomes of the fund will require strong partnership working. Significant planning and investment of resources will also be required to set up primary care, prevention and	The Better Care Fund Section 75 and Governance arrangements were approved by Cabinet in February 2015. The Director of Finance and Director of People sign off of the final Section 75 took place on 30 March 2015 and the pooled budget commenced on 1 April 2015. **Carried forward to 2014/15**

community services in order to achieve the fund outcomes. Another strategy the council will be required to implement will be the Care and Support Bill in April 2015. Mapping, analysis and assessment of the detailed requirements of the Bill to identify the resources required to implement the changes, needs to be undertaken to fully assess the impact of the Bill on the council. 'The Health and Wellbeing Board will be accountable for the authorisation and delivery of the fund. The Terms of Reference and governance of the Health and Wellbeing Board are being reviewed to take account of these new responsibilities '	
Future Works The FutureWorks Programme delivered the new Agresso IT system on 1 April in line with the contractual timescales. This new system and processes are being used across the council and its partner organisations of Wolverhampton Homes and the West Midlands Pension Fund. This successful delivery has enabled the council to start delivering the agreed year one savings. The council is now embarking on delivering phase 2 of the programme in rolling our self-service functionality which will maximise the return on investment as council services are transformed. The council will continue to manage the risks around the general governance and structure of this programme and through the general programme controls it will bring.	The Agresso functionality has continued to be developed and rolled out during 2014/15 including: • Booking of annual leave via self-service was launched in September 2014 and has been rolled out by personal leave dates. • Expenses claims via self-service from August 2014. • Managers HR self-service for vacancy management, inductions, probabtion, company assets, position register from December 2014. • Online payslips available from October onwards. • P60's available on line for the first time for employees accessing their payslip online. • Additional academy payrolls delivered. • Planning and closure of accounts for end of year. • Budget manager forecasting rolled out across the organisation from August 2014. Although the Agresso element of the Future Works Programme was formally closed in December 2014, the system and associated procedures and processes will continue to be developed and streamlined on an ongoing basis in order to maximise the benefits from the investment. It should also be noted that the council's external

	auditors (PwC) will be undertaking further assurance work when auditing the 2014/15 accounts during summer 2015, the outcome of this will be reflected in their audit opinion of those accounts. **Carried forward to 2014/15**
Partnership Governance While work has begun on a number of the council's key partnerships, a systematic approach to identifying all of the significant partnerships and in determining the level of review of the governance arrangements alongside the 'health' of each partnership, is still being rolled out and will be quite a sizeable task.	The City Board, Growth Board and Inclusion Board, are now fully operating. An evaluation of the first year of operation is planned for Spring 2015. The Black Country Local Steering Group for European Structural and Investment Funds 2014-2020 is now operational and the Committee is chaired by the Leader. The council's Managing Director is leading on work to establish the Combined Authority. **Carried forward to 2014/15**
Information Governance The council is building on the robust framework and effective working practices it has put in place since consensual audits from the Information Commissioner's Office in 2012 and an enforcement notice in 2014, including: • Supporting the Information Governance Board through the development of an operational group to drive progress • Mapped out a centralised work programme and resources including a new structure • Review of all Information Governance policies • Roll out of a suite of training programmes, including ensuring there is 100% compliance with the mandatory 'Protecting Information' training to all employees	Over the past two years the Information Governance Framework has evolved from a simple framework covering data protection and freedom of information to a wider structure covering all six areas of information governance, including information/cyber security, information sharing, records management and data quality. Our current suite of information governance policies and procedures consists of the following: • Quick Guide to Information Governance Policies • Data Protection Policy • Information Security Policy • Data Quality Policy • Transparency Policy • Confidentiality Audit Procedure • Information Governance Policy • Freedom of Information Policy • Records Management Policy • Information Protective Marking and Handling Policy • Information Risk Policy

	• Confidential Information Disposal Policy We have also established an Information Governance management structure, having in place key roles such as a Senior Information Risk Owner (SIRO), two Caldicott Guardians, the IG Board and a centralised IG Team, and as such covers the management of information governance at corporate, managerial and operational levels across the council. Performance in responding to Freedom of Information requests has also greatly improved during this period. In 2012/13 performance in responding to FOI requests was 56% and in 2014/15 it was 95%. In terms of external compliance and accreditation the council has also achieved level two of the Information Governance toolkit which allows us to engage an 'N3' secure connection to share data with health services.
Strategic Asset Management The Corporate Landlord model has now been formally adopted by the council. The implementation of the model and developing a clear understanding of the accountability for activities and financial management will continue. As part of the Corporate Landlord approach Strategic and Operational Land and Property management is now covered by two governance Boards. The Strategic Land and Property Board is chaired by the Strategic Director Education and Enterprise, and attended by the Corporate Landlord (Strategic Director Delivery). The Operational Land and Property Board is chaired by the Strategic Director Delivery. The Strategic Land and Property Board meets monthly and the Operational Land and Property Board meet fortnightly. Both Boards consider land and property matters and consult Members through the existing processes of	As described in the update on Corporate Landlord, following the transfer of the service in January 2015 the opportunity is being taken to further evaluate many of the management, operational and governance arrangements put in place when the Corporate Landlord model was first established. This process is intended to further embed the Strategic Asset Management function and will ultimately establish a Strategic Asset Management Plan. **Carried forward to 2014/15** (as part of the Corporate Landlord programme)

Cabinet Member Briefing; Property Advisory Group and Executive Team prior to decisions being formally made in line with the council's Constitution. The Strategic Asset Review has now concluded with the agreed categorisation of assets, and clear accountability established for assets including those considered to be of strategic importance (for Economic Growth and Regeneration including Housing). Strategic Asset Management will in the future be supported by the Corporate Landlord's Asset Management team acting as a single source of information and knowledge for the council's assets making sure that the respective governance boards are provided with accurate and relevant information enabling informed decision making and direction.	
Schools Improvement The council's vision is to create an education system in Wolverhampton that promotes higher standards for all children and young people and closes the attainment gap. This is a system where the council celebrates school autonomy and supports school leaders and teachers in leading school improvement and having the highest expectations of every child and young person. The council's strategic approach to school improvement therefore is to support effective school to school collaboration, strong partnerships and to develop excellent practice in schools whilst demonstrating clear leadership and challenge in the delivery of its duties in relation to school improvement. This leads to three clear and related targets: • To ensure that every child in the city has an excellent education. • To raise standards in schools and academies so that by September 2016 attainment and progress measures at all key stages match or exceed national averages. • To improve the quality of provision in schools and academies so that by September 2016 all schools, settings and academies achieve an	The School Improvement and Governance Strategy received final Executive Team approval in December 2014 but has been operational since September 2014. The strategy outlines the Local Authority's approach to challenging schools and holding school leaders to account for improving standards in their schools. Based on the strategy the following actions have been taken: • Every maintained school within the City has been placed within a LA category based on published criteria and has been informed of this by letter. These categories have been reviewed at the start of each term and any changes have been communicated to schools. • All schools have received a differentiated level of challenge and intervention from the local Authority School Improvement Advisors dependent on their category. • All maintained schools in LA Categories B2 and C have also been challenged and held to account through regular individual School Improvement Board meetings (36 schools in total). • The Local Authority has also used its statutory powers of intervention to further challenge schools that are not improving

Ofsted inspection judgement of good or outstanding.	at a rapid enough pace with one pre-warning notice, three warning notices, three Interim Executive Board's (IEB) and the strengthening of three governing bodies with additional governors. All Governing Bodies in maintained schools are currently in the process of being RAG rated. Once rated schools where the governing body has been rated as red or amber will be directed by the local authority to participate in a full review of governance by an independent National Leader of Governance or, where support fails to see quick results an IEB may be established. The School Standards Service are currently in the process of recruiting to a number of new posts (within current budgetary constraints) to strengthen the capacity of the team to fully implement the School Improvement and Governance Strategy moving forward. The new posts include: an additional Primary School Improvement Advisor, an 11-19 School Improvement Advisor, a Special Educational Needs and Disability (SEND) School Improvement Advisor, an At-Risk School Improvement Advisor and a Schools' Safeguarding Officer. The School Standards Team have also been successful in a funding bid to the Local Education Partnership (Inspire) to support the implementation of a school leadership development programme (£300,000 in year 1 with the possibility of two further years funding). The programme has four strands to it: • The development of a self-improving school to school support network supported by a multi-school teaching school alliance • The development and training of effective Headteachers through a range bespoke training and mentoring packages that support them through every stage of their career. • The development and training of effective middle leaders to ensure that the city has clear succession planning in place to recruit talented new Headteachers from in the future. This will

	include the training and mentoring of effective and appropriately skilled school governors at every stage of their work in schools. • There is an experienced Training Programme Coordinator about to take up post who will be line managed by the Head of School Standards. The majority of the training programmes will begin in September 2015 and tenders are currently out for training providers to develop and deliver strands 2 and 3 of the programme. Strand 4 will be delivered through the School Standards Workforce Development Team.

Action Plan for the Significant Governance Issues identified during 2014/15 which will need addressing in 2015/16

Based on the council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2014/15 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2014/15 - Key areas and actions for implementation	Responsibility and expected implementation date
Future Space An updated business case for the works to the Civic Centre clarifying the scope and intention of the programme and the resources it wishes to deploy, will be prepared and submitted to Councillors in June 2015. Further work will be required to then develop the programme in line with the decision made by Councillors.	Strategic Director - Place June 2015
Corporate Landlord The Corporate Landlord model continues to be embedded within the council's policies. The proposed workplan to continue this is as below: • Stabilising the service following changes in leadership and transition to the Place Directorate • Address the financial challenge and seek performance improvements within the existing scope, resources and operating model • Review the operating model for 2016/17 onwards • Present to SEB for comment • Develop a proposal which will be consulted upon and progressed through the decision making process to agree and then implement • Implement the agreed operating model and organisational structures • New model in place	Service Director – City Assets January 2016

Savings Targets This continues to be a key area for the council to manage as it is faced with finding savings of £46 million over the next four years. As part of this process £20 million of additional savings is to be identified for 2016/17 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2016/17. Also, the recommendations identified as on-going, made in the recent independent review of 'the process for the medium term financial strategy and budget report' will need to continue to be addressed.	Director of Finance June 2015
Procurement , Contract Management and Monitoring A revision of the 'Procurement Code' is in progress and will need completion in order to meet the requirements of the new Public Contracts Regulations and a standard approach to Contract Management will be implemented, with a programme of training developed to support a consistent approach to realising the benefits from contracts.	Head of Procurement December 2015
Better Care Fund There will be a range of on-going performance management/ governance / pooled budget financial management issues that will need close monitoring through the early stages of the Fund.	Service Director - Disability and Mental Health Service Director - Older People March 2016
Future Works Although the Agresso element of the Future Works Programme was formally closed in December 2014, the system and associated procedures and processes will continue to be developed and streamlined on an on-going basis in order to maximise the benefits from the investment. The next steps for Agresso future development is to implement an upgrade from Milestone 3 to Milestone 4 plus the added functionality of seven experience packs. This work is expected to be completed by December 2015 alongside the continual development and enhancement of reporting functionality. Following the formal closure the FutureWorks Programme was re-established in April 2015 as the governance board for the council's ICT programme of work. The programme will maintain an oversight of all the council's significant ICT initiatives	Head of ICT December 2015

including the development of the council's ICT and Digital Strategies in addition to the delivery of improved Business Intelligence capability, Master Data Management solutions and the continuing delivery of mobile and agile solutions such as Office 365 during 2015 /2016.	
Partnership Governance While the City Board, Growth Board and Inclusion Board, are now fully operating, a systematic approach to identifying all of the other significant partnerships and in determining the level of review of the governance arrangements alongside the 'health' of each partnership, is still being rolled out.	Director of Governance March 2016
Combined Authority The council is in the process of estabalishing a Combined Authority (CA) with partners in the West Midlands and potentially other local authorities that make up the three Local Enterprise Partnerships that cover the area. The council needs to ensure it plays a key part in the development of the CA, in order to ensure that the interests of, and the maximum benefit for the City of Wolverhampton, is achieved. At key points in the process of establishing the CA reports will be taken to either full Council or Cabinet as appropriate for approval.	Managing Director March 2016
Corporate Peer Challenge The council undertook a Corporate Peer Challenge in December 2014, and the final feedback provided to the council in March 2015. The focus of the peer review was strategic planning and there was both an internal focus around what organisation we want to be, and an external focus around what kind of role we want to have in the city. There was an acknowledgement of the enormous amount of change at rapid pace and that the organisation as a whole was supporting that journey. There was also recognition that there is an ambitious agenda to improve the city, and that stronger collective ownership on the savings challenges is required. It was also found that partnership working in Wolverhampton is a real strength to be built on. In 2015/16, we will continue to respond to the areas of feedback, including continuing to discuss our future role and purpose, review our governance structures and processes and continue to lead on the Combined Authority for the West Midlands region.	Managing Director March 2016

10. ANNUAL GOVERNANCE STATEMENT

Future Assurance

A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit Committee during 2015/16.

Certification

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

Roger Lawrence, Leader of the Council:

Date:

Keith Ireland: Managing Director

Date:

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 Receivables, Payables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contingent Liability
A contingent liability is either:

a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or

b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

Dedicated Schools Grant
Schools are funded separately from other council services. The council 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

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

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

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

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

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

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

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

Financial Year
This runs from 1 April to 31 March.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related Party
There is a detailed definition of related parties in FRS 8. For the council's purposes, related parties are deemed to include:
(i) the elected members of the council and their partners.
(ii) the 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.

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

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

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

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

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

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

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