

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee Meeting

Monday, 23 January 2023

Dear Councillor

AUDIT AND RISK COMMITTEE - MONDAY, 23RD JANUARY, 2023

I am now able to enclose, for consideration at next Monday, 23rd January, 2023 meeting of the Audit and Risk Committee, the following reports that were unavailable when the agenda was printed.

Agenda No Item

7d Final Statement of Accounts (Pages 3 - 292)

[To receive the final statement of accounts.]

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This is the draft Statement of Accounts which have been audited by the Council's external auditors Grant Thornton.

This will be updated to reflect any adjustments agreed with the auditors as part of their audit and the final Statement of Accounts will be circulated once complete.

2021-2022

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Statement of Accounts

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SECTION 1 - NARRATIVE REPORT

Important note for readers of the accounts

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

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

It is the legal rules that must be used when calculating budget requirements, council tax and housing rents. As a result, all the council's internal reporting and decision-making is based purely on accounts prepared under the legal rules. The only time it prepares accounts that comply with the accounting rules is when it prepares this document. It is crucial to bear this in mind when reading the statements.

Purpose and contents of this document

The purpose of this document is to show the council's and group's financial performance over the course of the year, and their financial position at the end of the year. It also provides some information about factors that may affect the council's financial performance in the future. This document is divided into a number of sections:

Section 2 contains the statement of responsibilities and sets out the roles and responsibilities of the council and of the Director of Finance in preparing the statement of accounts. The independent auditors' report is included in Section 3.

Section 3. This report draws reader's attention to any important information they might need to consider when reading the statements.

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

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

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

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

Cash Flow Statement – this summarises all the council’s payments and receipts over the course of the year. The fundamental difference between this statement and the Comprehensive Income and Expenditure Statement is that it does not 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 Expenditure and funding analysis – notes showing how expenditure is allocated for decision making purposes between the council’s directorates and how the Comprehensive Income and Expenditure Statement reconciles to the General Fund.

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

Note 3 Other operating expenditure

Note 4 Financing and investment income and expenditure

Note 5 Taxation and non-specific grant income and expenditure

Note 6 Current receivables and current payables – this note summarises how much money was owed to the council at the end of the year, and how much the council owed other parties.

Note 7 Provisions, contingent liabilities and guarantees – this note provides information about things for which the council knows it will (or may have to) pay money to other parties, but there is uncertainty about one or more elements of that payment. This may be the amount of the payment, when it must be paid, or even whether the council will have to make a payment.

Note 8 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 9 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 10 Financial instruments – this note provides information about the council's financial instruments, which are assets or liabilities entered into under contracts.

Note 11 Members of the City of Wolverhampton Council group and other related parties – the council has relationships with several other organisations that readers should be aware of when reading the accounts. This note provides information about these relationships.

Note 12 Trust funds – this note provides information about the trust funds that the council manages on behalf of other people.

Note 13 Movement in Reserves Statement – this note analyses the changes in each of the council's reserves from year to year

Note 14 Notes to the Cash Flow Statement - these notes provide more detail relating to certain items included in the cash flow statement.

Note 15 Accounting policies – this note describes the policies that have been used by the council to prepare these statements, changes in those since last year, and any significant judgements in applying these policies that had to be made when preparing the statements.

Section 5 provides a set of financial statements and associated notes relating to the Housing Revenue Account. By law, the council must account for its council housing service separately from other services, to ensure that rents only pay for housing (and likewise, that council tax does not subsidise housing).

Section 6 contains statements for the Collection Fund. These show how much council tax was raised in Wolverhampton during the year, and how it was allocated between the council, fire and police authorities. The Collection Fund also provides details of business rates collected by the council on behalf of central government and the amount retained by the council and allocated to the fire authority.

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

Section 8 is the council's Annual Governance Statement. This provides important information about how the council and group is run and how it manages key risks.

Section 9 provides a glossary which describes many of the technical accounting terms and abbreviations used in these statements.

Introduction

These accounts set out the financial results of the City of Wolverhampton Council's activities for the year ending 31 March 2022 and demonstrate the council's economic, efficient, and effective use of resources available.

The narrative report provides information on the City of Wolverhampton Council and the economic environment in which it operates, specifically the impact of the COVID-19 pandemic and developing cost of living crisis. It looks at how the council has strategically responded to these challenges and outlines the new Our City: Our Plan.

It aims to explain the main information in the statement of accounts, provides an overview financial performance in 2021-2022, looks at the council's Medium-Term Financial Strategy and sets the framework on how we will allocate resources and our priorities for the year ahead.

Note on group accounts

The council owns three other organisations: Wolverhampton Homes Limited, Yoo Recruit Ltd and WV Living (City of Wolverhampton Housing Company Limited). As a result of this the council is required to produce group accounts. Yoo Recruit Ltd became a wholly owned subsidiary of the council in 2013-2014. As the impact on the group accounts is considered by the council, to not be material, Yoo Recruit Ltd has not been consolidated into the group accounts. Wolverhampton Homes Limited is an arm's length management organisation (ALMO) which was established in 2005 to manage and maintain most of the council's housing stock and is wholly owned by the council. WV Living became a wholly owned subsidiary of the council in 2016-2017 and was set-up in response to housing demand in Wolverhampton, to provide good quality homes for sale and rent. Wolverhampton Homes Limited and WV Living's accounts have been wholly consolidated in the group elements of the financial statements.

In 2021, the council entered a joint venture with the West Midlands Combined Authority to pilot an affordable housing project; Help to Own. Help to Own helps to address the issue that many potential buyers in work have when looking to buy a home; in raising the deposit to secure a mortgage. Help to Own has not been consolidated into the group accounts as the impact is not considered to be material.

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

Some, but not all of, our schools are brought into the financial statements. Where the council determines that the overall balance of control of schools lies with the council, those schools' assets, liabilities, reserves, and cash flows are recognised in the council financial statements and not

the group accounts. Therefore, schools' transactions, cash flows and balances are recognised in the financial statements of the council as if they were the transactions, cash flows and balances of the council. Academies and other schools such as voluntary aided schools, where control does not lie with the council, are excluded from the council's financial statements.

Items of interest in the accounts

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

Provisions, contingent liabilities and guarantees

The council's total level of provisions increased by £3.1 million (net) over the course of the year. Total provisions (excluding expected credit losses) at 31 March 2022 stood at £14.7 million (2020-2021: £11.6 million); further details are provided in Note 7A to the Financial Statements. Further details on contingent liabilities can be found in Note 7B; further details on guarantees can be found in Notes 7D and 7E.

Capital expenditure

The council once again successfully managed a large capital expenditure programme in 2021-2022, resulting in additions to non-current assets of £118.8 million, together with other capital expenditure of £19.9 million. The main additions were on council dwellings (£55.9 million), Other land and buildings (£39.6 million) and Infrastructure assets (£14.5 million), which reflects investment in the highway network. Information about non-current assets held by the council can be found in Note 8.

Net pensions liability

The council's net pension liability shows the extent to which its existing pension commitments to employees and former employees exceed the assets currently available to meet those commitments. This liability decreased by £149.2 million during 2021-2022, made up of a decrease of £55.2 million in liabilities, countered by an increase of £94.0 million in assets. The main reasons for the net movement were gains of £201.1 million resulting from changes in actuarial assumptions (for further details refer to note 9), net interest payable of £17.2 million, and other expenditure of £34.7 million. Note 9 to the Financial Statements provides further information on employee pensions.

In practice, the value of the net pension's liability is not entirely meaningful, because pension payments will generally not need to be made for many years, and the pension fund plans over long timescales as a result. Furthermore, the amount the council must 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 several complex judgements and assumptions, variations in which can lead to significant differences in the outcome: this is discussed in Note 15 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 2022, its total borrowing portfolio stood at £720.4 million, of which £616.6 million is owed to the Public Works Loan Board and £103.8 million to private sector lenders. The council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA). Please note borrowings on the balance sheet are higher due to £5.3 million accrued interest and a £5.2 million difference between the LOBO principal cash value and amortised cost (under the Code of Practice).

Movement in reserves

Reserves play a vital role in the financial sustainability of the council. The council's General Fund Reserve remains at £13.7 million, which represents approximately 5% of the net budget for 2022-2023 and is in line with recommended best practice. The HRA balance remains at £7 million.

The Council also hold specific reserves which are set aside to fund future planned expenditure. The Council holds earmarked reserves totalling £112.2 million at the end of 2021-2022. The Council is required to hold a number of reserves which have a specific criterion associated with funding, legal requirements, or accounting practice; these reserves total £55.9 million. The balance of £56.3 million are reserves set aside by the council to fund future estimated liabilities and planned expenditure

Due to the COVID-19 pandemic, there has been an extensive business rates relief scheme, meaning that the collection fund deficit is higher when compared to years prior to the pandemic. The government have provided Section 31 grants to cover the cost of COVID-19 related business rates reliefs. The usable reserve balance as at 31 March 2022 includes those government grants received in relation to collection fund deficits that will be realised in future years. They do not represent additional spending power taken forward into future years.

An introduction to the City of Wolverhampton

The City of Wolverhampton is a place which is proud of its history, celebrates its diversity and is ambitious for the future.

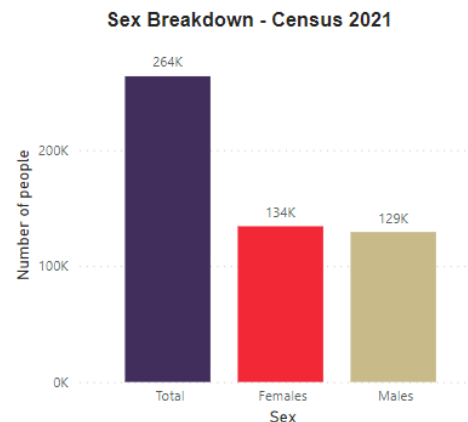
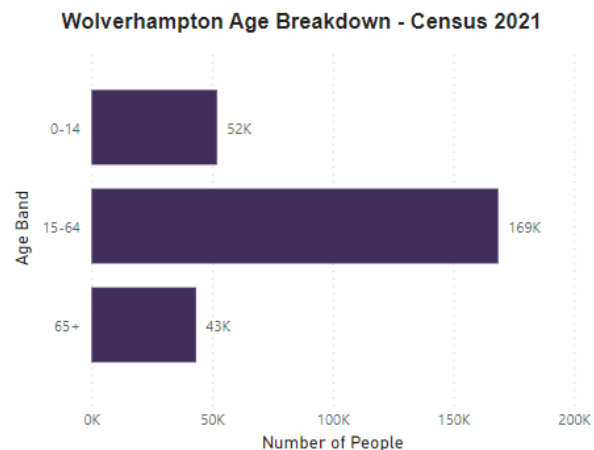
Wolverhampton is one of the most densely populated local authority areas in England with 263,700 residents living within its 26.8 square miles boundaries. The latest Indices of Deprivation (2019) show that levels of deprivation in Wolverhampton have fallen since 2015, a change from the 17th most deprived in 2015 to 24th most deprived in 2019 (1 = worst). Wolverhampton is also nationally ranked 19th for Employment deprivation, 42nd for Education deprivation with child poverty levels at 29.1%. Data shows that deprivation in the city is concentrated in a number of 'hot spots', where the council is seeking to intervene using a targeted 'place-based' approach.

The city's demographic profile is changing, as it attracts new residents. As a result Wolverhampton's population is projected to increase by 13% (approximately 31,695 residents) between 2018 and 2043. The city boasts an ethnically diverse population with 35.5% of residents being of non-white British heritage.

Although Wolverhampton has a younger age than the average in England, projections show that the 65+ age group is expected to increase faster than younger cohorts. This will put significant strain on the public sector, specifically the NHS and adult social care, as more people are likely to be admitted to hospital and require long-term care.

Other significant local data includes relatively high levels of unemployment which has been, exacerbated by the COVID-19 pandemic. Wolverhampton is currently ranked second in the country for youth unemployment (18 to 24-year-olds). This has been identified as a key priority for the council with £3.0 million funding being pledged to tackle youth unemployment in the city with partners via Wolves at Work 18-24 programme.

The visuals below illustrate the age and sex breakdown of Wolverhampton's population based on the first release of the 2021 Census data.



Economic conditions

The impact of the COVID-19 pandemic, Brexit and the conflict in Ukraine are significant economic events that have affected the UK economy in the past few years.

In March 2020, COVID-19 was declared a global pandemic. The impact on both the local and national economy was significant as expected. According to ONS, the West Midlands economy took the biggest hit with a 21% drop in gross domestic product output in just the first quarter alone.

The UK formally left the European Union on 31 January 2020 with a transition period that lasted until the end of December 2020. It is currently difficult to quantify what the impact has been on the council, but the most obvious implications are to importing goods and loss of jobs, especially those in the manufacturing sector.

As well as the humanitarian and political impact of Russia invading Ukraine will have on the world, the ongoing conflict will also have economic impact on the UK. After the invasion, gas prices increase in the UK but have now fallen steadily on international markets, whereas oil prices have

remained high. In addition, to energy costs, petrol prices in the UK are at a record high which increases residents' cost of living. This is leading to a rise in inflation. Inflation is already at record levels in the UK, 7.9% as of May 2022 which will have negative impacts on the economy. This may have knock on effects on the UK housing market, as interest rates increase, mortgages are likely to increase which will make it harder for people to buy houses. We cannot say what specific impact this will have on Wolverhampton as a city, but we can assume there will be negative economic consequences based on what has already started to happen across the country.

Such uncertainty about future economic conditions make medium-term financial planning even more challenging for the council. The council will continue to monitor the impact and provide updates to Council.

Our City: Our Plan

Developed in collaboration with partners, the city's Vision 2030 document sets out the aspirations and priorities for Wolverhampton.

Our shared vision is that Wolverhampton will be a place where people come from far and wide to work, shop, study and enjoy. Our plans and strategies - backed by major public and private investment will continue to transform the city to ensure that it retains attributes that give Wolverhampton its unique identity. Together, we will deliver a healthy, thriving, and sustainable international 'smart city' – renowned for its booming economy and skilled workforce, rich diversity and a commitment to fairness and equality that ensures everyone has the chance to benefit from success.

It is in this context that the City of Wolverhampton Council's five-year Council Plan was developed. The plan sets out how, by working together with partners, the council will deliver on the priorities of the people of our city. Since the launch of the plan the world we live and work in has changed significantly.

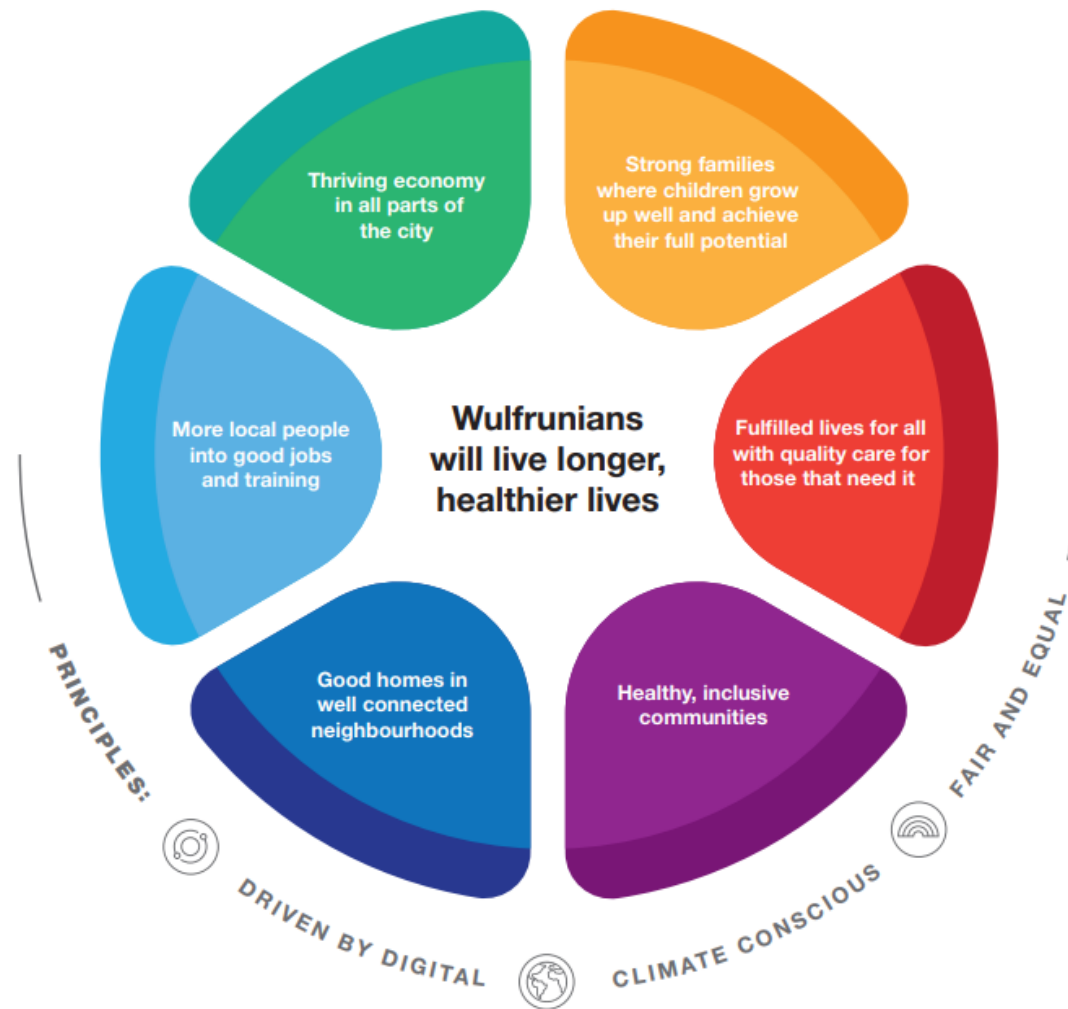
The COVID-19 pandemic has had a profound impact on our communities. In response we launched the Relighting Our City Plan in September 2020. This plan provided a framework to support the city's transition from the response to the recovery phase of the pandemic and as we know now, a new normal.

To ensure that the council's resource continues to be aligned to the needs and priorities of local people the plan has been refreshed. Our City: Our Plan sets out how the council will continue to work alongside its local, regional, and national partners to improve outcomes for local people.

Alongside Our City: Our Plan, sits as a suite of performance management indicators that are reviewed operationally and strategically. Understanding how we are performing in turn helps evidence the resources needed to make an impact across areas.

OUR CITY: OUR PLAN

Working together to be a city of opportunity, a city for everyone and deliver our contribution to Vision 2030



The plan sets our ambition that ‘Wulfrunains will live longer, healthier lives.’ Delivery of this ambition is supported by six overarching priorities:

- Strong families where children grow up well and achieve their full potential.
- Fulfilled lives for all with quality care for those that need it.
- Healthy, inclusive communities.
- Good homes in well-connected neighbourhoods.
- More local people into good jobs and training.
- Thriving economy in all parts of the city.

These priorities together with the associated key outcomes, objectives and activity form a framework to improve outcomes for local people and deliver our levelling up ambitions. Supporting the six overarching priorities are three cross cutting principles:

- **Climate Conscious:** The plan is aligned to the council’s climate change strategy ‘Future Generations’ and our target to make the council net carbon zero by 2028. Reducing carbon emissions will continue to be a local and national priority.
- **Driven by Digital:** Wolverhampton is at the forefront of digital infrastructure and innovation, and now more than ever we have seen the importance of digital skills and connectivity to social and economic participations for the City’s residents.
- **Fair and Equal:** The council will continue to tackle the inequalities in our city which impact on the opportunities of local people. The plan is aligned to our Equality, Diversity and Inclusion strategy which is underpinned by directorate level action plans.

The Council Plan does not cover everything that the council does, but it focuses on a combination of those issues that matter most to the local people, the national priorities set by central government and the unique challenges arising from the city’s changing social, economic, and environmental contexts.

The plan is a key component of the council’s corporate planning and performance management. It links the strategic priorities of the council directly to the activities of each individual employee. It includes indicators for improving overall council performance, services, and the way the council works.

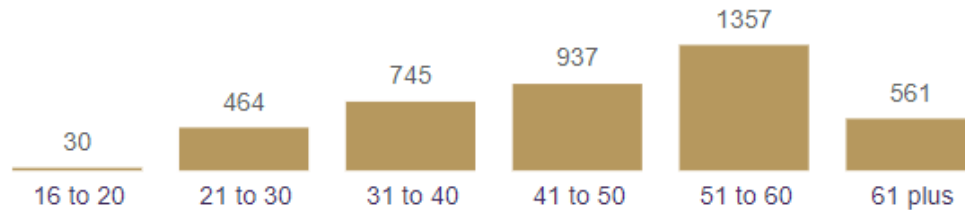
Our City: Our Plan can be found on the council’s website.

A flexible and committed council workforce

As at the 31 March 2022, the council employed 4,094 people in 4,323 positions (excluding school-based employees), of which 1,280 (31.3%) employees are male and 2,814 (68.7%) are female.

The age profile of its employees is shown below:

Age Group



The pandemic has had a significant impact on the council's workforce and how services are delivered to minimise disruption. The majority of staff continued to work remotely during 2021-2022 which, has been possible thanks to the council's significant investment in IT over the last few years.

A number of health and well-being initiatives have been introduced to support employees during the pandemic, including lunch-time remote social interaction activities, chatty cafes, workshops with employees to explore new ideas to promote mental health and well-being, the introduction of 'Our People Portal' housing lots of self-help information, sharing news and best practice on the importance of work life balance, refresh of our domestic abuse policy and guide for managers on how to support victims of domestic abuse including roll out of mandatory training.

The council is committed in creating an inclusive environment that eliminates the risk of bias. To support this, interview panels have a diverse panel, made up of different genders and ethnic groups.

The Medium-Term Financial Strategy 2021-2022 to 2023-2024

General Fund

The council's General Fund Medium-Term Financial Strategy (MTFS) has been prepared against a backdrop of change and uncertainty that is unprecedented in decades. Several factors have combined to create a very challenging financial situation, which is expected to continue for the foreseeable future.

Ongoing financial impact of COVID-19

The COVID-19 pandemic continued to affect many areas of the council during 2021-2022. The council played a proactive, leading role in responding to COVID-19, focusing our efforts on supporting those in the city that need us most. We looked after our own - especially the most vulnerable, supported our NHS colleagues, helped struggling city businesses to survive while constantly adapting to the ever changing operating national and local COVID-19 restrictions and measures, supporting our schools and young people and maintaining core, essential council services.

As a result of the additional activity the council incurred additional expenditure. In addition, the council's income streams have also been adversely affected during 2021-2022, particularly the loss of income from fees and charges for services, such as car parking, events, and leisure services. Government funding continued in 2021-2022, but at a reduced level than that received in 2020-2021. Local authorities received general emergency grant funding, specific funding for adult social care, public health activity and funding to support our most vulnerable residents. The council has received partial compensation from government for some income losses during quarter 1 of 2021-2022, but losses were seen across some areas for the entirety of 2021-2022 and are expected to continue into 2022-2023. As part of both the 2021-2022 and 2022-2023 budget setting process, the council projected these losses and has established corporate contingency budgets to mitigate against them.

The council anticipates a significant reduction in council tax and business rates income collected during 2021-2022 and over the medium-term, which has been factored into the MTFS. The 2021-2022 Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024 was reported to Full Council in March 2021. It was stated that while it was difficult to project the exact cost implications of the pandemic, however, after taking into account COVID-19 grants, it was estimated the net impact of the pandemic in 2021-2022 was in the region of £6.4 million. The 2021-2022 budget setting identified other efficiencies from across the council to meet this cost pressure.

The council has managed the use of COVID-19 grants very carefully which enabled some grant to be carried forward into the 2021-2022. In March 2022, as part of the Budget Strategy, Council approved the use of £5.0 million of COVID-19 Emergency Grant to be drawn down to support the underlying budget pressures in 2021-2022, thereby, releasing General Fund resources to support the budget deficit for 2022-2023.

The council also continued to administer a number of grants throughout 2021-2022; including mandatory and discretionary business grants, self-isolation payments for residents required to isolate, and grants to adult social care providers. The council re-prioritised its workforce, re-deploying staff where required to ensure that these essential grants could be distributed in a timely manner. Systems were continually reviewed and

improved, streamlining wherever possible to ensure these grants reached businesses as quickly as possible. Each scheme adopted has been subject to audit and a reconciliation process that ensure that they meet the government's requirements and satisfy the funding conditions. Using discretionary funding, the council designed and approved grants schemes to support businesses and self-isolating individuals who were in financial hardship and who fell outside the mandatory government grant schemes.

The council acted as an agent for the administration of the mandatory grants. The eligibility criteria and funding levels were set by the government and the council had no discretion on how these were administered. Therefore, these grants have been excluded from the Comprehensive Income and Expenditure Statement (CIES). A full list can be found at note 2H Grants.

Financial position 2021-2022

In March 2021, the council approved a budget incorporating a budget reduction target of £4.9 million for 2021-2022. The following table provides a high-level comparison of the council's General Fund outturn for 2021-2022 compared with the budget. It details spend by Directorate, which is the format used for internal reporting to management. This table is calculated in line with legal requirements. Detailed reports were considered by Cabinet in June 2022, analysing the outturn and year end reserves position in more detail. At this stage the outturn was reported as £2.2 million underspend. As part of the statement of accounts work, the outturn has been finalised at £2.0 million underspend. Further reports will be considered by Cabinet in July 2022 which will consider any impact on the budget for 2023-2024 and the medium-term.

In response to the pandemic, the government awarded local authorities a number of one-off grants, including un-ringfenced general COVID-19 grants, compensation for loss of sales, fees, and charges income (quarter 1 of 2021-2022), and specific grants to help contain the outbreak. The council has carefully managed the use of these grants and used evidence when developing response plans, ensuring the right level of support was provided to our residents and businesses. The position reported in the table below is after the cost of COVID-19 have been funded from these grants.

Despite all the uncertainty, the council has once again managed its money well and delivered within budget. Overall, the council has achieved a net underspend of £2.0 million at the end of 2021-2022 after taking into account net transfers to and from reserves. This underspend has been transferred into a specific reserve to support the budget challenge faced by the council over the medium term. An analysis of the out-turn position by directorate is detailed in the table below:

Directorate	2021-2022	2021-2022	Total Variation
	Net Controllable Revised Budget	Net Controllable Outturn	Over/(Under)
	£m	£m	£m
Adult Services	71.7	71.6	(0.1)
Children's Services and Education	52.4	49.5	(2.9)
Public Health & Well Being	5.4	5.2	(0.2)
Regeneration	3.8	3.7	(0.1)
City Assets	10.7	9.9	(0.8)
City Housing and Environment	28.4	28.5	0.1
Finance	14.6	13.8	(0.8)
Governance	11.8	11.3	(0.5)
Strategy	10.8	10.1	(0.7)
Communications and External Relations	2.3	2.4	0.1
Corporate Accounts	46.6	50.7	4.1
Net Budget Requirement	258.5	256.7	(1.8)
Funding:			
Council Tax (including Adult Social Care Precept)	(112.3)	(112.3)	-
Enterprise Zone Business Rates	(1.5)	(1.5)	-
Top Up Grant	(26.7)	(26.7)	-
Business Rates (net of WMCA growth payment)	(67.5)	(67.5)	-
Collection Fund Surplus	(3.2)	(3.2)	-
New Homes Bonus	(1.0)	(1.0)	-
Section 31 Grant - Business Rates Support	(11.5)	(11.7)	(0.2)
Improved Better Care Fund and Social Care Grants	(25.7)	(25.7)	-

COVID-19 Emergency Grant	(8.7)	(8.7)	-
Lower Tier Fund	(0.4)	(0.4)	-
Total Corporate Resources	258.5	258.7	(0.2)
Net Budget (Surplus)/Deficit	-	(2.0)	(2.0)

Cash flow management

The council continues to review and forecast its cashflow position to ensure it is able to meet its financial obligations. Based on detailed forecast scenarios, the council has sufficient cashflow and funds to meet its obligations and remain within the prudential indicators set out in the approved Treasury Management Strategy.

Due to the receipt of one-off COVID-19 government grants received throughout 2021-2022, there has been no adverse impact on the council's cashflow. However, we will continue to monitor the impact that the pandemic may have on the council's cashflow going forward, including the loss of income across council tax, business rates and sales, fees, and charges.

Performance indicators 2021-2022

In September 2020, the council approved the Relighting Our City recovery framework to guide the council's approach as we emerge from the pandemic. Relighting Our City was launched as a 'living' document and a commitment made to regularly review and refresh the plan to ensure that it continued to reflect the priorities of local people and respond to the fast-changing nature of the pandemic. The Relighting Our City also includes a performance framework, providing high level city data on key priorities and benchmarking city performance against national and regional data in order to highlight the impact of targeted interventions, inform strategic decision-making in relation to provision and encourage scrutiny.

During 2021-2022, the council reported on performance against the Relighting Our City priorities in a performance and financial integrated report. There are 29 indicators across the Relighting Our City priorities of:

- Supporting people who need us most.
- Create more opportunities for young people.
- Support our vital local businesses.
- Generate more jobs and learning opportunities.
- Stimulate vibrant high streets and communities.

Of the 29 indicators, the council reported 18 to have showed an improvement, 10 to show similar performance and one indicator to show a decrease over the year. It was also reported that of the 29 indicators, 11 were comparable with national averages – of which six indicators performance better than national averages and five performed worse than national averages.

Some of the performance indicators reported include:

- 83.6% of extremely clinically vulnerable residents vaccinated.
- 853 residents supported to maximise their benefits through the Welfare Rights helpline.
- 61% of people receiving adult social care do so from home.
- 14,100 children and young people attending holiday events.
- 88% of schools are rated 'Good' or 'Outstanding'.
- 90% of children from ethnic minorities attend 'Good' or 'Outstanding' schools.
- Lower number of children and young people open to social care services.
- 1,456 jobs created / safeguarded in the city through the Investment Team.
- 683 people supported into work through Black Country Impact and Wolves at Work.
- 170 Wolverhampton based businesses support through Business Relight Programme.
- 177 new businesses supported by commissioned service Access to Business.
- 100% network providers that have 5G capacity in Wolverhampton.
- 30 rapid charging electric car points in the city.

How we support our most vulnerable residents remains an area of strength in the city with all social care-based indicators improving or above national averages. Our education provision is of high quality and is taken up equally from children from all ethnic minorities.

To support those effected by unemployment through the pandemic, we have continued our Wolves at Work programme and are working with city businesses to support long term sustainable jobs and enterprise.

Underpinning these indicators are robust performance frameworks which ensure performance is understood by services in real time. Areas of concern are quickly identified so that data driven improvement plans produced. Strong performance is recognised allowing best practice to be shared with teams.

In March 2022, the council approved Our City: Our Plan, a new Council Plan building on Relighting Our City and providing a strategic framework for delivering the ambition that 'Wulfrunians will live longer, healthier lives.' Reporting against this framework will take place from 2022-2023 onwards.

The Medium-Term Financial Strategy 2022-2023 to 2025-2026

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 2022 is summarised in the table below:

	2022-2023	2023-2024	2024-2025	2025-2026
	£m	£m	£m	£m
Net Expenditure Budget	267.159	280.956	294.627	308.750
Cumulative Projected Deficit	-	12.630	17.316	25.826
Annual Projected Deficit	-	12.630	4.686	8.510

The council prudently considered the ongoing impact of the pandemic when setting the 2022-2023 budget. In March 2022, the council was able to set a balanced budget for 2022-2023 without the use of general reserves. However, as the table above shows, the council forecast that after taking into account the forecast impact of COVID-19 on the budget, it will need to save a further £12.6 million in 2023-2024, rising to around £25.8 million by 2025-2026.

The costs of dealing with the pandemic extend over the medium term. It is not yet known how long the pandemic will last or what the level of future support required will be. There is considerable uncertainty on the cost of 'living with COVID-19' and the additional demand which will continue to be placed on services such as social care, and public health and well-being. In addition to this, the economic costs of the pandemic will place additional pressures on the council's income collected from fees and charges as well as council tax and business rates for years to come.

It is particularly challenging to make financial projections over the medium-term period; however, they have been adjusted based upon information currently available and professional judgement. It is important to note that, due to external factors, budget assumptions remain subject to significant change, which could, result in alterations to the financial position facing the council.

In March 2019, the council approved its Five-Year Financial Strategy which is aligned to the Council Plan 2019-2024. This provides the strategic framework to address the budget challenge facing the council. The council's strategic approach to address the deficit remains aligned to the core workstreams contained within the Financial Strategy. The workstreams are:

- Driven by Digital.
- Reducing demand.
- Targeted service delivery.

- Sustainable business models.
- Prioritising capital investment.
- Generating income.
- Delivering safe efficiencies.
- Maximising partnerships and external income.

Major risks and opportunities to the council

The council played a proactive, leading role in responding to the COVID-19 emergency. During 2021-2022 the council made and continues to make a number of decisions which have significant financial implications in order to support its vulnerable residents, as well as complying with government requirements.

Government funding continued in 2021-2022, but at lower levels than that in 2020-2021. Local authorities received general emergency grant funding of £8.7 million, income for loss of fees and charges, specific funding for adult social care, public health activity and funding to support our most vulnerable residents.

It is forecast that the cost implications of the pandemic on the council as well as the cost of 'living with COVID-19' will extend over the medium term. There continues to be a level of uncertainty associated with emergency behavioural and operational changes arising from the pandemic. The council is forecasting to continue to see a reduction in income from fees and charges, especially in parking income, and costs pressures in adult social care.

Recovering from the pandemic requires the council to invest significantly, in our city and its people – to help them recover and thrive. Investment is needed in supporting vulnerable residents and struggling families; in opportunities for our children and young people, in jobs and employment opportunities for our young adults hit disproportionately by unemployment; in support for city businesses, in closing the digital divide and in the big switch to a greener economy.

There is considerable uncertainty around the cost of adult social care over the medium term due to the increase in demand for services, impact of a fee uplift, impact of the pandemic, and the delivery of the Government's 'Build Back Better: Our Plan for Health and Social Care' plan. There remains considerable uncertainty on the forecast position for adult services in 2022-2023 and over the medium term, as services re-open following the pandemic and demand in some areas is back at pre-pandemic levels – although the type of service required may be different. In addition, the introduction of the charging reform will increase the number of service users receiving some state support for their care costs. Funding will be available to support these additional costs, however, there is still uncertainty over the financial impact of these changes and the level of funding

available. As part of the implementation of charging reform the council is required to conduct a fair cost of care exercise to review levels of payments to providers, and how the council will move towards it over the medium term, where it is not paid already.

Inflation in the UK is the highest it has been for four decades, which means as a country we are experiencing cost of living crisis, with food, petrol and energy costs all increasing. The most recent statistics from the Department for Business, Energy & Industrial Strategy (2019) show that 21.1% of households were already in fuel poverty. In response the council approved its Financial Wellbeing Strategy: Tackling the Cost of Living Crisis, in March 2022. This new strategy aims to support a reduction, and future avoidance, of the financial hardship currently being experienced by residents in our city and all over the country.

Data shows Wolverhampton is at 23.9% for economic inactivity, which is 2.6% higher than the average rate for England. The primary reason for inactivity being temporary or long-term sickness (33%), which is higher than the national rate of 25.7%. This figure has likely increased as a result of the pandemic. Wolverhampton is currently ranked second in the country for youth unemployment (18 to 24-year-olds). Our prudent financial management will enable us to move forward with this short-term targeted investment – such as £3.0 million to help tackle youth unemployment. The Wolves at Work 18- 24 Programme approved in October 2021, is a programme of interventions which puts our young people at the centre of activity and urgently delivers the step change needed in our city to give unemployed young people opportunities for secure, sustainable employment, apprenticeships, education, or training.

The council has committed to being carbon-neutral by 2028 and deliver upon the promises it has made when the council declared a climate emergency at Full Council in 2019. To achieve net zero as an organisation, the council will need to make significant investment in its assets, such as electric fleet, energy efficiency retrofits, low carbon heating and renewable energy – which could deliver ongoing revenue savings.

There also continues to be considerable uncertainty with regards to future funding streams for local authorities. The national focus on Brexit and then the COVID-19 pandemic has meant the outcome of a Fair Funding Review into local government finances has been delayed, and local authorities have only received one-year settlements. This results in significant uncertainty over the level of resources that will be made available to local authorities beyond 2022-2023. Despite this, the council is confident in the robustness of its finances. The council has built up a strong track record over many years managing its finances well and consistently setting a balance budget. Our approach to strategic financial management, aligning budgets to service priorities and improving services, and investing in transformation priorities, continues to put us in a strong financial position.

Housing Revenue Account (HRA)

Financial position 2021-2022

The outturn position for the year was an operating surplus of £13.2 million, compared to a budgeted surplus of £13.2 million. This position is net of a revaluation adjustment of £15 million included in the income and expenditure statement but not in the HRA balance. £13.2 million of the surplus has been set aside by the council as provision for the redemption of debt.

The operating surplus compared to the budgeted surplus was primarily due to lower than budgeted expenditure on borrowing and investment.

	Budget	Outturn	Variance
	2021-2022	2021-2022	Over/(Under)
	£m	£m	£m
Income	(97.8)	(96.3)	1.5
Expenditure	68.5	68.1	(0.4)
Net Cost of Services	(29.3)	(28.2)	1.1
Net Cost of Borrowing and Investments	10.8	10.0	(0.8)
Revenue to Capital transfer	5.3	5.0	(0.3)
Surplus for the Year	(13.2)	(13.2)	-
Allocation of Surplus for the Year			
Provision for Redemption of Debt	(13.2)	(13.2)	-
Total	-	-	-

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, further helped by the abolition of the HRA borrowing cap in October 2018.

An updated HRA business plan was approved in January 2022. The HRA is expected to have sufficient resources to fund £2.4 billion of capital works over the next 30 years, as well as meeting its management and maintenance obligations over the same period. Capital expenditure includes an estate remodelling programme and £104.1 million for new build programmes over the next five years.

In terms of 2022-2023, the plan includes an average rent increase of 4.1% in line with the requirements of the Rent Standard 2021. The table below shows the approved budget for 2022-2023, along with forecasts for the next two years:

	Budget	Forecast	Forecast
	2022-2023	2023-2024	2024-2025
	£m	£m	£m
Income			
Gross Rents – Dwellings	(93.1)	(96.5)	(102.3)
Gross Rents - Non-Dwellings	(0.6)	(0.6)	(0.6)
Charges to Tenants for Services and Facilities	(6.1)	(6.3)	(6.6)
Total Income	(99.8)	(103.4)	(109.5)
Expenditure			
Management and Maintenance	50.9	50.6	51.2
Depreciation of Long-Term Assets	19.2	20.4	20.9
Net Financing Costs	13.2	13.8	13.0
Provision for Bad Debts	2.0	2.1	2.2
Total Expenditure	85.3	86.9	87.3
Balance	(14.5)	(16.5)	(22.2)

Capital programme

In March 2022, the council approved the General Fund capital programme totalling £346.1 million for the period of 2021-2022 to 2026-2027.

The capital programme includes significant investment programmes that endeavour to create an environment where new and existing businesses thrive, people can develop the skills they need to secure jobs and create neighbourhoods in which people are proud to live. The capital programme reflects the priorities of the Strategic Asset Management Plan.

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. The council has successfully put together a capital programme that includes major projects such as Decent Homes Stock Condition Improvements, New Build Programme, City Learning Quarter and i54 Western Extension Project. The medium-term capital programme table in the financial position 2021-2022 section below, shows the council's capital programme for the next five years, as approved by Full Council.

Capital programme - financial position 2021-2022

The capital programme was prepared during COVID-19 and understandably the pandemic has had an impact on the development of capital projects. Given the unprecedented circumstances, there have been delays on some capital schemes. In some instances, cost pressures have also been identified associated with 'social distancing' operating models, materials and how they are sourced. In addition, there is considerable uncertainty and risk of inflationary pressures across the capital programme as the cost of materials continue increase. The council will continue to assess the potential implications on the capital programme.

Capital expenditure by the council during 2021-2022 totalled £138.4 million, as set out in the following table. This was £17.0 million under budget primarily due to reprofiling of project costs and cost reductions. Many capital projects span multiple financial years and the council's Cabinet will consider a detailed report on the full capital programme, including the outturn for 2021-2022 in July 2022.

Expenditure	Approved budget	Outturn	Variation
	£m	£m	Over/(Under) £m
General Fund			
Regeneration	40.9	39.9	(1.0)
City Housing and Environment	27.6	21.2	(6.4)
Finance	13.3	5.7	(7.6)
Education and Skills	8.4	6.8	(1.6)
Strategy	6.2	5.7	(0.5)
City Assets	3.7	3.0	(0.7)
Public Health	0.3	0.1	(0.2)
Adult Services	0.1	-	(0.1)
Children's Services	-	0.1	0.1
Governance	-	-	-
Total General Fund	100.5	82.5	(18.0)
Housing Revenue Account	54.9	55.9	1.0
Total Expenditure	155.4	138.4	(17.0)

The medium-term capital programme was approved by Full Council in March 2022, and is summarised below:

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	TOTAL
	£m	£m	£m	£m	£m	£m
Forecast Expenditure	224.1	148.4	120.6	74.6	81.1	648.8

The following table lists some of the main projects in 2022-2023:

Project	Forecast Expenditure 2022-2023 £m
City Learning Quarter	18.3
i54 Western Extension	17.3
Corporate Provision for Future Programmes	13.6
WV Living Loans	13.0
Highway Capital Maintenance	11.5
Primary School Expansion Programme	11.5
Secondary School Expansion Programme	10.7
Black Country Growth Deal	6.5
Future High Street Fund	5.2
Schools Modernisation, Suitability and Condition	3.8
Fleet Services	3.6
Corporate Initiatives	3.0
ICTS	2.3
Wolverhampton Interchange Phase 2	2.1
Growth Hub Grants	1.8
Highway Improvements & Active Travel	1.7
Operational Maintenance – other rolling programmes	1.5
Corporate Asset Management	1.5
Parks Strategy & Open Spaces	1.2
Towns Fund City Environment	0.9
Blue Network Phase 2	0.6
Sports Investment Strategy	0.4
City Centre	0.3
Southside	0.3

Smart and Accessible City	0.3
Scrutiny	0.1
EZ i54 - Access and Infrastructure	0.1
	133.1
Housing Private Sector	6.3
Housing Revenue Account	
Decent Homes Stock Condition	33.4
New Build Programme	32.1
Estate Remodelling	9.7
Other Stock Condition Improvements	5.9
Service and Other Improvements to Public Realm	2.4
Adaptations for People with Disabilities	1.2
	84.7
Grand total	224.1

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

	Forecast Expenditure 2022-2023 £m
Borrowing	105.2
Grants and Contributions	74.1
Capital Receipts	21.5
Reserve Funds	20.0
Capital Expenditure Financed from the Revenue Account	3.3
Total	224.1

SECTION 2 – STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The council is required to:

- 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.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- 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:

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

The Director of Finance has also:

- Kept proper accounting records which were up to date.
- 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 2022 and its income and expenditure for the year ended on the same date.

Claire Nye
Director of Finance

Date: 15.7.22

SECTION 3 – INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITY OF WOLVERHAMPTON COUNCIL

Independent auditor's report to the members of City of Wolverhampton Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of City of Wolverhampton Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement (Council), the Comprehensive Income and Expenditure Statement (Group), the Balance Sheet, the Movement in Reserves Statement (Council), the Movement in Reserves Statement (Group), the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities [set out on page 29-30], the Authority is required to 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 authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks

(international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit and Risk Committee, concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that altered the Authority's financial performance for the year;
 - potential management bias in determining accounting estimates, especially in relation to:
 - the calculation of valuation of the Authority's Land and Buildings, Investment Properties and Council Dwellings;
 - the calculation of the valuation of the net pension liability; and
 - accruals of income and expenditure at the end of the financial year.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud.
 - journal entry testing, with a focus on significant journals at the end of the financial year, which impacted on the Authority's financial performance.
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations.
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditors'
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for City of Wolverhampton Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Jon Roberts, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date:

SECTION 4 – THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Council)

Restated 2020-2021								2021-2022		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m			
165.3	(88.2)	77.1	Adult Services		125.7	(43.8)	81.9			
237.1	(169.5)	67.6	Children's Services and Education		233.7	(188.3)	45.4			
40.5	(30.8)	9.7	Public Health & Wellbeing		44.0	(38.3)	5.7			
11.2	(9.0)	2.2	City Assets		6.8	(10.4)	(3.6)			
82.8	(31.3)	51.5	City Housing & Environment		82.3	(32.5)	49.8			
27.8	(10.8)	17.0	Regeneration		16.6	(7.9)	8.7			
89.1	(81.4)	7.7	Finance		83.8	(76.6)	7.1			
5.1	(2.2)	2.9	Governance		8.4	(1.6)	6.8			
6.1	(2.4)	3.7	Strategy		11.7	(3.9)	7.7			
11.9	(0.5)	11.4	Communications and External Relations		2.8	(1.7)	1.1			
4.8	(17.5)	(12.7)	Corporate Budgets		5.8	(18.2)	(12.4)			
3.9	(6.3)	(2.4)	Corporate Resources		4.5	(13.1)	(8.5)			
67.7	(96.8)	(29.1)	Housing Revenue Account		55.4	(99.3)	(43.9)			
753.3	(546.7)	206.6	Net Cost of Services		681.5	(535.7)	145.8			
25.2	(12.3)	12.9	Other operating expenditure	3	27.1	(15.3)	11.8			

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54.8	(5.7)	49.1	Financing and investment income and expenditure	4	47.2	-	47.2
-	(261.5)	(261.5)	Taxation and non-specific grant income and expenditure	5	-	(279.4)	(279.4)
833.3	(826.2)	7.1	Deficit/(Surplus) on Provision of Services		755.8	(830.4)	(74.6)
		11.9	(Gain)/loss on Revaluation of Non-Current Assets				(60.0)
		198.5	Re-measurement of the net defined benefit liability				(201.2)
		-	Surplus or deficit on revaluation of available for sale financial assets				-
		0.6	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				(0.3)
		211.0	Other Comprehensive Income and Expenditure				(261.5)
		218.1	Total Comprehensive Income and Expenditure				(336.1)

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* 2020-2021 has been restated to reflect organisational restructure. Note 1A provides the details of the restatement.

Comprehensive Income and Expenditure Statement (Group)

Restated				2021-2022			
2020-2021					2021-2022		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure	
£m	£m	£m		£m	£m	£m	
165.3	(88.2)	77.1	Adult Services	125.7	(43.8)	81.9	
237.1	(169.5)	67.6	Children's Services and Education	233.7	(188.3)	45.4	
40.5	(30.8)	9.7	Public Health & Wellbeing	44.0	(38.3)	5.7	
11.2	(9.0)	2.2	City Assets	6.8	(10.4)	(3.6)	
82.8	(31.3)	51.5	City Housing & Environment	82.3	(32.5)	49.8	
27.8	(10.8)	17.0	Regeneration	16.6	(7.9)	8.7	
89.1	(81.4)	7.7	Finance	83.8	(76.6)	7.1	
5.1	(2.2)	2.9	Governance	8.4	(1.6)	6.8	
6.1	(2.4)	3.7	Strategy	11.7	(3.9)	7.7	
11.9	(0.5)	11.4	Communications and External Relations	2.8	(1.7)	1.1	
4.8	(17.5)	(12.7)	Corporate Budgets	5.8	(18.2)	(12.4)	
3.9	(6.3)	(2.4)	Corporate Resources	4.5	(13.1)	(8.5)	
79.0	(101.8)	(22.8)	Housing Services	99.6	(140.1)	(40.5)	
764.6	(551.7)	212.9	Net Cost of Services	725.7	(576.5)	149.2	
28.5	(12.3)	16.2	Other operating expenditure	29.9	(15.3)	14.6	
54.8	(5.7)	49.1	Financing and investment income and expenditure	47.2	-	47.2	
-	(261.5)	(261.5)	Taxation and non-specific grant income and expenditure	-	(279.4)	(279.4)	
857.5	(844.4)	16.7	Deficit/(Surplus) on Provision of Services	802.8	(871.2)	(68.4)	
		11.9	(Gain)/loss on Revaluation of Non-Current Assets			(60.0)	

		231.2	<i>Re-measurement of the net defined benefit liability</i>				(233.6)
		0.6	<i>(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income</i>				(0.3)
		243.7	Other Comprehensive Income and Expenditure				(309.9)
		260.4	Total Comprehensive Income and Expenditure				(362.3)

* 2020-2021 has been restated to reflect organisational restructure. Note 1A provides the details of the restatement.

Balance Sheet (Council and Group)

31 March 2021		Note	31 March 2022		
Council £m	Group £m		Council £m	Group £m	
1,420.4	1,420.4	Property, Plant & Equipment	8	1,579.4	1,584.4
11.6	11.6	Heritage assets	8	14.3	14.3
31.7	33.9	Investment Property	8	50.7	50.7
3.5	3.5	Intangible assets	8	2.3	2.3
10.2	10.2	Assets held for sale	8	22.2	22.2
21.8	14.8	Long-Term Investments		27.8	19.8
1.3	1.3	Long-Term Debtors		1.3	1.3
-	-	Long-Term Loans to External Bodies		-	-
1,500.5	1,495.7	Long-term Assets		1,698.0	1,695.0
8.6	8.6	Short-Term Investments		80.1	80.1
0.6	33.0	Inventories		0.5	5.2
123.0	94.3	Short-Term Debtors	6A	86.7	83.8
2.0	8.1	Cash and Cash Equivalents		2.1	9.9
134.2	144.0	Current Assets		169.4	178.9
(5.3)	(5.3)	Short-Term Borrowing		(15.5)	(15.5)
(125.4)	(121.0)	Short-Term Creditors	6C	(173.2)	(172.6)
(11.6)	(11.6)	Provisions	7A	(14.7)	(14.8)
(142.3)	(137.9)	Current Liabilities		(203.4)	(202.9)
(725.8)	(725.8)	Long-Term Borrowing		(715.5)	(715.5)
(842.8)	(913.7)	Net Pension Liability	9	(694.3)	(741.0)
(90.5)	(97.5)	Other Long-Term Liabilities		(86.2)	(88.8)

(4.8)	(4.8)	Grant Receipts in Advance – Capital		(3.4)	(3.4)
(1,663.9)	(1,741.8)	Long-Term Liabilities		(1,499.4)	(1,548.7)
(171.5)	(240.0)	Net Assets		164.7	122.3
(160.8)	(92.3)	Usable Reserves	13A	(147.0)	(104.6)
332.3	332.3	Unusable Reserves	13A	(17.7)	(17.7)
171.5	240.0	Total Reserves		(164.7)	(122.3)

The notes, Housing Revenue Account Statements and Collection Fund Statement on pages 179 to 186 form part of these financial statements.

The unaudited accounts were issued on 15 July 2022.

Signed:

Claire Nye
Director of Finance

Date:

Movement in Reserves Statement 2021-2022

(For a detailed breakdown of the figures in these Statements, see Note 13A)

Council

	General Fund balance	General Fund Earmarked Reserves	Total General Fund balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	TOTAL (Council)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(13.7)	(121.4)	(135.1)	(7.1)	(1.7)	(9.6)	(7.5)	(161.0)	332.4	171.5
Surplus/(Deficit) on Provision of Services	(37.8)	-	(37.8)	(36.9)	-	-	-	(74.7)	-	(74.7)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(271.4)	(261.4)
Total Comprehensive Income and Expenditure	(37.8)	-	(37.8)	(36.9)	-	-	-	(74.7)	(261.4)	(336.1)
Net Decrease/(Increase) before Transfers & other Movements	(37.8)	-	(37.8)	(36.9)	-	-	-	(74.7)	(261.4)	(336.1)
Adjustments between Accounting Basis & Funding Basis under Regulations	47.0	-	47.0	36.9	(0.4)	(1.2)	6.2	88.6	(88.6)	-
Transfers to/from Earmarked Reserves	(9.2)	9.2	-	-	-	-	-	-	-	-
(Increase)/decrease for the Year	-	9.2	9.2	-	(0.4)	(1.2)	6.2	13.8	(350.0)	(336.1)
Balance Carried Forward	(13.7)	(112.2)	(125.8)	(7.1)	(2.1)	(10.8)	(1.3)	(147.2)	(17.6)	(164.7)

Group

	General Fund balance	General Fund Earmarked Reserves	Total General Fund balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	TOTAL (Council)	Reserves of the Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(13.7)	(121.4)	(135.1)	(7.1)	(1.7)	(9.6)	(7.5)	(161.0)	332.4	171.4	68.7	240.1
Surplus/(Deficit) on Provision of Services	22.5	-	22.5	(36.9)	-	-	-	(14.4)	-	(14.4)	(54.1)	(68.5)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(261.4)	(261.4)	(32.4)	(293.8)
Total Comprehensive Income and Expenditure	22.5	-	22.5	(36.9)	-	-	-	(14.4)	(261.4)	(275.8)	(86.5)	(362.3)
Net Decrease/(Increase) before Transfers & other Movements	22.5	-	22.5	(36.9)	-	-	-	(14.4)	(261.4)	(275.8)	(86.5)	(362.3)
Adjustments between Group Accounts & Authority Accounts	(60.3)	-	(60.3)	-	-	-	-	(60.3)	-	(60.3)	60.3	-
Adjustments between Accounting Basis & Funding Basis under Regulations	47.0	-	47.0	36.9	(0.4)	(1.2)	6.2	88.6	(88.6)	-	-	-
Transfers to/from Earmarked Reserves	(9.2)	9.2	-	-	-	-	-	-	-	-	-	-
(Increase)/decrease for the Year	-	9.2	9.2	-	(0.4)	(1.2)	6.2	14.0	(350.0)	(336.0)	(26.2)	(362.3)
Balance Carried Forward	(13.7)	(112.2)	(125.9)	(7.1)	(2.1)	(10.8)	(1.3)	(147.0)	(17.6)	(164.6)	42.5	(122.2)

Movement in Reserves Statement 2020-2021

(For a detailed breakdown of the figures in these Statements, see Note 13A)

Council

	General Fund balance	General Fund Earmarked Reserves	Total General Fund balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	TOTAL (Council)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(13.0)	(64.6)	(77.6)	(7.1)	(1.2)	(10.3)	(5.2)	(101.4)	54.8	(46.6)
Surplus/(Deficit) on Provision of Services	28.3	-	28.3	(21.2)	-	-	-	7.1	-	7.1
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	211.0	211.0
Total Comprehensive Income and Expenditure	28.3	-	28.3	(21.2)	-	-	-	7.1	211.0	218.1
Net Decrease/(Increase) before Transfers & other Movements	28.3	-	28.3	(21.2)	-	-	-	7.1	211.0	218.1
Adjustments between Accounting Basis & Funding Basis under Regulations	(85.7)	-	(85.7)	21.2	(0.5)	0.7	(2.3)	(66.6)	66.6	-
Transfers to/from Earmarked Reserves	56.8	(56.8)	(0.0)	-	-	-	-	(0.0)	-	(0.0)
(Increase)/decrease for the Year	(0.6)	(56.8)	(57.5)	-	(0.5)	0.7	(2.3)	(59.6)	277.6	218.1
Balance Carried Forward	(13.7)	(121.4)	(135.1)	(7.1)	(1.7)	(9.6)	(7.5)	(161.0)	332.4	171.5

Group

	General Fund balance	General Fund Earmarked Reserves	Total General Fund balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	TOTAL (Council)	Reserves of the Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(13.0)	(64.6)	(77.6)	(7.1)	(1.2)	(10.3)	(5.2)	(101.4)	54.8	(46.6)	26.6	(20.0)
Surplus/(Deficit) on Provision of Services	91.9	-	91.9	(21.2)	-	-	-	70.7	-	70.7	(54.2)	16.5
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	211.0	211.0	32.7	243.7
Total Comprehensive Income and Expenditure	91.9	-	91.9	(21.2)	-	-	-	70.7	211.0	281.7	(21.5)	260.2
Net Decrease/(Increase) before Transfers & other Movements	91.9	-	91.9	(21.2)	-	-	-	70.7	211.0	281.7	(21.5)	260.2
Adjustments between Group Accounts & Authority Accounts	(63.6)	-	(63.6)	-	-	-	-	(63.6)	-	(63.6)	63.6	-
Adjustments between Accounting Basis & Funding Basis under Regulations	(85.7)	-	(85.7)	21.2	(0.5)	0.7	(2.3)	(66.6)	66.6	-	-	-
Transfers to/from Earmarked Reserves	56.8	(56.8)	(0.0)	-	-	-	-	(0.0)	-	(0.0)	-	(0.0)
(Increase)/decrease for the Year	(0.7)	(56.8)	(57.5)	-	(0.5)	0.7	(2.3)	(59.6)	277.6	218.0	42.1	260.1
Balance Carried Forward	(13.7)	(121.4)	(135.1)	(7.1)	(1.7)	(9.6)	(7.5)	(161.0)	332.4	171.4	68.7	240.1

Cash Flow Statement (Council and Group)

2020-2021			Note	2021-2022	
Council £m	Group £m			Council £m	Group £m
		Operating Activities			
7.1	16.7	Net deficit on the provision of services		(74.7)	(68.5)
(96.5)	(97.8)	Adjustment for non-cash movements	14A	(126.8)	(134.7)
36.8	36.8	Adjustment for items that are investing and financing activities	14B	69.6	69.6
(52.6)	(44.3)	Net cash flows from operating activities	14C	(131.9)	(133.6)
		Investing Activities			
87.1	89.5	Purchase of Property, plant and equipment, investment property and Intangible assets		118.5	118.5
597.7	590.7	Purchase of short-term and long-term investments		516.8	516.8
(12.3)	(12.4)	Proceeds from the sale of Property, plant, and equipment, Investment property and Intangible assets		(15.3)	(15.3)
(612.5)	(612.5)	Receipts from sale of short-term and long-term investments		(439.6)	(439.6)
0.2	0.2	Other receipts from investing activities		1.4	1.4
(24.5)	(24.6)	Capital grants received		(54.3)	(54.3)
35.7	30.7	Net cash flows from investing activities		127.5	127.5
		Financing Activities			
4.6	4.6	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		4.3	4.3
12.5	12.5	Repayments of short-and long-term borrowing		-	-
17.1	17.1	Net cash flows from total financing activities		4.3	4.3
(0.1)	3.2	Net (increase) or decrease in cash and cash equivalents		(0.1)	(1.8)
		Cash and Cash Equivalents at the Start of the Year			
0.7	0.7	Cash held by the council		0.6	0.6
1.2	10.6	Bank current accounts		1.4	7.5
1.9	11.3			2.0	8.1

		Cash and Cash Equivalents at the End of the Year			
0.6	0.6	Cash held by the council		0.6	0.6
1.4	7.5	Bank current accounts		1.5	9.3
2.0	8.1			2.1	9.9

Note 1A Prior period restatement of service expenditure and income 2020-2021

In 2021-2022 a senior management internal restructure resulted in a number of services being reclassified. The CIES and accompanying Expenditure and Funding Analysis notes have been restated for comparability. The table below shows the amounts of the reclassifications:

Net Expenditure	As reported in the Comprehensive Income & Expenditure Statement 2020-2021 £m	Adults £m	Children's Services and Education £m	City Assets & Housing £m	Public Health & Wellbeing £m	City Environment £m	Corporate Budgets £m	Strategy £m	Deputy Chief Executive £m	Regeneration £m	Communications & External Relations £m	City Assets £m	City Housing & Environment £m	Chief Executive £m
Closing balances		77.4	67.3	9.6	1.1	49.9	(13.1)	1.6	2.3	31.3	(0.1)	-	-	0.2
Adult Services	77.4	(0.3)	0.3											
Children's Services and Education	67.3													
Public Health & Wellbeing	1.1													
City Environment	49.9					(49.9)		0.2			0.7		49.0	
City Assets & Housing	9.6			(9.6)	5.0							2.2	2.4	
Regeneration	31.3				3.7					(14.3)	10.6			
Finance	7.7													
Governance	2.9													
Strategy	1.6													
Chief Executive	0.2						0.2							(0.2)
Communications and External Relations	(0.1)													
Deputy Chief Executive	2.3						0.4	1.9	(2.3)					
Corporate Accounts	(13.1)													
Corporate Resources	(2.4)													
Housing Revenue Account	(29.1)													
Net Expenditure 2020-2021 as Restated in the Comprehensive Income and Expenditure Statement 2021-2022	206.6	77.1	67.6	-	9.8	-	(12.5)	3.7	-	17.0	11.2	2.2	51.4	-

Note 1B - Expenditure and funding analysis

2021-2022	Net Expenditure Reported to Cabinet	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Adult Services	71.6	7.1	78.7	3.2	81.9
Children's Services and Education	49.5	7.2	56.7	(11.3)	45.4
Public Health & Wellbeing	5.2	1.2	6.4	(0.7)	5.7
City Assets	9.9	(9.0)	0.9	(4.5)	(3.6)
Regeneration	3.7	0.5	4.2	4.5	8.7
Finance	13.8	(8.2)	5.6	1.5	7.1
Governance	11.3	(6.1)	5.2	1.6	6.8
Strategy	10.1	(10.3)	(0.1)	7.8	7.7
City Housing and Environment	28.5	7.3	35.8	14.0	49.8
Communications & External Relations	2.4	0.9	3.3	(2.1)	1.1
Corporate Budgets	50.7	(4.2)	46.5	(59.0)	(12.5)
Corporate Resources	(258.7)*	250.0	(8.5)	-	(8.5)
Housing Revenue Account	-	(6.3)	(6.3)	(36.9)	(43.8)
Net Cost of Services	(2.0)	230.4	228.3	(82.7)	145.8
Other Income and Expenditure	-	(220.7)	(220.7)	-	(220.7)
Surplus or Deficit	(2.0)	9.8	7.6	(82.7)	(74.8)

* The actual figure reported to Cabinet for Corporate Resources was £258.9 million. The figure above reflects a final year end adjustment of £0.2 million following the completion of the NNDR 3 return.

Opening General Fund and HRA balance	142.2
Surplus/deficit for the year	(9.8)
Closing General Fund and HRA balance	132.4

2020-2021	Net Expenditure Reported to Cabinet	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Adult Services	68.9	7.6	76.5	0.6	77.1
Children's Services and Education	50.5	11.8	62.3	5.3	67.6
Public Health & Wellbeing	4.0	0.5	4.5	5.2	9.7
City Housing & Environment	25.8	9.8	35.6	15.8	51.4
City Assets	8.0	(10.0)	(2.0)	4.2	2.2
Regeneration	3.5	1.5	5.0	12.0	17.0
Finance	13.5	(5.8)	7.7	-	7.7
Governance	9.3	(6.4)	2.9	-	2.9
Strategy	8.8	(9.7)	(0.9)	4.6	3.7
Communications & External Relations	2.4	0.4	2.8	8.4	11.2
Corporate Accounts	53.5	(51.2)	2.5	(15.0)	(12.5)
Corporate Resources	(247.9)	201.1	(46.8)	44.3	(2.4)
Housing Revenue Account	-	(7.9)	(7.9)	(21.2)	(29.1)
Net Cost of Services	-	142.2	142.3	64.4	206.7

Other Income and Expenditure	-	(199.5)	(199.5)	-	(199.5)
Surplus or Deficit	-	(57.3)	(57.2)	64.4	7.2

Opening General Fund and HRA balance	84.7
Surplus/deficit for the year	57.9
Closing General Fund and HRA balance	<u>142.2</u>

Note 1C – Note to the expenditure and funding analysis 2021-2022

	2021-2022														
	Net Change for the Pensions Adjustment	Adjustment for Capital Purposes	Other Operating Expenditure	Reserves	Taxation and non-specific grant income and expenditure	Financing and investment income	Other Differences	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA balances	Financing and investment income	Adjustment for Capital Purposes	Other Operating Expenditure	Reserves	Taxation and non-specific grant income and expenditure	Net Change for the Pensions Adjustment	Total Adjustments Between Funding and Accounting Basis
Adult Services	0.1	-	-	(0.9)	0.4	-	7.5	7.1	-	0.8	-	-	-	2.4	3.2
Children's Services and Education	0.1	1.3	(0.4)	(3.6)	(0.5)	-	10.3	7.2	-	(25.8)	0.4	-	-	14.1	(11.3)
Public Health & Wellbeing	-	-	-	(3.9)	0.7	-	4.4	1.2	-	(1.5)	-	-	-	0.9	(0.7)
Communications & External Relations	-	-	-	-	-	-	0.9	0.9	-	(2.4)	-	-	-	0.3	(2.1)
Regeneration	-	(1.9)	-	0.4	0.3	-	1.7	0.5	-	3.4	-	-	-	1.1	4.5
Finance	-	-	-	(1.8)	(0.1)	-	(6.4)	(8.2)	-	-	-	-	-	1.6	1.6
City Assets	-	5.2	(3.9)	(0.1)	-	(0.1)	(10.2)	(9.0)	-	(9.6)	3.9	-	-	1.3	(4.5)
Governance	-	-	-	0.3	-	-	(6.4)	(6.1)	-	-	-	-	-	1.6	1.6
Strategy	-	-	-	-	0.1	-	(10.4)	(10.3)	-	6.6	-	-	-	1.2	7.8
City Housing & Environment	-	-	(0.1)	(0.8)	-	-	8.1	7.3	-	10.7	0.1	-	-	3.3	14.0
Corporate Budgets	5.8	0.8	(10.9)	(29.0)	58.7	(16.6)	13.1)	(4.2)	(1.6)	(0.8)	(1.7)	(46.1)	(23.0)	14.2)	59.0

Corporate Resources	-	-	-	16.4	233.6	-	-	250.0	-	-	-	-	-	-	
Housing Revenue Account	-	(12.6)	(10.2)	13.2	0.7	-	2.7	(6.3)	-	(21.9)	(1.2)	(13.2)	(1.4)	-	(37.6)
Net Cost of Services	6.0	(7.2)	(25.5)	(9.8)	293.9	(16.7)	(10.9)	230.4	(1.6)	(40.3)	1.5	(59.3)	(24.4)	42.0	(82.7)
Other Income and Expenditure	-	-	11.8	-	(279.4)	47.2	-	(220.6)	-	-	-	-	-	-	-
Surplus or Deficit	6.0	(7.2)	(13.7)	(9.8)	14.5	30.5	(10.9)	9.8	(1.6)	(40.3)	1.5	(59.3)	(24.4)	42.0	(82.7)

	2020-2021														
	Net Change for the Pensions Adjustment	Adjustment for Capital Purposes	Other Operating Expenditure	Reserves	Taxation and non-specific grant income and expenditure	Financing and investment income	Other Differences	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA balances	Financing and investment income	Adjustment for Capital Purposes	Other Operating Expenditure	Taxation and non-specific grant income and expenditure	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments Between Funding and Accounting Basis
Adult Services	1.5	-	-	(0.9)	-	-	6.9	7.6	-	0.5	-	-	-	0.1	0.6
Children's Services and Education	9.0	-	0.3	(7.6)	-	-	10.1	11.8	-	5.3	-	-	-	-	5.3
Public Health & Wellbeing	0.5	-	-	(3.5)	-	-	3.6	0.6	-	5.2	-	-	-	-	5.2

Communications & External Relations	0.2	-	-	-	-	-	0.4	0.5	-	8.4	-	-	-	-	8.4
City Housing & Environment	2.1	(0.2)	(0.3)	0.2			7.9	9.7	-	11.6	0.3	-	-	-	11.9
City Assets	0.7		(1.5)	(0.2)			(9.1)	(10.1)	-	6.4	1.5	-	-	-	7.9
Regeneration	0.6	-	-	(0.7)	-	-	1.6	1.5	-	12.0	-	-	-	-	12.0
Finance	1.0	-	-	(0.6)	-	-	(6.1)	(5.8)	-	-	-	-	-	-	-
Governance	0.9	-	-	(1.1)	-	-	(6.2)	(6.4)	-	-	-	-	-	-	-
Strategy	0.7	-	-		-	-	(10.3)	(9.6)	-	4.6	-	-	-	-	4.6
Chief Executive	-	-	-		-	-		-	-	-	-	-	-	-	-
Corporate Accounts	-	-	(8.3)	(6.2)	23.2	(16.1)	(43.8)	(51.2)	(1.5)	2.6	(2.0)	(23.2)	31.2	(22.0)	(15.0)
Corporate Resources	-	-	-	(34.6)	237.2		(1.5)	201.1	-	-		44.3	-	-	44.3
Housing Revenue Account	-	-	1.1		1.0	(10.1)	-	(7.9)	-	(0.9)	(1.1)	(1.0)	-	(18.1)	(21.2)
Net Cost of Services	17.2	(0.2)	(8.7)	(55.2)	261.4	(26.2)	(46.4)	141.9	(1.5)	55.8	(1.3)	20.1	31.2	(40.0)	64.4
Other Income and Expenditure	-	-	9.3	-	(260.9)	52.1	-	(199.5)	-	-	-	-	-	-	-
Surplus or Deficit	17.2	(0.2)	0.6	(55.2)	0.5	25.9	(46.4)	(57.6)	(1.5)	55.8	(1.3)	20.1	31.2	(40.0)	64.4

Note 1D Expenditure and income analysed by nature

The table below discloses information on the nature of the council's income and expenditure:

2020-2021 £m		2021-2022 £m
	Expenditure	
248.2	Employee benefits expenses*	244.9
465.5	Other service expenses	390.0
44.8	Depreciation, amortisation, and impairment	42.9
12.6	Loss on disposal of non-current assets	14.5
52.3	Interest payments	53.1
10.4	Levies	10.4
833.8		755.8
	Income	
(252.8)	Fees and charges and other service income	(236.7)
(138.9)	Income from council tax and business rates	(170.6)
(420.6)	Government grants and contributions	(406.3)
(12.3)	Gain on disposal of non-current assets	(15.3)
(2.2)	Interest and investment income	(1.5)
(826.8)		(830.4)
7.0	(Surplus)/Deficit on Provision of Services	(74.6)

* Employee benefits expenses include direct and indirect employee costs, including employer pensions costs.

Note 1E Income from contracts with service recipients

Included within the council's income from fees and charges of £171.9 million are the following amounts derived from contracts with service recipients:

2020-2021 £m	Category of Income	2021-2022 £m
7.3	Housing	6.4
0.8	Car Parks	1.7
91.0	Rents	92.9
4.0	Property Income	5.3
1.8	Cleaning	1.9
19.4	Care	19.6
1.0	Catering	1.9
0.8	Vehicles Hire	0.8
3.6	Cemeteries & Crematoriums	3.6
0.1	Leisure	0.6
6.7	Refuse Collection & Disposal	1.8
0.6	Transport	0.4
3.1	Licensing	4.6
21.5	Other	30.4
161.7	Total Income from Contracts with Service Recipients	171.9

The council does not receive any revenue income from service recipients in respect of constructing, manufacturing or developing an asset on behalf of a service recipient. These elements are, therefore, excluded from the detail in this note.

Services above are either fulfilled when the payment is made (e.g., car parks) or are billed in advance (e.g., trade waste). Where this is not the case, income is accrued at year end, so all performance obligations are reflected in the Comprehensive Income and Expenditure Statement.

Note 2 Income and expenditure

2A Acquired and discontinued operations

The council has not discontinued any operations during the year under review.

2B Trading operations

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

2020-2021			2021-2022	
Turnover	Deficit/ (Surplus)	Trading Operation	Turnover	Deficit/ (Surplus)
£m	£m		£m	£m
(1.0)	2.0	Markets	(2.0)	1.0
(5.8)	0.2	Cleaning of Buildings	(5.9)	0.8
(2.9)	0.4	Schools and Welfare Catering	(3.8)	0.8
(0.2)	0.1	Civic Centre and Other Catering	(0.1)	0.2
(9.9)	2.7	Total	(11.8)	2.8

In 2020-2021 and 2021-2022, the COVID-19 pandemic impacted on the financial position of the traded operations, and as a result the council received COVID-19 grant to compensate for the financial impact. This grant is not reflected in the table above.

2C Pooled budgets

The council takes part in two pooled budget schemes with Black Country & West Birmingham Clinical Commissioning Group (CCG), (previously Wolverhampton Clinical Commissioning Group). The first scheme relates to the integrated service for Child Placements with External Agencies for children with social care, education, and health needs. The scheme is administered by the council who incur the expenditure and then receive a contribution from CCG according to a funding formula. Contributions are summarised in the following table.

Council Contribution £m	2020-2021		Scheme	Council Contribution £m	2021-2022	
	CCG Contribution £m	Total Expenditure £m			CCG Contribution £m	Total Expenditure £m
3.3	1.6	4.9	Child Placements with External Agencies	4.1	2.0	6.1

The second scheme relates to a pooled budget arrangement with Black Country & West Birmingham Clinical Commissioning Group (CCG). This is a section 75 (NHS Act 2006) partnership agreement relating to the commissioning of health and social care services under the Better Care Fund (BCF). The BCF has been established by the government and it is a requirement of the Fund that the CCG and the council establish a pooled fund for this purpose. The BCF is made up of CCG funding as well as local government grants, including the Improved Better Care Fund (IBCF), which was first announced in the 2015 Spending Review and is a direct grant which must be pooled into the local BCF plan. Revenue grants received through the Better Care Fund and Improved Better Care Fund are included within the council's CIES.

The Host Partner is the City of Wolverhampton Council. The partners' contribution to the Fund is outlined below and the share of any over/(under) spend is originally allocated according to the Section 75 agreement:

2020-2021 £m	Better Care Fund	2021-2022 £m
	Expenditure	
55.7	Adult Community Services	59.7
3.8	Dementia	3.9
16.6	Mental Health & CAMHS	16.9
76.1	Total Expenditure	80.5
	Gross Funding	
45.5	Wolverhampton Clinical Commissioning Group	49.1
30.4	City of Wolverhampton Council	32.1
75.9	Total Funding	81.2

2020-2021 £m	Better Care Fund	2021-2022 £m
0.2	Net Over Spend	(0.7)
	Allocation of Over/(Under) Spend	
0.1	Wolverhampton Clinical Commissioning Group	0.5
0.1	City of Wolverhampton Council	(1.2)
0.2	Total Allocation	(0.7)

2D Councillors' allowances and expenses

The council paid £956,000 in councillors' allowances during 2021-2022 (2020-2021: £922,000).

2E Senior officers' remuneration

The following table sets out remuneration disclosures for senior officers (with reference to notes where applicable):

Post Title		Salary, Fees and Allowances	Contractor Costs	Expenses Allowances	Exit Package	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£	£
Chief Executive (Head of Paid Service) ¹ Tim Johnson	2021-2022	168,270	-	-	-	-	168,270
	2020-2021	163,170	-	-	-	-	163,170
Deputy Chief Executive	2021-2022	146,087	-	-	-	35,066	181,153
	2020-2021	142,093	-	-	-	34,203	176,296
Executive Director of Pensions ²	2021-2022	142,257	-	-	-	37,214	179,471
	2020-2021	136,746	-	-	-	35,609	172,355
Executive Director of Families ³	2021-2022	84,127	-	-	-	22,008	106,135
	2020-2021	-	-	-	-	-	-
Director of Finance (Section 151 Officer) ⁴	2021-2022	120,370	-	-	-	31,489	151,859
	2020-2021	115,018	-	-	-	29,951	144,969
Director of Children's and Adult Services ⁵ Director of Children's Services	2021-2022	41,095	-	-	-	10,751	51,846
	2020-2021	120,017	-	-	-	31,252	151,269
Director of Adult Services ⁶	2021-2022	10,732	-	-	-	2,808	13,540
	2020-2021	74,996	-	-	-	19,984	94,980
Director of Strategy	2021-2022	109,429	-	-	-	28,258	137,687
	2020-2021	103,375	-	-	-	26,919	130,294
Director of Public Health	2021-2022	120,368	-	-	-	30,300	150,668
	2020-2021	118,575	-	-	-	30,877	149,452
Director of City Housing and Environment – Interim ⁷	2021-2022	117,579	-	-	-	30,904	148,483
	2020-2021	111,407	-	-	-	29,010	140,417
Director of Regeneration	2021-2022	120,370	-	-	-	29,829	150,199
	2020-2021	115,018	-	-	-	29,262	144,280

Director of Communications and Visitor Experience	2021-2022	109,429	-	-	-	28,627	138,056
	2020-2021	103,904	-	-	-	27,057	130,961
Chief Operating Officer (Monitoring Officer) ⁸	2021-2022	84,127	-	-	-	21,072	105,199
	2020-2021	-	-	-	-	-	128,147
Director of Governance ⁹	2021-2022	37,360	-	-	-	9,306	46,666
	2020-2021	101,949	-	-	-	26,198	128,147
Director of Black Country Transport ¹⁰	2021-2022	116,760	-	-	-	30,723	147,483
	2020-2021	111,407	-	-	-	29,180	140,587
Deputy Director of Children's Social Care ¹¹	2021-2022	91,406	-	-	-	23,912	115,318
	2020-2021	85,114	-	-	-	22,164	107,278
Deputy Director of Education ¹²	2021-2022	87,620	-	-	-	22,922	110,542
	2020-2021	14,385	-	-	-	3,746	18,131
Deputy Director of Adult Services (Interim) ¹³	2021-2022	80,958	-	-	-	21,179	102,137
	2020-2021	28,771	-	-	-	7,492	36,263
Deputy Director of Assets - Interim ¹⁴	2021-2022	21,903	-	-	-	5,862	27,765
	2020-2021	-	-	-	-	-	-
Deputy Director of People and Change ¹⁵	2021-2022	91,406	-	-	-	23,912	115,318
	2020-2021	43,156	-	-	-	11,238	54,394
Chief Accountant (Deputy Section 151 Officer)	2021-2022	78,897	-	-	-	20,639	99,536
	2020-2021	75,176	-	-	-	19,576	94,752
Head of Legal Services (Deputy Monitoring Officer) ¹⁶	2021-2022	75,233	-	-	-	18,013	93,246
	2020-2021	67,135	-	-	-	17,619	84,754
Assistant Director of Investment Strategy ^{2 & 17}	2021-2022	105,478	-	-	-	27,593	133,071
	2020-2021	57,420	-	-	-	14,952	72,373
Assistant Director of Pensions ^{2 & 18}	2021-2022	91,406	-	-	-	22,261	113,667
	2020-2021	57,542	-	-	-	14,984	72,526
Assistant Director of Investment Management & Stewardship ^{2 & 19}	2021-2022	31,964	-	-	-	8,362	40,326
	2020-2021	-	-	-	-	-	-

Head of Finance (WMPF, Deputy Section 151 Officer) ^{2 & 20}	2021-2022	58,758	19,756	-	-	14,251	92,765
	2020-2021	35,047	-	-	-	9,126	44,174

The annual salary reported is reduced due to employee's receiving a monthly deduction for mandatory unpaid leave.

The City of Wolverhampton Council's Mandatory Unpaid Leave (MUL) scheme was introduced on the 1 April 2019. Under the scheme, all employees including senior managers are required to take three days unpaid leave per year (this is pro-rata for part time employees) that fall between Christmas and New Year. Payment for the three days (pro-rata for the part time employees) is deducted from an employee's salary in 12 equal amounts, one each month.

Note 1: Between April 2021 and March 2022 pay costs of £7,340, included in the table against the Chief Executive, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund. This is for the Chief Executive's work as Chief Executive of the West Midlands Pension Fund.

Note 2: The pay costs of these officers were fully funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 3: Following a service review, the post of Executive Director of Families was created on 4 August 2021. The current post holder, with an annualised salary of £127,719 for 2021-2022, was appointed on 4 August 2021.

Note 4: Between April 2020 and March 2021 pay costs of £6,450, included in the table against the Director of Finance, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund.

Note 5: Following a service review, the post of Director of Children's and Adult Services was deleted on 3 August 2021 and had an annualised salary of £120,353 for 2021-2022. During 2020-2021, the post holder of the Director of Children's Services picked up senior leadership responsibility for Adult Services on a temporary basis from 1 November 2020 whilst the council reviewed existing structures.

Note 6: Following a service review, the post holder of the Director of Adult Services took up post on 21 February 2022 and had an annual salary of £99,912 for 2021-2022. The post of Director of Adult Services had become vacant on 23 November 2020 and £1,748 relates to pay in lieu of leave that was reclaimed and had an annualised salary of £120,017 for 2020-2021.

Note 7: Following a service review, the post of Director of City Housing was deleted and was assimilated with the Director of City Environment post during 2021-2022 to the post Director of City Housing and Environment. During 2021-2022 the post of Director of City Housing and Environment was held by two post holders. The current post holder holds the post on an interim basis and had an annual salary of £99,912 for 2021-2022.

Note 8: Following a service review, the post of Chief Operating Officer was created on 4 August 2021. The current post holder, with an annualised salary of £127,719 for 2021-2022, was appointed on 4 August 2021.

Note 9: Following a service review, the post of Director of Governance was deleted on 3 August 2021 and had an annualised salary of £109,413 for 2021-2022.

Note 10: The Director of Black Country Transport post holder is required to report directly to the Chief Executive.

Note 11: The post holder of Deputy Director of Children's Social Care took up post on 6 April 2020 and had an annual salary of £86,313 for 2020-2021.

Note 12: The post holder of Deputy Director of Education took up post on 1 February 2021 and had an annual salary of £86,313 for 2020-2021.

Note 13: Following a service review, the post of Deputy Director of Adult Services was deleted on 20 February 2022 and had an annualised salary of £91,393 for 2021-2022. The post holder of Deputy Director of Adult Services took up post on 1 December 2020 and had an annual salary of £86,313 for 2020-2021.

Note 14: Following a service review, the post of Deputy Director of Assets was created on 1 January 2022. The current post holder, with an annualised salary of £87,608 for 2021-2022, was appointed on 1 January 2022.

Note 15: The post holder of Deputy Director of People and Change took up post on 1 October 2020 and had an annual salary of £86,313 for 2020-2021.

Note 16: £6,911 relates to pay in lieu of leave for the Head of Legal Services for 2021-2022.

Note 17: Following a restructure at the WMPF, the Assistant Director of Investment Strategy post was created on 1 September 2020. The current post holder, with an annualised salary of £98,435 for 2020-2021, was appointed on 1 September 2020.

Note 18: Following a restructure at the WMPF, the Assistant Director of Pensions post was redesignated from the Head of Pensions post and the Head of Pensions post holder was assimilated into the role of Assistant Director of Pensions with effect from 1 August 2020 and had an annualised salary of £86,313 for 2020-2021.

Note 19: Following a restructure at the WMPF, the Assistant Director of Investment Management and Stewardship was created on 6 December 2021. The current post holder, with an annualised salary of £99,912 for 2021-2022, was appointed on 6 December 2021.

Note 20: The Head of Finance (WMPF) was held by two individuals during 2021-2022. The current post holder was appointed on 28 February 2022 and was held on an interim basis. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder. The previous post holder, with an annualised salary of £71,146 for 2021- 2022, held the post until 31 December 2021; of the salary,

£4,280 relates to pay in lieu of leave. Following a restructure at the WMPF in 2020-2021, the Head of Finance posts was created on 1 October 2020 and assumed the role of Deputy Section 151 Officer. The post holder, during 2020-2021 had an annualised salary of £70,095 and was appointed on 1 October 2020.

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

2021-2022					
Number of Employees					
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50,000 - £54,999	42	1	59	102	1
£55,000 - £59,999	34	-	75	109	1
£60,000 - £64,999	23	1	24	48	-
£65,000 - £69,999	10	2	22	34	1
£70,000 - £74,999	13	-	4	17	-
£75,000 - £79,999	11	-	-	11	-
£80,000 - £84,999	6	-	2	8	-
£85,000 - £89,999	4	-	-	4	-
£90,000 - £94,999	-	-	1	1	-
£95,000 - £99,999	-	-	-	-	-
£100,000 - £104,999	1	-	-	1	-
£105,000 - £109,999	1	-	-	1	-
Total	145	4	187	336	3

**2020-2021
Number of Employees**

Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50,000 - £54,999	46	1	89	136	1
£55,000 - £59,999	23	1	25	49	2
£60,000 - £64,999	19	-	21	40	-
£65,000 - £69,999	14	3	15	32	2
£70,000 - £74,999	13	-	3	16	1
£75,000 - £79,999	14	-	2	16	-
£80,000 - £84,999	3	-	2	5	-
£85,000 - £89,999	-	-	2	2	2
£90,000 - £94,999	1	-	1	2	1
£95,000 - £99,999	-	-	-	-	-
£100,000 - £104,999	-	-	1	1	1
£105,000 - £109,999	2	-	-	2	-
Total	135	5	161	301	10

2G Amounts payable to the auditors

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

2020-2021	Description	2021-2022
£m		£m
0.216	External Audit (Council)	0.225
0.023	Certification of Grant Claims and Returns	0.030
	Additional Work:	
0.022	- WV Living Audit Fee	0.027
0.029	- Wolverhampton Homes Audit Fee	0.028
0.290	Total	0.310

2H Grants

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

2020-2021		2021-2022
£m		£m
	<u>Credited to Net Cost of Services</u>	
(66.4)	Dedicated Schools Grant - Schools Block	(73.0)
(36.2)	Dedicated Schools Grant - High Needs Block	(40.7)
(34.7)	Mandatory Rent Allowance	(32.2)
(33.6)	Mandatory Rent Rebates Subsidy	(30.7)
(21.0)	Public Health Grant	(21.9)
(17.9)	Dedicated Schools Block - Early Years Block	(19.5)
(9.2)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(8.5)	Pupil Premium	(9.0)
(3.2)	Teachers' Pension Employer Contributions Grant*	(0.3)
(2.9)	WMCA Adult Education Budget (AEB) Funding	(3.0)
(1.9)	Dedicated Schools Grant - Central Services Block	(2.1)
(1.8)	Housing & Council Tax Benefit Administration	(1.6)
(1.2)	HeadStart Wolverhampton	(1.3)
(1.2)	6th Form Funding	(1.3)
(1.2)	Universal Infant Free School Meals	(1.1)
(1.0)	Teachers Pay Grant*	(0.1)
(0.9)	Independent Living Fund Grant	(0.9)
(0.9)	Discretionary Rent Allowances	(0.8)
(0.8)	Leisure PFI	(0.8)
(0.8)	Syrian Resettlement	(0.1)
(0.7)	Impact ESF	(0.7)
(0.7)	Primary PE and Sport Premium	(0.7)

(0.7)	Learning Disability and Autism Community Discharge Grant	(0.6)
(0.7)	Business Rates Reconciliation Payment	-
(0.5)	YOT - Main Grant	(0.5)
(0.5)	Asylum Seekers	(0.6)
(0.5)	Free School Meals Supplementary	-
(0.5)	Transport Additional Services Provision Grant	(0.3)
(0.4)	Schools Music Service	(0.4)
(0.4)	AIM for GOLD	(0.5)
(0.4)	CMF - Rough Sleeping Initiative	(0.5)
(0.4)	Adult Education Budget (AEB) Additional Growth Funding	-
(0.3)	Flexible Homelessness Support Grant	(1.1)
(0.3)	Homelessness New Burdens Grant	-
(0.2)	Troubled Families Grant	-
(0.2)	Early Outcomes Fund	-
(0.1)	Further Education	(0.3)
(0.1)	16-18 Bursary Fund	(0.1)
-	Holiday Activity Fund	(1.3)
-	Domestic Abuse Duty	(0.7)
-	Lower Tier Services Grant	(0.5)
-	Towns Fund Revenue	(0.4)
(0.2)	Local Reform & Community Voices	(0.2)
(0.2)	EFA 24+ Loans Facility	(0.2)
-	Arts Council	(0.2)
(0.2)	Staying Put	(0.2)
-	WMPC Election	(0.2)
-	Rent Rebates (non HRA Properties)	(0.3)
-	CMF – ESOL Pathways	(0.2)
-	EDRF AIM for GOLD – Child Project	(0.2)

-	Strategic Migration Partnership	(0.3)
-	Kickstart - Gateway Work Experience	(0.3)
-	United Kingdom's Afghan Schemes	(0.2)
(0.3)	Macmillan Welfare Rights Grant	(0.3)
-	One Public Estate	(0.2)
-	Housing First Pilot	(0.4)
-	Social Workers in Schools Programme	(0.4)
-	Black Country Transport WMCA Revenue Grant	(0.3)
	COVID-19 Grants	
(16.2)	COVID-19 Emergency Funding	-
(5.6)	COVID-19 Sales, Fees and Charges Grant	(1.2)
(5.1)	COVID-19 Additional Restrictions Grants	(4.2)
(4.7)	COVID-19 Tax Income Guarantee (TIG) Scheme	-
(3.2)	COVID-19 Council Tax Hardship Fund	-
(2.3)	COVID-19 Small Business - Retail, Leisure & Hospitality Grants (Discretionary element)	-
-	COVID-19 Workforce Reform Grant	(0.2)
(1.9)	COVID-19 Adult Social Care Infection Control Fund Ring-Fenced Grant 2020 – (Discretionary element)	(1.0)
(1.9)	COVID-19 Track and Trace Service	-
(1.5)	COVID-19 Contained Outbreak Management Fund	(6.6)
(1.1)	COVID-19 Winter Grant	(2.9)
(0.7)	COVID-19 Catch Up Premium	(0.5)
(0.6)	COVID-19 Local Restrictions Support Grants Open (Discretionary)	-
(0.6)	COVID-19 Workforce Capacity Fund	(2.7)
(0.4)	COVID-19 Local Authority Emergency Assistance Grant for Food & Essential Supplies	-
(0.3)	COVID-19 Clinically Extremely Vulnerable Support Grant	(0.5)

(0.3)	COVID-19 Community Testing Programme	(1.8)
(0.2)	COVID-19 Reopening High Streets Safely Fund	-
(0.2)	COVID-19 Financial Support for Schools	-
(0.2)	COVID-19 Local Authority Compliance and Enforcement	-
(0.2)	COVID-19 Next Steps Accommodation Programme	-
(0.2)	COVID-19 Adult Social Care Rapid Testing	(0.9)
(0.1)	COVID-19 Test and Trace Support Payments - Self Isolation Payments (Discretionary)	(0.2)
(0.1)	COVID-19 Community Champions Fund	(0.3)
(0.1)	COVID-19 National Leisure Recovery Fund	(0.1)
(0.1)	COVID-19 Mass Testing for Schools	(0.2)
(0.1)	COVID-19 Business Grants (Administration)	(0.5)
-	COVID-19 Local Council Tax Support Schemes Grant	(3.3)
-	COVID-19 Schools Recovery Premium	(0.5)
-	COVID-19 National Tutoring Programme	(0.5)
(4.6)	Other Grants	(8.2)
(306.3)	Total Credited to Net Cost of Services	(299.2)

	Credited to Taxation and Non-Specific Grant Income	
	Non Ring-Fenced Government Grants	
(30.7)	COVID-19 Business Rates S31 Reliefs	(11.1)
(4.7)	COVID-19 Tax Income Guarantee (TIG) Scheme	(0.8)
(26.6)	Local Business Rates Top Up Grant	(26.7)
(14.3)	DCLG – Improved Better Care Fund	(14.3)
(11.9)	Business Rates Autumn Statement Compensation	(11.7)
(8.7)	DCLG – Social Care Grant (Adults and Children’s)	(11.4)
(1.6)	New Homes Bonus (including adjustment grant)	(1.0)
-	COVID-19 Emergency Funding	(8.7)
(98.5)	Total of Non Ring-Fenced Government Grants	(85.8)
	Capital Grants and Contributions	
(3.6)	Disabled Facilities Grant	(2.8)
(2.7)	Highway Maintenance Challenge Fund Schemes 2020-2021 – Carriageways	-
(2.3)	Local Growth Fund i54 Western Extension Plot Development	(0.2)
(0.8)	Schools Basic Needs Grant	(1.7)
(0.2)	S31 Transport Pothole Action Fund	(1.2)
-	MRN Corridors 20-21 WMCA	(0.8)
-	LPIF i54 Western Extension Plot Development	(0.6)
(1.8)	S31 Transport Highway Maintenance Fund	(1.2)
(1.2)	S31 Transport Integrated Transport Block	(1.2)
(1.2)	Local Full Fibre Network	(3.7)
(1.1)	Schools Condition Allocation	(2.3)
(0.4)	Devolved Formula Funding	(0.4)
(0.4)	Homes England Development Grant	(0.2)

(0.2)	Local Growth Fund - Access to Growth	-
(0.2)	Local Growth Fund i54 Western Extension	-
(0.1)	Autism Innovation	-
-	Land Property Investment Fund	-
(0.7)	Smart Infrastructure (I3) ERDF (Capital)	(0.7)
-	Future High Streets Fund (FHSF)	(4.5)
-	SEND Special Provision Capital Fund	(0.7)
	COVID-19 Grants	
(1.0)	COVID-19 £1m Towns Fund Grant	(0.6)
(0.3)	COVID-19 Emergency Active Travel Fund	-
(6.1)	Other Grants and Contributions	(0.9)
(24.3)	Total of Capital Grants and Contributions	(23.7)
(424.4)	Total Grants Credited to the CIES	(405.5)

* The Teachers' Pension Employer Contribution Grant & Teachers Pay Grant is now included as part of the DSG Grant, whereas prior to 2021-2022 it was a separate grant. The smaller amounts applied in 2021-2022 will relate to academies where their financial year is different to the Council's.

The following grants have been removed from income and expenditure on the CIES, as the council acts as an agent, for the purposes of distributing these grants. The council was required by central government to distribute the grants below in line with their criteria and funding levels, the council had no discretion on the allocation of amount of grant that was awarded to businesses, individuals or care provides.

Grants where the council is acting as agent	2021-2022 £m
COVID-19 Adult Social Care Infection Control Fund Ring-Fenced Grant 2020	2.3
COVID-19 Test and Trace Support Payments - Self Isolation Payments (Mandatory)	0.4
COVID-19 Local Restrictions Support Grants Closed (Mandatory)	-*
COVID-19 Christmas Support Payment Wet-Led Pubs (Mandatory)	-*
COVID-19 Local Restrictions Support Grants Closed Addendum (Mandatory)	0.4
COVID-19 Closed Business Lockdown Payments (Mandatory)	0.6
COVID-19 Adult Social Care Rapid Testing	1.2
COVID-19 Workforce Capacity Fund	-*
COVID-19 Small Business - Retail, Leisure & Hospitality Grants (Mandatory)	-*
COVID-19 Omicron Hospitality and Leisure Grants (Mandatory)	0.8
COVID-19 Restart Grants (Mandatory)	7.6
Total	13.3

* These amounts are less than £1 million, and are therefore not captured when rounding to £1 million

2I Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the Schools and Early Years Finance (England) Regulations 2015. The Schools' Budget includes elements for a restricted range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Over and underspends on the two elements are required to be accounted for separately. The table below shows how the council applied its DSG:

	2020-2021				2021-2022		
	Central Expenditure	Individual Schools Budget	Total		Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m		£m	£m	£m
(5.6)	(262.9)	(268.5)	Final DSG for the year before academy recoupment	(6.0)	(284.1)	(290.0)	
-	143.9	143.9	Academy figure recouped	-	158.7	158.7	
(5.6)	(118.9)	(124.5)	Total DSG after academy recoupment for the year	(6.0)	(125.4)	(131.3)	
(0.6)	(1.5)	(2.1)	Brought forward from previous year	(0.6)	(3.4)	(4.0)	
-	-	-	Carry-forward to following year agreed in advance	-	-	-	
(6.2)	(120.4)	(126.6)	Agreed initial budgeted distribution in the year	(6.6)	(128.8)	(135.4)	
(6.2)	(120.4)	(126.6)	Final budgeted distribution for the year	(6.6)	(128.8)	(135.4)	
5.6	-	5.6	Less actual central expenditure	5.9	-	5.9	
-	117.0	117.0	Less actual ISB deployed to schools	-	127.0	127.0	
(0.6)	(3.4)	(4.0)	(Under) Overspend carried forward to following year	(0.7)	(1.8)	(2.5)	

Note 2J Exceptional items

None

Note 2K Events after the reporting period

On 12 May, CIPFA launched a consultation that highlighted a potential issue in relation to Infrastructure assets. This issue is described as:

'Accounting for subsequent expenditure on Infrastructure assets, and specifically whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for the replaced components that needs to be derecognised, has recently been subject to heightened audit focus. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation (depreciated historical cost).'

For 2021-2022, the council's draft accounts have been authorised for issue prior to the outcome of the consultation, therefore it is necessary to base the valuation of Infrastructure assets on the same method used to close the 2020-2021 accounts.

The proposed change to the Code would strengthen the council's Accounting Policy that assumes any Infrastructure assets that have been replaced have been done so with a carrying value already depreciated to nil.

Depending on the outcome of the consultation, the 2021-2022 accounts may need to be amended ahead of final issue to adopt any revisions to the existing Code.

Note 3 Other operating expenditure

2020-2021				2021-2022		
Expenditure £m	Income £m	Net Expenditure £m		Expenditure £m	Income £m	Net Expenditure £m
10.4	-	10.4	Levies	10.4	-	10.4
2.2	-	2.2	Payments to the Housing Capital Receipts Pool	2.2	-	2.2
12.6	(12.3)	0.3	Losses/(gains) on the Disposal of Non-Current Assets	14.5	(15.3)	(0.8)
25.2	(12.3)	12.9		27.1	(15.3)	11.8

Note 4 Financing and investment income and expenditure

2020-2021				2021-2022		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
0.9	-	0.9	External Trading Organisations	0.8	-	0.8
36.7	-	36.7	Interest Payable	35.9	-	35.9
15.6	-	15.6	Net Interest Expense-Pensions	17.2	-	17.2
-	(2.2)	(2.2)	Interest Receivable	-	(1.5)	(1.5)
1.6	(3.5)	(1.9)	Income and Expenditure in Relation to Investment properties and Changes in their Fair Value	-	(5.2)	(5.2)
-	-	-	Other Investment Income	-	-	-
54.8	(5.7)	49.1	Total	53.9	(6.7)	47.2

Note 5 Taxation and non-specific grant income and expenditure

Gross Expenditure £m	2020-2021			Gross Expenditure £m	2021-2022	
	Gross Income £m	Net Expenditure £m			Gross Income £m	Net Expenditure £m
-	(34.8)	(34.8)	Business Rates	-	(68.2)	(68.2)
-	(104.0)	(104.0)	Council Tax	-	(102.5)	(102.5)
-	(98.4)	(98.4)	Non Ring-Fenced Revenue Grants Receivable	-	(85.4)	(85.4)
-	(24.3)	(24.3)	Capital Grants Receivable	-	(23.1)	(23.1)
-	(261.5)	(261.5)	Taxation and Non-Specific Grant Income and Expenditure	-	(279.2)	(279.2)

Note 6 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:

6A Current receivables (short-term debtors)

31 March 2021		Type of Organisation	31 March 2022	
Council £m	Group £m		Council £m	Group £m
24.1	24.1	Central Government Bodies	17.9	18.0
8.0	8.0	Other Local Authorities	4.8	4.8
6.9	6.9	NHS Bodies	9.5	9.5
84.0	55.3	Bodies External to General Government	54.5	51.5
123.0	94.3	Total	86.7	83.8

6B Current receivables for local taxation

The past due but not impaired amount for local taxation (council tax and business rates) can be analysed by age as follows:

Council tax

31 March 2021	Type of Organisation	31 March 2022
Council £m		Council £m
3.6	Less than one year	4.2
2.1	1-2 years	2.7
-	2-6 years	-
-	More than 6 years	-
5.7	Total	6.9

Business rates

31 March 2021	Type of Organisation	31 March 2022
Council £m		Council £m
0.6	Less than one year	(0.8)
-	1-2 years	-
-	2-6 years	-
-	More than 6 years	-
0.6	Total	(0.8)

6C Current payables (short-term creditors)

31 March 2021		Type of Organisation	31 March 2022	
Council £m	Group £m		Council £m	Group £m
(58.0)	(60.2)	Central Government Bodies	(102.3)	(104.2)
(5.4)	(5.4)	Other Local Authorities	(5.9)	(5.9)
-	-	NHS Bodies	(2.5)	(2.5)
(62.0)	(55.4)	Bodies External to General Government	(62.5)	(60.0)
(125.4)	(121.0)	Total	(173.2)	(172.6)

6D Inventories

	Council		Group	
	Consumable Stores		Property Constructed for Sale and Consumable Stores	
	2021-2022 £m	2020-2021 £m	2021-2022 £m	2020-2021 £m
Balance outstanding at start of year		0.4		26.4
Purchases		1.3		25.3
Recognised as an expense in the year		(1.1)		(18.7)
Transferred to investment property		-		-
Balance outstanding at year end		0.6		33.0

Note 7 Provisions, contingent liabilities and guarantees

7A Provisions

Balance at 31 March 2021 £m	Provision Name	Provision Details	Amounts Used in £m	Contributions to/from Provision 2021-2022 £m	Balance at 31 March 2022 £m
(0.3)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. It is currently uncertain when payments might need to be made, and the value of any such payments.	-	-	(0.3)
(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)
(0.1)	Termination Benefits	During 2021-2022, the council continued to accept applications for voluntary redundancy. As a result of this initiative, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at the end of the year.	-	-	(0.1)
(8.0)	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 2022.	1.7	(4.0)	(10.3)
(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. A provision has been created for Leisure PFI Facilities. The impact of COVID-19 and government guidance issued, meant the interim closure of the Leisure PFI facilities and suspension of the operating services. This was seen as a qualifying change in law in the leisure PFI agreement. In line with the PFI agreement negotiations were held with the provider and a Deed of Variation was formalised which included payments to the provider.	-	(0.3)	(0.4)
(0.9)	BCLEP EZ provision for Wolverhampton (North)	Provision for the retention and distribution of the uplift in business rates for City of Wolverhampton Enterprise Zone sites in the Black country area.	2.3	(2.7)	(1.3)
(11.7)	Total		4.0	(7.0)	(14.7)

7B Contingent liabilities

At 31 March 2022, 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. This contract is going to finish by February 2023. 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 2022 is £1.1 million (31 March 2021: £2.1 million).
- A contingent liability exists for the costs of Equal Pay compensation. The council has established a provision for £300,000 (31 March 2021: £300,000). The potential costs of any further cases not addressed by this provision cannot be reliably quantified at this stage.
- There are several instances where the council has acquired title to assets of land and buildings due to the use of compulsory purchase orders or an interest in land and buildings subject to blight notices. In these situations, there has been no transfer of economic benefits due to difficulties in either establishing the original owner or in reaching an agreement to the level of compensation to be transferred. The existence of a recognisable liability can only be confirmed at the point that the owner comes forward to claim reimbursement or the formal acknowledgment of blight has been established. The total value of these cases as at 31 March 2022 is estimated at £800,000 (31 March 2021: £467,005).
- During 2021-2022, the council continued to accept applications for voluntary redundancy. There were a number of applications for voluntary redundancy that were approved prior to the balance sheet date for payment during 2021-2022 for which a provision of £44,000 (31 March 2021: £55,000) 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.
- The Council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the council may be subject to clawback of both previous and future paid claims linked to the council and a proportional amount on claims made linked to the West Midlands County Councils.

7C Contingent assets

None

7D Guarantees

The council has provided guarantees to twenty-five organisations at the point they were admitted to West Midlands Pension Fund, to fund any potential pension liability. Of the existing ones, as at the last triennial valuation (31 March 2019), none of these organisations had a pension liability in excess of £100,000 (which the council considers to be material for these purposes), and the three new ones for 2021-2022 were fully funded upon commencement.

The council has applied the liability adequacy test to determine whether recognition is appropriate. The council has considered various factors in determining the probability of the guarantees being called, including risk of failure of the business as informed by Creditsafe Business Failure Scores and membership profile. As a result, the council is satisfied that the guarantees do not represent a significant potential liability for the council and therefore there is no recognition in the Comprehensive Income and Expenditure Statement.

During 2018-2019 the council provided a guarantee in respect to Walsall Metropolitan Borough Council for the University of Wolverhampton. The guarantee relates to grant funding through the Black Country Local Enterprise Partnerships (LEP) – Growth Deal totalling £7.8 million. The council has considered the probability of the guarantee being called and the likely amount payable under the guarantee. The probability of the guarantee being called is not considered to be significant and as a result the fair value is not considered material. Therefore, the guarantee is not recognised in the Comprehensive Income and Expenditure Statement.

7E Financial guarantee contract

The council has provided a guarantee to the City of Wolverhampton College in respect of bank loans. In accordance with IFRS9, the fair value of the guarantee has been estimated by considering the probability of the guarantee being called and the likely amount payable under the guarantee. The probability of the guarantee being called is not considered to be significant and as a result the fair value is not considered material. Therefore, the guarantee is not recognised in the Comprehensive Income and Expenditure Statement.

Note 8 Non-current assets

Non-current assets 2021-2022

	Council dwellings	Other land and buildings	Vehicles, plant, furniture, and equipment	Infrastructure assets	Community assets	Surplus assets	Property Plant and Equipment and Subtotal	Investment properties	Intangible assets	Heritage assets	Assets held for sale	Assets under construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2021	844.3	402.8	101.7	333.1	13.5	6.0	1,701.4	31.8	17.2	11.6	10.1	6.8	1,778.9
Additions	55.9	39.6	4.7	14.5	0.7	-	115.4	0.6	0.4	-	2.4	-	118.8
Disposals	(9.4)	(5.3)	-	-	-	-	(14.7)	-	-	-	-	-	(14.7)
Revaluations / Fair Value Gains/(Losses)							-						-
- Recognised in Revaluation reserve	(0.5)	41.4	-	-	1.0	1.3	43.2	-	-	2.7	7.6	-	53.5
- Recognised in surplus/(deficit) on provision of services	(4.0)	48.5	-	-	0.2	(0.8)	43.9	5.2	-	-	(0.5)	-	48.6
Impairments	-	(0.4)	-	-	-	-	(0.4)	-	-	-	-	-	(0.4)
Other Changes - Gross Value	4.3	(15.5)	-	(0.2)	(1.8)	1.3	(11.9)	13.2	-	-	2.5	(3.8)	-
Gross Value as at 31 March 2022	890.6	511.1	106.4	347.4	13.6	7.8	1,876.9	50.8	17.6	14.3	22.1	3.0	1,984.7
Accumulated Depreciation/Impairment													
At 31 March 2021	-	1.1	84.7	201.1	0.8	0.2	287.9	-	13.7	-	-	-	301.6
Disposals	-	(0.2)	-	-	-	-	(0.2)	-	-	-	-	-	(0.2)
Depreciation/amortisation	19.1	9.5	3.8	8.7	-	0.1	41.2	-	1.6	-	-	-	42.8
Depreciation writeback on revaluation													
- Recognised in the Revaluation reserve	-	(6.4)	-	-	-	-	(6.4)	-	-	-	-	-	(6.4)
- Recognised in the Surplus/Deficit on the Provision of Services	(19.1)	(2.7)	-	-	(0.1)	(0.1)	(22.0)	-	-	-	-	-	(22.0)
Other Changes	-	(0.1)	-	-	0.1	-	-	-	-	-	-	-	-
Accumulated Depreciation/Impairment at 31 March 2022	-	1.2	88.5	209.8	0.8	0.2	300.5	-	15.3	-	-	-	315.8
Net Book Value As at 31 March 2022	890.6	509.9	17.9	137.6	12.8	7.6	1,576.4	50.8	2.3	14.3	22.1	3.0	1,668.9
Net Book Value As at 31 March 2021	844.3	401.7	17.0	132.0	12.7	5.8	1,413.5	31.8	3.5	11.6	10.1	6.8	1,477.3

Non-current assets 2020-2021

	Council dwellings	Other land and buildings	Vehicles, plant, furniture, and equipment	Infrastructure assets	Community assets	Surplus assets	Property Plant and Equipment Subtotal	Investment properties	Intangible assets	Heritage assets	Assets held for sale	Asset Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2020	828.7	435.7	96.3	322.1	12.6	7.8	1,703.2	33.8	16.6	11.6	1.6	-	1,766.8
Additions	40.0	22.1	5.1	11.0	1.2	-	79.4	0.1	0.6	-	-	6.8	86.9
Disposals	(6.7)	(10.2)	-	-	-	(1.6)	(18.5)	-	-	-	(1.6)	-	(20.1)
Revaluations / Fair Value Gains/(Losses)													
- Recognised in Revaluation reserve	(1.2)	(15.9)	-	-	-	(0.3)	(17.4)	-	-	-	-	-	(17.4)
- Recognised in surplus/(deficit) on provision of services	(17.7)	(18.4)	-	-	-	0.4	(35.7)	(1.6)	-	-	-	-	(37.3)
Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Changes - Gross Value	1.2	(10.5)	0.3	-	(0.3)	(0.3)	(9.6)	(0.5)	-	-	10.1	-	-
Gross Value as at 31 March 2021	844.3	402.8	101.7	333.1	13.5	6.0	1,701.4	31.8	17.2	11.6	10.1	6.8	1,778.9
Accumulated Depreciation/Impairment													
- At 31 March 2020	-	7.6	81.6	189.9	0.8	1.6	281.5	-	11.5	-	-	-	293.0
Disposals	-	(6.0)	-	-	-	(1.5)	(7.5)	-	-	-	-	-	(7.5)
Depreciation/amortisation	18.5	9.7	3.1	11.2	-	0.1	42.6	-	2.2	-	-	-	44.8
Depreciation writeback on revaluation													
- Recognised in the Revaluation reserve	-	(5.4)	-	-	-	-	(5.4)	-	-	-	-	-	(5.4)
- Recognised in the Surplus/Deficit on the Provision of Services	(18.5)	(4.8)	-	-	-	-	(23.3)	-	-	-	-	-	(23.3)
Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation/Impairment at 31 March 2021	-	1.1	84.7	201.1	0.8	0.2	287.9	-	13.7	-	-	-	301.6
Net Book Value As at 31 March 2021	844.3	401.7	17.0	132.0	12.7	5.8	1,413.5	31.8	3.5	11.6	10.1	6.8	1,477.3
Net Book Value As at 31 March 2020	828.7	428.1	14.8	132.2	11.5	6.5	1,421.8	33.8	5.1	11.6	1.6	-	1,473.9

Asset disposals

The total net book value of assets disposed of in year was £14.7 million (2020-2021: £20.1 million). No assets were derecognised in respect of schools that have converted to academies in 2021-2022 (2020-2021: £0 million).

Depreciation/amortisation

Property, plant, and equipment assets are depreciated on a straight-line basis over the estimated useful economic life of the asset. Council dwellings are depreciated according to the useful economic life of their major components. Intangible assets are amortised on the straight-line basis over the estimated useful economic life of the asset. No depreciation is charged on Investment properties, Heritage assets or land. The following asset lives are used to determine the depreciation charge:

Council dwellings	Up to 45 years
Infrastructure assets	1-50 years
Surplus assets	1-42 years
Other buildings	1-154 years
Plant and equipment	1-30 years
Vehicles	1-7 years
Intangible assets	1-5 years

Revaluations

The council has all Property, plant and equipment assets required to be valued at current value and with a current net book value in excess of £1.0 million valued annually and carries out a rolling programme that ensures the remainder are revalued at least every five years. The council seeks assurance for the assets not valued that there is no material change to their value. These valuations are accurate as of 31 March 2022. The valuations were carried out by external valuers. The housing stock valuation was carried out by the Jones Lang Lasalle while the other

valuations were carried out by Wilkes Head and Eve, registered Royal Institute of Chartered Surveyors (RICS) valuers, using the guidance and methodology set out in the following paragraphs.

The external valuers have based the school valuations on the Modern Equivalent Asset (MEA) basis. This is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset.

The following table shows the gross book value of assets that have been revalued in the financial years 2017-2018 to 2021-2022.

	Council dwellings	Other land and buildings	Vehicles, plant, furniture, and equipment	Infrastructure assets	Community assets	Surplus assets	Property Plant and Equipment Subtotal	Investment properties	Intangible assets	Heritage assets	Assets held for sale	Assets under construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Carried at Historical Costs	-	0.2	106.4	347.4	13.6	-	467.6	-	17.6	14.3	-	3.0	502.5
Valued at fair or Current value as at:	-	-	-	-	-	-	-	-	-	-	-	-	-
31 March 2018	-	0.4	-	-	-	-	0.4	-	-	-	-	-	0.4
31 March 2019	-	1.8	-	-	-	-	1.8	-	-	-	-	-	1.8
31 March 2020	-	4.5	-	-	-	0.6	5.1	-	-	-	-	-	5.1
31 March 2021	-	10.0	-	-	-	0.1	10.1	-	-	-	-	-	10.1
Valued @ 31 March 2022	890.6	494.2	-	-	-	7.1	1,391.9	50.8	-	-	22.1	-	1,464.8
Total Cost or Valuation	890.6	511.1	106.4	347.4	13.6	7.8	1,876.9	50.8	17.6	14.3	22.1	3.0	1,984.7

In 2021-2022, a full desktop review was completed for the council dwellings via a beacon valuation approach. This was completed by Jones Lang LaSalle (JLL).

In addition, an impairment review is carried out by the council's external valuers Wilkes Head and Eve of the remaining assets not revalued in 2021-2022 to test for any material movement in market value.

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 Royal Institute of Chartered Surveyors (RICS) Valuation Standards (Red Book). The valuations are subject to any limitations, caveats and assumptions as agreed between the Section 151 Officer and the Head of Assets.

Basis of valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2021-2022, infrastructure, Community assets, and Assets under construction are valued at depreciated historical cost. All other classes of asset are measured at current value. For Vehicles, plant, furniture, and equipment current value is determined by depreciated historical cost due to the short useful life of these assets. The current value of Council dwellings is measured using existing use value (social housing). For all other asset classes, where there is no market-based evidence of current value, the council estimates current value using the depreciated replacement cost approach. The following table describes the measurement basis used to determine the gross carrying value of each of the council's classes of non-current assets.

Asset Class	Measurement Base
Council dwellings	Current value based on existing use value (social housing) (EUV-SH).
Other land and buildings	Current value based on existing use value (EUV) or depreciated replacement cost (DRC) using the "instant build" approach if EUV cannot be determined.
Vehicles, plant, furniture, and equipment	Current value based on depreciated historical cost due to the short useful life of the asset.
Infrastructure assets	Depreciated historical cost.
Community assets	Depreciated historical cost and valuation.
Surplus assets	Fair value estimated at highest and best use from a market participant's perspective using level 2 inputs.
Assets under construction	Depreciated historical cost.
Assets held for sale	Valued at the lower of their carrying amount and the fair value as appropriate to the measurement requirements of the code.
Investment properties	Initially measured at cost (defined as the purchase price plus any directly attributable cost of preparing the asset for its intended use) and subsequently measured at fair value. Fair values have been determined by multiplying estimated net income by an appropriate investment yield or by reference to the value of similar assets. All Investment properties have been valued using level 2 inputs.

Intangible assets	Amortised cost.
Heritage assets	Where the council has information on the cost or value of the asset, the asset is recognised at this amount.

Inspection

A valuation 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 2022, the council had entered into a number of contracts for the construction or enhancement of Property, plant and equipment in 2021-2022 and future years with an estimated total value of £68.9 million (31 March 2021: £74.4 million). The major commitments are: Heath Town Regeneration (£24.0 million), High Rise Works M&E Infrastructure Refurbishment (£16.7 million), Heath Town New Build Phase 1 (£7.5 million), Development Agreement with WV Living for Affordable Housing (£5.0 million) Civic and Wulfrun Halls (£4.1 million), Commercial Conversions (£3.0 million), Fire Safety Improvements (£2.7 million) and Decent Homes (£1.7 million).

Investment properties

During the year, the council had £3.6 million of income receivable from Investment properties (2020-2021: £3.8 million) and spent £0.5 million on managing and maintaining those properties (2020-2021: £0.5 million). There are no restrictions on the council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property, or for it to carry out repairs, maintenance, or enhancements.

Impairment

Impairments to non-current assets totalling £0.4 million were recognised in year.

Capital financing requirement

The council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £956.6 million at 31 March 2022 (31 March 2021: £942.1 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 council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

2020-2021		2021-2022
£m		£m
926.2	Opening Capital Financing Requirement	942.1
	Capital Investment	
86.3	Property, plant, and equipment	117.8
0.1	Investment properties	0.6
0.6	Intangible assets	0.4
12.3	Revenue Expenditure Funded from Capital under Statute	14.2
7.0	Acquisition of WV Living Shares	5.7
13.4	WV Living Loans	-
	Sources of Finance	
(22.0)	Capital Receipts	(35.8)
(22.0)	Government Grants and other Contributions	(29.9)
-	Sums Set Aside from Revenue:	-
(26.5)	Direct Revenue Contributions	(26.2)

(33.3)	MRP/Loans Fund Principal	(34.4)
942.1	Closing Capital Financing Requirement	954.5
	Explanation of Movements in Year	
15.8	Increase in underlying need to borrow (unsupported by government financial assistance)	12.1
-	Assets acquired under finance leases	-
0.1	Assets acquired under PFI contracts	0.3
15.9	Increase/(decrease) in Capital Financing Requirement	12.4

Note 9 Employee pensions

Participation in pension schemes

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

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

- The Local Government Pension Scheme is administered locally by the West Midlands Pension Fund. From 1 April 2014 the LGPS moved from a defined benefit final salary scheme to a Career Average Revalued Earnings (CARE) scheme. The council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The benefits a member builds up from 1 April 2014 will be based on the CARE scheme calculation; the benefits built up to 31 March 2014 will be protected under the Final Salary calculation.
- Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. During the year, the council contributed £8.9 million which was a contribution rate of 23.68% from April 2021 to March 2022 (2020-2021: £8.5 million; 23.68%).
- There are a three employees transferred from the NHS, when certain public health services were transferred to the council 4 years ago, who are members of the NHS pension scheme. During the year, the council contributed £25,670 which was a contribution rate of 14.38% (2020-2021: £28,047; 14.38%).
- In addition, the council is responsible for all non-funded pension payments relating to added years' enhancements it has awarded outside the terms of the teachers' scheme together with related increases.

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

			MOVEMENT IN RESERVES STATEMENT			
(69.1)	(1.1)	-	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(80.1)	(1.0)	-
			Actual amount charged against the General Fund balance for pensions in the year:			
35.0		3.8	- Employer's contributions payable to scheme	25.1		3.6
	4.2		- Retirement benefits payable to pensioners		4.2	
(34.1)	3.1	3.8	Total Movement in Reserves	(55.0)	3.2	3.6

Please note the subsidiary referred to in the tables above and below is Wolverhampton Homes. The council's other subsidiary, WV Living is not included as no employees were employed by the company during the year or the prior year.

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:

2020-2021		Assets	2021-2022	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
1,093.5	161.7	Opening balance at 1 April	1,303.8	194.3
20.6	3.8	Interest oncome	25.9	3.9
190.2	27.5	Remeasurement gain/(loss)	87.1	12.1
35.0	3.8	Employer contributions	23.6	3.6
7.4	1.3	Contributions by scheme participants	7.8	1.3
(52.3)	(3.7)	Benefits paid	(50.2)	(4.3)
(1.2)	-	Settlements	(0.1)	-
(0.8)	(0.1)	Admin expenses	(0.6)	(0.1)
1,303.8	194.3	Closing balance at 31 March	1,397.3	210.8

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

Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £113.0 million (2020-2021: Gain £210.7 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 £696.0 million has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy, because:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme's actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are paid.
- The council works with the West Midlands Pension Fund to ensure that employer contributions are at a rate which is affordable, given current economic pressures which are being experienced by many local authorities. The council has agreed a strategy with the Fund and its actuaries whereby the Future Services Contribution is determined based upon a percentage of the monthly payroll payment and the Past Service Deficit totalling £21.2 million (based on the 2019 triennial valuation) will be recovered over the period from 2020-2021 to 2022-2023.
- The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2023 are £23.7 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2023 are £0.5 million.

The Discretionary Benefits arrangements have no assets to cover their liabilities. The Local Government Pension Scheme's assets are set out in the table below. It is estimated that the council has 7% of the share of the assets of the fund and that Wolverhampton Homes Limited has 1%.

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

2020-2021				Liabilities	2021-2022			
Council		Subsidiary			Funded: LGPS	Council Unfunded: LGPS	Unfunded: Teachers	Subsidiary Funded: LGPS
Funded: LGPS	Unfunded: LGPS	Unfunded: Teachers	Funded: LGPS		Funded: LGPS	Unfunded: LGPS	Unfunded: Teachers	Funded: LGPS
£m	£m	£m	£m		£m	£m	£m	£m
(1,646.9)	(21.8)	(50.3)	(196.1)	Opening balance at 1 April	(2,075.4)	(21.6)	(50.5)	(265.3)
(52.6)	-	-	(6.7)	Current service cost	(63.1)	-	-	(10.1)
(34.7)	(0.3)	(1.1)	(4.6)	Interest cost	(41.8)	(0.3)	(1.0)	(5.4)
(7.4)	-	-	(1.3)	Contributions - participants	(7.8)	-	-	(1.3)
(383.9)	(1.4)	(3.4)	(60.2)	Remeasurement Gain/(Loss)	113.1	0.3	0.6	19.3
50.4	1.9	4.3	3.7	Benefits paid	50.2	1.5	4.3	4.3
-	-	-	-	Past service costs	-	-	-	-
(3.1)	-	-	(0.1)	Curtailments	(0.4)	-	-	-
2.8	-	-	-	Settlements	0.2	-	-	-
-	-	-	-	Admin expenses	(0.6)	-	-	(0.1)
(2,075.4)	(21.6)	(50.5)	(265.3)	Closing balance at 31 March	(2,025.6)	(20.1)	(46.6)	(258.6)

2020-2021			2021-2022	
LGPS		Asset Category	LGPS	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
785.3	116.9	Equities	753.8	113.7
108.5	16.2	Government Bonds	86.5	13.0
82.7	12.3	Other Bonds	227.4	12.3
97.8	14.6	Property	100.3	15.1
63.7	9.5	Cash/Liquidity	54.9	8.3
165.7	24.7	Other	174.9	48.4
1,303.8	194.2	Total	1,397.8	210.8

Obtaining timely valuation is a perennial issue with Private Equity where the valuation of investment vehicles often has to be 'stale' or 'lagged' due to the unavailability of pricing information as at the Fund's year end date (by the time the Statement of Accounts has been prepared and audited). Valuations are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolio of investments.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years' dependent on assumptions about variables such as mortality rates and salary levels. Both the Teachers' Discretionary Pension Scheme and the West Midlands Pension Fund liabilities have been assessed by Hymans Robertson LLP, 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 2019. The principal assumptions used by the actuary are set out in the following table.

2020-2021				2021-2022		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
			Mortality assumptions:			
			Longevity at 65 for current pensioners (years):			
21.6	21.6	21.6	- Men	21.2	21.2	21.2
23.9	23.9	23.9	- Women	23.6	23.6	23.6
			Longevity at 65 for future pensioners (years):			
23.4	N/A	23.4	- Men	22.9	22.9	22.9
25.8	N/A	25.8	- Women	25.4	25.4	25.4
2.8	2.9	2.9	Rate of inflation	3.2	3.2	3.2
3.8	N/A	3.9	Rate of increase in salaries	4.2	4.2	4.2
2.8	2.9	2.9	Rate of increase in pensions	3.2	3.2	3.2
2.0	1.8	2.0	Rate for discounting scheme liabilities	2.7	2.7	2.7

Analysis of group net pension liability

The following table analyses the net liability for the group:

31 March 2021					31 March 2022	
Local Government Pension Scheme	Discretionary Pension Scheme		Local Government Pension Scheme	Discretionary Pension Scheme		
£m	£m		£m	£m		
		Estimated Liabilities in Scheme				
(2,097.0)	(50.5)	City of Wolverhampton Council	(2,045.7)	(46.6)		
(265.1)	-	Wolverhampton Homes Limited	(258.4)	-		
(2,362.1)	(50.5)	Total Liabilities	(2,304.1)	(46.6)		
		Estimated Assets in Scheme				
1,303.8	-	City of Wolverhampton Council	1,397.3	-		
194.2	-	Wolverhampton Homes Limited	210.0	-		
1,498.0	-	Total Assets	1,608.1	-		
(864.1)	(50.5)	Net Liabilities	(696.1)	(46.6)		

Impact on the council's future cash flows

The council's arrangements with the West Midlands Pension Fund was subject to a triennial review in 2019 and covered pension payments for the period from 2020-2021 to 2022-2023; the agreed payments have been built into the budget and the council's medium-term financial plans. In 2021-2022, the council made a £22.8m advance payment of pension contributions to the Fund, in order to reduce total costs. Accounting regulations require that the actual amount due in relation to 2021-2022, of £32.5 million, is recognised as a cost in the Comprehensive Income Statement in 2020-2021. This cost is also shown in the Movement in Reserves Statement (Note 13A) and in the Employee Pensions note (Note

9) for 2021-2022. The £9.7m variance is netted against the £11.4m advance payment left over from 2020-2021 and is held against the net pension liability on the Balance Sheet and will be drawn down against the Comprehensive Income and Expenditure Statement as it is used in the future.

The council will continue to explore options to accelerate contribution payments to secure additional savings. The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2023 are £23.7 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2023 are £0.5 million.

Note 10 Financial instruments

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

31 March 2021			Council 31 March 2022	
Long-Term £m	Current £m		Long-Term £m	Current £m
		<u>Financial Assets Held at FVOCI</u>		
13.8	-	Equity instruments – Birmingham Airport Shareholding	14.1	-
-	-	Equity instruments – Help to Own	5.7	-
8.0	-	Equity instruments – WV Living Shareholding	8.0	-
21.8	-	Total Financial Assets Held at FVOCI	27.8	-
		<u>Financial Assets Held at Amortised Cost</u>		
1.3	-	Finance Leases	1.3	-
-	8.6	Investments	-	80.1
-	2.0	Cash and Cash Equivalents	-	2.1
-	74.4	Current Receivables	-	44.8
1.3	85.0	Total Financial Assets Held at Amortised Cost	1.3	127.0
		<u>Financial Liabilities Held at Amortised Cost</u>		
(725.8)	(5.3)	Borrowings	(715.6)	(15.5)
-	(93.8)	Current Payables	-	(140.8)
(9.7)	-	Debt arising from the County Council Reorganisation	(8.2)	-
(80.9)	(2.9)	PFI's	(78.1)	(3.0)

(816.4)	(102.0)	Total Financial Liabilities Held at Amortised Cost	(801.9)	(159.3)
		<u>Other Financial Liabilities that are not Financial Instruments</u>		
(4.8)	-	Grant Receipts in Advance - Capital	(3.4)	-
-	(28.8)	Current Payables	-	(27.7)
-	(11.6)	Provisions	-	(14.7)
(4.8)	(40.4)	Total Other Financial Liabilities	(3.4)	(42.4)
		<u>Other Financial Assets that are not Financial Instruments</u>		
-	48.5	Current Receivables	-	41.9
-	48.5	Total Other Financial Assets	-	41.9

10A Financial assets held at amortised cost - investments

As at 31 March 2022, the council was holding £79.6 million in money market funds and £0.5 million in a deposit account. The fair value of these investments is valued by calculating the net present value of cash flows that are expected to take place over the remaining life of the investments.

10B Lender option borrower option loans (LOBOs)

The council held the below LOBOs as at 31 March 2022:

Date raised	Lender	Original Principal £m	Rate %	Maturity date	Step up details	Next Two Step-up Dates
Loans with No Step-Ups Remaining						
23/05/2002	Commerzbank AG	4.0	4.95	23/05/2066		
24/01/2003	Dexia Credit Local	5.0	4.26	26/07/2066		
30/01/2003	Dexia Credit Local	5.0	4.29	29/01/2066		
04/07/2003	Just Retirement Ltd	3.0	4.40	04/07/2066		
30/06/2004	Danske Bank	5.0	4.63	30/06/2066		
01/12/2004	Danske	5.0	4.81	01/12/2066		
08/10/2004	Commerzbank AG	7.0	4.60	10/04/2066		
Loans Still Subject to Step-Ups						
31/05/2006	Commerzbank AG	7.0	3.60	31/05/2066	31 May 2009 and each period of 5 years thereafter	31/05/2024 31/05/2029
31/07/2006	Commerzbank AG	7.0	3.60	31/07/2066	31 July 2010 and each period of 5 years thereafter	31/07/2025 31/07/2030
Loans Converted to Fixed Rate with effect from 30 June 2016						
30/03/2004	Barclays Bank	2.3	4.58	30/03/2066		
30/04/2004	Barclays Bank	2.5	4.58	28/04/2066		
31/08/2004	Barclays Bank	5.0	4.58	28/02/2066		
29/10/2004	Barclays Bank	5.0	4.58	28/04/2066		
13/10/2004	Barclays Bank	7.0	4.58	13/04/2066		
03/12/2004	Barclays Bank	2.0	4.39	05/06/2066		
23/05/2005	Barclays Bank	5.0	4.78	23/05/2066		
15/06/2005	Barclays Bank	5.0	4.78	15/06/2066		
04/07/2005	Barclays Bank	5.0	4.78	04/07/2066		

15/08/2005	Barclays Bank	5.0	4.39	15/02/2066		
15/09/2005	Barclays Bank	5.0	4.39	15/03/2066		
31/10/2006	Barclays Bank	7.0	3.60	31/10/2066		

During 2004 to 2006 the council entered into £55.8 million LOBOs with Barclays Bank Plc, repayable in 2066. In June 2016, Barclays decided to waive its right permanently under the lenders option of the LOBO feature to change interest rates in the future and converted them into fixed rate loans. No other terms or conditions of the loans were amended, and the loans will still mature in 2066.

LOBOs are valued by calculating the net present value of cash flows that are expected to take place over the remaining life of the loan. The key inputs for this valuation model are contractual future cash flows which are discounted using a discount rate. The discount rate used for LOBOs range from 1.48% to 2.29%.

LOBOs carry the risk that the lender can change certain conditions of the loan such as the dates and the interest rate. If this occurs, the council then has the option of either continuing with the loan or redeeming it in full without a penalty, so long as this is done within the allowed timescale.

10C Leases and lease-type arrangements

The council has a significant number of properties including car parking facilities, shops and offices, industrial units, sport and recreational facilities and community centres which are leased out for the following purposes:

- The provision of community services such as sport and recreation facilities and community centres.
- For economic development purposes to provide suitable accommodation for local businesses.

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

2020-2021				2021-2022				
Amounts Payable		Amounts Receivable			Amounts Payable		Amounts Receivable	
Finance Leases	Operating Leases	Finance Leases	Operating Leases		Finance Leases	Operating Leases	Finance Leases	Operating Leases
-	1.6	-	3.2	Payable/receivable in the year	-	1.4	-	3.6
-	1.6	-	3.1	Due within one year	-	1.8	-	3.9
-	2.0	-	9.2	Due in one to five years	-	2.2	-	10.5
-	0.7	5.9	13.7	Due after five years	-	0.6	5.9	18.3
-	4.3	5.9	26.0	Total due in future years	-	4.6	5.9	32.7

10D Equity instruments designated as fair value through other comprehensive income - Birmingham Airport and WV Living shareholdings

Birmingham Airport

West Midlands Local Authorities collectively own 49% of Birmingham Airport Holdings Limited. The council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. The shares are not quoted on a stock exchange. On behalf of the West Midlands Authorities, Solihull Council undertakes a valuation review using Level 3 Inputs using an Earnings Based Approach. Earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry. The valuation review resulted in an increase of £0.3 million in the shareholding of the council.

WV Living

The council holds £8.0 million of ordinary shares in WV Living.

Help to Own

The council holds a £5.7 million equity investment in Help to Own.

No active market (valuation):

Input Level in Fair Value Hierarchy		Valuation Technique Used to Measure Fair Value	31 March 2021 £m	31 March 2022 £m
Birmingham Airport Holdings Ltd				
Ordinary Shares	Level 3	Earning based valuation	12.4	12.6
Preference Shares			1.5	1.5
WV Living				
Ordinary Shares	Level 3	Historic cost	8.0	8.0
Help to Own				
Equity investment	Level 3	Historic cost	-	5.7
Total			21.9	27.8

Reconciliation of fair value measurements for financial assets carried at fair value categorised within level 3 of the fair value hierarchy for financial assets:

2020-2021	Unquoted Shares	Other	Total
	£m	£m	£m
Opening balance at 1 April 2021	21.9	-	21.9
Transfers into Level 3	-	-	-
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	0.2	-	0.2
Additions	5.7	-	5.7
Disposals	-	-	-
Closing Balance 31 March 2022	27.8	-	27.8

Investments in equity instruments designated at fair value through other comprehensive income:

2021-2022	Fair value	Change in fair value during	Dividends received during
	£m	2021-2022	2021-2022
Birmingham Airport Holdings Ltd	14.1	0.3	-
WV Living	8.0	-	-
Help to Own	5.7	-	-

Quantitative information about fair value measurement of equity instruments using significant unobservable inputs – level 3:

	As at 31/3/2022 £m	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
Birmingham Airport Holdings Ltd	14.1	Earning based valuation (Value is based on profitability of the company to arrive at a view of “maintainable” or “prospective” earnings. An EBITDA multiple is applied to maintainable or prospective earnings. The multiple draws on data from comparable quoted companies and comparable transactions of companies operating in the sector.)	Earnings before interest, tax, depreciation, and amortisation (EBITDA) multiple	The valuation reduced by 42% from £23.7m in 2018-2019, to £13.8m in 2020-2021, due to the effect of the pandemic and associated restrictions on foreign travel. The valuation to 31 March 2022 has increased by 2.2% to £13.8m. The timing of the recovery from the Covid-19 pandemic is still unclear and the aviation market is not expected to fully recover until at least 2023.	Significant changes in foreign travel restrictions and take-up of foreign travel going forwards could result in a significantly lower or higher fair value.
WV Living	8.0	Historic cost An impairment review is also undertaken annually	Not applicable	Not applicable	Not applicable

		taking into account the business plan.			
Help to Own	5.7	Historic cost An impairment review is also undertaken annually taking into account the business plan.	Not applicable	Not applicable	Not applicable

10E Expected credit loss provision

It is determined that the carrying amount for short-term investments, cash and cash equivalents and trade receivables is a reasonable approximation of fair value. Further information on accounts receivable can be found in Note 6.

An allowance is made for expected credit losses within the balance reported on the Balance Sheet. The following provides a summary of the changes in allowance made:

2020-2021 £m		2021-2022 £m
9.5	Allowance for Expected Credit Losses Brought Forward	11.7
-	Amounts Written-off During the Year	(0.2)
2.2	Increase in Allowance During the Year	-
11.7	Allowance for Expected Credit Losses Carried Forward	11.5

10F Private Finance Initiatives (PFI) 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, Highfields and Penn Fields Schools, St. Matthias School and Heath Park Academy. In each of these contracts the council pays an annual unitary charge over the life of the contract which is allocated between the fair value of the services provided by the operator, interest on the lease liability and repayment of the lease liability which increases annually in line with inflation based on the Retail Price Index. These allocations are determined using an accounting model which is derived from the operators' financial close models which includes estimates of the impact of inflation on the unitary charge.

Bentley Bridge Leisure Centre: In 2006-2007 the council signed a thirty-year contract for a new leisure facility. The scheme was for the design, build, funding and operation of a major new regional leisure facility. The facility includes a leisure pool with a river run, wave pool and flumes, a 25 metre 6 lane traditional pool, a studio pool, a 140-station fitness suite, a dance/aerobics suite, children's play feature and a café. The facility cost £13.3 million and opened on 12 December 2006. The facility is operated by Places for People Leisure 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 £55.2 million. Over the remaining life of the project the commitments are:

	Payment for Services	Interest	Capital Expenditure/ Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	0.7	1.0	0.2	1.9
Payable within two to five years	2.8	3.8	0.9	7.5
Payable within six to ten years	3.3	4.6	2.2	10.1
Payable within eleven to fifteen years	2.6	3.5	4.0	10.1
Payable within sixteen to twenty years	-	-	-	-
Total	9.4	12.9	7.3	29.6

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

The currently liability for the Bentley Bridge PFI in 2021-2022 was £0.2m.

	Property, plant, and equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2021	9.7	(7.3)	2.4
Depreciation/Revaluation	2.3	-	2.3
Capital Expenditure/Principal Redemption		0.2	0.2
Balance at 31 March 2022	12.0	(7.1)	4.9

	Property, plant, and equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2020	10.1	(7.6)	2.5
Depreciation/Revaluation	(0.4)	-	(0.4)
Capital Expenditure/Principal Redemption	-	0.3	0.3
Balance at 31 March 2021	9.7	(7.3)	2.4

Highfields and Penn Fields School: As part of the Building Schools for the Future Programme the council entered into a PFI contract for the construction and management of a new building for the Highfields School and Penn Fields Special School. The construction of the new building cost £46.1 million. The total amount payable by the council over the life of the contract is estimated to be £199.1 million. Over the remaining life of the contract the estimated payments are:

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

	Payment for Services	Interest	Capital Expenditure /Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	2.4	4.2	1.2	7.8
Payable within two to five years	9.1	15.9	6.7	31.7
Payable within six to ten years	13.6	14.9	12.7	41.2
Payable within eleven to fifteen years	17.5	6.8	19.0	43.3
Payable within sixteen to twenty years	1.5	0.2	2.1	3.8
Total	44.1	42.0	41.7	127.8

The current liability for Highfields and Penn Fields PFI in 2021-2022 was £1.2m.

	Property, plant, and equipment	Long-Term Liability	Total
	£m	£m	£m
Balance at 31 March 2021	9.9	(38.1)	(28.3)
Depreciation/ Revaluation	1.9	-	1.9
Capital Expenditure/Principal Redemption	-	0.9	0.9
Balance at 31 March 2022	11.8	(37.2)	(25.4)

	Property, plant, and equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2020	7.8	(39.3)	(31.5)
Depreciation/ Revaluation	2.2	-	2.2
Capital Expenditure/Principal Redemption	-	1.0	1.0
Balance at 31 March 2021	10.0	(38.3)	(28.3)

During 2015-2016 Highfields School converted to an academy and entered a 125-year lease with the council. This lease has been recognised as a finance lease and, accordingly, the Highfields School has been derecognised as an asset of the council. The remaining carrying asset value relates to Penn Fields Special School which has not converted to an academy.

The terms of the PFI contract and level of unitary payment remains unchanged, however during 2021-2022 the council received a contribution of £2.4 million from the academy representing the balance of the unitary payment not funded by capital grants from central government.

St. Matthias School and Heath Park Academy: As part of the Building Schools for the Future Programme the council entered into a new PFI contract for the construction and management of new buildings for St. Matthias School and Heath Park Academy. The construction costs of the new buildings were £19.7 million for St. Matthias and £24.3 million for Heath Park Academy. As Heath Park is an academy and has entered a long-term finance lease with the council the amount capitalised has been derecognised as a disposal. The total amount payable by the council over the life of the contract is estimated to be £156.8 million. Over the remaining life of the contract the estimated payments are:

The table below shows the movements on the balances for property, plant and equipment and the liability over the current year:

	Payment for Services	Interest	Capital Expenditure/Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	1.6	2.6	1.7	5.9
Payable within two to five years	8.2	9.8	6.2	24.3
Payable within six to ten years	11.2	10.4	10.0	31.6
Payable within eleven to fifteen years	16.2	7.3	9.7	33.2
Payable within sixteen to twenty years	12.5	3.6	7.7	23.8
Total	49.7	33.7	35.4	118.8

The currently liability for St Matthias and Heath Park PFI in 2021-2022 was £1.7m.

	Property, plant, and equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2021	11.8	(36.9)	(24.9)
Depreciation/ Revaluation	9.7	-	9.7
Capital Expenditure/Principal Redemption	-	0.7	0.7
Balance at 31 March 2022	21.6	(36.1)	(14.5)

	Property, plant, and equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2020	11.9	(38.3)	(26.4)
Depreciation/ Revaluation	(0.1)	-	(0.1)
Capital Expenditure/Principal Redemption	-	1.4	1.4
Balance at 31 March 2021	11.8	(36.9)	(25.1)

Heath Park Academy is an existing academy and had previously entered into a 125-year lease with the council which has been classified as a finance lease and, on commencement of the PFI an amended agreement has been entered. As this is a similar agreement the asset has been derecognised as an asset of the council and treated as a disposal. The remaining carrying asset value relates to St. Matthias School which has not converted to an academy.

The terms of the PFI contract and level of unitary payment remains unchanged, however, during 2021-2022 the council received a contribution of £1.4 million from Heath Park Academy representing the balance of the unitary payment not funded by capital grants from central government.

10G Financial liabilities at amortised cost

The table below shows the carrying values and fair values of loans held by the council at the year-end:

31 March 2021				31 March 2022				
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	
(725.8)	(5.3)	(967.7)	(5.3)	Borrowings	(715.6)	(15.5)	(888.4)	(15.5)
(9.7)	-	(9.7)	-	Debts Arising from the County Council Reorganisation	(8.2)	-	(8.2)	-
(80.9)	(2.9)	(137.2)	(4.9)	PFI's	(78.3)	(3.0)	(121.8)	(4.7)

Basis of fair value valuation

The fair values of the loans and PFI's have been assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the loan. The assessment of loans uses Level 2 Inputs - inputs other than quoted prices that are observable for the financial instrument.

For PWLB (Public Works Loan Board) loans fair value has been calculated using new loan rates. The Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated.

For non-PWLB loans, PWLB new loan rates have been applied.

For PFI's, PWLB new loan rates have been applied.

10H Debt arising from the West Midlands County Council reorganisation

The council recognises debt arising from residual liabilities of the West Midlands County Council. The debt is managed by Dudley Metropolitan Borough Council and will mature by 31 March 2026.

10I Gains and losses the gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are shown in the following table:

Financial Assets: Loans and Receivables	2020-2021			Total	Financial Assets: Loans and Receivables	2021-2022			Total
	Financial Assets Measured at FVOCI: Equity Instruments	Financial Liabilities Measured at Amortised Cost				Financial Assets Measured at FVOCI: Equity instruments	Financial Liabilities Measured at Amortised Cost		
	£m	£m	£m			£m	£m	£m	
-	-	36.8	36.8	Interest Expense	-	-	35.9	35.9	
(2.2)	-	-	(2.2)	Interest Income	(1.3)	-	-	(1.3)	
-	0.6	-	0.6	(Gain) or Loss on Valuation of Unquoted Equity Investment	-	(0.2)	-	(0.2)	
(2.2)	0.6	36.8	35.2	Net (Income)/Expense	(1.3)	(0.2)	35.9	34.4	

10J Reconciliation of liabilities arising from financing activities:

	31 March 2021	Financing Cash Flows	Non-Cash Changes		31 March 2022
			Acquisition	Other Non- Cash Changes	
	£m	£m	£m	£m	£m
Long-Term Borrowings	(725.8)	-	-	-	(725.8)
Short-Term Borrowings	(5.3)	(9.9)	-	-	(15.2)
On Balance Sheet PFI Liabilities	(83.8)	2.5			(81.3)
Total Liabilities from Financing Activities	(814.9)	(7.4)	-	-	(822.3)

	31 March 2020	Financing Cash Flows	Non-Cash Changes		31 March 2021
			Acquisition	Other Non- Cash Changes	
	£m	£m	£m	£m	£m
Long-Term Borrowings	(725.8)	-	-	-	(725.8)
Short-Term Borrowings	(17.8)	12.5	-	-	(5.3)
On Balance Sheet PFI Liabilities	(86.5)	2.7	-	-	(83.8)
Total Liabilities from Financing Activities	(830.1)	15.2	-	-	(814.9)

10K 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.

Amounts arising from expected credit losses

The changes in the loss allowance for each class of financial asset during the year are as follows:

	Short-Term Investments - Loans	Short-Term Investments - Loans	Financial Guarantee	Trade Receivables and Lease Receivables	Total
	12 Month Expected Credit Losses	Lifetime Expected Credit Losses (Credit Impaired)	Lifetime Expected Credit Losses (Not Credit Impaired)	Lifetime Expected Credit Losses (Simplified Approach)	
	£m	£m	£m	£m	
Opening balance as at 1 April 2021	1.3	0.1	0.2	10.8	12.4
Transfers:					
- Individual financial assets transferred to 12-month expected credit losses	-	-	-	-	-
- Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-
- Individual financial assets transferred to lifetime expected credit losses credit impaired	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Amounts written-off	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Other changes	-	-	-	-	-
Closing Balance as at 31 March 2022	1.3	0.1	0.2	10.8	12.4

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. To form this assessment, the council applies a creditworthiness model supplied by its external treasury advisors Link Group, 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 2022 was £167.6 million (31 March 2021: £125.5 million). This relates entirely to loans and receivables. The council does not hold any collateral in respect of these amounts.

Collateral and other credit enhancements obtained

The council did not obtain any collateral or other credit enhancements during 2021-2022 or 2020-2021.

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:

2020-2021		2021-2022
£m	Time until Repayment	£m
-	Payable next year	10.2
35.6	Payable within two to five years	31.6
75.1	Payable within six to ten years	78.8
60.0	Payable within eleven to fifteen years	50.0
51.0	Payable within sixteen to twenty years	51.0
82.3	Payable within twenty-one to twenty-five years	82.3
50.5	Payable within twenty-six to thirty years	50.5
117.5	Payable within thirty-one to thirty-five years	132.5
81.6	Payable within thirty-six to forty years	66.6
85.3	Payable within forty-one to forty-five years	166.8
81.5	Payable within forty-six to fifty years	-
-	Payable within fifty-one to sixty years	-
720.4	Total	720.3

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 2021-2022, the council's interest payable would have increased by £7.2 million, and its interest receivable would have increased by £617,000, resulting in an increase in net expenditure of £6.6 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £6.6 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 £14.1 million in Birmingham Airport Holdings Ltd and £8.0 million in WV Living. 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.

10L Financial instruments for the group

This note sets out the differences from the information contained in Note 10 of the council entity accounts to enable the reader to determine, more clearly, the impact of group company transactions.

Debtors and cash

Short-term debtors and cash consolidated as part of the group financial statements are classified as financial assets at amortised cost. Further information on Group debtors is provided in Note 6A.

Creditors

Short-term creditors consolidated as part of the group financial statements are classified as financial liabilities at amortised cost. Further information on group creditors is provided in Note 6C.

Other long-term liabilities consolidated as part of the group financial statements are classified as financial assets at amortised cost and relate to loans to WV Living. The loans are secured by floating charges over assets of the company and interest rates on these loans range between 4.08% to 10.51%.

Long-term investments

The reduction in long-term investments at 31 March 2022 between the council entity accounts, £27.8m and the group accounts, £20.8m, is represented by the acquisition of shares in group entity, WV Living, recognised by the council. These transactions are eliminated on consolidation.

Income, expense, gains and losses

The increase in Income and Expenditure at 31 March 2022 between the council entity accounts and the group accounts is due to the sale, during the year, of WV Living property which was in the development stage as at 31 March 2021.

Fair values of assets and liabilities

The amounts consolidated as part of the group financial statements are not considered significantly different from the carrying amounts.

Nature and extent of risks arising from financial instruments

The nature and extent of risks from financial instruments arising in the group financial statements are not considered materially different from those in the council entity accounts.

Note 11 Members of the City of Wolverhampton Council Group and other related parties subsidiaries

The council has three subsidiary entities: Wolverhampton Homes Limited, Yoo Recruit Ltd and WV Living (City of Wolverhampton Housing Company Limited).

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

Wolverhampton Homes Limited's main income stream comes from the council, in the form of a management fee for housing management and maintenance which amounted to £39.4 million in 2021-2022 (£38.8 million in 2020-2021). 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 £52.6 million in 2021-2022 (2020-2021: £50.5 million), whilst payments by Wolverhampton Homes Limited to the council totalled £4.6 million (2020-2021: £5.2 million). At the year end, Wolverhampton Homes Limited owed the council £2.0 million (2020-2021: £2.4 million), and the council owed Wolverhampton Homes Limited £7.7 million (2020-2021: £7.4 million).

Yoo Recruit Ltd is a wholly owned subsidiary which was formed in 2014. The council does not consider the transactions and balances of this company to be material, so they have not been consolidated into the Group Accounts. Payments by the council to Yoo Recruit Ltd amounted to £14.7 million (2020-2021: £11.2 million) while payments by Yoo Recruit Ltd to the council totalled £111,596 (2020-2021: £110,296).

At 31 March 2022, the amount owing to Yoo Recruit Ltd, included in current payables, was £1,190,035 (2020-2021: £693,837) while an amount, included in current receivables, of £109,020 (2020-2021: £107,720) was owed to the council.

In 2021, the council entered a joint venture with the West Midlands Combined Authority to pilot an affordable housing project; Help to Own. Help to Own helps to address the issue that many potential buyers in work have when looking to buy a home; in raising the deposit to secure a mortgage. Help to Own has not been consolidated into the group accounts as the impact is not considered to be material. As at 31 March 2022, the council held a £5.7 million equity investment in the venture.

WV Living was formed as a wholly owned subsidiary of the council in 2016-2017. During 2021-2022 the company has incurred expenditure of £2.6 million, of which £1.2 million was borrowing costs (2020-2021: £2.0 million) and has stock assets of £4.6 million as at 31 March 2022 (£32.4 million at 31 March 2021). £0.4 million of expenditure (excluding interest) relates to transactions with the council (2020-2021: £1.1 million). Turnover in 2021-2022 was £46.2 million (2020-2021: £16.0 million), £2.7 million of this being transactions with the council (2020-2021: £6.8 million). At the year-end WV Living owed the council £5.1 million of which £5.0 million was loan financing and £0.1 million for services provided. (31 March 2021: £30.8 million of which £28.8 million was loan financing and £2.0 million for services provided). The council owed WV Living £0.0 million (31 March 2021: £0.2 million). The company's accounts have been wholly consolidated into the group elements of the financial statements.

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Wolverhampton City Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

The Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £2.085 million in 2021-2022 (2020-2021: £2.112 million). The amount outstanding in respect of these services at 31 March 2022 was £0.958 million (31 March 2021: £0.516 million).

The Pension Fund was invoiced £2.017 million in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2021-2022 (2020-2021: £2.706 million). The amount outstanding in respect of these services at 31 March 2022 was £0.633m (31 March 2021: £0.643m).

LGPS Central Limited has let office space from City of Wolverhampton Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2021-2022 totalled £68,549 (2020-2021: £102,595) and the reimbursement of associated utilities and maintenance charges for 2021-2022 totalled £13,455 (2020-2021: £16,078).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2022 were £519,800 (2020-2021: £518,500).

City of Wolverhampton Council (via the Pension Fund) has invested £1.315 million in LGPS Central Limited class B shares and £0.685m in class C shares in 2017-2018 and these are both carried as balances in net investment assets at this year-end.

The council let office space ('i9') to LGPS Central Limited from 27 October 2021.

Other related parties

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

2020-2021			2021-2022	
Expenditure £m	Income £m		Expenditure £m	Income £m
-	-	Members	-	-
-	-	Senior officers	-	-
Other Public Bodies (subject to control by Central Government)				
11.5	(0.8)	West Midlands Combined Authority	12.8	(0.6)
Entities Controlled or Significantly Influenced by the council				
1.9	(0.4)	Bushbury Hill EMB Ltd	1.8	(0.5)
1.1	-	Dovecotes Pendeford TMO	1.1	-
0.4	-	New Park Village TMC	0.5	-
0.1	-	Springfield Horseshoe Co-op/Burton Rd	(0.1)	-
Other Entities in which the council has an Interest				
0.1	-	Bilston Business Improvement District (BID)	0.2	-
-	(0.1)	Birmingham Airport Holdings Ltd	-	(0.1)
0.1	-	Black Country Consortium Ltd	0.1	-
0.7	(0.1)	City of Wolverhampton College	0.7	-
0.7	(0.4)	ConnectEd Partnership Ltd	0.6	(0.4)
-	-	Help to Own	5.7	-
3.9	(5.0)	i54	3.3	(4.4)
13.9	-	Inspired Spaces Wolverhampton Ltd	13.7	-
0.3	-	The Way Wolverhampton Youth Zone	0.3	-
0.1	-	West Midlands Growth Company Ltd	-	-
0.3	-	Wolverhampton Bid Company Ltd	0.5	(0.1)
35.1	(6.8)	Total	41.2	(6.1)

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. Grants received from government departments are part of Note 1D - Expenditure and Income Analysed by Nature and the table in Note 2H – Grants details grants and contributions that have been credited to the CIES during the year.

In addition, in response to the pandemic, Central Government has required the Council to distribute mandatory grants to local businesses, Adult Social Care providers and individuals required to self-isolate. In the administration of these grants, the Council has acted as an Agent.

West Midlands Pension Fund (WMPF)

The City of Wolverhampton Council administers the Local Government Pension Scheme (LGPS) on behalf of all public body employers throughout the West Midlands, including the 7 local authorities and trades as the West Midlands Pension Fund administering the Local Government Pension Benefits of over 300,000 members. The WMPF statements of account are included within this document under in Section 7. The council let office space ('i9') to West Midlands Pension Fund from 13 December 2021.

Members/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. A register of councillors' interests is available on the council's website. There were no significant transactions between the council and any organisation in which the council's members have an interest.

Senior officers

Senior officers' remuneration is disclosed in Note 2E. Council officers are required to declare any interests under Section 117 of the Local Government Act 1972. There were no significant transactions between the council and any organisation in which the council's senior officers have an interest.

Other public bodies (subject to common control by central government)

The council has two pooled budget arrangements with Black Country & West Birmingham Clinical Commissioning Group (CCG) these relate to child placements with external agencies and health and social care services under the Better Care Fund (BCF). Further information on both schemes can be found in Note 2C – Pooled Budgets.

The council is a constituent member of the West Midlands Combined Authority (WMCA). The WMCA consists of seven constituent members. These members have the right to vote on council activities, but no member has a controlling interest in the WMCA. The council does receive grants from the WMCA so that it can deliver services to fulfil WMCA objectives. These grants are included in Note 2H – Grants.

Note 12 Trust funds

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

2020-2021			Fund Name and Purpose	2021-2022		
Income	Expenditure	Fund Value at 31 March 2021		Income	Expenditure	Fund Value at 31 March 2022
£000	£000	£000		£000	£000	£000
-	-	(44)	Springfield Reading Room - in its capacity as trustee, the council is authorised to apply income in various ways	-	-	(44)
-	-	(30)	Greenway Benefaction - established for the convalescence, enjoyment, pleasure, and amusement of poor children of Bradley	-	-	(30)
-	-	(17)	Butler Bequest Music in the Parks - to provide music in the parks	-	-	(17)
-	-	(14)	Monica Lloyd - to provide assistance with further education	(1)	-	(15)
-	-	(27)	Other smaller funds	-	-	(27)
-	-	(132)	Total	(1)	-	(133)

Note 13 Reserves

13A Detailed analysis of Movement in Reserves Statement:

2021-2022 Part 1 – Usable reserves:

	General Fund balance	General Fund Earmarked Reserves	Total General Fund balance	HRA balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(13.7)	(121.4)	(135.1)	(6.9)	(1.6)	(9.7)	(7.5)	(160.8)
(Surplus) or Deficit on Provision of Services	(37.7)	-	(37.7)	(36.9)	-	-	-	(74.6)
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	(37.7)	-	(37.7)	(36.9)	-	-	-	(74.6)
Net Increase/Decrease before Transfers & Other Movements	(37.7)	-	(37.7)	(36.9)	-	-	-	(74.6)
Adjustments between Accounting Basis & Funding Basis under Regulations								

Depreciation, amortisation, impairment, and revaluation of non-current assets	26.7	-	26.7	15.0	(19.5)	-	-	22.2
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-
Movement in the market value of Investment properties & Council dwellings	3.2	-	3.2	1.9	-	-	-	5.1
Revenue Expenditure Funded from Capital under Statute	(14.2)	-	(14.2)	-	-	-	-	(14.2)
Net (Gain)/Loss on sale of non-current assets (net book value of assets)	(4.2)	-	(4.2)	(10.2)	-	-	-	(14.4)
Net (Gain)/Loss on sale of non-current assets (disposal proceeds)	3.9	-	3.9	11.4	-	(15.3)	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	-	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax	27.0	-	27.0	-	-	-	-	27.0
Net Charges made for retirement benefits in accordance with IAS 19	(81.2)	-	(81.2)	-	-	-	-	(81.2)
Capital Expenditure charged in the year to the General Fund	2.1	-	2.1	5.0	-	-	-	7.1
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.2)	-	(2.2)	-	-	2.2	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	38.3	-	38.3	-	-	-	-	38.3
Transfers of HRA balance	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	23.0	-	23.0	0.7	-	-	(23.7)	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital adjustment account	-	-	-	-	-	-	29.9	29.9
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	1.8	-	1.8	-	-	-	-	1.8
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	-	35.8	-	35.8
Other income that cannot be credited to the General Fund	-	-	-	-	-	-	-	-
Revenue provision for the repayment of debt	22.9	-	22.9	13.2	-	-	-	36.1
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	-	19.1	-	-	19.1
Capitalisation under Section 16(2)(b) directive	-	-	-	-	-	-	-	-
Loan receipts transferred to Capital adjustment account	-	-	-	-	-	(23.8)	-	(23.8)
Adjustments between Accounting Basis & Funding Basis under Regulations	47.0	-	47.0	36.9	(0.4)	(1.2)	6.2	88.6

Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	(9.3)	9.3	-	-	-	-	-	-
Balance Carried Forward	(13.7)	(112.1)	(125.8)	(6.9)	(2.0)	(10.8)	(1.3)	(146.9)

2021-2022 Part 2 – Unusable reserves:

	Short-term Accumulating Compensated Absences Account	Available-for-sale Financial Instruments Reserve	Capital adjustment account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation reserve	Total Unusable Reserves	TOTAL RESERVES (Council)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	5.6	(7.4)	(437.4)	45.5	5.2	854.1	(133.4)	332.3	171.5
(Surplus) or Deficit on Provision of Services	-	-	-	-	-	-	-	-	(74.6)
Other Comprehensive Income and Expenditure									
Revaluations - Gains and losses	-	-	-	-	-	-	(60.0)	(60.0)	(60.0)
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(201.2)	-	(201.2)	(201.2)
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	-	-	-	-	-	(201.2)	(60.0)	(261.2)	(335.8)

Net Increase/Decrease before Transfers & Other Movements	-	-	-	-	-	(201.2)	(60.0)	(261.2)	(335.8)
Adjustments between Accounting Basis & Funding Basis under Regulations									
Depreciation, amortisation, impairment, and revaluation of non-current assets	-	-	(24.3)	-	-	-	2.2	(22.1)	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment properties & Council dwellings	-	-	(5.2)	-	-	-	-	(5.2)	-
Revenue Expenditure Funded from Capital under Statute	-	-	14.2	-	-	-	-	14.2	-
Net (Gain)/Loss on sale of non-current assets (net book value of assets)	-	-	13.8	-	-	-	0.8	14.6	-
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	-	-	-	-	-	-	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax	-	-	-	(27.0)	-	-	-	(27.0)	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	81.2	-	81.2	-
Capital Expenditure charged in the year to the General Fund	-	-	(7.1)	-	-	-	-	(7.1)	-
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(38.3)	-	(38.3)	-
Transfers of HRA balance	-	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital adjustment account	-	-	(29.9)	-	-	-	-	(29.9)	-

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	(1.8)	-	-	-	-	-	-	(1.8)	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(35.8)	-	-	-	-	(35.8)	-
Other income that cannot be credited to the General Fund	-	-	-	-	-	-	-	-	-
Revenue provision for the repayment of debt	-	-	(36.0)	-	-	-	-	(36.0)	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(19.1)	-	-	-	-	(19.1)	-
Capitalisation under Section 16(2)(b) directive	-	-	-	-	-	-	-	-	-
Loan receipts transferred to Capital adjustment account	-	-	23.8	-	-	-	-	23.8	-
Adjustments between Accounting Basis & Funding Basis under Regulations	(1.8)	-	(105.6)	(27.0)	-	42.9	2.9	(88.6)	-
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-
Balance Carried Forward	3.8	(7.4)	(543.0)	18.5	5.2	695.8	(190.5)	(17.6)	(164.5)

2020-2021 Part 1 – Usable reserves:

	General Fund balance	General Fund Earmarked Reserves	Total General Fund balance	HRA balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(13.0)	(64.6)	(77.6)	(6.9)	(1.1)	(10.4)	(5.2)	(101.3)
(Surplus) or Deficit on Provision of Services	28.3	-	28.3	(21.2)	-	-	-	7.1
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	28.3	-	28.3	(21.2)	-	-	-	7.1
Net Increase/Decrease before Transfers & Other Movements	28.3	-	28.3	(21.2)	-	-	-	7.1
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment, and revaluation of non-current assets	(38.3)		(38.3)	0.9	(19.0)			(56.4)
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-
Movement in the market value of Investment properties & Council dwellings	(2.6)	-	(2.6)	-	-	-	-	(2.6)

Revenue Expenditure Funded from Capital under Statute	(12.3)	-	(12.3)	-	-	-	-	(12.3)
Net (Gain)/Loss on sale of non-current assets (net book value of assets)	(5.6)	-	(5.6)	(7.0)	-	-	-	(12.6)
Net (Gain)/Loss on sale of non-current assets (disposal proceeds)	4.2	-	4.2	8.1	-	(12.2)	-	0.1
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	0.1	-	0.1	-	-	-	-	0.1
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax	(44.3)	-	(44.3)	-	-	-	-	(44.3)
Net Charges made for retirement benefits in accordance with IAS 19	(70.4)	-	(70.4)	-	-	-	-	(70.4)
Capital Expenditure charged in the year to the General Fund	1.7	-	1.7	6.3	-	-	-	8.0
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.2)	-	(2.2)	-	-	2.2	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	39.2	-	39.2	-	-	-	-	39.2
Transfers of HRA balance	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	23.7	-	23.7	0.5	-	-	(23.9)	0.3
Application of Capital Grants and Contributions to capital financing transferred to the Capital adjustment account	(0.5)	-	(0.5)	0.5	-	-	21.6	21.6
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	(1.6)	-	(1.6)	-	-	-	-	(1.6)
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	-	22.0	-	22.0
Other income that cannot be credited to the General Fund	0.3	-	0.3	-	-	-	-	0.3
Revenue provision for the repayment of debt	22.9	-	22.9	11.9	-	-	-	34.8
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	-	18.5	-	-	18.5
Capitalisation under Section 16(2)(b) directive	-	-	-	-	-	-	-	-
Loan receipts transferred to Capital adjustment account	-	-	-	-	-	(11.2)	-	(11.2)
Adjustments between Accounting Basis & Funding Basis under Regulations	(85.7)	-	(85.7)	21.2	(0.5)	0.8	(2.3)	(66.5)
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	56.8	(56.8)	(0.0)	-	-	-	-	(0.0)
Balance Carried Forward	(13.7)	(121.4)	(135.1)	(6.9)	(1.6)	(9.7)	(7.5)	(160.8)

2020-2021 Part 2 – Unusable reserves:

	Short-term Accumulating Compensated Absences Account	Available-for-sale Financial Instruments Reserve	Capital adjustment account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation reserve	Total Unusable Reserves	TOTAL RESERVES (Council)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	4.0	(8.0)	(431.6)	1.1	5.3	624.4	(140.5)	54.6	(46.6)
(Surplus) or Deficit on Provision of Services	-	-	-	-	-	-	-	-	7.1
Other Comprehensive Income and Expenditure									
Revaluations - Gains and losses	-	-	-	-	-	-	11.9	11.9	11.9
Gains on Available-for-Sale Financial Assets	-	0.6	-	-	-	-	-	0.6	0.6
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	198.5	-	198.5	198.5
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	-	0.6	-	-	-	198.5	11.9	211.0	218.1
Net Increase/Decrease before Transfers & Other Movements	-	0.6	-	-	-	198.5	11.9	211.0	218.1
Adjustments between Accounting Basis & Funding Basis under Regulations									
Depreciation, amortisation, impairment, and revaluation of non-current assets	-	-	61.8	-	-	-	(5.3)	56.4	-
Difference between HRA depreciation and Major Repairs Allowance	-	-		-	-	-	-		-

HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment properties & Council dwellings	-	-	2.5	-	-	-	-	2.5	-
Revenue Expenditure Funded from Capital under Statute	-	-	12.3	-	-	-	-	12.3	-
Net (Gain)/Loss on sale of non-current assets (net book value of assets)	-	-	12.0	-	-	-	0.6	12.6	-
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	-	-	-	-	(0.1)	-	-	(0.1)	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax	-	-	-	44.3	-	-	-	44.3	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	70.4	-	70.4	-
Capital Expenditure charged in the year to the General Fund	-	-	(8.0)	-	-	-	-	(8.0)	-
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(39.2)	-	(39.2)	-
Transfers of HRA balance	-	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	-	-	(0.3)	-	-	-	-	(0.3)	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital adjustment account	-	-	(21.6)	-	-	-	-	(21.6)	-
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	1.6	-	-	-	-	-	-	1.6	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(22.0)	-	-	-	-	(22.0)	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-
Revenue provision for the repayment of debt	-	-	(34.8)	-	-	-	-	(34.8)	-

Transfer of HRA Settlement Receipts to UCR	-	-		-	-	-	-		-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(18.5)	-	-	-	-	(18.5)	-
Capitalisation under Section 16(2)(b) directive	-	-	-	-	-	-	-		-
Loan receipts transferred to Capital adjustment account	-	-	11.2	-	-	-	-	11.2	-
Adjustments between Accounting Basis & Funding Basis under Regulations	1.6	-	(5.7)	44.3	(0.1)	31.2	(4.7)	66.6	-
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-
Balance Carried Forward	5.6	(7.4)	(437.4)	45.5	5.2	854.1	(133.4)	332.3	171.5

The usable General Fund earmarked reserves as at 31 March 2021 include government grants in relation to collection fund deficits that were realised in 2021-2022. Due to the COVID-19 pandemic, there was an extensive business rates relief scheme, meaning that the collection fund deficit was higher when compared to previous years. The government provided Section 31 grants to cover the cost of COVID-19 business rates reliefs.

Adjustments between group accounts and council accounts

The following adjustments are made in the group's Movement in Reserves Statement in order to reconcile the General Fund balance back to its council position prior to funding adjustments being made.

	2020-2021 £m	2021-2022 £m
Provision of goods and services to subsidiaries	6.3	5.0
Provision of goods and services from subsidiaries	57.3	55.3
	63.6	60.3

13B Description of reserves

Usable Reserves

Revenue	
General Fund balance	The General Fund is the statutory fund into which all the receipts of the council are required to be paid, and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year (however, the balance is not available to be applied to funding HRA services: see Housing Revenue Account balance below).
Housing Revenue Account balance	The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.
General Fund earmarked reserves	General Fund earmarked reserves represent amounts that the council has chosen to set aside to fund specific items of expenditure in the future. Some of those reserves are held due to either specific criteria associated with funding, legal requirements, or accounting practice. The overall balance of £112.2 million earmarked reserves include: specific reserves for section 31 grant funding for business rates reliefs, including those granted to support businesses during the COVID-19 pandemic, which was received during 2020-2021 and 2021-2022 but will in part offset the deficit from the Collection Fund that will be charged in future years, Schools Reserves (£15.2 million), the Budget Strategy Reserve (£7.6 million), Future Years Budget Strategy Reserve (£13.3 million), the Efficiency Reserve (£5.4 million) and the Budget Contingency Reserve (£7.1 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.

Unusable Reserves

Revaluation reserve	The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant, and equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The reserve only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.
Available-for-sale financial instruments reserve	The available-for-sale financial instruments reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of, and the gains are realised.
Capital adjustment account	The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the

	acquisition, construction, or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction, and enhancement. The account contains accumulated gains and losses on Investment properties. It also contains revaluation gains accumulated on Property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.
Financial instruments adjustment account	The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
Pensions reserve	The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
Collection Fund adjustment account	The Collection Fund adjustment account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund
Short-term accumulating compensated absences account	The short-term accumulating compensated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement not yet used at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

13C Movement in specific earmarked reserves

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

Restated*								
Balance at	Transfers	Transfers	Balance at		Balance at	Transfers	Transfers	Balance at
31 March	Out	To	31 March		31 March	Out	To	31 March
2020	£m	£m	2021		2021	£m	£m	2022
£m	£m	£m	£m		£m	£m	£m	£m
				Specific Earmarked Reserves				
(5.4)	-	-	(5.4)	Efficiency Reserve (Corporate)	(5.4)	0.1	(0.1)	(5.4)
(3.6)	-	(1.4)	(5.0)	Budget Contingency Reserve (Corporate)	(5.0)	0.1	(2.2)	(7.1)
(2.3)	-	(5.2)	(7.5)	Future Years Budget Strategy Reserve (Corporate)	(7.5)	5.4	(11.2)	(13.3)
(7.6)	-	-	(7.6)	Budget Strategy Reserve (Corporate)	(7.6)	-	-	(7.6)
				Other Earmarked Reserves				
(1.2)	-	(1.4)	(2.6)	Adult Services	(2.6)	0.1	(1.0)	(3.5)
(1.2)	0.2	(0.9)	(1.9)	Children's and Education	(1.9)	0.1	(1.2)	(3.0)
(0.1)	-	-	(0.1)	City Assets	(0.1)	-	-	(0.1)
(4.3)	1.0	(0.5)	(3.8)	City Housing and Environment	(3.8)	0.1	(0.4)	(4.1)
(25.5)	1.3	(38.6)	(62.8)	Corporate	(62.8)	59.8	(32.7)	(35.7)
(5.1)	-	-	(5.1)	Finance	(5.1)	0.1	(1.6)	(6.6)
-	-	(0.3)	(0.3)	Governance	(0.3)	-	-	(0.3)
(0.6)	-	(3.5)	(4.1)	Public Health	(4.1)	-	(3.9)	(8.0)
(1.6)	-	(0.7)	(2.3)	Regeneration	(2.3)	0.5	(0.5)	(2.3)
				Strategy	-	-	(0.1)	(0.1)
(6.1)	1.1	(7.9)	(12.9)	Schools	(12.9)	2.1	(4.4)	(15.2)
(64.6)	3.6	(60.4)	(121.4)	Total Earmarked Reserve	(121.4)	68.4	(59.3)	(112.3)

* 2020-2021 has been restated to reflect organisational restructure.

Note 14 Notes to the Cash Flow Statement (council and group)

14A Adjustment for non-cash movements:

2020-2021			2021-2022	
Council	Group		Council	Group
£m	£m		£m	£m
0.2	7.0	(Decrease)/Increase in Inventories	(0.1)	(27.9)
12.4	10.6	(Decrease)/Increase in Current Receivables	(36.5)	(35.0)
(16.6)	(18.5)	Decrease/(Increase) in Current Payables	(57.5)	(30.9)
-	(0.5)	Decrease in taxation	-	-
(45.0)	(45.0)	Depreciation, Amortisation, and Impairment of Non-Current Assets	(42.9)	(42.9)
(14.2)	(14.2)	Revaluations of Non-Current Assets	70.1	70.1
(12.3)	(12.3)	Net Book Value on Disposal of Property, plant and equipment, Investment Property and Intangible assets	(14.3)	(14.3)
(70.4)	(78.1)	Net Charges made for retirement benefits in accordance with IAS 19	(81.2)	(92.9)
39.2	43.0	Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	15.5	19.1
11.7	11.7	Employer's contributions upfront payments to the Pension Fund	22.8	22.8
(1.5)	(1.5)	Net Movement in Provisions	(3.0)	(3.0)
(96.5)	(97.8)		(127.1)	(134.8)

14B Adjustment for items that are investing and financing activities:

2020-2021			2021-2022	
Council £m	Group £m		Council £m	Group £m
12.3	12.3	Proceeds from the sale of Property, plant and equipment, Investment Property and Intangible assets	15.3	15.3
24.5	24.5	Capital grants received	54.3	54.3
36.8	36.8		69.6	69.6

14C Net cash flows from operating activities

The cash flows from operating activities include the following items:

2020-2021			2021-2022	
Council £m	Group £m		Council £m	Group £m
36.8	38.7	Interest paid	35.9	36.1
(2.2)	(3.0)	Interest received	(1.5)	(1.5)
-	-	Dividends received	-	-
34.6	35.8		34.4	34.6

Note 15 Accounting policies

1. General principles

The Statement of Accounts summarises the council's transactions for the 2021-2022 financial year and its position at 31 March 2022. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021-2022 and the Service Reporting Code of Practice 2021-2022, 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. Group accounts

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

3. Recognition of income and expenditure

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

- Revenue from the contracts with service recipients whether for the provision of goods or services is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have 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 in financing and investment income and expenditure 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.

The above is in accordance with IFRS 15 'Revenue from Contracts with Customers' which became effective in 2018-2019. IFRS 15 applies to all contracts with customers (apart from some exceptions which fall under the scope of other accounting standards e.g., leases, financial instruments, insurance contracts). The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the satisfaction of performance obligations; IFRS 15 provides a standardised five-step model to recognise all types of revenue earned from customer contracts. The council has considered all of its revenue streams (including any potential staged receipts and receipts spanning financial years) across the group.

4. Accounting for council tax

- While the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the authority's General Fund or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is an authority's precept or demand for the year, plus or minus the authority's share of the surplus/deficit on the Collection Fund for the previous year.
- The council tax income included in the Comprehensive Income and Expenditure Statement is the council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- The cash collected by the authority from council taxpayers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

5. Accounting for business rates (national non-domestic rates – NNDR)

- The business rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the government. The amount credited to the General Fund under statute is the authority's estimated share of business rates for the year from the national non-domestic rates (NNDR) 1 return.

- The business rates income included in the Comprehensive Income and Expenditure Statement is the authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to business rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- The cash collected by the authority from business rates payers belongs proportionately to all the major preceptors (excluding police bodies) and government. The difference between the amounts collected on behalf of the other major preceptors, government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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 to 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 in the Comprehensive Income and Expenditure Statement at the earlier of the point at which the authority can no longer withdraw the offer of those benefits or when the authority recognises the costs of the restructure.

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

Post-employment benefits - Employees of the council are members of three separate pension schemes:

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

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

The Local Government Pension Scheme

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

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

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provisions of services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability/asset, i.e. net interest expense for the council – the change during the period in the net defined benefit liability / asset that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period – taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.

Changes in valuations comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset – charged to the pensions reserve as other comprehensive income and expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve and recognised as other comprehensive income and expenditure in the Comprehensive Income and Expenditure Statement.
- Contributions paid to the West Midlands Pension Fund – cash paid as the employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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.

11. Events after the reporting period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date, 31 March 2021, and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

12. 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are two main classes of financial assets measured at:

- Amortised costs.
- Fair value through other comprehensive income (FVOCI).

The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost

Financial assets measured at amortised cost 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 most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The council recognises expected credit losses on all of its financial assets (except where the counterparty is central government or a local authority) held at amortised cost or FVOCI, either on a 12-month or lifetime basis. A simplified approach has been applied to trade receivables, finance lease receivables and operating lease receivables, whereby impairment losses are automatically based on lifetime expected credit losses. Impairment losses on loans and financial guarantees are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial assets measured at fair value through other comprehensive income

Financial assets that are measured at FVOCI 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. Fair value gains and losses are recognised as they arrive in other comprehensive income and expenditure (and taken to the financial instruments revaluation reserve), except for impairment gains or losses, until the financial asset is derecognised. The fair value measurements of the financial assets are based on the following techniques:

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

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

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

When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from reserves to surplus or deficit on the provision of services as a reclassification adjustment.

Under accounting standard IFRS 9 'Financial Instruments', all assets previously held within the Available for Sale Financial Instruments reserve have been elected as fair value through other comprehensive income. As a result of this all balances held within the reserve have been transferred into the newly created financial instruments revaluation reserve.

13. Government grants and contributions

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants

unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

14. Intangible assets

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

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

Where expenditure on Intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reverses Statement and posted to the capital adjustment account and, for any sale proceeds greater than £10,000, the capital receipts reserve.

15. Interests in companies and other entities

The council has three subsidiary entities: Wolverhampton Homes Limited, Yoo Recruit Ltd and WV Living (City of Wolverhampton Housing Company Limited). Due to materiality only, Wolverhampton Homes Limited and WV Living are required to be consolidated in the group accounts statements. The council has no other material interests in companies or other entities that have the nature of a subsidiary, associate, or jointly controlled entity.

Investments in limited by guarantee companies - The council has investments in companies limited by guarantee, for example ConnectEd Partnership, Black Country Consortium, Wolverhampton Grand Theatre, Wolverhampton Homes. These investments are valued at cost in the council's accounts. Income and expenditure transactions are recognised in the council's financial statements.

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

Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the council as if they were the transactions, cash flows and balances of the council.

16. Inventories

Inventories held by the council relate to consumables and are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average costing formula. Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

The inventories held by the group predominantly relate to properties in development stage and are stated at the lower of cost and estimated selling price less costs to complete and sell which is equivalent to the net realisable value. Cost comprises direct materials and, where applicable, directly attributable expenditure in relation to the acquisition and development of the properties. At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

17. Investment property

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

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

Rentals received in relation to investment properties are credited to the financing and investment income and expenditure line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an

impact on the General Fund balance. The gains and losses are, therefore, reversed out of the General Fund balance in the Movement in Reserves Statement and transferred to the capital adjustment account and, for any sale proceeds greater than £10,000, the capital receipts reserve.

18. Jointly controlled arrangements

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

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

19. Leases

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

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

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

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

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

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

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

The council as lessor: finance leases - Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment, or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain representing the council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The write-off value of disposals is not a charge against council tax, as the cost of non-current asset is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

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

20. Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service. 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.

21. Property, plant, and equipment

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

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

Measurement - Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, subject to a de-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 – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council’s housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end. Assets with a net book value over £1 million are valued annually and other assets at least 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 or component as estimated by the valuer.
- Vehicles, plant, furniture, and equipment - straight-line allocation over the useful life of the asset.
- Infrastructure - straight-line allocation over 50 years.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in 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 is payable to the government. The balance of receipts is required to be credited to the capital receipts reserve and can then only be used for new

capital investment (or set aside to reduce the council's underlying need to borrow (the capital financing requirement)). Receipts are appropriated to the capital receipts reserve from the General Fund balance in the Movement in Reserves Statement.

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

22. Private finance initiatives (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** - charged to the relevant service in the Comprehensive Income and Expenditure Statement.
- **Finance cost** - an interest charge on the outstanding Balance Sheet liability, charged to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

- **Contingent rent** - increases in the amount to be paid for the property arising during the contract, charged to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
- **Payment towards liability** - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- **Lifecycle replacement costs** - a proportion of the amount's payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant, and equipment when the relevant works are eventually carried out.

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

23. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

24. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure, to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the surplus or deficit on the provision of 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, local taxation, retirement, and employee benefits, and do not represent usable resources for the council – these reserves are explained in the relevant policies.

25. Revenue expenditure funded from capital under statute

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

26. Value added tax (VAT)

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.

27. Pension fund accounts

As a result of Local Government Reorganisation on 1 April 1986, the council assumed responsibility for administering the West Midlands Pension Fund. The fund's accounts are separately prepared and are included within these accounts. The accounting policies for the pension fund can be found at note P3 in the accounts.

Copies of the fund's accounts and annual report are available on request from the Director of Finance, Civic Centre, Wolverhampton, WV1 1RL.

28. Heritage assets

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

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

29. Pension guarantees

The council has provided guarantees to a number of organisations at the point they were admitted to West Midlands Pension Fund, to fund any potential pension liability. These guarantees are treated as Insurance Contracts in accordance with IFRS 4, rather than financial guarantees under IFRS 9, as the council considers that the non-financial risks covered by the guarantees (for example regarding mortality rates and demographics) are more significant than the financial risks. Each year, the council assesses the probability of the guarantees being called using various factors: the pension liability is derived from the triennial valuation or the IAS19 statement (if available) and risk of failure of the business is derived from Creditsafe Business Failure Scores. If, by multiplying the pension liability by the risk of failure, a significant potential liability arises, it is recognised in the Comprehensive Income and Expenditure Statement.

30. Pooled budgets

The council takes part in two pooled budget schemes with Wolverhampton Clinical Commissioning Group (CCG). The first scheme relates to the integrated service for child placements with external agencies for children with social care, education, and health needs. The council incurs the expenditure and receives a contribution from CCG towards the costs. The second scheme relates to the commissioning of health and social care

services under the Better Care Fund (BCF). Again, the council incurs the expenditure and receives funding through a contribution from CCG and local government grants. All income and expenditure are recorded in the Comprehensive Income and Expenditure Statement.

31. Trust funds

The council acts as trustee for a number of historic trust funds. These funds are not recorded on the balance sheet as they are not owned by the council. At the end of each financial year, the trust funds on the ledger are reviewed and appropriate accounting entries are made. A separate note (Note 12) is included within the financial statements showing the income, expenditure, and balances of the trust funds for this financial year and the prior financial year.

A number of the funds are held in the council's bank account and each year the interest is calculated and applied to the account. Any external interest received by the council is added to the individual funds on the ledger.

Note 15A Changes in accounting policies and accounting estimates from previous year

None

Note 15B 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.

WV Living was formed as a wholly owned subsidiary of the council in 2016-2017. As the impact on the group accounts are considered by the council, to be material they have been consolidated in the group accounts. During 2021-2022 the company has incurred expenditure of £2.6 million, of which £1.2 million was borrowing costs (2020-2021: £2.0 million) and has stock assets of £4.6 million as at 31 March 2022 (£32.4

million at 31 March 2021). £0.4 million of expenditure relates to transactions with the council (2020-2021: £1.1 million). Turnover in 2021-2022 was £46.2 million (2020-2021: £16.0 million), £2.7 million of this being transactions with the council (2020-2021: £6.8 million).

Yoo Recruit Ltd was formed as a wholly owned subsidiary of the council in 2013-2014. The turnover of this company for 2021-2022 was approximately £15.2 million, of which £14.7 million was derived from the council, with a net income after tax of £162,168. As the impact on the group accounts are considered, by the council, to be not material they have not been consolidated in the group accounts.

The Wolverhampton Grand Theatre has a close relationship with the council. The council assists via the provision of the leasehold premises in which the theatre is based. The transactions and balances of this company are considered, by the council, to not be material, they have not been consolidated in the group accounts.

During 2012-2013, ConnectEd Partnership Limited (previously Wolverhampton Schools' Improvement Partnership) was established. The company is limited by guarantee and was set-up to advance educational opportunities and outcomes for children/young people of Wolverhampton. The board of directors comprises of representative from each school cluster. 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 initiatives (PFI) contracts

The council provides services, via private sector partners, under a PFI or PFI-type contracts in four areas: The Bentley Bridge Leisure Centre, the Highfields and Penn Fields School contract and the St. Matthias School and Heath Park Academy contract. In the Bentley Bridge Leisure Centre and the Highfields and Penn Fields Schools contracts, it has been determined that the council controls the use of the relevant non-current assets and, as a result the relevant assets and corresponding liabilities were recognised in the council's balance sheet. Subsequent to the commencement of the Highfields and Penn Fields schools' contract, Highfields School converted to an academy, in the 2014-2015 financial year, and as the council no longer has control over the asset and the services to be provided, it was determined by the council that the asset for Highfields School should be de-recognised. The contract for St. Matthias School and Heath Park Academy commenced during 2015-2016. Both assets have been initially recognised in the council's Balance Sheet, however, as Heath Park Academy is an existing academy and the council has no control over the asset and services to be provided, the asset for this school has subsequently been de-recognised in the council's Balance Sheet. St. Matthias School is still under the control of the council and, accordingly, this asset remains on the council's Balance Sheet. In the cases of both academies de-recognised, the PFI liabilities remain on the council's balance sheet, being funded by capital grants from central government and contributions from the academies as detailed in note 10F.

Business rates

Following the changes to business rates retention, which commenced on 1 April 2014, Councils have assumed the liability for refunding rate payers who successfully appeal against the rateable value of their properties, including amounts that were paid to the government in 2012-2013 and earlier. The council has set aside a provision for these refunds, calculated using the Valuation Office list of ratings appeals data.

The outcome of the appeals is determined solely by the Valuation Office, therefore at year end, in order to make a provision, the council makes a judgement about the appeals likely to be successful, based upon historical and current information available at that point in time. The final outcome of the appeals could differ to the judgement made and could impact on future years accounts.

Schools

Schools within Wolverhampton are managed in a variety of ways including council community schools, voluntary aided schools, voluntary controlled schools and academies. The council has reviewed each school on a case-by-case basis and considered the extent to which the council has control over the school in respect to the employment of staff, governance arrangements, maintenance of the land and buildings and admissions, in order to assign them to one of the categories below:

- **Academy schools** – Academies are entirely separate entities to the council and therefore the council has no control over the operation of the school. Land and buildings are transferred to the academies through a standard 125 year lease. It is anticipated that these arrangements will continue and, therefore, substantially all associated risks and rewards of ownership are transferred. For academy schools the assets and liabilities are not consolidated into the council's balance sheet and the non-current assets are derecognised.
- **Voluntary aided-schools** – A separate trustee has substantial influence and control over the voluntary aided school. A governing body is appointed by the trustee to manage the school's operation and maintenance. In Wolverhampton, the relevant trustees are The Archdiocese of Birmingham and the Diocese of Lichfield. Since the council does not have substantial control over these schools the related assets are not consolidated in the balance sheet.
- **Voluntary controlled schools** – It is determined that the council has substantial control over these schools since the council determines the admission criteria and maintains the land and buildings. The assets relating to voluntary controlled schools are, therefore, consolidated in the balance sheet of the council.

COVID-19 Grants

- **Sales, fees and Charges Grant**

This grant was claimed by the council for loss of income. No restrictions were given as to how the grant could be spent, therefore the grant would ordinarily be shown under taxation and non-specific grant income, however as the council has been able to identify which

service the equivalent expenditure has been incurred against, the council has made the judgement to show it against those service lines, for consistency and comparability.

- **Emergency Funding Grant**

This grant was to offset where pressures in services existed. No restrictions were given as to how the grant could be spent, therefore the 2021-2022 grant has been shown under taxation and non-specific grant income. For the grant brought forward from 2020-2021 the council has been able to identify the pressured services and has therefore made the judgement to show it against those service lines, for consistency and comparability.

Note 15C Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. 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 2022 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. Further sensitivity analysis can be found in Note 9.

Variation to Assumptions	Impact on Net Liability	
	Council	Group
Discount Rate 0.1% higher	Decrease of £68.3 million	<i>Increase of £73.3 million</i>
Rate of Inflation 0.1% p.a. higher	Increase of £61.3 million	<i>Increase of £65.4 million</i>
Rate of increase in salaries 0.1% p.a. higher	Increase of £53.1 million	<i>Increase of £54.0 million</i>
Life expectancy of scheme members 1 year higher	Increase of £167.4 million	<i>Increase of £177.7 million</i>

Pensions assets

Certain types of investments are not publicly listed and, as such, there is a degree of estimation involved in their valuation.

Effect if actual results differ from assumptions

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments for the pension fund is £4,082.2m at 31 March 2022, therefore £285.8 million for the council (7% share).

Property, plant, and equipment

Brexit

The UK has now officially left the EU and the transition period has come to an end as of 31 December 2020.

Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise.

Therefore, we remain in a period of uncertainty in relation to many factors that impact the construction markets and costs associated with this market.

We are now in a period of uncertainty in relation to many factors that impact the property and investment and letting markets.

Conflict in Ukraine

On 24th February 2022, Russian forces entered Ukraine and conflict ensued.

The impact on the property market outside of the immediate area affected by the conflict is as yet unknown and, at this stage, there is no evidence that the transaction activity and the sentiment of buyers or sellers has changed.

The valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) valuation – global standards.

Outbreak of Novel Coronavirus (COVID –19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy - with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and 'lockdowns' applied to varying degrees.

The pandemic and the measures taken to tackle COVID-19 continues to affect economies and real estate markets globally.

Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.

The valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) valuation – global standards.

The valuers for the council's property assets have not issued any material uncertainty statements with regards to the valuations carried out for 2021-2022. However, as with all valuations there is an element of uncertainty as all valuations are an estimate of value which cannot be fully demonstrated unless a property is sold.

Therefore, the council has carried out a sensitivity analysis on all property values to determine the potential impact if there were variations in asset values based on a global 1% or 5% or 10% change in value with summary shown in table below:

	Assets value as at 31 March 2022	Change in Valuation		
		1%	5%	10%
	£m	£m	£m	£m
Council dwellings	890.6	8.9	44.5	89.1
Other land and buildings	509.9	5.1	25.5	51.0
Surplus assets	7.5	0.1	0.4	0.8
Investment properties	50.8	0.5	2.5	5.1
	1,458.8	14.6	72.9	146.0

1% fluctuation in council dwellings and Other land and buildings values would amount to a £14.6m movement in property plant and equipment balance shown on the Balance Sheet.

The valuations are heavily sensitive to assumptions and can be influenced by economic circumstances which can change from year to year.

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

Of the council's total operational land and buildings approximately 77% are valued on a DRC basis. These are calculated using the Building Cost Information Service (BCIS) index which are based on the construction costs for a modern equivalent asset (MEA). The types of assets valued at MEA DRC include schools.

After initial recognition Investment properties would be measured at fair value. Fair value is the price that would be received to sell an asset between market participants at the measurement date. Investment properties held at fair value are not depreciated.

Fair value of assets and liabilities

The council has an investment in Birmingham Airport Holdings Ltd whose valuation has increased in the Balance Sheet as at 31 March (£14.1 million in 2021-2022, £13.9 million in 2020-2021, £14.5 million in 2019-2020). The valuation is based on an earnings approach, by reference to EBITDA*. The timing of the recovery from the Covid-19 pandemic is still unclear and the aviation market is not expected to fully recover until at least 2023.

* EBITDA: earnings before interest, taxes, depreciation, and amortization (used as an indicator of the overall profitability of a business)

Provisions

The council holds £14.7 million of provisions on its Balance Sheet, of which £10.3 million relates to business rates appeals. There is a degree of uncertainty inherent in estimating the potential expenditure required to settle business rates appeals. This is because the outcome of the appeals is determined solely by the Valuation Office, therefore at year end the council makes assumptions on the provision required for potential refunds to rate payers based upon historical and current information available at that point in time. Sensitivity analysis shows that the final outcome of the appeals could differ from the assumptions made and could impact on future years accounts, however, the Council considers these assumptions to be prudent.

Note 15D Accounting standards issued but not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **Annual improvements to IFRS standards 2018-2020**

The annual IFRS improvement programme notes four changed standards:

- IFRS 1 (First-time adoption) – amendment related to foreign operations of acquired subsidiaries transitioning to IFRS.
- IAS 37 (Onerous contracts) – clarifies the intention of the standard.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in the 2022-2023 Code. During the consultation process on the 2022-2023 Code, CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- **Property, plant, and equipment: proceeds before intended use (Amendments to IAS 16)**

A minor clarification in the intention of the Standard and does not affect valuations of PPE.

The council will continue to monitor these during 2022-2023 and implement any necessary changes.

Section 5 - Housing Revenue Account Statements

Housing Revenue Account Income and Expenditure Statement

2020-2021 £m		Note	2021-2022 £m
(88.6)	Gross Rents – Dwellings		(89.7)
(0.5)	Gross Rents - Non-Dwellings		(0.7)
(6.0)	Charges to Tenants for Services and Facilities		(6.0)
(1.6)	Contributions to Expenditure		(0.7)
(96.7)	Total Income		(97.0)
26.8	Repairs and Maintenance		26.7
19.8	Supervision and Management		20.3
0.6	Rents, Rates and Taxes		0.7
1.0	Increase in Allowance for Bad Debts		0.6
-	Contribution to Capital Financing		-
19.0	Depreciation of Property, plant, and equipment	H1	19.5
(0.9)	Revaluation/impairment of Property, plant, and equipment	H2	(15.0)
66.3	Total Expenditure		52.9
(30.4)	Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement		(44.1)
0.2	HRA Share of Corporate and Democratic Core		0.2
(30.2)	Net Cost of HRA Services		(43.9)
-	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		-
(1.1)	(Gain) on Sale of Property, plant, and equipment		(1.2)
-	(Gain) on the Fair Value of Investment Assets		(1.9)
10.1	Interest Payable		10.1
-	Interest and Investment Income		-
(21.2)	(Surplus)/Deficit for the Year		(36.9)

Movement on the Housing Revenue Account Statement

2020-2021 £m		Note	2021-2022 £m
(7.0)	Opening HRA balance		(7.0)
	(Increase)/Decrease in the HRA balance for the year analysed between:		
(21.2)	- (Surplus)/Deficit for the year on the Income and Expenditure Account		(36.9)
21.2	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	H3	36.9
-	(Increase)/Decrease in the HRA balance for the year		-
(7.0)	Closing HRA balance		(7.0)

Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2020-2021 £m		2021-2022 £m
18.5	Council dwellings	19.1
0.4	Other land and buildings	0.4
-	Vehicles, plant, furniture, and equipment	-
18.9	Total Depreciation Charge for the Year	19.5

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

Note H2 – Revaluation

2020-2021		2021-2021
£m		£m
(0.9)	Council dwellings	(15.0)
-	Other land and buildings	-
(0.9)	Total Revaluation/Impairment Charge for the Year	(15.0)

The revaluation results from the five yearly stock valuation exercise which reflects changes in value due to local market conditions and is adjusted for the existing use value (social housing).

Note H3 – Analysis of the movement on the HRA balance statement

2020-2021 £m		Note	2021-2022 £m
21.2	Net additional amount required to be debited or credited to the HRA balance		36.9
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA balance		
8.0	Proceeds of Sale of Property, plant, and equipment		11.4
0.9	Impairment/revaluation of Property, plant, and equipment	H2	16.9
6.3	Capital Expenditure Funded by the HRA		5.0
(6.9)	Net Book Value of Assets Sold		(10.2)
8.3	Sub Total		23.1
	Amounts not in the Income and Expenditure Account but included in the HRA balance		
	HRA Share of Contribution to Pension Reserve	H4	
-	Adjustment for Premiums and Discounts		-
11.9	Amount Set Aside for the Repayment of Debt		13.1
1.1	Capital Grants and Contributions		0.7
-	Transfer to/(from) Earmarked Reserves		-
13.0	Sub Total		13.8
21.3	Total		36.9

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 9 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. In addition, the council holds 39 properties for shared ownership:

31 March 2021		31 March 2022
4,794	Low Rise Flats	4,775
2,574	Medium Rise Flats	2,591
2,451	High Rise Flats	2,455
11,989	Houses and Bungalows	11,859
21,808	Total Dwellings Owned by the council	21,680
21,808		21,680

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 2021 £m		31 March 2022 £m
844.3	Council dwellings	890.6
14.8	Other land and buildings	13.1
6.8	Assets under construction	3.0
865.9	Total Property, plant, and equipment	906.7

Note H7 – Vacant possession value of dwellings

The vacant possession value of the stock of dwellings at 31 March 2022 amounted to £2,226.5 million (31 March 2021: £2,110.8 million). The value of dwellings shown on the Balance Sheet is the existing use value (social housing), which is 40% of the vacant possession value (this ratio

is set by the government). The difference between the two values demonstrates the economic cost to the 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:

2020-2021 £m		2021-2022 £m
	Sources of Funding	
(15.9)	Borrowing	(22.7)
(6.1)	Usable Capital Receipts	(7.7)
(18.5)	Major Repairs Reserve	(19.1)
(0.5)	Government and EU Grants	(0.6)
(5.7)	Financed from revenue account	(5.0)
(0.1)	Other Contributions	(0.7)
(46.8)	Total Capital Expenditure	(55.8)

Capital receipts generated during 2021-2022 from the disposal of HRA assets are detailed in the following table:

2020-2021 £m		2021-2022 £m
(7.5)	Sale of Council Houses (including Right-to-Buy)	(10.4)
(0.5)	Sale of Other land and buildings	(0.9)
-	Repaid Discounts	(0.1)
(8.0)	Total Capital Receipts	(11.4)

These receipts were split between the council and the government, as shown in the table below:

2020-2021 £m		2021-2022 £m
2.2	Paid over to Government	2.2
(10.2)	Available to Finance Capital Expenditure	(13.6)
(8.0)	Total Capital Receipts	(11.4)

Note H9 – Rent arrears

During 2021-2022, there was an increase in total rent arrears of £0.1 million. Within total rent arrears, current tenants' arrears as a proportion of net rental income was 2.7%, 1% higher than in 2021-2022. The comparative total figures are shown in the following table:

31 March 2020 £m		31 March 2021 £m
2.3	Current Tenants	2.6
0.9	Former Tenants	1.0
3.2	Total Arrears	3.6

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

2020-2021 £m		2021-2022 £m
3.2	Allowance for expected credit losses brought forward	2.8
(1.4)	Amounts Written Off during the Year	(0.4)
1.0	Increase in Allowance Charged to the HRA during the Year	0.6
2.8	Allowance for expected credit losses carried forward	3.0

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.

2020-2021 £m		2021-2022 £m
(0.2)	Balance Brought Forward	(0.2)
(18.5)	Transfer of MRA from the Capital adjustment account	(19.1)
18.5	Capital Expenditure on Land and Property in the HRA	19.1
(0.2)	Balance Carried Forward	(0.2)

Section 6 - The Collection Fund Statement

The Collection Fund statements show how much council tax was raised in Wolverhampton during the year, and how it was allocated between the council, fire and police authorities. It also shows details of business rates collected by the council on behalf of central government and the amount retained by the council and allocated to the fire authority.

During 2020-2021 and 2021-2022, the COVID-19 pandemic has had a significant international, national, and regional impact and will continue to do so over the short and medium term. The economic costs of the pandemic will place additional pressures on the council's income collected from council tax and business rates for years to come. The council has seen a decline in the collection rate during 2020-2021 due to the pandemic however collection performance for 2021-2022 is now improving when compared to 2020-2021.

Due to the COVID-19 pandemic, there has been an extensive business rates relief scheme in both 2020-2021 and 2021-2022, meaning that the collection fund deficit is higher when compared to previous years. The government have provided Section 31 grants to cover the cost of COVID-19 business rates reliefs.

Due to Collection Fund accounting treatment, the deficit on the fund will not be passed to the council's General Fund until 2022-2023 and later years. The government have confirmed that the in-year deficit on the Collection Fund in 2020-2021 can be spread over 3 years from 2021-2022 to 2023-2024, and this is included in the deficit carried forward.

In addition to this, the government announced that funding would be provided to compensate local authorities for 75% of irrecoverable losses from council tax and business rates revenues in 2020-2021, that would otherwise need to be funded through local authority budgets in 2021-2022 and later years.

The usable reserve balance as at 31 March 2022 includes those government grants received in relation to collection fund deficits that will be realised in 2022-2023 and 2023-2024.

2020-2021 £m		Note	2021-2022 Council Tax £m	2021-2022 NNDR £m	2021-2022 £m
	Deficit/(surplus) brought forward				
1.1	City of Wolverhampton Council		5.8	39.6	45.4
-	West Midlands Police and Crime Commissioner		0.6	-	0.6
-	West Midlands Fire and Rescue Authority		0.2	0.4	0.6
0.3	Central Government		-	0.3	0.3
1.4			6.6	40.3	46.9
	Income				
(121.9)	Council tax	C1	(133.2)	-	(133.2)
(42.6)	Business rates	C2	-	(60.4)	(60.4)
0.4	Transitional protection payments – business rates		-	0.5	0.5
(3.1)	Council Tax Hardship Fund relief/discretionary relief reimbursement		(0.2)	-	(0.2)
(167.2)	Total Income		(133.4)	(59.9)	(193.3)
	Expenditure				
	Precepts and demands				
108.9	- City of Wolverhampton Council		112.3	-	112.3
10.5	- West Midlands Police and Crime Commissioner		11.3	-	11.3
4.0	- West Midlands Fire and Rescue Authority		4.0	-	4.0
123.4			127.6	-	127.6
	Business rates				
-	Central government		-	-	-
0.7	West Midlands Fire and Rescue Authority		-	0.7	0.7
74.0	City of Wolverhampton Council		-	68.7	68.7
0.3	Cost of collection allowance		-	0.3	0.3
75.0			-	69.7	69.7
	Distribution of council tax surplus/ (payment of deficit)				
0.5	City of Wolverhampton Council		(2.9)	-	(2.9)

-	West Midlands Police and Crime Commissioner		(0.3)	-	(0.3)
-	West Midlands Fire and Rescue Authority		(0.1)	-	(0.1)
0.5			(3.3)	-	(3.3)
	Distribution of business rates surplus/ (payment of deficit)				
0.2	City of Wolverhampton Council		-	(33.9)	(33.9)
(0.3)	Central government		-	-	-
-	West Midlands Fire and Rescue Authority		-	(0.3)	(0.3)
(0.1)			-	(34.2)	(34.2)
	Allowance for bad and doubtful debts				
7.2	Council tax		3.8	-	3.8
5.3	Business rates		-	(0.5)	(0.5)
12.5			3.8	(0.5)	3.3
1.4	Provision for appeals		-	2.4	2.4
212.7	Total expenditure		128.1	37.4	165.5
45.5	Deficit/(surplus) for the year		(5.3)	(22.5)	(27.8)
46.9	Deficit/(surplus) carried forward		1.3	17.8	19.1
45.4	City of Wolverhampton Council		1.1	17.3	18.4
0.6	West Midlands Police and Crime Commissioner		0.1	-	0.1
0.6	West Midlands Fire and Rescue Authority		0.0	0.2	0.2
0.3	Central government		-	0.3	0.3
46.9			1.3	17.8	19.1

Notes to the Collection Fund Statement

Note C1 The council tax base

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

Band	Total Number of Chargeable Dwellings after Effect of Discount	Ratio	Band D Equivalent Dwellings (after allowance for council tax support)	Council Tax including Adult Social Care precept (Single Person Household)	Council Tax including Adult Social Care precept (Multiple Occupancy)
				£	£
A Disabled	92.50	5/9	51.39	835.87	1,114.49
A	34,391.60	6/9	22,927.73	1,003.04	1,337.39
B	18,756.36	7/9	14,588.28	1,170.21	1,560.28
C	14,215.98	8/9	12,636.42	1,337.38	1,783.18
D	6,138.71	9/9	6,138.71	1,504.56	2,006.08
E	2,725.77	11/9	3,331.49	1,838.90	2,451.87
F	1,546.84	13/9	2,234.33	2,173.24	2,897.66
G	892.77	15/9	1,487.95	2,507.60	3,343.47
H	92.13	18/9	184.25	3,009.11	4,012.15
	78,852.66		63,580.55		

Note C2 Business rates (national non-domestic rates – NNDR)

The council collects business rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set by central government.

Local authorities retain a proportion of the total collectable rates due. In Wolverhampton, the council retains 99% and the remaining 1% is paid to West Midlands Fire Service.

The total non-domestic rateable value was £195.9 million as at 31 March 2022 (£196.4 million as at 31 March 2021). The national multipliers for 2021-2022 were 49.9p for qualifying small businesses, and the standard multiplier was 51.2p for all other businesses (49.9p and 51.2p respectively in 2020-2021).

Section 7 - West Midlands Pension Fund Statement

Independent auditor's report to the members of City of Wolverhampton Council on the pension fund financial statements of West Midlands Pension Fund

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Fund Account

2020-2021 £m		Note	2021-2022 £m
	Contributions & Benefits		
(1,184.8)	Contributions Receivable	P8	(420.1)
(22.3)	Transfers In	P9	(19.1)
(13.9)	Other Income	P10	(13.2)
(1,221.0)	Total Contributions & Other Income		(452.4)
646.8	Benefits Payable	P11	673.4
31.0	Payments To & On Account of Leavers	P12	34.8
0.4	Other Payments		0.3
678.2	Total Benefits & Other Expenditure		708.5
(542.8)	Net additions from dealings with members		256.1
110.2	Management Expenses	P13	117.8
	Returns on Investments		
(84.8)	Investment Income	P14	(84.4)
-	Taxes on Income		-
(3,123.8)	Changes in Value of Investments	P16	(1719.6)
14.1	Revaluation of bulk annuity insurance buy-in contract	P17	11.0
(3,194.5)	Net Return on Investments		(1793.0)
(3,627.1)	Net Increase in the Fund During the Year		(1,419.1)
(15,288.1)	Net Assets of the Fund at the Beginning of the Year		(18,915.2)
(18,915.2)	Net Assets of the Fund at the End of the Year		(20,334.4)

Net Assets Statement

31 March 2021 £m		Note	31 March 2022 £m
	Investment Assets (at Market Value)	P15	
508.4	Bonds		563.6
27	UK Equities		57.2
2,567.5	Overseas Equities		2,539.7
13,640.8	Pooled Investment Vehicles		15,049.1
1,014.0	Property		1,142.8
-	Derivatives - Futures		12.3
-	Derivatives - Swaps		2.6
3.1	Derivatives - Forward Foreign Exchange		-
399.6	Foreign Currency Holdings		617.0
498.2	Cash Deposits		136.4
19.2	Other Investment Assets		16.6
7.5	Outstanding Dividend Entitlement & Recoverable With-Holding Tax		6.4
18,685.3	Investment Assets		20,143.8
	Investment Liabilities (at Market Value)	P15	
(-)	Derivatives - Forward Foreign Exchange		(7.4)
(2.3)	Derivatives - Futures		-
(2.3)	Investment Liabilities		(7.4)
18,683.0	Net Investment Assets		20,136.4
200.0	Bulk annuity insurance buy-in contract	P17	174.0
10.2	Long-Term Debtors	P19	11.4
42.5	Current Assets	P20	45.0
(20.5)	Current Liabilities	P21	(32.5)
18,915.2	Net Assets of the Fund at the End of the Year		20,334.4

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at note 6.

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 which can be found on its website.

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 scheduled and admitted bodies. At 31 March 2022, the Fund had 859 actively participating employers and 338,591 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 2021		31 March 2022	
No.		No.	
113,644	Active Members	112,431	
106,899	Pensioner Members	114,897	
114,558	Deferred Members	111,263	
335,101	Total	338,591	

The responsibility for administering the Fund is delegated to the council's Pensions Committee. It meets at approximately quarterly intervals and has members from each of the seven metropolitan district councils in the West Midlands. A Pensions Board was also in operation during 2021/22. Membership of the Committee and Board can be found on the City of Wolverhampton Council website: <http://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

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) (ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
- (iii) (iii) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The scheme is a contributory defined benefit pension scheme. 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 2022. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2021/22 contribution rates was conducted at 31 March 2019. Employer contribution rates during 2021/22 ranged from 15.5% to 38.6% 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.

Further to direction from government, local authority investment pools have been created to bring together the investment assets of LGPS pension funds into eight Investment Pools. LGPS Central Limited (LGPSC), the company established to manage investments on behalf of eight LGPS funds including West Midlands Pension Fund (WMPF), received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional investment asset pool went live on 1 April 2018.

As at 31 March 2022, WMPF had assets of £8,735m managed in LGPSC sub-funds comprising £8,453m managed through Authorised Contractual Scheme (ACS) sub-funds and a further £283m managed through vehicles.

Work is underway to develop further LGPS Central Limited sub-funds in collaboration with LGPS Central investment asset pool Partner Funds and WMPF will continue to review the decision to transition assets on a case-by-case basis dependent on the sub-fund meeting the strategic requirements of WMPF. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is expected to take several years.

WMPF has a number of advisory arrangements in place with LGPSC to support with advice and sometimes to facilitate execution on the underlying assets of legacy portfolios managed directly by the Fund. It is likely that some of these advisory and execution mandates will remain in place for some time to come due to the illiquid nature of the investments and the cost effectiveness of transition.

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) 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.

The accounts have been prepared on a going concern basis.

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 accrue by the creation of payables and receivables at the year-end where necessary.

B. Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Actuary, in the payroll period to which they relate. Additional contributions (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in 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 transferred benefits in or out of the scheme as at 31 March 2022, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts). Transfers in respect of individuals are accounted for when received or paid which is normally when the member liability is accepted or discharged. Bulk transfers in and out, where the receiving scheme has agreed to accept the liability prior to receipt and the necessary employee consents have been obtained, are accounted for in accordance with the bulk transfer terms signed by qualified actuaries appointed by the two pension schemes involved in the bulk transfer.

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

D. Investment Income

i) Interest Income

Interest income is recognised in the Fund Account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from Pooled Funds

Distributions (income) from pooled funds are recognised at the date of issue.

Investment income arising from the underlying investments of pooled investment vehicles is distributed back into the pooled investment vehicles throughout the year.

iv) Property-Related Income

Property-related income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents

based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the Value of Investments

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

vi) Stock lending income

Stock lending income is accounted for on a cash basis.

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 2022. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The fair value is established in accordance with IFRS 13 for each category of investment by obtaining sufficient data as follows:

- I. Market-quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market. Fixed interest securities are recorded at net market value based on their current yields;
- II. Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) using guidelines of the British Venture Capital Association. This includes the use of discounted cash flow models which are independently valued; and

III. Pooled investment vehicles are valued at the closing price under single pricing system, or bid price under dual pricing system, as advised by the respective fund manager.

Investment assets are allocated and disclosed within the fair value hierarchy, being within Levels 1, 2 or 3.

The LGPS Central pool trading company, LGPS Central Limited, only became licensed to trade on 1 April 2018. The Pension Fund's view is that for 31 March 2022, cost is still an appropriate estimate of the fair value of shares held in this company.

H. Freehold and leasehold properties

Properties including farmlands and commercial properties are valued annually by independent valuers on a fair value basis in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards.

I. Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are accounted for as part of the change in market value.

J. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Purchases and sales of derivatives are recognised as follows: Futures – on close out or expiry the variation margins are recognised as cash receipts or payments depending on whether there is a gain or loss. Forward currency contracts settlements are reported as gross receipts and payments.

K. 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.

L. 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.

M. Financial liabilities

Financial liabilities are included in the Fund Account at fair value if they exist 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.

N. Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

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

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. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in a note to the accounts.

O. 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 (see note P5).

P. 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 Assurance Company Limited and Utmost Life and Pensions as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note P22).

Note P4 - Critical judgements in applying accounting policies

It has not been necessary to make any material critical judgements in applying the accounting policies in 2021-2022.

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 and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson, 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 2022	Approx. % increase in liabilities	Approx. monetary value £m
0.1% p.a. decrease in discount rate	2%	526.0
1 year increase in member life expectancy	4%	1,136.0
0.1% p.a. increase in salary increase rate	0%	55.0
0.1% p.a. increase in CPI inflation	2%	467.0

Fair value of investments

Uncertainties

Certain types of investments are not publicly listed and, as such, there is a degree of estimation involved in their valuation.

COVID-19 valuation uncertainty

During the year to 31 March 2021, the impact of COVID-19 led to valuation challenges regarding certain illiquid assets. On 17 March 2020, the Royal Institute of Chartered Surveyors (RICS) recommended that surveyors use a material valuation uncertainty clause in property valuations due to the unprecedented circumstances caused by the pandemic and the corresponding absence of market evidence on which to base judgements. Throughout the year, such clauses applied to fewer and fewer assets as market uncertainty gradually receded and on 9 September 2020, the Royal Institute of Chartered Surveyors (RICS) formally lifted its recommendation.

Obtaining timely valuation is a perennial issue with Private Equity and level 3 assets where the valuation of investment vehicles often has to be 'stale' or 'lagged' due to the unavailability of pricing information as at the Fund's year end date (by the time the Statement of Accounts has been prepared and audited). Valuations are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolio of investments.

Effect if actual results differ from assumptions

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £3,920.7m at 31 March 2021 (£3,806.1m at 31 March 2020). The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

Note P6 - Actuarial valuation of the Fund

The contribution rates applicable to the period 1 April 2020 to 31 March 2023 were determined by the Fund's Actuary, G Muir of Barnett Waddingham LLP as part of the full actuarial valuation of the Fund made as at 31 March 2019.

On the basis of the assumptions adopted, the 2019 valuation revealed that the value of the Fund's assets of £15,634 million represented 94% of the funding target of £16,648 million at the valuation date. The valuation also showed that a primary rate of contribution of 20.4% 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.

In general, the Fund applies a maximum deficit recovery period of 17 years. The aim is to achieve 100% solvency over the period and to provide stability in employer contribution rates.

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the report dated 31 March 2020. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

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

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2020. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils was certified as follows:

Future Service Rate (% of pay) plus lump sum (£)					
	2018/19	2019/20	2020/21	2021/22	2022/23
Birmingham City Council	16.8% plus £61.8m (£124.0m)	18.3% plus £61.5m (£124.2m)	21.3% plus £48.2m (£124.2m)	21.3% plus £49.9m (£123m)	21.3% plus £51.8m (£121.9m)
Coventry City Council	16.8% plus £12m (£31.1m)	16.8% plus £12m (£31.1m)	20.4% plus £3.6m (£32.9m)	20.4% plus £3.7m (£32.6m)	20.4% plus £3.9m (£32.3m)
Dudley MBC	17.0% plus £9.7m (£31.3m)	18.6% plus £9.6m (£32.3m)	20.7% plus £3.0m (£31.5m)	20.7% plus £3.1m (£30.6m)	20.7% plus £3.2m (£29.9m)
Sandwell MBC	16.2% plus £17m (£17.0m)	17.7% plus £16.9m (£16.9m)	20.5% plus £10.5m (£10.3m)	20.5% plus £10.9m (£10.2m)	20.5% plus £11.3m (£10.1m)

Solihull MBC	16.5% plus £5.1m (£16.6m)	18.4% plus £5.1m (£17.4m)	20.7% plus £2.9m (£19.9m)	20.7% plus £3.0m (£19.4m)	20.7% plus £3.1m (£19.0m)
Walsall MBC	16.9% plus £14.8m (£30.2m)	18.3% plus £15m (£31.5m)	20.3% plus £9.8m (£30.2m)	20.3% plus £10.1m (£30.0m)	20.3% plus £10.5m (£29.7m)
City of Wolverhampton Council	16.8% plus £14m	18.1% plus £14.6m	20.0% plus £6.8m (£28.8m)	20.0% plus £7.1m	20.0% plus £7.3m

The amounts shown in brackets are due in the year where the council has opted to make a cash payment in advance. These amounts were received by the Fund in April 2020. 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:

	2019	2016
Rate of return on investments:	4.6% per annum	4.7% per annum
Rate of pay increases:	3.6% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.6% per annum	2.4% per annum

The assets were assessed at market value.

The 31 March 2019 Actuarial Valuation report can be found on the Fund's website.

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 2021	31 March 2022
Rate of return on investments (discount rate)	2.00% per annum	2.70% per annum
Rate of pay increases	3.85% per annum	4.20% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.85% per annum	3.20% per annum

The total value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £29,968.5 million. The impact of the changes in actuarial financial assumptions between 31 March 2021 and 31 March 2022 as described above is to decrease the liabilities by £2,080 million. The impact of the change in demographic assumptions between 31 March 2021 and 31 March 2022 is to decrease the actuarial present value by £167 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £28,386 million.

Note P7 – Taxation

1. Value added tax (VAT)

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 agreement 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

2020/21 £m		2021/22 £m
	From employers	
744.2	Contributions	228.1
303.9	Past service deficit	43.3
10.9	Additional cost of early retirement	15.8
1,059.0		287.2
	From members	
125.3	Basic contributions	132.3
0.5	Additional contributions	0.6
125.8		132.9
1,184.8	Total contributions	420.1

Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full three-year future service and past service deficit contributions in advance as a lump sum in 2020/21. The lump sums paid by the seven councils have been accounted for fully in 2020/21 and are

listed in the table in note 6. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions receivable by type of employer

2020/21 £m		2021/22 £m
51.3	Administering authority	32.3
1,089.1	Other scheduled employers	344.4
44.4	Admitted employers	43.4
1,184.8	Total	420.1

Note P9 - Transfers in

2020/21 £m		2021/22 £m
22.3	Individual transfers	19.1
22.3	Total	19.1

Note P10 - Other income

2020/21 £m		2021/22 £m
	Benefits recharged to employers	
7.1	Compensatory added years	6.9
6.8	Pensions increases	6.3
13.9	Total	13.2

Note P11 - Benefits payable

Benefits payable by type

2020/21 £m		2021/22 £m
	Pensions	
499.1	Retirement pensions	510.3
33.8	Widows' pensions	34.8
1.1	Children's' pensions	1.1
6.7	Widowers' pensions	7.2
0.2	Ex-spouses' pensions	0.2
0.2	Equivalent pension benefits	0.2
0.3	Co-habiting partners' pensions	0.4
0.1	Civil Partnership	0.1
0.1	Amounts due to Estate	0.1
541.6	Total pensions	554.4
	Lump sum benefits	
87.5	Retiring allowances	102.9
17.7	Death grants	16.1
105.2	Total lump sum benefits	119.0
646.8	Total benefits payable	673.4

Benefits payable by type of employer

2020/21 £m		2021/22 £m
50.4	Administering authority	52.4
543.2	Other scheduled employers	564.4
53.2	Admitted employers	56.6
646.8	Total	673.4

Note P12 - Payments to and on account of leavers

2020/21 £m		2021/22 £m
29.2	Individual transfers	32.7
1.8	Refunds of contributions	2.1
31.0	Total	34.8

Note P13 - Management expenses

2020/21 £m		2021/22 £m
6.3	Administrative costs	7.3
100.8	Investment management expenses	106.7
3.1	Oversight and governance costs	3.8
110.2	Total	117.8

Included in administrative costs of £6.3m above are external audit fees of £73,486 (2020/21: £70,386). The charge for 2021/22 comprises the current year audit fee of £68,486 and a provision of £5,000 for additional costs arising from the impact of the remote working on Grant Thornton's work in completing the 2021/22 audit.

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

Note P13 i) - Investment management expenses

2021/22	Total	Management fees	Performance related fees	Transaction costs
	£m	£m	£m	£m
Equities	25.3	16.9	-	8.4
Fixed interest	0.4	0.4	-	-
Pooled investments	24.5	14.7	-	9.8
Pooled property investments	-	-	-	-
Private equity	40.5	14.3	26.0	0.2
Property	5.7	4.7	0.3	0.7
Infrastructure	9.5	7.2	2.3	-
Absolute return	0.1	0.1	-	-
Derivatives	0.4	0.2	-	0.2
Cash, cash equivalents & fx contracts	0.1	0.1	-	-
	106.5	58.4	28.7	19.4
Custody fees	0.2			
Total	106.7			

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2020/21	Total	Management fees	Performance related fees	Transaction costs
	£m	£m	£m	£m
Equities	11.9	7.9	-	4.0
Fixed interest	0.5	0.5	-	-
Pooled investments *	24.6	10.0	-	14.6
Pooled property investments	8.2	7.2	(0.8)	1.8
Private equity	38.8	23.2	15.6	-
Property	2.6	1.6	-	1.0

Infrastructure	6.1	4.2	0.7	1.2
Absolute return	6.7	6.6	0.1	-
Derivatives	0.7	0.7		-
Cash, cash equivalents & fx contracts	0.3	0.3		-
	100.4	62.2	15.6	22.6
Custody fees	0.4			
Total	100.8			

Note P14 - Investment Income

2020/21 £m		2021/22 £m
	Dividends and Interest	
	<u>Bonds</u>	
7.9	UK private sector – quoted	9.2
	<u>Equities</u>	
-	UK private sector – quoted	0.6
23.2	Overseas	20.8
	<u>Pooled Investment Vehicles</u>	
1.0	UK private sector – quoted	0.7
4.7	Overseas equities	6.3
1.7	Interest on cash deposits	-
0.8	Stock lending	0.7
5.6	Other investment income	-
44.9	Total dividends and interest	38.3
48.5	Property management income	60.2
(8.6)	Property management expenses	(14.1)
39.9	Total property management	46.1
84.8	Total investment income	84.4

Stock lending

As at 31 March 2022, £583.1 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 2021: £482.6 million). The loans were covered by non-cash collateral in the form of equities, gilts, Delivery by Values DBVs and G10 sovereign debt totalling £631.5 million and giving a margin of 8.0% (31 March 2021, £521 million, margin of 8.0%).

Collateral is marked to market, adjusted daily, and held by a third-party agent on behalf of the Fund. Net income from stock lending amounted to £0.7 million during the year (2020/21: £0.8 million). The Fund retains its economic interest in stocks on loan and their value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers and its value is therefore excluded from the Fund valuation. The securities lending programme is indemnified to give the Fund further protection against losses.

There are no liabilities associated with the loaned assets.

Other investment income

"Other investment income includes the following: Class action income, liquidation proceeds and tax refunds."

Note P15 - Net investment assets

31 March 2021 £m		31 March 2022 £m
	Bonds	
222.4	UK companies – segregated (external)	235.4
286.0	Overseas sovereign - index linked	328.2
508.4		563.6
	UK equities	
25.0	Quoted	55.2
2.0	Unquoted	2.0
27.0		57.2
	Overseas equities	

181.1	Quoted	155.4
2,386.4	Quoted – segregated (external)	2,384.3
2,567.5		2,539.7
	Pooled investment vehicles	
	Managed funds	
659.8	UK fixed interest	668.9
1,876.7	Other fixed interest	2,167.3
961.9	UK quoted, index linked	1,011.2
1,081.7	UK quoted equities (pooled assets)	1,349.4
6,093.1	Overseas quoted equities (pooled assets)	6,801.8
819.7	Infrastructure	830.3
1,315.5	Private equity	1,439.2
356.6	UK absolute returns	257.7
54.1	Overseas absolute returns	82.6
-	Multi asset credit	-
188.3	UK property	208.4
122.0	Overseas property	117.2
	Unit trusts	
111.4	UK property	115.1
13,640.8		15,049.1
	Property	
969.4	UK freehold	1,096.5
44.6	UK leasehold*	46.3
1,014.0		1,142.8
	Derivative contracts	
-	Futures	12.3
	Swaps	2.6

3.1	Forward currency contracts	-
3.1		15.0
	Foreign currency holdings	
0.5	Australian dollars	0.5
0.6	Canadian Dollars	0.6
1.3	Czech Koruna	1.5
0.6	Danish Kroner	0.6
73.6	Euro	133.8
31.3	Hong Kong Dollars	33.8
0.6	Hungarian Forints	0.7
5.2	Japanese Yen	4.9
2.2	Mexican Peso	2.6
0.5	New Zealand Dollars	0.5
0.5	Norwegian Kroner	0.5
0.5	Polish Zloty	0.5
1.4	Singapore Dollars	1.5
2.9	Swedish Kroner	2.9
4.8	Swiss Francs	5.2
0.7	Turkish Lira	0.4
272.4	United States Dollars	426.5
399.6		617.0
	Cash deposits	
491.0	UK	128.8
7.2	US	7.6
498.2		136.3
	Other investments	
19.2	Broker balances	16.6
7.5	Outstanding dividend entitlement and recoverable with-holding tax	6.4

26.7		23.0
18,685.3	Total investment assets	20,143.7
	Investment liabilities	
	Derivative contracts	
-	Forward currency contracts	(7.4)
(2.3)	Futures	
(2.3)		(7.4)
(2.3)	Total investment liabilities	(7.4)
18,683.0	Net investment assets	20,136.4

* 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 investments represent more than 5% of the net assets of the Fund. All of these companies are registered in the UK.

31 March 2021			31 March 2022	
Market value	% of total		Market value	% of total
£m	market value		£m	market value
		Security		
2,532.6	13.6	LGPS Central Global Ex UK Passive Equity Fund	2,754.3	13.7
1,862.7	10.0	LGPS Central All World Equity Climate Multi Factor Fund	2,140.4	10.6
1,075.4	5.8	LGPS Central UK Passive Equity Fund	1,210.7	6.0
1,057.0	5.7	LGPS Central Global Equity Active Multi-Manager Fund	1,195.6	5.9
961.9	5.1	Legal & General - All Stocks Index-Linked Gilts Fund	1,011.2	5.0

The proportion of the market value of investment assets managed in the regional asset pool and by each external manager at the year-end is set out below.

31 March 2021			31 March 2022	
Market value	% of total market value		Market value	% of total market value
£m			£m	
Investments managed by LGPS Central Limited regional asset pool:				
6,010.1	32.2	Authorised Contractual Schemes (ACS) - global equities	6,712.4	33.9
1,075.4	5.8	Authorised Contractual Schemes (ACS) - UK equities	1,210.7	6.1
584.8	3.1	Authorised Contractual Schemes (ACS) - Fixed interest	811.4	4.1
198.9	1.1	Non-ACS private equity	283.2	1.4
7,869.2	42.1		9,017.7	45.5
Investments managed outside of LGPS Central Limited regional asset pool:				
2,120.7	11.4	In-house	2,120.7	10.7
117.7	0.6	Managers: UK quoted	117.7	0.6
1,448.3	7.8	Managers: emerging markets	1,448.3	7.3
1,021.1	5.5	Managers: global equities	1,021.1	5.1
3,422.0	18.3	Managers: fixed interest	3,422.0	17.3
310.3	1.7	Managers: indirect property	310.3	1.6
819.7	4.4	Managers: infrastructure funds	819.7	4.1
410.7	2.2	Managers: absolute return	410.7	2.1
1,116.6	6.0	Managers: private equity	1,116.6	5.6
10,787.1	57.7		10,787.1	54.4
26.7		Outstanding dividend entitlement and recoverable withholding tax	23.0	
18,683.0		Net investment assets	19,827.8	

ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Fund utilises derivative instruments in line with investment policy and investment management agreements in place with third party investment managers.

a) Futures

In 2018/19, the Fund made a decision to transition assets out of an internal global equity portfolio and into a new sustainable global equities mandate. Recognising that there would be some lead time in implementing this strategy, as and when the existing portfolio was realised, proceeds were invested in global equity futures pending transition to the sustainables mandate. During 2020/21, the Fund made a significant transition into the sustainables mandate and has reduced its exposure to futures accordingly.

The Fund has also invested in gilt futures to help align the weighting in this area with its strategic target and as a tool for risk management. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place. The Fund commenced its currency hedging programme in September 2017 following approval by Committee to amend the Strategic Investment Allocation Benchmark to reflect the passive currency management programme. The Fund's hedging programme aims to protect returns in sterling terms and reduce currency risk. The neutral hedge ratio is considered to be 50% based on the strategic weight of each region but actual hedge ratios applied will vary from time to time with a rebalancing taking place on a monthly basis to reflect changing market values.

c) Open forward currency contracts

Settlement	Currency Bought	Local value m	Currency Sold	Local value m	Asset value £m	Liability value £m
One to six months	GBP	429.5	EUR	515.7		(7.5)
One to six months	EUR	28.5	GBP	24		0.1
Open forward currency contracts at 31 March 2022						(7.4)
Net forward currency contracts at 31 March 2022						(7.4)

Prior year comparative:

Open forward currency contracts at 31 March 2021	3.1	
Net forward currency contracts at 31 March 2021	3.1	

d) Open exchange traded futures contracts

Type	Expires	Economic exposure £m	Market value 31 March 2021 £m	Economic exposure £m	Market value 31 March 2022 £m
Assets					
UK equity	Under one year	55.5	(0.4)	55.5	3.6
Overseas equity	Under one year	141.4	(0.1)	141.4	10.0
UK bond	Under one year	148.3	(1.8)	148.3	(1.3)
Total assets			(2.3)		12.3

Note P16 - Investment market value movements analysis

	Value as at 31 March 2021 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Investment Management Fees Deducted at Source £m	Change in Market Value £m	Value as at 31 March 2022 £m
Bonds	508.4	124.1	(88.6)		19.8	563.6
UK equities	27.0		(32.2)		62.4	57.2
Overseas equities	2,567.5				(27.8)	2,539.7
Pooled investment vehicles	13,640.8	643.3	(614.8)	(87.6)	1,467.5	15,049.1
Property	1,014.0	-	(62.3)	-	191.1	1,142.8
	17,757.7	767.4	(797.9)	(87.6)	1,712.9	19,352.5

Derivative contracts						
Swaps					2.6	2.6
Futures	(2.3)				14.6	12.3
Forward foreign exchange	3.1				(10.5)	(7.4)
	17,758.5	767.4	(797.9)	(87.6)	1,719.6	19,360.0
Broker balances	19.2					16.6
Outstanding dividend entitlement and recoverable withholding tax	7.5					6.4
Foreign currency holdings	399.6					617.0
Cash deposits	498.2					136.4
Total Investments	18,683.0					20,136.4

The change in market value of investments comprises both increases and decreases in the market value of investments held at any time during the year and profits and losses realised on the sales of investments during the year.

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 Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £18.9 million (2020/21: £22.6 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 Fund.

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 2020/21 is set out below:

	Transfer of assets from WMITA fund	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Investment management fees deducted at source	Change in market value	Value as at 31 March 2022
Value as at 31 March 2021						
£m	£m	£m	£m	£m	£m	£m
Bonds	494.0	28.6			(14.2)	508.4
UK equities	28.9				(1.9)	27.0
Overseas equities	1,408.8	450.0			708.7	2,567.5
Pooled investment vehicles	10,869.9	1,314.9	(839.0)	(80.6)	2,375.6	13,640.8
Property	965.1	63.0	(18.3)	-	4.2	1,014.0
	13,766.7	1,856.5	(857.3)	(80.6)	3,072.4	17,757.7
Derivative contracts						
Futures	11.7	-	(23.1)	-	9.1	(2.3)
Forward foreign exchange	(76.8)	-	37.6	-	42.3	3.1
	13,701.6	1,856.5	(842.8)	(80.6)	3,123.8	17,758.5
Broker balances	75.8					19.2
Outstanding dividend entitlement and recoverable withholding tax	7.0					7.5
Foreign currency holdings	582.5					399.6
Cash deposits	569.6					498.2
Total Investments	14,936.5					18,683.0

16 i) Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows:

2020/21 £m		2021/22 £m
965.1	Opening balance	1,014.0
63.0	Additions	
(18.3)	Disposals	(62.3)
4.2	Net change in market value	191.1
1,014.0	Closing balance	1,142.8

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop any of these properties nor does it have any responsibility for any repairs, maintenance, or enhancements.

The future minimum lease payments receivable by the Fund are as follows:

31 March 2021 £000		31 March 2022 £000
43,892	Within one year	40,028
152,740	Between one and five years	140,018
179,918	Later than five years	182,744
376,550	Total future lease payments due under existing contracts	362,790

The receivables above have been reduced by a credit loss allowance of 1% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This deduction is based on advice from the Fund's property letting agents.

Note P17 - Fair value - basis of valuation

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

Asset type	Valuation level	Basis of valuation	Observable and unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2022.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields.	n/a	n/a
Futures	1	Published exchange prices at 31 March 2022.	n/a	n/a
Unquoted bonds	2	Average of broker prices.	Evaluated price feeds.	n/a
Pooled Investment vehicles- unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net asset value (NAV) based pricing set on a forward pricing basis.	n/a
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 2022.	Exchange rate risk.	n/a

Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of Savills Plc. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties are valued by Browns at the year end.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations
Unquoted equity (includes Private Equity, Infrastructure and Absolute Return/Diversified Growth Funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation, and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between

				audited and unaudited accounts.
Bulk annuity insurance buy-in	3	Provided by the Fund's Actuary based on a roll-forward of the value placed on the buy-in as part of the WMITA Fund 2019 triennial actuarial valuation, allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 1.68% with reference to the 11-year point of the Bank of England nominal gilt yield curve, consistent with the 2019 valuation of the WMITA Fund.	Adjustments to discount rate and life expectancy.

Sensitivity of assets valued at level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2022 and 31 March 2021.

Level 3 assets	Valuation range	Valuation at 31 March 2022	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.8	1,142.8	1,277.7	1,088.1
Private Equity	31.2	1,439.2	1,888.3	990.0
Infrastructure	13.3	734.4	836.7	637.0
Absolute Return/Diversified Growth	14.0	414.0	471.9	356.1
Unit Trusts - UK Property	11.8	145.3	162.5	128.2
Fixed Interest	12.1	206.5	231.5	181.5
Total		4,082.2	4,863.6	3,300.8

Level 3 assets	Valuation range	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.8	1,014.0	1,134.0	894.1
Private Equity	31.7	1,269.8	1,672.6	867.0
Infrastructure	13.2	819.8	928.3	711.1
Absolute Return/Diversified Growth	14.1	410.8	468.6	353.0
Unit Trusts - UK Property	11.8	140.5	157.2	123.9
Fixed Interest	9.8	65.8	72.3	59.4
Total		3,720.7	4,433.0	3,008.5

The key underlying inputs for the annuity insurance buy-in level 3 valuation are the discount rate and life expectancy. The impact of changes as calculated by the Fund's Actuary is shown below:

Change in assumptions - year ended 31 March 2022	Adjustment	Valuation at 31 March 2022	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+) 1%	174.0	181.0	167.0
Adjustment to life expectancy assumptions	(+/-) 1 year	174.0	197.0	151.0

Change in assumptions - year ended 31 March 2021	Adjustment	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+) 0.5%	200.0	209.9	190.4
Adjustment to life expectancy assumptions	(+/-) 1 year	200.0	214.6	186.2

17 i) Fair value hierarchy

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

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 interest 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 the determining appropriate assumptions.

The values of the investments in private equity, infrastructure and absolute return/diversified growth funds are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds. Valuations are undertaken quarterly, and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

The values of the investments in hedge funds are based on the net asset value provided by the fund manager. Fund valuations are obtained through external experts with assurance provided via the audit opinion. The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

Value at 31 March 2022	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	10,589.6	4,695.7	2,939.4	18,224.6
Non- financial assets at fair value through profit and loss			1,142.8	1,142.8
Financial liabilities at fair value through profit and loss		(7.4)		(7.4)
	10,589.6	4,688.2	4,082.2	19,360.0
Bulk annuity insurance buy-in at fair value through profit and loss			174.0	174.0
Net financial assets	10,589.6	4,688.2	4,256.2	19,534.0

Value at 31 March 2021	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	9,755.7	4,284.4	2,706.7	16,746.8
Non- financial assets at fair value through profit and loss			1,014.0	1,014.0
Financial liabilities at fair value through profit and loss	(2.3)			(2.3)
	9,753.4	4,284.4	3,720.7	17,758.5
Bulk annuity insurance buy-in at fair value through profit and loss			200.0	200.0
Net financial assets	9,753.4	4,284.4	3,920.7	17,958.5

Note 17 ii) - Reconciliation of fair value measurements within level 3

	Market value 31 March 2021 £m	Purchases during the year £m	Sales during the year £m	Unrealised gains / losses £m	Realised gains/losses £m	Market value 31 March 2022 £m
Freehold and Leasehold Property	1,014	-	62	66	-	1,143
Private Equity	1,270	106	382	(366)	48	1,439
Infrastructure	820	22	81	(200)	11	734
Absolute Return/Diversified Growth	411	54	62	(123)	10	414

Unit Trusts - UK Property	141	-	11	(6)	-	145
Bonds	66	131	5	4	-	206
Total	3,721	314	603	(625)	69	4,082

Bulk annuity insurance buy-in contract

"The transfer of assets from the former WMITA Fund included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the former West Midlands Travel Limited pensions payroll as at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for this group whilst they or their dependants are entitled to a pension.

Benefits recharged to Prudential during the year have been credited to the Fund account and the value of the buy-in recalculated at year end by the Fund Actuary and recognised in the Net Assets Statement as follows:"

31 March 2021		31 March 2022
£m		£m
229.4	Bulk annuity insurance buy-in contract value at start of year	200.0
	Actuarial revaluation of insurance contract:	
1.0	Interest on buy-in	2.0
(3.3)	Change in demographic assumptions	(2.0)
-	Actuarial experience	-
(14.1)		(11.0)
(15.3)	Level pensions paid by insurer	(15.0)
200.0	Bulk annuity insurance buy-in contract value at end of year	174.0

The change in demographic assumptions results from updating mortality assumptions to use the latest CMI_2021 Model. The change in actuarial assumptions is a result of increasing the discount rate from 1.02% at 31 March 2021 to 1.62% at 31 March 2022 consistent with the rate used in the 2019 valuation of the former WMITA Fund.

Note P18 - Investment capital commitments

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

31 March 2021 £m		31 March 2022 £m
948.8	Non-publicly quoted equities and infrastructure	1,469.6
58.5	Property	55.4
1,007.3	Total	1,525.0

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

Note P19 – Long-term debtors

31 March 2021 £m		31 March 2022 £m
6.4	Early retirement costs	6.4
3.8	Reimbursement of lifetime tax allowances	5.0
10.2	Total	11.4

The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £6.4m is due after the following financial year (2020/21: £6.4m). The instalments due in 2021/22 are reported in Current Assets.

Note P20 - Current Assets

31 March 2021 £m		31 March 2022 £m
	Receivables and prepayments	
	Contributions Receivable	
15.4	- Employers' future service	20.7
4.9	- Employers' past service deficit	3.7
10.0	- Members	12.5
10.3	Other Receivables	8.1
40.6	Total Receivables and Prepayments	45.0
1.9	Cash at bank	-
42.5	Total Current Assets	45.0

Note P21 - Current liabilities

31 March 2021 £m		31 March 2022 £m
	Payables and receipts in advance	
(4.3)	Pensions and lump sum benefits	(3.5)
(0.7)	Receipts in advance	(0.7)
(15.5)	Other payables	(23.9)
-	Cash at bank	(4.4)
(20.5)	Total	(32.5)

Note P22 - Additional voluntary contributions

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

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

31 March 2021			31 March 2022	
Utmost Life £m	Prudential £m		Utmost Life £m	Prudential * £m
1.8	37.6	Opening value of the fund	1.7	37.2
0.1	6.0	Income	0.1	6.0
(0.2)	(6.6)	Expenditure	(0.3)	(6.1)
-	0.2	Change in market value	-	(0.5)
1.7	37.2	Closing value of the fund	1.5	36.6

* At the time of publishing this Statement of Accounts in [Draft - May 2022], Prudential Assurance Company was experiencing delays resulting from its ongoing migration to a new administration platform and was not able to provide annual AVC financial statements for 2021/22. The table above therefore contains estimates for movements in Prudential AVCs for the year to 31 March 2022.

Note P23 Financial instruments

Net gains and losses on financial instruments

31 March 2021			31 March 2022
£m			£m
	Financial assets		
3,110.5	Fair value through profit and loss		1,731.3
	Financial liabilities		
9.1	Fair value through profit and loss		(10.5)
3,119.6	Total		1,720.8

Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category. No financial instruments were reclassified during the accounting period.

Fair value through profit and loss £m	31 March 2021		Fair value through profit and loss £m	31 March 2022	
	Assets at amortised cost £m	Financial liabilities at amortised cost £m		Assets at amortised cost £m	Financial liabilities at amortised cost £m
			Financial assets		
508.4			Bonds	563.6	
27			UK equities	57.2	
2,567.5			Overseas equities	2,539.7	
13,640.8			Pooled investment vehicles	15,049.1	
3.1			Derivative contracts	15.0	
200			Bulk annuity Insurance buy-in	174.0	
	899.7		Cash		753.3
	26.7		Other investment balances		23.0
	50.8		Debtors		45.8
16,946.8	977.2			18,398.6	822.1
			Financial liabilities		
(2.3)			Derivative contracts	(7.4)	
		-	Other investment balances		-
		(20.5)	Creditors		(31.0)
16,944.5	977.2	(20.5)		18,391.2	(31.0)
	17,901.2			19,182.3	

Note P24 - The nature and extent of risks arising from financial instruments

Risk management

The main investment objective of the Fund is to optimise return whilst managing market risk exposure within an acceptable tolerance. This is achieved by investing assets across a diversified portfolio. The Fund also manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cash flows.

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.
- **Counterparty and credit risk** - the possibility that 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 as they fall due.
- **Valuation risk** – the possibility that the value of an illiquid asset, when realised upon sale, differs from the valuation placed on it based on a valuer's opinion.
- **Market risk** - the possibility that financial loss might arise as a result of market movements. This is split into the following subsections:
 - **Currency risk** – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
 - **Interest Rate risk** - the risk that future cash flows will fluctuate because of changes in market interest rates.
 - **Other Price risk** - the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Investment risk

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 its liabilities assessed through the triennial actuarial valuation followed by an appropriate asset allocation, which is monitored on an ongoing basis to ensure it remains appropriate.

Counterparty risk

In deciding to affect any transaction for the Fund, steps are taken to ensure that the respective 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.

Credit risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with derivative instruments within the Fund's Alternatives investments and those used to hedge certain risks, such as foreign currency exposures as well as with rental income earned within the Fund's property portfolios.

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 Treasury Policy. 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. 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.

The tables below outline the Fund's money market and bank deposit holdings, by long-term Fitch rating, as at 31 March 2021 and 31 March 2022:

Credit rating sensitivity analysis			
Fund/Account	Long-term Fitch rating¹	Value at 31 March 2021 £m²	Value at 31 March 2022 £m³
Money market funds			
HSBC GBP Liquidity Fund Class H	Aaa-mf	106.5	5.8
HSBC USD Liquidity Fund Class H	Aaa-mf	7.2	7.6
LGIM GBP Liquidity Fund	AAAmf	134.7	4.0
Insight GBP Liquidity Fund	AAAmf	142.5	8.0
Invesco GBP Liquidity Fund	AAAmf	2.3	2.4
Custody and deposit accounts			
CBRE Client Account West Midlands Met Authority		21.1	21.2
HSBC GBP Cash	AA-	83.9	87.3
HSBC Non-GBP Cash ⁴	AA-	399.6	493.4
Total		897.8	629.7

¹ Moody's rating used if no Fitch rating available. Sourced as at 31 March 2022.

² Sourced from the West Midlands Pension Fund's and Integrated Transport Authority's Q4 2020/2021 Net Asset Statements.

³ Sourced from the West Midlands Pension Fund's and Integrated Transport Authority's Q4 2021/2022 Net Asset Statements.

⁴ Includes USD, EUR and HKD balances. Total value expressed in GBP.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, especially pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

The risk that the Fund will be unable to raise cash to meet its liabilities is considered low. Due to having cashflow management procedures in place, the Fund is able to invest in illiquid asset classes and take advantage of the illiquidity premium that can be found in these investments where appropriate.

Valuation risk

Valuation risk represents the risk that the value of an illiquid asset, when realised upon sale, differs from the valuation placed on it based on a valuer's opinion. The valuation of assets, and thus the management of valuation risk, is delegated to the Fund's appointed investment managers.

IFRS 13, Fair Value Measurement, seeks to increase consistency and comparability in fair value measurements through a 'fair value hierarchy', which categorises the inputs used in valuation techniques into three levels. Level 1 assets are those for which fair value can be measured via quoted prices in active markets for identical assets (such as those traded on stock exchanges). Level 2 assets require inputs other than quoted market prices falling under level 1 for fair value assessment (such as prices quoted in inactive markets, interest rates or credit spreads, for example). Level 3 assets require unobservable (non-public) inputs for fair value assessment and in practical terms, are those considered to be the most illiquid and difficult to value.

The majority of the Fund's underlying investments are in liquid quoted assets, representing minimal valuation risk (falling under level 1 and 2 of IFRS 13's fair value hierarchy). The Fund has investments in Property, Infrastructure and certain other illiquid assets that are classified as level 3 assets with a fair value of £4,082.2m as at 31 March 2022 (2021: £3,720.7m), which represents 21% of total assets (2021: 21%). The guidance of IFRS 13 includes additional disclosures for level 3 measurements that include the reconciliation of opening and closing balances and quantitative information about unobservable inputs and assumptions used. Valuation of the Fund's investments falling under the scope of this guidance is conducted by their respective appointed investment managers.

Market risk - currency risk

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 any financial instruments not denominated in GBP sterling, the functional currency of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. The table below indicates a measure of the sensitivity of the investment assets and cash balances within each asset class to currency market movements, based on the expected 1-year standard deviations of each of the underlying foreign currency exposures within the respective asset classes.

The calculations behind these potential market movements account for the diversification effects between currencies within each holding. However, the calculations do not account for the Fund's use of foreign currency forwards and exchange traded futures contracts, which are held to hedge certain currency exposures for the purpose of risk reduction. The extent of this hedging activity is subject to change over time.

Currency risk sensitivity analysis

Asset Type	Asset value as at 31 March 2022 £m ¹	Potential market movement £m ²	Value on Increase £m	Value on Decrease £m
Equities ³	10,679.2	715.9	11,395.1	9,963.3
Property	1,520.8	10.8	1,531.6	1,510.0
Fixed Interest ⁴	4,469.0	100.2	4,569.2	4,368.8
Private Equity	1,439.2	76.8	1,516.0	1,362.3
Alternatives ⁵	1,244.3	38.4	1,282.7	1,205.9
Liquid Assets	776.2	52.7	828.9	723.6
Total⁶	20,128.7		21,123.6	19,133.9

¹ Sourced from the West Midlands Pension Fund's and Integrated Transport Authority's Q4 2021/2022 Net Asset Statements.

² Accounts for diversification between currencies but not currency hedging via derivatives.

³ Currency exposures of the overseas equity holdings have been calculated using generic indices.

⁴ Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

⁵ Includes exposure to absolute return and infrastructure investments.

⁶ Excludes exposure to futures and forwards.

Asset Type	Asset value as at 31 March 2021 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Equities*	9,828.5	686.1	10,514.6	9,142.4
Property	1,376.5	11.3	1,387.8	1,365.2
Fixed Interest**	4,006.8	90.7	4,097.5	3,916.1
Private Equity	1,315.5	72.4	1,387.9	1,243.1
Alternatives***	1,230.4	41.7	1,272.1	1,188.7
Liquid Assets	924.5	35.6	960.1	888.9
Total****	18,682.2		19,620.0	17,744.4

* Currency exposures of the overseas equity holdings have been calculated using generic indices.

** Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

***Includes exposure to absolute return and infrastructure investments.

****Excludes exposure to futures and forwards.

Market risk - interest rate risk

The Fund recognises that movements in interest rates can affect both income to the Fund and the value of the Fund's assets, both of which affect the value of the assets available to pay benefits. The tables below estimate the impact of a 100 basis points (bps) interest rate movement on the value of the Fund's Fixed Income assets, using the duration of the underlying positions in each asset class which have been obtained from the fund managers, to approximate the sensitivity to interest rate movements. This analysis assumes that all other variables (such as exchange rate movements) are constant, assessing only the impact of interest rate movements in isolation.

Interest rate risk - sensitivity analysis

Asset Type	Carrying amount as at 31 March 2022 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked Gilts	1,034.5	(210.1)	210.1
Gilts*	206.2	(28.5)	28.5
Gilt Future	(1.3)	(11.7)	11.7
Overseas Government Bonds	99.6	(7.6)	7.6
US TIPS	328.2	(36.9)	36.9
Corporate Bonds	1,129.1	(70.8)	70.8
Emerging Market Debt	717.2	(43.4)	43.4
Mult-Asset Credit	683.3	(24.2)	24.2
Private Credit**	206.5	(0.2)	0.2
Swaps	2.6		
Total	4,405.9	(433.3)	433.3

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£140.9m).

** Excludes legacy and immaterial positions (total: £6.4m).

Note: Durations are as at 31 March 2022.

Asset Type	Carrying amount as at 31 March 2021	Change in year in the net assets available to pay benefits	
	£m	+100BPS £m	-100BPS £m
Index-linked Gilts	994.0	(214.7)	214.7
Gilts*	179.4	(21.3)	21.3
Gilt Future	(1.8)	(11.9)	11.9
Overseas Government Bonds	101.9	(8.1)	8.1
US TIPS	286.0	(33.3)	33.3
Corporate Bonds	1,179.6	(80.2)	80.2
Emerging Market Debt	750.1	(52.0)	52.0
Mult-Asset Credit	443.6	(6.5)	6.5
Private Credit**	65.8	(0.8)	0.8
Total	3,998.6	(428.8)	428.8

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£148.3m).

** Excludes legacy and immaterial positions (total: £6.3m).

Note: Durations are as at 31 March 2021.

Market risk - other price risk

The Fund is exposed to other market risks, such as share and derivative price risks, which arises from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy.

The tables below indicate a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes, excluding the effects of interest rate risk and currency risk which are disclosed separately above. The tables also show an estimate of the impact of this potential volatility on asset values.

Other price risk - sensitivity analysis

Asset Type	Value as at 31 March 2022 £m	Assumed 1 Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities	1,337.6	19.0%	1,591.9	1,083.4
Global equities (ex UK)	9,341.5	16.2%	10,851.7	7,831.3
Property	1,520.8	11.8%	1,700.3	1,341.3
Fixed interest*	4,469.0	5.1%	4,696.9	4,241.1
Private equity	1,439.2	31.2%	1,888.3	990.0
Alternatives**	1,244.3	12.8%	1,403.7	1,084.9
Total Fund *** (See note below)	19,352.5		21,752.2	16,952.8

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £21,752.2 million and the total value on decrease is £16,952.8 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Asset Type	Value as at 31 March 2021 £m	Assumed 1 Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities	1,167.9	18.8%	1,387.5	948.3
Global equities (ex UK)	8,660.6	16.3%	10,072.3	7,248.9
Property	1,376.5	11.8%	1,538.9	1,214.1
Fixed interest*	4,006.8	4.2%	4,175.1	3,838.5
Private equity	1,315.5	31.7%	1,732.5	898.5
Alternatives**	1,230.4	13.1%	1,391.6	1,069.2
Total Fund *** (See note below)	17,757.7		20,297.9	15,217.5

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £19,959.6 million and the total value on decrease is £15,555.7 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Reputational risk

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

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 2021/22		
Individual Value	Number	Total £
Less than £100	40	1,456
£100 - £500	5	937
Over £500	1	1,592
TOTAL	46	3,985

Write off analysis 2021/22		
Individual Value	Number	Total £
Less than £100	1	58
£100 - £500	83	14,158
Over £500	27	89,913
TOTAL	111	104,129

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 £32.8 million were receivable from the City of Wolverhampton Council for 2021/22 (2020/21: £49.8 million) - City of Wolverhampton Council had paid its 2020/21 future service contributions in advance as part of a lump sum payment of £57.3m on 30 April 2018, a revaluation balance of £0.3m in respect of future service contributions 2020/21 was paid on 21 September 2021. Balances owed by and to the council at the year-end are shown in Notes P19, P20 and P21.

Pensions Committee

Nine members of the Pensions Committee are also members of the Fund as set out below:

Pensioner: Councillors: K Inston, M Jaspal, P Page, P Davis, and T Singh.

Trade Union Representatives: M Clift and M Cantello

Deferred: Councillor: S Simkins

Active: Trade Union Representative: J Wadrup

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

There are four employing bodies of the Fund in which a member of the Committee has declared an interest for 2021/22. Contributions from each of these employers are set out below:

Contributions receivable 2020/21 £000		Contributions receivable 2021/22 £000	
345	Birmingham Museums Trust	-	-
534	Heath Park Academy - Central Learning Partnership Trust	-	-
17	Kingswood Trust	27	
-	Sandwell Children's Trust	4,624	
12,672	University of Wolverhampton	-	
11,727	West Midlands Combined Authority	2,239	
5,102	Wolverhampton Homes	4,953	

LGPS Central Limited

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which City of Wolverhampton Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

The Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £2.085m in 2021/22 (2020/21: £2.112m). The amount outstanding in respect of these services at 31 March 2022 was £0.958m (31 March 2021: £0.516m).

The Pension Fund was invoiced £2.017m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2021/22 (2020/21: £2.706m). The amount outstanding in respect of these services at 31 March 2022 was £0.633m (31 March 2021: £0.643m).

LGPS Central Limited has let office space from City of Wolverhampton Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2021/22 totalled £68,548.67 (2020/21: £102,595) and the reimbursement of associated utilities and maintenance charges for 2021/22 totalled £13,454.87 (2020/21: £16,078).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2022 were £519,800 (2020/21: £518,500).

City of Wolverhampton Council (via the Pension Fund) has invested £1.315m in LGPS Central Limited class B shares and £0.685m in class C shares in 2017/18 and these are both carried as balances in net investment assets at this yearend.

Key management personnel

The Fund has identified the Director of Pensions, West Midlands Pension Fund and the Chief Executive, City of Wolverhampton Council as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the Fund. The combined compensation for these officers attributable to West Midlands Pension Fund is shown in the table below:

2020/21 £000		2021/22 £000
143	Short-term benefits	146
30	Post-employment benefits	35
173		181

Note P27 - Events after the reporting date

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

The Fund remains alert to potential challenges from ongoing developments in relation to the Russian invasion of Ukraine. This has not impacted the underlying assumptions on which the Statement of Accounts is based nor the recognition or measurement of balances and transactions therein. No adjustments in respect of post balance sheet events have therefore been made.

The “McCloud” Court Judgement will have significant impact for all public sector pension schemes. When reforms were introduced in 2014 and 2015, protections were put in place for older scheme members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them also. In July 2020, the government published a consultation on draft regulations to remove this age discrimination. The consultation closed on 8 October 2020 and

government's decision is to implement the recommendations in two phases. Phase one involves moving all remaining active members of legacy schemes (members with protection) into the new schemes on 1 April 2022 so that, going forward, all accruals will be in the new schemes (and so all active members will be treated equally). Phase two is implementation of the deferred choice underpin. That is, giving eligible members a choice between legacy scheme and new scheme benefits for service between 1 April 2015 and 31 March 2022.

Section 8 - Annual Governance Statement

Scope of Responsibility

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

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

The Council has a Local Code of Corporate Governance, which is currently under revision in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

The Council is also responsible for the strategic management and administration of the West Midlands Pension Fund with the Council's Chief Executive, 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.

The Council has a number of bodies that it either owns or has a potential liability for. This statement also covers the approach taken in relation to these and specifically covers how the Council ensures that there is good governance in respect of these other bodies – the most relevant bodies are listed below:

- *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, performance of the agreement with Wolverhampton Homes is regularly monitored. The agreement with Wolverhampton Homes is due to expire in 2028 and the agreement and compliance with it is subject to a detailed review by the Council in 2022 to ensure that it remains fit for purpose as there is a break clause in the agreement in 2023.
- *City of Wolverhampton Housing Company Limited* – this is a wholly owned trading company set up under the powers in the Local Government Act 2003 and is known as WV Living focused on developing properties within the City to meet the Council's aspirations in

terms of available housing. There is a shareholder agreement in place between the Council and WV Living with WV Living's Business Plan having to be approved by the Council and compliance with that business plan being monitored by the Council. The approach to WV Living was reviewed in 2020 and changes made as a result, the effectiveness of the governance arrangements continues to be closely monitored by the Council.

- *Yoo Recruit Limited* – this is a wholly owned trading company set up under the powers in the Local Government Act 2003 and provides staffing to the Council and other bodies. There is a shareholder agreement in place between the Council and Yoo Recruit and the Business Plan has to be approved by the Council and compliance with that business plan being monitored by the Council. As detailed below the operation of Yoo Recruit is being reviewed and a report will be brought to the relevant Committees shortly.
- *Help 2 Own* – this is a limited liability partnership that was jointly established with the West Midlands Combined Authority in 2021 to pilot an affordable housing product that helps to address the issue that many potential buyers who are in work have in raising the deposit to secure a mortgage. This is the subject of a number of legal agreements which sets up the contractual and governance arrangements between the relevant parties.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts.

Our City Our Plan

The Council's Our City Our Plan is structured around six priorities which are supported by three cross cutting principles as follows:

**OUR CITY:
OUR PLAN**

Working together to be a city of opportunity, a city for everyone and deliver our contribution to Vision 2030



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

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

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<ul style="list-style-type: none"> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. Ensuring openness and comprehensive stakeholder engagement. Defining outcomes in terms of sustainable economic, social, and environmental benefits. Determining the interventions necessary to optimise the achievement of the intended outcomes. Developing the entity’s capacity, including the capability of its leadership and the individuals within it. Managing risks and performance through robust internal control and strong public financial management. Implementing good practices in 	<ul style="list-style-type: none"> Delivery and communication of an agreed corporate plan Quality services are delivered efficiently and effectively Clearly defined roles and functions Management of risk Effectiveness of internal controls Compliance with laws, regulation, internal policies, and procedures Value for money and efficient management of resources High standards of conduct and behaviour Public accountability Published information is accurate and reliable 	<ul style="list-style-type: none"> The Constitution Statutory Chief Officers (Head of Paid Service, Chief Financial Officer and Monitoring Officer) Council, Cabinet and Committees Audit and Risk Committee Scrutiny function including use of Select Committee where appropriate for a detailed look at an area of importance Governance and Ethics Committee Internal and External Audit Strategic Executive Board Directors Assurance Statements Corporate and Business plans Medium-Term Financial Strategy Strategic Risk Register Codes of Conduct Whistleblowing and other anti-fraud related policies 	<ul style="list-style-type: none"> External Audit Report to Those Charged with Governance (ISA 260) Report – unqualified opinion Annual Internal Audit Report - unqualified opinion Annual Audit and Risk Committee Report to Council Annual Statement of Accounts Local Government Ombudsman Report Scrutiny reviews Annual Governance Statement – including the follow up of previous year issues Reports from regulatory bodies including Ofsted 	<ul style="list-style-type: none"> Effectiveness of the area in implementing the disability and special educational needs (SEND) reforms as set out in the Children and Families Act 2014 - through Ofsted report from November 2021 – this is being tackled through a written statement of actions that is being carefully monitored by the Council Individual occasions of non-compliance with rules – including: <ul style="list-style-type: none"> i) Some issues regarding information governance due to individual error ii) Some issues regarding publication of certain Council decisions again

transparency, reporting, and audit to deliver effective accountability.

- Implementation of previous governance issues
- Financial and Contract Procedure Rules
- Our People Strategy
- HR policies and procedures
- modern.gov (the council's committee management information system)

- due to individual error
- Review of Linked Bodies Governance – there have been a number of examples nationally of bodies linked to authorities failing and therefore we will review the Council's governance of all linked bodies and report back on this to the relevant committees to ensure that we continue to have good governance in place.
- Adult services - A planned redesign of Adult Services is underway, and the vision and direction has been agreed and incorporates the legislative change outlined in the Health and Social Care White Paper which requires the local authority to broker all care for those with an assessed need if requested



i.e., any self funders who want the LA to source their care at the fair cost of care rate. A new operating model and improved methods for managing demand and front door contact will be implemented.

The Financial Management Code

The council has self-assessed itself against the new Financial Management Code, which includes the following core principles by which local authorities should be guided in managing their finances:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful, and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit, and inspection.
- The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The self-assessment found the council to be in compliance with the Code. However, there were a limited number of matters where areas for improvement were identified. As a result of this, an action plan has been prepared and its implementation is being monitored. The results of the ongoing exercise will be reported to the Audit and Risk Committee as appropriate.

COVID-19 Considerations

“In 2021-2022 the Council, as with all other local authorities, continued to adapt the ways in which it worked to address Covid-19 not only in terms of ensuring that the City’s vulnerable residents have been supported alongside its businesses, but also in the way it operates, including its governance arrangements.

The Coronavirus Act 2020 and associated regulations permitted the Council to hold its meetings remotely, which it did until early May 2021 when the law changed. From that point meetings returned to the Council’s usual “in person” arrangements, with social distancing measures in place when necessary and in accordance with Government Guidance and careful consideration of appropriate Health and Safety measures. Both types of meeting enabled the Council to make effective and transparent decisions on delivery of its services and ensured that democracy continued to thrive whilst keeping Councillors, staff, and members of the public safe.

There was no interruption to the decision-making process and the emergency powers provisions of the Constitution (which were relied on heavily the previous year) were used only twice.

At all times the approach of the Council has been informed and shaped by advice from the Director of Public Health and key partners to ensure that the Council as had the most effective response possible to the pandemic. As part of the governance process key areas of concern have been able to be fed up through the mechanisms set out in the Governance Structure to a regional and national level.

The Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework including Internal Audit’s annual report, the Scrutiny function and also by reports made by the Council’s external auditors and other review agencies and inspectorates. The above table helps illustrate this framework, where assurance is provided and the processes through which the effectiveness of these arrangements are reviewed.

Opinion for 2021-2022

The review of effectiveness has found the arrangements for the governance framework to be fit for purpose.

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

- Maintained the focus of the Committee on the Council's risk management arrangements (including during the Covid-19 pandemic), gaining an increased assurance that the Council was managing its risks well.
- Maintained a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, the Internal Auditors and Senior Officers. There was also further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.

Internal Audit

Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of Head of Internal Audit and the Council is able to confirm that the arrangements conform to these requirements. The Council is also able to confirm compliance with the Public Sector Internal Audit Standards.

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

Managing the risk of Fraud and Corruption

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

Opportunities for concerns to be raised

The Council is committed to upholding the highest standards of conduct and ethics, alongside its own Whistleblowing Policy, it has entered into the following arrangements in order to help enhance the opportunities available for anyone wishing to raise any concerns with the Council:

- A safe space run by SeeHearSpeakUp who provide an external and independent confidential reporting service for employees to report any serious concerns about any aspects of the Council's work. The site can be accessed at any time via a link on the City People homepage. Employees who have serious concerns about any aspect of the Council's work, can choose to come forward and voice those concerns in a safe and secure environment, in the knowledge that they will be taken seriously, and concerns will be investigated appropriately. Senior council officers who have been trained by SeeHearSpeakUp consider the concerns and identify any potential investigation and provide governance and assurance on all safe space matters disclosed with a view to safeguarding, consistency, equality, and fairness.
- The Council also has a support arrangement with Protect (formerly Public Concern at Work), the whistleblowing charity and leading authority on whistleblowing in the UK. This arrangement gives access to Protect's Whistleblowing benchmark and diagnostic tools across key areas including governance, staff engagement and operations.

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

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

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

The Council's internal auditors also provide the internal audit service for Wolverhampton Homes. They were able to provide reasonable assurance that the Company had adequate and effective governance, risk management and internal control processes, and this was reported through their Audit and Business Assurance Committee. As detailed above the agreement with Wolverhampton Homes is due to expire in 2028 and the agreement and compliance with it is subject to a detailed review by the Council in 2022 to ensure that it remains fit for purpose as there is a break clause in the agreement in 2023.

WV Living

WV Living's accounts are audited separately by external auditors and an unqualified opinion was provided on the accounts for 2020-2021, a copy of which will be published on the Council's website. .

Following on from the review of WV Living in 2020-2021 a number of changes that were made to the way in which the Council and WV Living interacted with during 2020-21 the way in which the Council and WV Living interact has been carefully considered by the Council and as a result a number of changes have been/are being made, these include:

- Appointment of non-executive director to the board of WV Living with considerable Housing experience
- Production and approval of a new business plan for WV Living and regular reviews and reports on the compliance with that business plan taken both to the Council's political and officer leadership and also to the Council's Shareholder Board for WV Living
- Strengthening of the Council's Shareholder board –ensuring that clear objective advice is provided to the Shareholder Board by Council officers including the S.151 officer and the Monitoring Officer

It is the Council's clear view that there is an appropriate level of oversight on WV Living and the Council notes that it remains a going concern and the substantial reduction in the level of borrowing that WV Living has with the Council, which at the time of the writing of the statement was approximately £5 million, importantly the level of assets that WV Living holds are substantially in excess of its liabilities to the Council.

Yoo Recruit

Yoo Recruit's accounts are audited separately by external auditors and an unqualified opinion was provided on the accounts for 2020-2021, a copy of which will be published on the Council's website. .

An internal review of the Council's approach and need for Yoo Recruit has been carried out and will be reported to Cabinet and the relevant Scrutiny Panel, namely Resources and Equalities Panel, later in 2022, subject to the decisions made by Councillors Yoo Recruit will update their business plan and additional formal governance measures will be agreed. Currently Yoo Recruit's performance is reviewed by officers and reported to cabinet members and the leader of the opposition through the regular monitoring of linked bodies.

Help 2 Own

Help 2 Own was only established in 2021. The Council and the WMCA instructed and obtained detailed external advice in order to ensure that the arrangements are fit for purpose and will protect the interests of each body and deliver the proposed outcomes. The partnership is subject to external audit. This will provide assurance that the partnership has adequate and effective governance, risk management and internal control processes. A review of the way governance works for all linked bodies including Help 2 Own will be carried out in 2022/23 and will be reported to the relevant Committees including Audit and Risk Committee.

The operation and governance of Help 2 Own continues to be reported on regularly to Cabinet members and the Leader of the Opposition.

Key changes to the governance framework during the year

During 2020-21 a full review was carried out of the Council's constitution and decision making in the Council. As a result, a number of changes were developed and recommended to be made at the annual general meeting in May 2021 and May 2022. Throughout the year further work has been undertaken to update and improve key parts, and to create related documents which aim to provide further clarity to Councillors and officers. This includes the following changes adopted by Council:

- Revisions to the Scrutiny Approach to ensure that Scrutiny is more focused on the Council's performance against its Our City Our Plan adopted in March 2022 and that there is greater focus on strategic matters by the Council's primary Overview and Scrutiny Committee (the Scrutiny Board) – with regular performance/financial updates being provided to the Scrutiny Board and more detailed consideration by the relevant Scrutiny Panel, on a “hub and spoke” approach
- Revisions to Council Procedure Rules
- Updated Employee procedure rules
- Adoption of the LGA Model Code of Conduct

Further changes continue to be worked on as the constitution is a living document and should be changed whenever necessary this includes an updated scheme of officer delegation that will be brought forward shortly, these updates will be proposed to the Council in 2022/23..

Work continues in relation to supporting Councillors through to the Councillor Induction and Development programme (introduced last year) which has been updated and expanded to include additional support on key issues affecting the Councillor role, as well as guidance on leading within the rules and clarification around expected standards of behaviour.

Regular briefings continue to take place of all cabinet members, opposition leader/deputy leader and chairs of panels ensuring that there is proactive information provided and discussion on key issues, risks and matters. As part of this regular briefings are given on the risks and issues in relation to the Council owned bodies and the steps taken to address any risks. As part of this work a review has also taken place of the lessons learned in other authorities in governance terms following a number of Public Interest/Best Value Reports. This has led to additional assurance work being carried out that has provided re-assurance that governance arrangements are fit for purpose in the Council. Indeed, the relevant Scrutiny Panels will be receiving reports on the governance arrangements in place for specific Council owned bodies/those that the Council has potential liability for, for example through guarantees or other arrangements as well as reports on the overall approach to monitoring arrangements for such bodies.

Progress on the Governance Issues from 2020-2021

The table below describes the governance issues identified during 2020-2021 and the progress made against these during 2021-2022.

2021-2022 - Key areas and actions for implementation	Mid -year update to Audit and Risk Committee – December 2021	Latest update as at June 2022
<p>Savings Targets</p> <p>In March 2021 the Council approved a balanced budget for 2021-2022 without the use of general reserves.</p> <p>It is important to note that the financial implications of the pandemic have significantly distorted the budget and Medium-Term Financial Strategy. Current projections indicate that having taken into account additional government grant, there is a net cost pressure of over £6 million in 2021-2022 as a result of Covid. In order to set a balanced budget, this cost pressure has been met from other efficiencies identified across the Council. During 2021-2022 work will continue to monitor the financial impact of Covid to both inform the in-year budget position and to inform medium term forecasts.</p> <p>Looking forward it is estimated that further savings of £25.4 million are required in 2022-2023 rising to £29.6 million in 2023-2024 in order to set balanced budgets. These forecasts take into account the potential ongoing impact of Covid in addition to the underlying budget pressures that face the Council.</p> <p>In addition to the impact of Covid, there continues to be significant uncertainty about future funding streams for local authorities. At the time of writing, it is unclear when the Government will undertake the Comprehensive Spending Review, Fair Funding Review, Business Rates Reset and Business Rates Retention Review.</p>	<p>Cabinet in October 2021 received the proposed approach to the MTFs and budget for 2022-23, it is anticipated that the Council will be able to set a balanced budget for 2022-23. Work continues towards ensuring that the Council addresses the budget deficit over the medium term.</p>	<p>In March 2022 the Council approved a balanced budget for 2022-2023 without the use of general reserves.</p> <p>The report to Council noted that the Council is now faced with finding further projected budget reductions estimated at £12.6 million in 2023-2024, rising to £25.8 million over the medium-term period to 2025-2026.</p> <p>The level of uncertainty over future funding levels continues to be a significant risk. A prudent approach has been taken to forecasting resources over the MTFs period and all assumptions were detailed in the report to Council.</p> <p>There are also a number of significant risks and uncertainties in relation to the cost of services including rising inflation, the</p>

<p>Work has started to address the budget deficit over the medium term and updates will be brought to Cabinet throughout the year.</p>		<p>impact of the cost of living on residents and adult social care reform.</p> <p>Work to develop budget reduction and income generation proposals for 2023-2024 onwards in line with the Five-Year Financial Strategy has started with an update on progress will be brought to Cabinet throughout the year.</p>
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<p>Procurement</p> <p>In December 2020 the Government published a Green Paper on ‘Transforming public procurement’ which proposes a number of changes which would impact on the Council. Work will be undertaken to monitor the progress of this paper and to respond appropriately to any resulting changes in legislation.”</p>	<p>A significant amount of work is taking place to ensure that the Council is ready for changes to the procurement rules and the Council is also working to ensure that it takes the opportunities that are presented to ensure that as much of its spend, and that of other key partners, is spent within the city, as part of the Council’s key work on Wolverhampton Pound – which is currently being examined by the Council Select Committee.</p>	<p>The Council has published its procurement pipeline in accordance with the statutory requirements. The pipeline will be updated regularly.</p> <p>An action plan has been developed to respond to the recommendations of the Select Committee on Wolverhampton Pound.</p> <p>Procurement Bill is currently progressing through the House of Lords.</p> <p>We understand that it could become law early 2023 with 6 months for us to implement.</p> <p>The Head of Procurement has started work to map across the old to new requirements to enable us to be as prepared as possible for the changes to come.</p>
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<p>Contract Management</p> <p>Contract management practises across the Council have been found to be inconsistent. The Council also utilises a contract management system which is a central repository database that has a record of those contracts that have been procured, but not those that have been commissioned locally. Consequently, the Council has decided to transform how contract management is delivered and contracting process are measured to generate economic and efficiency benefits aligned to the Council Plan and other relevant strategies, such as Wolverhampton Pound and Relighting Our City.”</p> <p>The Council plans to have a one council approach to contract management. The intention is to develop a contract management framework, establish external contract management training for officers and procure a contract management software system. The system will provide greater visibility of contract performance and a strategic oversight of contracts. These identified areas will provide a consistent and efficient method where possible and contribute to continuous improvement whilst obtaining value for money. These improvements will also prepare the Council in good stead for the forthcoming new procurement regulations as the Government’s green paper, ‘Transforming Public Procurement’, identified contract management and commercial life cycle as key areas which will form part of the new procurement regulations.</p>	<p>Contract management training is already underway as is the other work described above. A detailed paper was taken to the Our Council Scrutiny Panel in September 2021.</p>	<p>The Contract Framework and Toolkit has been established to enable a consistent approach to contract management across the organisation.</p> <p>Contract management training has been rolled out with monitoring provided through the LGA and feedback being gathered to help us to ensure that the training is relevant and helpful.</p> <p>The procurement of a new system is currently underway.</p>
<p>Strategic Asset Plan</p> <p>We have made progress on reviewing and challenging the Council’s asset portfolio as part of the Our Assets Programme (formally referred to as Our Space programme), particularly in light of how services will operate moving forward as part of Relighting our City. This has included developing six workstreams Asset Data, Asset Review, Retained Estate, Civic Centre, Surplus Assets and Asset Disposals. The</p>	<p>Work continues in relation to strategic asset plan. A detailed paper was taken to the Our Council Scrutiny Panel in September 2021 on Our Assets programme and an update on Relighting Our Council in November 2021.</p>	<p>City Assets are currently undertaking a full review of the Strategic Asset Plan over the course of 2022/23 financial year to allow for this to be reviewed and adopted in advance of the current plan expiring in 2023.</p>

<p>Strategic Asset Plan and Action Plan will be updated following completion of this programme.</p>		<p>Following the Covid pandemic, several workstreams have been undertaken and now concluded (including Relighting Our Council) and the new plan will reflect the updated approach to asset management as required to meet the ongoing and future needs of the Council and the City in line with the Council plan.</p>
<p>Civic Halls</p> <p>Delivery of the Civic Halls in accordance with any set budget and in line with the set timeline will continue to be closely monitored by the Council throughout, and the Council will ensure that the contracts in place are complied with.</p>	<p>A detailed update on the Civic Halls project was provided to the Audit and Risk Committee in December 2021.</p>	<p>As the project nears completion a significant amount of work is taking place to ensure that the contracts that the Council has in place with its contractors are being met and appropriate advice has and continues to be taken on those contracts.</p> <p>Officers are working closely with advisors to ensure that any budget set is complied with and that regular updates on progress are provided to appropriate persons including the Audit and Risk Committee.</p> <p>A further detailed report will be brought to Audit and Risk Committee shortly and a site visit of the project has been arranged for the Committee in June 2022.</p>

<p>Constitution Review Conclusion</p> <p>Completion of the review of the constitution including revision of financial procedure rules, employment procedure rules, officer delegation and adoption of a new Corporate Code of Governance.</p>	<p>A number of revisions were taken to the Governance and Ethics Committee and to Council in early 2021. Work has continued preparing further updates and improvements to key parts as noted previously, and additional related documents (such as procedures and guidance which sit outside the Constitution). Regular updates should be expected throughout 2022/23 to make the Constitution, and the Council's procedures, more concise so that the decision-making processes can be understood by all.</p>	<p>Further revisions have been taken to the Governance and Ethics Committee and Council in 2022. These include revisions to the employment procedure rules and a number of other amendments to the constitution including a re-focusing of the role of scrutiny to more clearly focus on performance and our City our Plan.</p> <p>The new Corporate Code of Governance is due to go to the meeting of the Governance and Ethics Committee on 7 July 2022.</p> <p>A new scheme of delegations has now been drafted and is being checked to ensure that it is appropriate and will be brought to a meeting of the Council in the autumn.</p>
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Action Plan for the Significant Governance Issues identified during 2021-2022 which will need addressing in 2022-2023

Based on the council's established risk management approach, the following issues have been assessed as being key for the purpose of the 2021-2022 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2021-2022 Key areas and actions for implementation	Responsibility and expected implementation date
<p>MTFS – In March 2022 the council approved a balanced budget for 2022-2023 without the use of general reserves. The report to Council noted that the council is now faced with finding further projected budget reductions estimated at £12.6 million in 2023-2024, rising to £25.8 million over the medium-term period to 2025-2026.</p> <p>The level of uncertainty over future funding levels continues to be a significant risk. A prudent approach has been taken to forecasting resources over the MTFS period and all assumptions were detailed in the report to Council.</p> <p>There are also a number of significant risks and uncertainties in relation to the cost of services including rising inflation, the impact of the cost of living on residents and adult social care reform.</p> <p>Work to develop budget reduction and income generation proposals for 2023-2024 onwards in line with the Five-Year Financial Strategy has started with an update on progress will be brought to Cabinet throughout the year.f</p> <p>Work will also be undertaken to update the council’s Capital strategy including our proposed approach to the use of capital resources and other financial solutions and a framework of delivery models that the council will consider/favour</p> <p>– do we also cover including regular reporting back on critical asset projects and methods for doing that?</p>	<p>March 2023 - Director of Finance</p>
<p>Procurement and Contract Monitoring</p> <p>The Select Committee on Wolverhampton Pound made a number of recommendations these will be considered by Council in July 2022 and will need to be implemented by Council.</p> <p>The new Procurement Bill is currently going through the House of Lords. We understand that it could become law in early 2023. There could be significant changes for the authority, and we will continue to prepare in order that we can have a smooth transition.</p>	<p>March 2023 - Director of Finance</p>

<p>Adult services - A planned redesign of Adult Services is underway, and the vision and direction has been agreed and incorporates the legislative change outlined in the Health and Social Care White Paper which requires the local authority to broker all care for those with an assessed need if requested i.e. any self-funders who want the LA to source their care at the fair cost of care rate. A new operating model and improved methods for managing demand and front door contact will be implemented.</p>	<p>March 2023 - Director of Adult Services</p>
<p>Review of Linked Bodies Governance – we will review the council’s governance of all linked bodies and report back on this to the relevant committees to ensure that we continue to have good governance in place.</p>	<p>December 2022 – Monitoring Officer</p>
<p>Civic Halls - Delivery of the Civic Halls in accordance with any set budget and in line with the set timeline will continue to be closely monitored by the council throughout, and the council will ensure that the contracts in place are complied with.</p>	<p>March 2023 – Director of Regeneration</p>
<p>Compliance with Information Governance/Transparency requirements – ensuring that all relevant staff complete information governance/governance training to provide confidence that the council will meet all of its legal duties.</p>	<p>December 2022 – Monitoring Officer</p>
<p>SEND – implementation of written statement of actions following on from SEND inspection by Ofsted, detailed in the Ofsted report from November 2021</p>	<p>March 2023 – Executive Director of Families</p>

Future Assurance

Where appropriate, a progress report on the implementation of the above actions from the key areas will be reported to the Audit and Risk Committee during 2022-2023.

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.



Ian Brookfield, Leader of the Council

Date:



Tim Johnson, Chief Executive

Date:

Section 9 - Glossary

Academy

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

Accruals (Accrual Accounting)

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

See Receivables, Payables

Actuarial/Actuary

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

Arm's Length Management Organisation

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

Amortisation

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

See Depreciation

Asset

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

See Non-Current Asset

Bad Debt Provision

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

Budget

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

Business Rates 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:

- City of Wolverhampton Council 99%
- 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 (CFR)

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 business 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 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
- 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 (DSG)

Schools are funded separately from other Council services. The council receives a Dedicated Schools Grant 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, business rates and governments grants.

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 significantly curtail 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:

- In respect of which construction work and development have been completed.
- 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 and 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 (PPE)

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:

- The elected members of the council and their partners.
- The senior officers of the council.
- The companies in which the council has an interest.
- Central government and preceptors of Wolverhampton's Collection Fund.
- 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;

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits 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.

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).