

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

Venue Committee Room 3 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Alan Butt (Lab)

Vice-chair Cllr Jonathan Yardley (Con)

Labour

Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Craig Collingswood
Cllr Roger Lawrence
Cllr Barbara McGarrity
Cllr Lynne Moran

Independent Member

Mr Mike Ager
Mr John Humphries

Quorum for this meeting is two Councillors.

Information for the Public

If you have any queries about this meeting, please contact the Democratic Services team:

Contact Dereck Francis

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

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies for absence**
- 2 **Declaration of interests**
- 3 **Minutes of the previous meeting - 11 March 2019** (Pages 5 - 14)
[For approval]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DECISION ITEMS

- 5 **External Audit Progress Report and Update** (Pages 15 - 36)
[To note the progress report and update from the Council's external auditors, Grant Thornton]
- 6 **Draft Statement of Accounts 2018-2019** (Pages 37 - 292)
[To receive the draft Statement of Accounts for 2018-2019, which is subject to audit and has been approved by the Director of Finance]
- 7 **Annual Governance Statement 2018-2019** (Pages 293 - 324)
[To review and comment upon the contents of the Council's Annual Governance Statement for 2018-2019]
- 8 **Strategic Risk Register and Strategic Assurance Map** (Pages 325 - 364)
[To provide an update on the key risks the Council faces and how it can gain assurance that these risks are being mitigated]
- 9 **Annual Internal Audit Report 2018-2019** (Pages 365 - 380)
[To note the contents of the annual internal audit report]
- 10 **Audit and Risk Committee Annual Report - 2018-2019** (Pages 381 - 394)
[To endorse the Audit and Risk Committee Annual Report for 2018-2019 and refer it to Full Council for approval]
- 11 **Audit Services - Counter Fraud Update** (Pages 395 - 406)
[To note the contents of the latest Audit Services Counter Fraud update]
- 12 **Payment Transparency** (Pages 407 - 410)
[To receive an update on the Council's current position with regards to the publication of all its expenditure]

13 **CIPFA Audit Committee Update** (Pages 411 - 414)
[To note the contents of the latest CIPFA Audit Committee update]

14 **Exclusion of the press and public**
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below]

Part 2 - exempt items, closed to press and public

- | | | |
|----|---|---|
| 15 | Audit Investigations Update (Pages 415 - 418)
[To note the current position on audit investigations] | Information relating to any individual.
Information which is likely to reveal the identity of an individual.
Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (1, 2, 3) |
| 16 | External Audit Progress Report and Update (Pages 419 - 426)

[To note the progress report and update from the Council's external auditors, Grant Thornton] | Information relating to any individual. Para (1) |

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee Minutes - 11 March 2019
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Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Sohail Khan (Vice-Chair)
Cllr Obaida Ahmed
Cllr Harbans Bagri
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Barbara McGarrity
Mike Ager (Independent Member)
John Humphries (Independent Member)

Employees

Emma Bland	Finance Business Partner
Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Martyn Sargeant	Head of Public Service Reform
Alison Shannon	Chief Accountant
Mark Wilkes	Audit Business Partner

External Auditors – Grant Thornton

Mark Stocks
Nicola Coombe

Part 1 – items open to the press and public

Item No. Title

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Councillor Jasbir Jaspal.
- 2 Declaration of interests**
Councillors Obaida Ahmed, Mary Bateman and Philip Bateman MBE all declared non pecuniary interests in item 9 (Internal Audit Plan 2019 - 2020) in so far as they of governors of schools referred to in the report.

3 **Minutes of previous meeting - 10 December 2018**

Resolved:

That the minutes of the previous meeting held on 10 December 2018 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to minute 6 (Capital Projects Lessons Learnt – Progress Update) members of the Committee asked follow-up questions on the Civic Halls Refurbishment Programme namely: the availability of the results from the various survey works; the budget and contingency sum for the programme; the budget provision to address the structural integrity of the building; whether the Council should seek a second opinion on the foundations and structure of the Civic Halls buildings; the provision of sprinklers; timescales; and the proposed design.

In response Peter Farrow, Head of Audit, reported that a detailed update report on the Civic Halls Improvement and Restoration Programme had been presented to Cabinet (Resources) Panel on 5 March 2019. He undertook to check whether the survey results were contained within that report. Ian Cotterill, Audit Business Partner added that the surveys were complete and the Council was in a better place in terms of establishing the risks to the building. Regarding the budget for the programme, no specific budget had been set aside for the treatment of asbestos. The costs for this work were covered in the budget for the pre work to the buildings. In the Cabinet (Resources) Panel report the budget for the overall project had been recast. It was £38.1 million with a £3 million contingency sum. Claire Nye, Director of Finance added that the £3 million contingency figure was fixed and that she had sought assurances from the Programme Director and Bob Hide, Independent Advisor that it was in line with industry standards. The costs for the structural integrity of the building had also been quantified and were included in the budget for the programme. The Cabinet (Resources) Panel report also set out the timescale and proposed refurbishment design. The programme had now moved into the next phase of the construction so the issues raised by the Committee will/ would have been considered. The Director undertook to feed back to the Committee later in the year to provide information about the anticipated date for completion of the detailed design including the provision for sprinklers.

The Chair reported that from the update his view was that the Committee should trust that the project was on track, on budget and that all the issues raised by the Committee had been dealt with unless flagged as otherwise. The question on the provision of sprinklers had also been raised and would continue to be raised. On that basis he suggested that employees and the project team concentrate on delivering the next phase of the project but that the Committee should maintain a watching brief.

With reference to minute 10 (Strategic Risk Register and Strategic Assurance Map), Councillor Barbara McGarrity asked who within the Council was monitoring the costs and number of childcare placements. The Director of Finance reported that Emma Bennett, Director of Children's Services and employees from the Finance team monitored the placements on an ongoing basis. They also looked at the regional picture for child care placements.

5 **Strategic Risk Register and Strategic Assurance Map**

Martyn Sargeant, Head of Public Service Reform was in attendance for this item. He gave a brief overview of the significant activity the Council was engaged in up to senior management level regarding risk 35 - Brexit.

Councillor Philip Bateman MBE referred to the still pending transfer of the Council's emergency planning function to the West Midlands Fire Service, the state of flux with the proposals for the West Midlands Fire and Rescue Service function to transfer to the Mayor for the West Midlands Combined Authority, and the general uncertainty of Brexit. He said with all this uncertainty he was concerned that the Council did not have in place robust emergency planning arrangements in response to Brexit. The Head of Public Service Reform reported that he did not oversee resilience for the Council. However, his experience over the last few months was that the Council had a team working in resilience that was stable and settled. They were fully on top of the business continuity side, supported by the local and regional networks. The regional lead for Brexit was the Council's previous Resilience Manager, so the Council had close links with regional and local activity. The Council's resilience function was in a good place and was able to cope with the impacts of Brexit.

Councillor Philip Bateman MBE asked who would be responsible for emergency planning/resilience when the Council's Emergency Planning team transferred to the West Midlands Fire and Rescue Service. Hayley Reid, Senior Auditor reported that the plan was for the team to transfer but the responsibility for the function would remain with the Council's directors.

Councillor Obaida Ahmed sought clarification on the allocation of funding the Council had received from government for Brexit. The Head of Public Service Reform reported that the Council had received government funding of £210,000 for Brexit. The West Midlands Council's and the West Midlands Combined Authority had agreed to allocated 50% of their government funding to create a pot of £1 million to address issues business would have with Brexit. The Councils and the Combined Authority would do a lot more regionally than they could if they each spent their individual government funding.

The Chair observed that risk 8 - Business Continuity had increased to red due to issues around Brexit. He asked if the issue was not resolved soon would the risk remain at red. The Head of Public Service Reform clarified that risk was regularly reviewed and whilst the level of uncertainty remained high it would be difficult to reduce the risk to amber. The Senior Auditor agreed that the risk would remain at red for the medium term.

The Chair asked how often the risk rating was monitored. The Senior Auditor said that the Council was reacting to events on a daily basis and the picture would not settle until the national picture became clearer.

The Chair asked whether the government funding for Brexit was enough. The Head of Public Service Reform reported that the government had put aside a pot which had been allocated. He believed it was a token amount to ensure initial costs are recovered.

The Senior Auditor then took the Committee through the remainder of the report on the key risks the Council faced and how the Committee could gain assurance that the risks were being mitigated.

Mike Ager, Independent Member said he was surprised that adult social care was not mentioned in the risk on the Medium Term Financial Strategy (MTFS). Claire Nye, Director of Finance reported that it was a significant part of the Council's budget. As a budget item and as a pressure it was embedded in the Council's MTFS. Mike Ager added that his point concerned more than financial aspects, it included the physical arrangements that should be in place. The Senior Auditor reported that there was a separate risk register within Adult Services and it would be reviewed in line with the query raised before the next meeting.

Resolved:

1. That the latest summary of the Council's strategic risk register as at appendix 1 to the report be noted.
2. That it be noted that risk number 8 - Business Continuity Management had been temporarily increased to red in order to reflect the continuing uncertainties regarding Brexit.
3. That it be noted that risk number 23 - Cyber Security had been increased to reflect the developing nature of cyber-attacks and be 'called-in' for a more detailed review at the next meeting.
4. That it be noted that as the target score for risk 14 – School Improvement had been achieved and 96% of maintained schools are now at good or above, this risk had been archived and transferred to the relevant directorate risk register.
5. That the change to the target date for the reduction of risk 29 – Fire Safety, Public Buildings in order to allow time for a new compliance structure to be put in place be noted.
6. That it be noted that while no particular incidents have taken place, following a re-assessment risk 27 regarding safety concerns around the City's tower blocks has been increased, and the title of the risk updated to City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).
7. That the reduction in the score for risk 32 - Waste Management as the majority of service changes have now been implemented be noted.
8. That the reduction in the score for risk 34 as work is now underway on the Interchange Programme (Train Station) be noted.
9. That the main sources of assurance available to the Council against its strategic risks at Appendix 2 to the report be noted.

6 **Certification Work for City of Wolverhampton Council for the Year Ended 31 March 2018**

Nicola Coombe from the Council's external auditors Grant Thornton presented the findings from their grant certification work on the Council's housing benefit subsidy claim, which they undertook on behalf of the Department for Work and Pensions (DWP). The only issue identified from the certification work had resulted in the claim being qualified.

Members of the Committee observed that the value of the qualification (£15,709) against a claim of £102 million was small and not material. In response to a question Nicola Coombe explained that the concept of materiality did not apply to this piece of work as it would within the audit of the Council's Statement of Accounts. As they undertake the grant certification work on behalf of the DWP, they are required to undertake additional work on any errors they identified and report it to the DWP.

Resolved:

That the certification work letter from Grant Thornton be noted.

7 External Audit Progress Report and Update

Nicola Coombe from the Council's external auditors Grant Thornton presented an update report on progress made against their audit plan and on technical matters, sector issues and developments. The report included challenge questions for the Committee to consider.

The Chair asked whether employees would be able to provide answers to the challenge questions. Peter Farrow, Head of Audit reported that the Council would be able to respond and he referred to the Council's work with its external auditors, and the Council's participation in the National Audit Office exercise. Regarding the question, 'how the authority was engaging in the debate about the future of social care', he indicated that the Council's Director of Adult Services would be taking part in such national discussions concerning that sector. Claire Nye, Director of Finance supported the Head of Audit's response and added that David Watts, Director of Adult Services was proactively involved in regional and national bodies on social care. He would be able to talk to the Committee in more depth about the Council's engagement in the debate about the future of social care.

Resolved:

That the progress report and update provided by Grant Thornton be noted.

8 External Audit Communications

Nicola Coombe from the Council's external auditors Grant Thornton presented the report which aimed to contribute towards the effective two-way communication between the auditor and the Committee. The report included a series of questions the external auditor had put to the Council's senior management team and the responses received.

During the discussion on the report, Councillor Barbara McGarrity asked whether Council employees were offered project management training. Alison Shannon, Chief Accountant reported that the Council's Investment Support Team offered training across the Council on the management of budgets. The Strategic Finance Team also worked with managers on their budget management.

Referring to the management response to the question concerning related party relationships or transactions that could give rise to instances of fraud, Councillor Philip Bateman MBE asked whether the response took into account the turnaround of councillors in local May elections and the importance of making sure that newly elected and existing councillors are aware of their responsibilities in relation to declarations of interests. Peter Farrow, Head of Audit reported that recommendations on the issue of the completeness of related party declarations had been highlighted in previous external auditor reports. At the time and in response to the recommendations, Kevin O'Keefe, Director of Governance had introduced measures

to ensure that new and existing councillors were aware of their responsibility related to party declarations. These included all councillors being invited to new member induction briefings which would include the requirements for related party declarations; the creation of an on line version of the Register of Interests form to enable councillors to register their interests and have them published instantly rather than having to fill in a paper copy; and making the location of the Councillors' Register of Interests forms on the Council's website accessible within a few clicks from the Council's homepage.

Councillor Philip Bateman MBE asked that the management response in the report be amended to reflect the response from the Head of Audit. The Head of Audit undertook to amend the response for future years.

The Chair asked the external auditors whether they checked the responses from the Council's senior management team and provide feedback to them. Nicola Coombe confirmed that they undertake a sense check of the responses and offered feedback to the Council.

Resolved:

That the report from the external auditor, Grant Thornton be noted.

9 **Internal Audit Plan 2019-2020**

Peter Farrow, Head of Audit presented for review and approval the Internal Audit Plan for 2019/2020.

Referring to the HMO Licensing review, Councillor Philip Bateman MBE asked for a report on whether there had been an increase in the issue of HMO licenses. The Head of Audit undertook to provide an update at the next meeting.

The Chair queried the reference in the proposed 'Equal Pay Liabilities' review to 'the risk of new claims significantly reducing on 1 April 2019 deadline'. The Head of Audit reported that there was a six year time limit by when equal pay claims need to be submitted. 31 March 2019 was the deadline for the submission of claims.

In response to a question from the Chair, the Head of Audit advised that the review of the Civic Halls Programme would take place at the end of quarter one/ start of quarter two of 2019/2020.

The Chair also asked whether the review of 'Licensing (Private Hire) area' would cover the issues raised in recent media reports about the Council's private hire licensing procedures. The Head of Audit confirmed that the feedback received and the national view on licensing would all be taken into account during the review.

Resolved:

That the risk based internal audit plan for 2019/2020 be approved.

10 **Internal Audit Update - Quarter Three**

Peter Farrow, Head of Audit presented the report on progress made against the 2018/2019 internal audit plan and on recently completed work.

Mr John Humphries, Independent Member asked how much funding the Council allocated to its four Tenant Management Organisations (TMOs); to what extent could the Council ensure the TMOs complied with the recommendations from the TMO review; and whether there were any sanctions for failure to comply. Mark Wilkes, Audit Business Partner advised that the TMOs shared £4 million funding. On the latter point, the Head of Audit reported that ultimately the Council had responsibility for the TMOs if action needed to be taken to ensure they made the necessary improvements.

Mr John Humphries went on to asked whether the Council would be held vicariously liable for any mistakes or errors made by the TMOs and if so what cover the Council had in place. The Head of Audit undertook to check the position and report back.

Following a suggestion from Mike Ager, Independent Member, the Committee agreed to discuss progress made with the implementation of the recommendations arising from the TMO review at the second meeting of the Committee in new Municipal Year.

Resolved:

1. That the contents of the latest internal audit update as at the end of quarter three be noted.
2. That the Service Director of City Housing be invited to the meeting on 22 July 2019 to discuss progress on the implementation of the action plan arising from the audit review of the TMOs.

11 **Audit Services - Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services.

The Chair asked whether the Council carried out anti money laundering Right to Buy Checks. The Audit Business Partner said they were made for any right to buy application, to make sure that the money the Council received was legitimate. Peter Farrow, Head of Audit added that the checks were useful for identifying undeclared income and therefore helpful in detecting benefit fraud.

Councillor Sohail Khan asked whether council house tenants moving on without settling their outstanding rents/council tax or notifying the Council of their move, should be included in the risk register. The Audit Business Partner reported that this issue would be dealt with through the Council's debt recovery procedures.

The Chair asked if it could be quantified how much the Council was potentially not receiving through this type of fraud. Claire Nye, Director of Finance reported that the Council would have reasons for any amounts it wrote off. She undertook to check available data within the Council Tax team.

The Chair also asked how the five tenancy subletting cases referred to in the report had been identified. The Audit Business Partner reported that they came through referrals via the hot line; from Wolverhampton Homes officers whilst visiting properties; and from contractors carrying out work at council properties.

Resolved:

- That the contents of the latest Audit Services Counter Fraud Update be noted.

12 **Audit and Risk Committee - Terms of Reference**

Peter Farrow, Head of Audit presented for review and approval revised terms of reference for the Committee. The terms of reference had been updated to incorporate five new additions to model terms of reference provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) in their latest 2018 edition of 'Practical Guidance for Local Authority Audit Committees'. The Head of Audit reported that over the next 12 months consideration would be given to where the five new areas in the terms of reference could be extended. However, it was pleasing to note that of the new additions, the Committee had for the last four years been producing an annual report on its work, which the Chair presented to Full Council. It was also part way there on reviewing the governance and assurance arrangements for significant partnerships or collaborations. During 2018 it had received reports on the role of the West Midlands Combined Authority's Audit, Risk and Assurance Committee and on the role of Wolverhampton Homes' Audit and Service Delivery Committee.

Resolved:

That the updated terms of reference be approved.

13 **Payment Transparency**

Peter Farrow, Head of Audit presented the report on the Council's payment transparency activity. Since the last report to the Committee one request had been received for information from the public (armchair auditor request). The request was for details of expenditure made to the Provider of the Social Care IT System.

Resolved:

That the Council's current position with regards to the publication of all its expenditure be noted.

14 **CIPFA Audit Committee Update - Issue 27**

The Committee received the latest edition of regular briefings issued by the Chartered Institute for Public Finance and Accountancy (CIPFA) for audit committee members of public bodies. The focus of the update was on Local Audit; the recent National Audit Office report 'Local Authority Governance'; and on the regular briefing on new developments.

The Chair asked whether the Committee on Standards in Public Life's report on 'Local Government Ethical Standards' was available for the Committee. Peter Farrow, Head of Audit agreed to arrange for a copy of the report to be circulated to the Committee.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 27 be noted.

15 **Exclusion of the press and Public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items - press and public excluded

16 **Audit Investigations Update**

Mark Wilkes, Audit Business Partner presented the update report on two current audit investigations. One of the cases, which had been reported upon in the local press, related to the theft of Council computers by an employee.

Members of the Committee expressed their shock, concern and disappointment at the thefts and the lack of control measures in place to have prevented the thefts occurring. They hoped that suitable checks would be put in place to safeguard the Council's assets in the future and that the incident would act as a warning to the Council to ensure that its controls are suitably robust to ensure this type of theft was not occurring elsewhere within the organisation. Peter Farrow, Head of Audit informed the Committee that a task and finish group had been established to help the ICT service to improve its stock control measures. Claire Nye, Director of Finance informed the Committee that the Council's Strategic Executive Board shared the Committee's concern and disappointment at the incident. One of her priorities going forward would be to make sure that there are controls in place to safeguard the Council's assets.

Resolved:

That the update on the internal audit investigation be noted and details of the ICT risk assessment be reported to the next meeting of the Committee.

17 **Vote of Thanks**

The Chair reported that as this was the last meeting in the municipal year it may be his last meeting as Chair of the Audit and Risk Committee. He placed on record his thanks and appreciation to the members and independent members on the Committee, the Council's employees and the external auditors Grant Thornton for their valued contributions to the work of the Committee during the 2018/2019 Municipal Year.

In turn Councillor Phillip Bateman MBE moved a vote of thanks to the Chair for the way he had conducted the business of the Committee and for the way he had raised the profile the Council's audit function both internally and regionally during his time in office as Chair.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 10 June 2019
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Report title External Audit Progress Report and Update

Cabinet member with lead responsibility Councillor Louise Miles
Resources

Accountable director Claire Nye, Director of Finance

Originating service Strategic Finance

Accountable employee(s) Emma Bland Finance Business Partner
Tel 01902 553928
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Report to be/has been considered by None

Recommendation for noting:

The Committee is asked to note:

1. The Progress Report and Update provided by Grant Thornton.

1.0 Purpose

- 1.1 To update the Audit and Risk Committee on progress made by Grant Thornton in delivering their responsibilities as the Council's external auditors.

2.0 Background

- 2.1 Annually at the June Committee, Grant Thornton customarily report on progress made against their Audit Plan and provide an update on technical matters, sector issues and developments. A copy of the report is attached at Appendix 1.

3.0 Financial Implications

- 3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.
[AS/30052019/P]

4.0 Legal implications

- 4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2018-2019 Statement of Accounts be produced in accordance with proper practice.
- 4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved and published by 31 July 2019.
[TS/31052019/W]

5.0 Equalities implications

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

6.0 Environmental implications

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

7.0 Human resources implications

- 7.1 There are no human resource implications arising from this report.

8.0 Corporate landlord implications

- 8.1 There are no implications for the Council's property portfolio arising from this report.

9.0 Health and Wellbeing implications

9.1 There are no health and wellbeing implications arising from this report.

10.0 Schedule of background papers

10.1 There are no relevant preceding reports.

11.0 Appendices

11.1 Appendix 1 – City of Wolverhampton Council Audit Progress Report and Sector Update

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Audit Progress Report and Sector Update

City of Wolverhampton Council
Year ending 31 March 2019
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19 June 2019



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Introduction



Mark Stocks

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This paper provides the Audit & Risk Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local Council; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Members of the Audit & Risk Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

PSAA Contract Monitoring

City of Wolverhampton Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at June 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the City Council's 2018/19 financial statements.

We have undertaken our interim fieldwork which has included:

- Updated review of the control environment
- Updated understanding of financial systems
- Review of Internal Audit reports
- Early work on emerging accounting issues
- Early substantive testing

Findings in these areas are reported to you on pages 6 to 9.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We have discussed our plans and timetable with officers and are well placed to meet this deadline.

The final accounts audit is due to begin in early June, with findings reported to the Audit and Risk Committee in our Audit Findings Report on 22 July 2019.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". Note that this work applies to the Council only, and not the pension fund.

The guidance confirmed the overall criterion as: "*in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people*".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach was included in our Audit Plan. Findings to date are reported to you on page 8.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

We met with the Section 151 Officer in April as part of our ongoing liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our Financial Reporting Workshop which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for accounts was attended by members of your finance team.

Publications

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Risk Committee setting out our proposed approach in order to give an opinion on the Council's financial statements.	December 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	June 2019	This report refers
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Risk Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit reports issued to date. Under audit standards we are prevented from directing the work of internal audit and therefore cannot gain direct assurance from it; however we have not identified any significant weaknesses from our review of their work which impact upon our responsibilities.</p>	<p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of Council and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>We have ongoing discussions with the finance team and one item of discussion has been the Council's approach to the disclosure of its related parties, which has historically been long and time consuming to complete. This is because the ledger has been interrogated in order that all relationships could be disclosed, though not all relationships constitute related parties. This process is being revisited for this year which will make the disclosure more concise, while still complying with the requirements of the Code.</p>
Review of IT controls	<p>We have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>Our work has identified no material weaknesses to date, which are likely to adversely impact on the Council's financial statements.</p>
Group accounts	<p>In our audit plan we reported that the materiality applied would be £16m for both the Council's as a single entity as well as the group. This has been amended slightly to ensure that the materiality applied to the group is larger. The group materiality is now £16.04m.</p>	<p>This will not negate the need for us to revisit materiality for both the single entity and group accounts when the draft financial statements are available. This will determine whether they require further amendment in light of the draft outturn position, as both figures are currently based on prior year signed financial statements.</p>

Results of Interim Audit Work (continued)

	Work performed	Conclusions and recommendations
Understanding business processes	<p>We have completed our documentation and understanding of those areas of the Council's financial statements which encompass significant transactions.</p> <p>This has included consideration of:</p> <ul style="list-style-type: none"> • Cash • Collection Fund • Payroll • Property, Plant and Equipment • Borrowings • Housing Revenue Account • Investments • Welfare Benefits Expenditure • Accounts Receivable and Payable. 	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>Note that we will conduct further walkthrough testing with regard to controls in place in respect of the valuation of the pension fund net liability, and the valuation of property plant and equipment, which we also identified to be a risk, when the actuary's and valuer's reports, respectively, are received during our audit.</p> <p>We are aware from our discussions with the finance team the valuers are proposing a change in methodology as to how schools are valued. This will involve taking into account the capacity of each school using pupil number. We agree with the Council's proposal that this constitutes a change in accounting estimate, rather than a change in accounting policy and as such the changes will be applied prospectively. This means that there will be no impact on the prior year figures as a result of the change in approach.</p>
Early substantive testing	<p>Early testing We have undertaken sample testing of transactions of fixed asset additions, operating expenses and fees and charges income up to month 9 (ie up to and including December 2018). We will top up this testing during our audit in June and July.</p> <p>Employee Remuneration We have undertaken substantive analytical review of payroll up to month 9. We have performed two substantive analytical procedures because the Council uses two payroll systems; one for teachers (school) and one for non-teachers (council). The standard hours for teachers (32.4hours weekly) and non-teachers (37 hours weekly) are also different and therefore impact our review. We will top up this testing during our audit of the financial statements.</p> <p>Journals We have conducted a review of the control environment in relation to journals and are satisfied that control are appropriate. We have begun our testing in this areas but will need to top it up for the final few months of the year during our next visit.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach or findings which we need to your attention.</p>

Results of Interim Audit Work (continued)

	Work performed	Conclusions and recommendations
<p>Value for money</p>	<p>In our audit plan we identified the following matters, which we determined were worthy of further consideration and were therefore designated as ‘significant risks’:</p> <p>Financial resilience We have discussed your financial plans with key officers and reviewed the Final Budget Report for 2019/20 and the Council’s Financial Strategy for beyond 2019/20 (which were presented to Council in March 2019) . We are satisfied that the Council has firm plans in place for 2019/20. The budget for 2019/20 is in balance without the use of general reserves and the section 151 Officer has indicated that the 2019/20 budget estimates are robust.</p> <p>However, a further £27.3 million needs to be identified for 2020/21 and £40 to £50 million over the medium term in order to address the projected future budget deficits. Whilst the positive forecast General Fund outturn position during 2018/2019 (an underspend of approximately £95k as at quarter 3) will help to support the Council’s short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term. Namely, identifying an additional £27.3 million of budget reduction and income generation proposals over the period to 2020/2021,</p> <p>As would be expected our work in this area is still ongoing pending the outturn for the year ending 31 March 2019 and any subsequent impact on future years, as well as our consideration of available reserves, borrowing levels and receipt of plans for bridging the 2020/21 gap.</p> <p>Strategic Asset Management The Strategic Asset Plan was approved at Cabinet in October 2018 and has since been published on the Council's internet site. The plan comprises three documents:</p> <ul style="list-style-type: none"> • Asset Management Policy (5 year outlook) • Asset Management Strategy (3 year outlook) • Asset Management Action Plan (live document with continuous monitoring). <p>As part of the Corporate Plan there is a principal called ‘Our Assets’, which is to be an enabler for public service reform, through better utilisation of the collective public sector assets in the city. This will oversee the rationalisation of the estate, improve effectiveness and efficiency of services through co-location of service delivery and reduce ongoing maintenance costs.</p> <p>In our audit plan our focus was on revisiting the Council's progress against producing an asset plan for the current year, as we had recognised that in previous years the speed of implementation was slow. Now that a plan is in place, we no longer consider there to be a residual significant risk in relation to this matter.</p> <p>continued overleaf</p>	<p>We will continue to review key papers and hold discussions with key officers over the coming months to determine the impact, if any, on our VFM conclusion, and will report back to the Audit and Risk Committee in our Audit Findings Report in July.</p>

Results of Interim Audit Work (continued)

	Work performed	Conclusions and recommendations
Value for money	<p>Civic Halls</p> <p>It was reported in the Annual Governance Statement update to Audit and Risk Committee in March 2019, that the Council has begun to action the recommendations raised in the lessons learned reports from internal audit, such that the new governance structure and project management structure for the Civic Halls has now been fully implemented and is helping to drive delivery of the project.</p> <p>From a risk perspective, the Civic Halls risk sits as an Amber risk on the Council's Strategic risk register and is reviewed on a quarterly basis by both the risk owner and the Corporate Leadership Team. The Audit and Risk Committee has also kept an oversight of the risk and the lessons learnt reports and regularly request updates regarding Civic Halls.</p> <p>A report was presented to Cabinet (Resources) Panel on 5 March 2019 regarding the next steps for the programme i.e. approving the design, awarding of the contract to the existing contractor, and proceeding to the delivery stage. This refers to an agreed budget envelope of £38.1 million for the revised design and refurbishment, assurances about which have been given by officers to Audit Committee to confirm that this will not be exceeded.</p> <p>While we can see that the progress is being monitored, we have asked for additional information as follows:</p> <ul style="list-style-type: none"> • What are the costs spent to date on the project? • Does this identify what has been delivered against what should have been delivered? • Is the Council able to quantify what the issues identified in the lessons learned report has cost it? <p>Upon receipt of this information (and any subsequent questions that arise) we will determine whether or not the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>We will continue to review key papers and hold discussions with key officers over the coming months to determine the impact, if any, on our VFM conclusion, and will report back to the Audit and Risk Committee in our Audit Findings Report in July.</p>

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Public Sector

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit and Risk Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local Council areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

The health and social care interface

Challenge question:

Has the Audit and Risk Committee considered the 16 challenges to joint working and what can be done to mitigate these?



Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



Grant Thornton

Challenge question:

How effective is the Council's engagement with the social care sector?



In good company: Latest trends in local Council trading companies

Our recent report looks at trends in LATC's (Local Government Council Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local Council trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local Council trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local Council terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the Council to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local Council structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-Council-trading-companies/>

Public Sector Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-Council-governance-2/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

Our team



Mark Stocks, Engagement Lead

As your engagement lead, Mark will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Council and take overall responsibility for delivering high quality audits, which meet the highest professional standards while adding value.

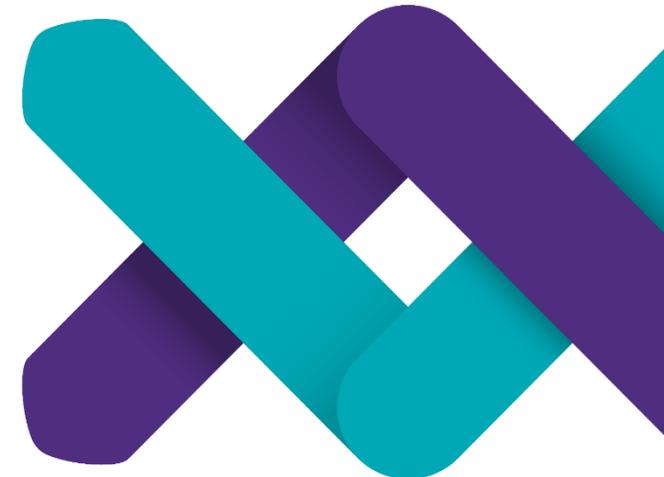


Nicola Coombe, Audit Manager

As the engagement manager, Nic is responsible for overseeing the delivery of our service and managing the audit process.

"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".

Director of Finance, local audited body



Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

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"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council



Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLACE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter Council agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery

- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.



Our connections

- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions



Our people

- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants



Our quality

- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT



Our technical support

- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



CITY OF WOLVERHAMPTON COUNCIL	<h1>Audit and Risk Committee</h1> <p>10 June 2019</p>
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Report title	Draft Statement of Accounts 2018-2019	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Emma Bland	Finance Business Partner
	Tel	01902 553928
	Email	Emma.Bland2@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to note:

1. That the Director of Finance approved the Draft Statement of Accounts 2018-2019 on 31 May 2019, in accordance with the 31 May 2019 deadline set by the Accounts and Audit Regulations 2015.
2. That the 2018-2019 Draft Statement of Accounts is to be audited by Grant Thornton UK LLP from 3 June through to 12 July, and that any material changes required as a result of the audit will be reported to the Audit and Risk Committee on 22 July 2019.
3. That formal approval by the Council and publication of the 2018-2019 Statement of Accounts is required by 31 July 2018 (Accounts and Audit Regulations 2015).
4. That the Statement of Accounts incorporates a copy of the Annual Governance Statement as required by the Accounts and Audit Regulations 2015.

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

1.0 Purpose

- 1.1 The draft Statement of Accounts for 2018-2019, which is subject to audit, has been approved by the Director of Finance and is appended to this report.

2.0 Background

- 2.1 The draft Statement of Accounts is required by statute (The Accounts and Audit Regulations 2015) to be prepared and approved by the Section 151 Officer by 31 May 2019.
- 2.2 A copy of the draft Statement of Accounts is attached at Appendix A and can also be found at <http://www.wolverhampton.gov.uk/article/3050/Statement-of-Accounts>. This will now be audited by the Council's appointed external auditors, Grant Thornton, during June and July, following which they will report their findings to the Audit and Risk Committee on 22 July. At the same time the final audited Statement of Accounts to be published by the Council will be presented to the Committee for approval.
- 2.3 The statutory deadline for publication of the audited Statement of Accounts is 31 July 2019.
- 2.4 The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement is prepared in accordance with International Financial Reporting Standards (IFRS).

3.0 Financial Implications

- 3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.
[AS/30052019/H]

4.0 Legal implications

- 4.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2018-2019 Statement of Accounts be produced in accordance with proper practice.
- 4.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 31 May 2019 and published by 31 July 2019.
[TS/31052019/Q]

5.0 Equalities implications

- 5.1 There are no equality implications arising from this report

6.0 Environmental implications

6.1 There are no environmental implications arising from this report.

7.0 Human resources implications

7.1 There are no human resource implications arising from this report.

8.0 Corporate landlord implications

8.1 There are no implications for the council's property portfolio arising from this report

9.0 Health and Wellbeing implications

9.1 There are no health and wellbeing implications arising from this report

10.0 Schedule of background papers

10.1 There are no relevant preceding reports.

11.0 Appendices

11.1 Appendix 1 – Draft Statement of Accounts 2018-2019

Statement of Accounts

2018-2019

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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 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.

Page 43 Purpose and Contents of this Document

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

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**. 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:

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

The 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

1. NARRATIVE REPORT

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.

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

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

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

Note 1 Expenditure and Funding Analysis - notes showing how expenditure is allocated for decision making purposes between the Authority’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 a number of 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 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 has to be paid, or even whether the Council will actually have to make a payment.

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

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 Non-Domestic Rates collected by the Council on behalf of Central Government and the amount retained by the Council and allocated to the Fire authority.

1. NARRATIVE REPORT

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 is run and, in particular, how it manages key risks.

Finally, there is a glossary at **Section 9**, which describes many of the technical accounting terms and abbreviations used in these statements.

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.

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.

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.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

The Council Plan

In collaboration with partners across Wolverhampton, the Vision 2030 document captures the aspirations and priorities for the City. It is in this context that the City of Wolverhampton Council Plan is developed. In March 2019, the Council launched its Council's Plan 2019-2024, building on the transformation journey with a focus on improving outcomes for the City. The plan sets out how, by working together, how the Council will deliver on the priorities of the people of our city over the next five years. The Council intends to develop and improve its services in conjunction with other plans and partners and plays an important role in ensuring that the Council's strategic objectives are achieved for the people of the City of Wolverhampton.

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 Council Plan can be found on the Council's website.

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.

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Financial Performance 2018-2019

General Fund

In March 2018, the Council approved a budget incorporating a budget reduction target of £24.5 million for 2018-2019. The following table compares the Council's General Fund outturn for 2018-2019 to its budget. It analyses spend by Directorate, which is the format used for internal reporting to management. This table is calculated in line with the legal requirements. As the table shows, the Council's outturn for 2018-2019 was a net underspend of £265,000. After taking into account net transfers to/from earmarked reserves, the General Fund Balance remains at £10.0 million and earmarked reserves total £58.8 million at the end of the financial year.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

Service	2018-2019 Net Controllable Budget £m	2018-2019 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Place	51.4	51.4	-
People	118.1	118.9	0.8
Corporate	53.3	52.3	(1.0)
Education	6.3	6.2	(0.1)
Net Budget Requirement	229.1	228.8	(0.3)
Funding:			
Council Tax (including Adult Social Care Precept)	(97.0)	(97.0)	-
Enterprise Zone Business Rates	(1.9)	(1.4)	0.5
Business Rates (net of WMCA growth payment)	(72.4)	(72.5)	(0.1)
Business Rates Autumn Statement Compensation	(7.8)	(8.2)	(0.4)
Government Grant (General)	(48.3)	(48.3)	-
Collection Fund Surplus	(1.7)	(1.7)	-
Total Funding	(229.1)	(229.1)	-
Net Budget (Surplus)/Deficit	-	(0.3)	(0.3)

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Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £21.5 million, compared to a budgeted surplus of £15.2 million. This position is net of a revaluation adjustment of £1.2 million and a £2.0 million Gain on Sale of Property, Plant and Equipment included in the income and expenditure statement but not in the HRA balance. £20.7 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 the impact of accounting treatment of depreciation calculated on a componentised basis, lower than budgeted income and a lower than budgeted increase to the bad debt provision.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

	Budget 2018-2019 £m	Outturn 2018-2019 £m	Variance Over/(Under) £m
Income	(96.5)	(95.4)	1.1
Expenditure	70.9	64.5	(6.4)
Net Cost of Services	(25.6)	(30.9)	(5.3)
Net Cost of Borrowing and Investments	10.4	10.2	(0.2)
Surplus for the Year	(15.2)	(20.7)	(5.5)
Allocation of Surplus for the Year			
Provision for Redemption of Debt	(15.2)	(20.7)	(5.5)
Transfer to/(from) Reserves	-	-	-
Total	-	-	-

Capital Programme

Capital expenditure by the Council during 2018-2019 totalled £119.3 million, as set out in the following table. This was £31.0 million under budget primarily due to slippage into future years and cost reductions.

Expenditure	Approved Budget 2018-2019 £m	Outturn 2018-2019 £m	Variation Over/(Under) £m
General Fund			
Corporate	19.7	11.2	(8.5)
People	15.9	14.9	(1.0)
Place	64.9	50.4	(14.5)
Total General Fund	100.5	76.5	(24.0)
Housing Revenue Account	49.8	42.8	(7.0)
Total Expenditure	150.3	119.3	(31.0)

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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 reduced by £5.2 million (net) over the course of the year. Total provisions at 31 March 2019 stood at £9.5 million: further details are provided in Note 7A to the Financial Statements.

Capital Expenditure

The Council once again successfully managed a large capital expenditure programme in 2018-2019, resulting in additions to non-current assets of £89.6 million, together with other capital expenditure of £29.8 million. The main additions were on council dwellings (£42.8 million), other land and buildings (£27.9 million) and infrastructure assets (£9.2 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 £57.4 million during 2018-2019, made up of an increase of £11.0 million in liabilities, countered by an increase of £68.4 million in assets. The main reasons for the net movement were gains of £94.0 million resulting from changes in actuarial assumptions, net interest payable of £15.4 million, and other net expenditure of £26.2 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 has to charge to its revenue accounts is the amount of employee contributions payable for the year, and not the costs calculated under the accounting rules. It is also important to note that the calculation of the net pensions liability relies on a number of complex judgements and assumptions, variations in which can lead to significant differences in the outcome: this is discussed in Note 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 2019, its total borrowing portfolio stood at £740.9 million, of which £629.1 million is owed to the Public Works Loan Board, £103.8 million to private sector lenders and £8.0 million temporary loans. The Council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA).

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

Please note borrowings on the balance sheet are higher due to £5.3 million accrued interest and a £5.3 million difference between the LOBO principal cash value and amortised cost (under the Code of Practice).

The Medium Term Financial Strategy 2019-2020 to 2023-2024

General Fund

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

Economic Conditions

The UK economy has generally been performing weakly since the 'credit crunch' crisis of 2007-2008, following several years of consistently high economic performance since the mid-1990s. Price inflation in the UK has also generally been high during the last few years. The main impacts of these economic conditions on the Council have included:

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

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

Social and Demographic Factors

The City of Wolverhampton is amongst the most densely populated local authority areas in England with 259,926 (2017 mid-year estimate) people living in its 26.8 square miles. In addition, the latest Indices of Deprivation (2015) indicate that Wolverhampton is more deprived than it was five years before (2010), a decline from the 20th most deprived to the 19th (out of 326 councils). Although it is important to note that deprivation in the city continues to be concentrated in a number of 'hot spots'.

In addition, the city's demographic profile is changing, attracting new residents and increasing diversity, and as a result Wolverhampton's population is projected to increase, circa 4.5% (approximately 11,700 extra residents) between 2019 and 2029 (2016-based population projections). This growth rate

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

is on par with the Black Country average yet below the English average (circa 5.2%) which, therefore, suggests that if population remains a dominant factor for the distribution of Government grants then Wolverhampton will continue to receive a declining share of those resources.

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

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

The Medium Term Financial Strategy

Whilst the Council's financial planning process is driven by the annual statutory budget cycle, its horizons extend to the medium term. 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 2019 is summarised in the table below.

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	2019-2020 £m	2020-2021 £m	2021-2022 £m	2022-2023 £m	2023-2024 £m
Net Expenditure Budget	234.9	258.6	270.0	279.4	289.7
General Funding	(234.9)	(231.3)	(234.1)	(238.5)	(243.2)
Cumulative Projected Deficit	-	27.3	35.9	40.9	46.5
Annual Projected Deficit	*	27.3	8.6	5.0	5.6

The Council has been able to set a balanced budget for 2019-2020 without the use of general reserves, however, as the table above shows, the Council forecast that it will need to save a further £27.3 million by 2020-2021, rising to £40 - £50 million over the medium term. These budget reductions are in addition to £9.6 million of budget reductions and income generation targets that are already planned and built into the Medium Term Financial Strategy. Further to this, the Council has already identified budget reductions in excess of £220 million over the last eight financial years.

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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

The Council has developed a Five Year Financial Strategy which is aligned to the Council Plan 2019-2024, providing the strategic framework to address the budget challenge facing the Council. The Council's strategic approach to address the deficit is aligned to the core workstreams contained within the Financial Strategy: The workstreams are:

- Promoting Digital Innovation
- Reducing Demand
- Targeted Service Delivery
- Sustainable Business Models
- Prioritising Capital Investment
- Generating Income
- Delivering Efficiencies
- Maximising Partnerships and External Income

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

Housing Revenue Account

The Council is planning to utilise the freedoms and resources resulting from the introduction of self-financing in April 2012 to continue to develop new affordable housing in the city, further helped by the abolition of the HRA borrowing cap in October 2018.

An updated HRA business plan was approved in January 2019. The HRA is expected to have sufficient resources to fund £1.9 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 a major high rise infrastructure renewal programme and £157.3 million for new build programmes over the next five years.

In terms of 2019-2020, the plan includes an average rent decrease of 1% in line with the requirements of the Welfare Reform and Work Bill. The table below shows the approved budget for 2019-2020, along with forecasts for the next two years.

	Budget 2019-2020 £m	Forecast 2020-2021 £m	Forecast 2021-2022 £m
Income			
Gross Rents – Dwellings	(89.7)	(91.1)	(94.0)
Gross Rents - Non-Dwellings	(0.5)	(0.5)	(0.6)
Charges to Tenants for Services and Facilities	(6.3)	(6.4)	(6.5)
Total Income	(96.5)	(98.0)	(101.1)
Expenditure			
Management and Maintenance	45.4	46.2	47.1
Depreciation of Long Term Assets	22.0	21.8	21.6
Net Financing Costs	10.8	13.1	15.5
Provision for Bad Debts	1.5	2.0	2.0
Total Expenditure	79.7	83.1	86.2
Balance	(16.8)	(14.9)	(14.9)

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

Capital Programme

Capital expenditure is investment in the Council's property, plant, equipment and other long-life assets. It can also include investment in assets owned by other parties, in certain circumstances. Capital funding has declined significantly at a national level, but nonetheless the Council has been able to put together a capital programme that includes major projects such as City Development, New Build Programme, Decent Homes Stock Condition improvements, Primary and Secondary School Expansion Programmes. The table below shows the Council's capital programme for the next five years, as approved by Full Council.

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	TOTAL
	£m	£m	£m	£m	£m	£m
Forecast Expenditure	270.1	150.2	84.8	64.0	60.9	630.0

The following table lists some of the main projects in 2019-2020:

Project	Forecast Expenditure 2019-2020 £m
Corporate	
WV Living loans	17.0
Corporate Initiatives	3.0
Corporate Services - Contingency	2.6
	22.6
People	
Secondary School Expansion Programme	16.9
Primary School Expansion Programme	15.2
Schools Modernisation, Suitability and Condition	1.4
Special Education Needs Capital Fund Programme	0.8
Public Health	0.2
Sports investment Strategy	0.2
	34.7

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

Project	Forecast Expenditure 2019-2020 £m
Place	
City Development	67.5
Land and Property Investment Fund	15.7
ICT Developments	5.1
Operational Maintenance	4.9
Highway Capital Maintenance	4.0
Highway Improvements & Active Travel	2.4
Fleet Services	2.4
i54 Western Extension	1.5
Corporate Asset Management	1.1
Development of Cultural Estate	1.0
Queen Street Townscape Heritage	0.8
Energy Efficiency Measures	0.4
Parks Strategy & Open Spaces	0.3
Smart and Accessible City	0.2
War Memorial Restoration	0.1
	107.4
Housing Private Sector	6.0
Housing Revenue Account	
New Build Programme	40.3
Decent Homes Stock Condition	36.8
Other Stock Condition Improvements	12.5
Estate Remodelling	6.6
Service Enhancements and Miscellaneous	2.2

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

Project	Forecast Expenditure 2019-2020 £m
Adaptations for People with Disabilities	1.0
	99.4
Grand Total	270.1

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

Source of Funding	Forecast Expenditure 2019-2020 £m
Borrowing	166.1
Grants and Contributions	60.8
Reserve Funds	22.0
Capital Receipts	20.8
Capital Expenditure Financed from the Revenue Account	0.4
Total	270.1

2. STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Director of Finance's Responsibilities

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

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

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

The Director of Finance has also:

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

2. STATEMENT OF RESPONSIBILITIES

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 2019 and its income and expenditure for the year ended on the same date.

Claire Nye
Director of Finance

Date: 31 May 2019

3. INDEPENDENT AUDITORS REPORT TO COUNCILLORS OF THE CITY OF WOLVERHAMPTON COUNCIL

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

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4. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Council only)

2017-2018								2018-2019		
Restated										
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m			
4.9	(0.4)	4.5	Strategic Director People		4.8	(0.2)	4.6			
132.9	(65.9)	67.0	Adult Services		135.8	(69.3)	66.5			
68.3	(17.1)	51.2	Children & Young People		69.0	(11.1)	57.9			
23.5	(21.9)	1.6	Public Health & Wellbeing		20.6	(21.2)	(0.6)			
229.6	(105.3)	124.3	People		230.2	(101.8)	128.4			
1.7	-	1.7	Managing Director		3.8	(0.2)	3.6			
10.4	(4.9)	5.5	Governance		2.2	(0.9)	1.3			
128.3	(115.4)	12.9	Corporate Services		111.3	(102.1)	9.2			
6.6	(9.6)	(3.0)	Corporate Accounts		6.4	(15.4)	(9.0)			
147.0	(129.9)	17.1	Corporate		123.7	(118.6)	5.1			
1.5	(4.4)	(2.9)	Corporate Resources		1.8	(4.2)	(2.4)			
1.5	(4.4)	(2.9)	Corporate Resources		1.8	(4.2)	(2.4)			
158.3	(146.5)	11.8	Director of Education		191.5	(151.9)	39.6			
158.3	(146.5)	11.8	Education		191.5	(151.9)	39.6			
1.0	-	1.0	Strategic Director Place		0.8	(0.1)	0.7			
20.5	(7.0)	13.6	Regeneration		21.9	(5.0)	16.9			
23.3	(11.0)	12.3	Commercial Services		26.4	(12.9)	13.5			
4.9	(1.2)	3.7	City Housing		5.2	(1.3)	3.9			
58.4	(16.8)	41.8	City Environment		65.8	(21.3)	44.5			
0.1	(0.1)	-	Land Property Investment Fund		7.1	(0.5)	6.6			
0.1	-	0.1	Public Service Reform		5.4	(0.6)	4.8			
108.5	(36.1)	72.4	Place		132.6	(41.7)	90.9			
136.6	(208.6)	(72.0)	Housing Revenue Account		68.5	(98.0)	(29.5)			
781.3	(630.8)	150.5	Net Cost of Services		748.3	(516.2)	232.1			
39.3	(15.8)	23.5	Other operating expenditure	3	67.4	(15.5)	51.9			

4. THE FINANCIAL STATEMENTS

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

2017-2018 Restated				2018-2019			
Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m	
60.9	(4.5)	56.4	4	48.1	(2.2)	45.9	
-	(257.4)	(257.4)	5	-	(263.7)	(263.7)	
881.5	(908.5)	(27.0)		863.8	(797.6)	66.2	
		(27.9)				5.9	
		(30.3)				(47.8)	
		0.5				-	
		-				(0.1)	
		(57.7)				(42.0)	
		(57.7)				(42.0)	
		(84.7)				24.2	

4. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Group)

2017-2018 Restated								2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m			
4.9	(0.4)	4.5	Strategic Director People		4.8	(0.2)	4.6			
132.9	(65.9)	67.0	Adult Services		135.8	(69.3)	66.5			
74.2	(17.1)	57.1	Children & Young People		69.0	(11.1)	57.9			
23.5	(21.9)	1.6	Public Health & Wellbeing		20.6	(21.2)	(0.6)			
235.5	(105.3)	130.2	People		230.2	(101.8)	128.4			
1.7	-	1.7	Managing Director		3.8	(0.2)	3.6			
10.4	(4.9)	5.5	Governance		2.2	(0.9)	1.3			
128.3	(115.4)	12.9	Corporate Services		111.3	(102.1)	9.2			
6.6	(9.6)	(3.0)	Corporate Accounts		6.4	(15.4)	(9.0)			
147.0	(129.9)	17.1	Corporate		123.7	(118.6)	5.1			
1.5	(4.4)	(2.9)	Corporate Resources		1.8	(4.2)	(2.4)			
1.5	(4.4)	(2.9)	Corporate Resources		1.8	(4.2)	(2.4)			
152.4	(146.5)	5.9	Director of Education		191.5	(151.9)	39.6			
152.4	(146.5)	5.9	Education		191.5	(151.9)	39.6			
1.0	-	1.0	Strategic Director Place		0.8	(0.1)	0.7			
20.5	(7.0)	13.5	Regeneration		21.9	(5.0)	16.9			
23.3	(11.0)	12.3	Commercial Services		26.4	(12.9)	13.5			
9.0	(1.2)	7.8	City Housing		5.4	1.0	6.4			
58.4	(16.8)	41.6	City Environment		65.8	(21.3)	44.5			
0.1	(0.1)	-	Land Property Investment Fund		7.1	(0.5)	6.6			
0.1	-	0.1	Public Service Reform		5.4	(0.6)	4.8			
112.4	(36.1)	76.4	Place		132.8	(39.4)	93.4			
136.6	(208.6)	(72.0)	Housing Revenue Account		68.5	(98.0)	(29.5)			
785.1	(630.8)	154.3	Net Cost of Services		748.5	(513.9)	234.6			
39.3	(15.8)	23.5	Other operating expenditure	3	67.4	(15.5)	51.9			

4. THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Group) (continued)

2017-2018				2018-2019			
Restated							
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
61.8	(4.5)	57.3	Financing and investment income and expenditure	4	49.3	(2.3)	47.0
-	(257.4)	(257.4)	Taxation and non-specific grant income and expenditure	5	-	(263.7)	(263.7)
886.2	(908.5)	(22.3)	Deficit on Provision of Services		865.2	(795.4)	69.8
		(27.9)	Gain/(loss) on Revaluation of Non-Current Assets				5.9
		(32.0)	Re-measurement of the net defined benefit liability				(51.1)
		0.5	Surplus or deficit on revaluation of available for sale financial assets				-
		-	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				(0.1)
		(59.4)					(45.3)
		(59.4)	Other Comprehensive Income and Expenditure				(45.3)
		(82.0)	Total Comprehensive Income and Expenditure				24.5

4. THE FINANCIAL STATEMENTS

Balance Sheets

31 March 2018						31 March 2019	
Restated							
Council £m	Group £m			Note	Council £m	Group £m	
1,440.4	1,440.4	Property, Plant & Equipment		8	1,387.8	1,387.8	
11.6	11.6	Heritage Assets		8	11.6	11.6	
36.2	36.2	Investment Property		8	34.3	34.3	
5.6	5.6	Intangible Assets		8	5.3	5.3	
-	-	Assets Held for Sale		8	-	-	
24.7	24.7	Long-term Investments			24.7	24.7	
1.3	1.3	Long-term Debtors			1.3	1.3	
-	-	Long-term Loans to External Bodies			0.1	0.1	
1,519.8	1,519.8	Long-term Assets			1,465.1	1,465.1	
7.6	7.6	Short-term Investments			25.3	25.3	
0.4	2.6	Inventories			0.5	8.2	
66.5	65.6	Short-term Debtors		6A	80.8	74.9	
2.2	16.3	Cash and Cash Equivalents			2.8	14.8	
76.7	92.1	Current Assets			109.4	123.2	
(10.7)	(10.7)	Short-term Borrowing			(13.3)	(13.3)	
(80.3)	(84.3)	Short-term Creditors		6C	(81.9)	(84.4)	
(14.7)	(14.7)	Provisions		7A	(9.5)	(9.5)	
(105.7)	(109.7)	Current Liabilities			(104.7)	(107.2)	
(672.4)	(672.4)	Long-term Borrowing			(738.4)	(738.4)	
(640.7)	(678.3)	Net Pension Liability		9	(583.2)	(621.0)	
(107.1)	(107.1)	Other Long-term Liabilities			(101.3)	(101.3)	
(4.8)	(4.8)	Grant Receipts in Advance – Capital			(5.4)	(5.4)	
(1,425.0)	(1,462.6)	Long-term Liabilities			(1,428.3)	(1,466.1)	

4. THE FINANCIAL STATEMENTS

31 March 2018			31 March 2019		
Restated					
Council £m	Group £m		Note	Council £m	Group £m
65.8	39.6	Net Assets		41.5	15.0
(80.8)	(54.5)	Usable Reserves	13A	(89.6)	(63.1)
15.0	15.0	Unusable Reserves	13A	48.1	48.1
(65.8)	(39.6)	Total Reserves		(41.5)	(15.0)

The notes, Housing Revenue Account Statements and Collection Fund Statement on pages 149 to 156 form part of these financial statements.

4. THE FINANCIAL STATEMENTS

Movement in Reserves Statement 2018-2019

(For a detailed breakdown of the figures in this Statement, see Note 13A)

	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Reserves of the Subsidiary	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(10.0)	(55.8)	(7.0)	(4.2)	(0.4)	(3.4)	27.0	(53.8)	15.0	(65.8)	(38.8)
	-	-	-	-	-	-	(0.8)	(0.8)	-		(0.8)
As Restated	(10.0)	(55.8)	(7.0)	(4.2)	(0.4)	(3.4)	26.2	(54.6)	15.0	(65.8)	(39.6)
Surplus/(Deficit) on Provision of Services	87.6	-	(21.5)	-	-	-	3.7	69.9	-	66.1	69.9
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(3.3)	(3.3)	(41.9)	(41.9)	(45.2)
Total Comprehensive Income and Expenditure	87.6	-	(21.5)	-	-	-	0.3	66.6	(41.9)	24.2	24.6
Adjustments between Accounting Basis & Funding Basis under Regulations	(90.4)	-	21.5	(4.7)	(0.4)	(1.0)	-	(75.0)	75.0	-	-
Net Decrease/(Increase) before Transfers & Other Movements	(2.8)	-	-	(4.7)	(0.3)	(1.0)	0.3	(8.5)	33.1	24.2	24.6
Transfers to/from earmarked Reserves	2.9	(2.9)	-	-	-	-	-	-	-	-	-
(Increase)/decrease for the Year	0.1	(2.9)	-	(4.7)	(0.3)	(1.0)	0.3	(8.5)	33.1	24.2	24.6
Balance Carried Forward	(10.0)	(58.6)	(7.0)	(8.9)	(0.7)	(4.4)	26.7	(63.0)	48.1	(41.5)	(15.0)

4. THE FINANCIAL STATEMENTS

Movement in Reserves Statement 2017-2018

(For a detailed breakdown of the figures in this Statement, see Note 15A)

Restated	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Reserves of the Subsidiary	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(10.0)	(61.3)	(5.1)	(6.8)	(0.1)	(2.8)	24.3	(61.8)	105.0	18.9	43.2
Surplus/(Deficit) on Provision of Services	39.0	-	(66.0)	-	-	-	4.4	(22.6)	-	(27.0)	(22.6)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(1.7)	(1.7)	(57.7)	(57.7)	(59.4)
Total Comprehensive Income and Expenditure	39.0	-	(66.0)	-	-	-	2.7	(24.3)	(57.7)	(84.6)	(82.0)
Adjustments between Accounting Basis & Funding Basis under Regulations	(33.9)	-	64.4	2.6	(0.3)	(0.6)	-	32.4	(32.4)	-	-
Net Decrease/(Increase) before Transfers & Other Movements	5.1	-	(1.5)	2.6	(0.3)	(0.6)	2.7	8.0	(90.0)	(84.6)	(82.0)
Transfers to/from earmarked Reserves	(5.1)	5.5	(0.4)	-	-	-	-	-	-	-	-
(Increase)/decrease for the Year	-	5.5	(1.9)	2.6	(0.3)	(0.6)	2.7	8.0	(90.0)	(84.6)	(82.0)
Balance Carried Forward	(10.0)	(55.8)	(7.0)	(4.2)	(0.4)	(3.4)	27.0	(53.8)	15.0	(65.7)	(38.7)

4. THE FINANCIAL STATEMENTS

Cash Flow Statement

2017-2018 Restated				2018-2019	
Council £m	Group £m		Note	Council £m	Group £m
82.6	87.3	Net deficit on the provision of services		66.1	69.8
(154.6)	(157.5)	Adjustment for non-cash movements	14A	(110.7)	(112.3)
15.8	15.8	Adjustment for items that are investing and financing activities	14B	15.5	15.5
(56.2)	(54.4)	Net cash flows from operating activities	14C	(29.1)	(27.0)
		Investing activities			
80.9	80.9	Purchase of property, plant and equipment, investment property and intangible assets		89.6	89.6
496.1	496.1	Purchase of short-term and long-term investments		476.0	476.0
(15.8)	(15.8)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(15.5)	(15.5)
(495.2)	(495.2)	Receipts from sale of short-term and long-term investments		(458.2)	(458.2)
(0.1)	(0.1)	Other receipts from investing activities		(0.6)	(0.6)
65.9	65.9	Net cash flows from investing activities		91.3	91.3
		Financing activities			
(105.0)	(105.9)	Cash receipts of short-term and long-term borrowing		(79.4)	(79.4)
7.1	7.1	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		5.8	5.8
-	(1.0)	Cash receipts from Called Up Share Capital		-	-
87.1	87.1	Repayments of short-and long-term borrowing		10.8	10.8
(10.8)	(12.7)	Net cash flows from total financing activities		(62.8)	(62.8)
(1.1)	(1.2)	Net (increase) or decrease in cash and cash equivalents		(0.6)	1.5
		Cash and cash equivalents at the start of the year:			
0.2	0.2	- Cash held by the council		0.6	0.6
0.9	14.8	- Bank current accounts		1.6	15.7
1.1	15.0			2.2	16.3
		Cash and cash equivalents at the end of the year:			
0.6	0.6	- Cash held by the council		0.9	0.9
1.6	15.7	- Bank current accounts		1.9	13.9
2.2	16.3			2.8	14.8

4. THE FINANCIAL STATEMENTS

Note 1A Prior Period Restatement of Service Expenditure and Income 2017-2018

In 2018-2019 a senior management internal restructure resulted in 'Corporate Landlord and 'City Economy' being reclassified under 'Director of Education', 'City Environment', 'Regeneration' and 'Commercial Services'. The CIES and accompanying Expenditure & Funding Analysis notes have been restated for comparability. The table below shows the amounts of the reclassifications.

Net Cost of Services	As reported in the Comprehensive Income & Expenditure Statement 2017-2018 £m	As restated 2018-2019 £m			
		Director of Education	City Environment	Regeneration	Commercial Services
City Economy	16.5	2.6	0.3	13.6	-
Corporate Landlord	12.3	-	-	-	12.3
Total 2017-2018 as restated in the Comprehensive Income and Expenditure Statement 2018-2019	28.8	2.6	0.3	13.6	12.3

4. THE FINANCIAL STATEMENTS

Note 1B - Expenditure and Funding Analysis

2017-2018			2018-2019			
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		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
£m	£m	£m	Note	£m	£m	£m
4.2	0.3	4.5		4.2	0.4	4.6
62.3	4.7	67.0		63.8	2.7	66.5
49.7	7.4	57.1		51.0	6.9	57.9
-	1.6	1.6		-	(0.6)	(0.6)
116.2	14.0	130.2		119.0	9.4	128.4
1.4	0.3	1.7		4.8	(1.2)	3.6
23.8	(10.9)	12.9		12.5	(3.3)	9.2
8.0	(2.6)	5.4		2.8	(1.5)	1.3
28.7	(31.7)	(3.0)		32.4	(41.4)	(9.0)
61.9	(44.9)	17.0		52.5	(47.4)	5.1
(222.9)	220.0	(2.9)		(229.1)	226.7	(2.4)
(222.9)	220.0	(2.9)		(229.1)	226.7	(2.4)
3.8	(0.4)	3.4		6.2	33.4	39.6
(194.2)	188.3	(5.9)		6.2	33.4	39.6
0.6	0.4	1.0		0.5	0.2	0.7
1.5	2.3	3.8		1.1	2.8	3.9
23.2	18.0	41.2		21.8	22.7	44.5
7.8	8.7	16.5		5.6	11.3	16.9
7.9	4.4	12.3		18.8	(5.3)	13.5
-	-	-		-	6.6	6.6
-	-	-		3.6	1.2	4.8
41.0	33.8	74.8		51.4	39.5	90.9
(2.0)	(69.9)	(71.9)		-	(29.5)	(29.5)

4. THE FINANCIAL STATEMENTS

(2.0)	152.6	150.6	Net Cost of Services	-	232.1	232.1
-	(177.5)	(177.5)	Other Income and Expenditure	-	(165.9)	(165.9)
(2.0)	(24.9)	(26.9)	Surplus or Deficit	-	66.2	66.2

The Expenditure and Funding Analysis notes have been restated in 2017-2018 to reflect the prior period restatement outlined in Note 1A.

4. THE FINANCIAL STATEMENTS

Note 1C – Note to the Expenditure and Funding Analysis 2018-2019

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments between Funding and Accounting			
	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Strategic Director People	-	0.1	0.3	0.4
Children & Young People	0.6	0.8	5.5	6.9
Adult Services	1.4	0.6	0.7	2.7
Public Health & Wellbeing	-	-	(0.6)	(0.6)
People	2.0	1.5	5.9	9.4
Managing Director	-	0.1	(1.3)	(1.2)
Corporate Services	2.3	0.4	(6.0)	(3.3)
Governance	-	0.1	(1.6)	(1.5)
Corporate Accounts	4.7	0.2	(46.3)	(41.4)
Corporate	7.0	0.8	(55.2)	(47.4)
Education	28.2	1.7	3.5	33.4
Education	28.2	1.7	3.5	33.4
Corporate Resources	-	-	226.7	226.7
Corporate Resources	-	-	226.7	226.7
Strategic Director Place	-	-	0.2	0.2
City Economy	-	-	-	-
City Assets	-	-	-	-
City Housing	2.6	-	0.2	2.8
Corporate Landlord	-	-	-	-
City Environment	18.0	0.6	4.1	22.7
Regeneration	7.5	0.2	3.6	11.3
Commercial Services	13.2	0.5	(19.0)	(5.3)
Land Property Investment Fund	6.6	-	-	6.6
Public Service Reform	-	0.1	1.1	1.2

4. THE FINANCIAL STATEMENTS

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments between Funding and Accounting			
	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Place	47.9	1.4	(9.8)	39.5
Housing Revenue Account	0.2	-	(29.7)	(29.5)
Net Cost of Services	85.3	5.4	141.4	232.1
Other income and expenditure	-	-	(165.9)	(165.9)
Total	85.3	5.4	(24.5)	66.2

4. THE FINANCIAL STATEMENTS

Note 1D – Note to the Expenditure and Funding Analysis 2017-2018

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments between Funding and Accounting			
	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Strategic Director People	-	-	0.3	0.3
Children & Young People	1.5	-	5.9	7.4
Adult Services	1.0	-	3.7	4.7
Public Health & Wellbeing	-	-	1.6	1.6
People	2.5	-	11.5	14.0
Managing Director	-	-	0.3	0.3
Corporate Services	2.4	-	(13.3)	(10.9)
Governance	0.1	-	(2.7)	(2.6)
Education	4.4	1.1	(5.9)	(0.4)
Corporate Services	6.9	1.1	(21.6)	(13.6)
Corporate Accounts	3.9	-	(35.7)	(31.8)
Corporate Resources	-	-	220.0	220.0
Corporate Accounts	3.9	-	184.3	188.2
Strategic Director Place	-	-	0.4	0.4
Regeneration	3.5	-	5.1	8.7
City Assets	2.5	-	(0.3)	2.3
Commercial Services	11.7	0.1	(7.3)	4.4
City Environment	16.0	0.1	2.0	18.0
Place	33.7	0.2	(0.1)	33.8
Housing Revenue Account	(38.6)	-	(31.4)	(69.9)
Net Cost of Services	8.4	1.3	142.9	152.5
Other income and expenditure	-	-	(177.5)	(177.5)
Total	8.4	1.3	(34.6)	(25.0)

4. THE FINANCIAL STATEMENTS

Note 1E – Other Differences Analysis 2018-2019

Other Differences	Reserve	Grants	External trading operations	Financing and investment income and expenditure	Other operating expenditure	Taxation and non-specific grant income and expenditure	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Strategic Director People	-	-	-	-	-	-	0.3	0.3
Adult Services	(3.7)	0.5	-	-	-	-	3.9	0.7
Children & Young People	(0.1)	-	-	-	-	-	5.6	5.5
Public Health & Wellbeing	(0.8)	-	-	-	-	-	0.2	(0.6)
People	(4.6)	0.5	-	-	-	-	10.0	5.9
Managing Director	-	0.1	-	-	-	-	(1.4)	(1.3)
Corporate Services	(2.1)	(1.5)	-	-	-	-	(2.4)	(6.0)
Governance	-	-	-	-	-	-	(1.6)	(1.6)
Corporate Accounts	(7.2)	-	-	(16.7)	(10.3)	-	(12.1)	(46.3)
Corporate	(9.3)	(1.4)	-	(16.7)	(10.3)	-	(17.5)	(55.2)
Corporate Resources	-	(1.6)	-	-	-	228.0	0.3	226.7
Corporate Resources	-	(1.6)	-	-	-	228.0	0.3	226.7
Education	0.6	-	-	-	-	-	2.9	3.5
Education	0.6	-	-	-	-	-	2.9	3.5
Strategic Director Place	0.1	-	-	-	-	-	0.1	0.2
City Housing	(0.1)	(0.1)	-	-	-	-	0.4	0.2
City Environment	(0.3)	-	0.4	-	-	-	4.0	4.1
Regeneration	(0.1)	-	-	-	-	-	3.7	3.6
Commercial Services	0.3	-	-	-	-	-	(19.3)	(19.0)
Public Service Reform	-	0.4	-	-	-	-	0.7	1.1
Place	(0.1)	0.3	0.4	-	-	-	(10.4)	(9.8)
Housing Revenue Account	(21.5)	-	-	(10.2)	2.0	-	-	(29.7)
Net Cost of Services	(34.9)	(2.2)	0.4	(26.9)	(8.3)	228.0	(14.7)	141.4

4. THE FINANCIAL STATEMENTS

Note 1F – Other Differences Analysis 2017-2018

Other Differences	Reserve	Grants	External trading operations	Financing and investment income and expenditure	Other operating expenditure	Taxation and non-specific grant income and expenditure	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Strategic Director People	-	-	-	-	-	-	0.3	0.3
Adult Services	(1.3)	0.1	-	-	-	-	4.9	3.7
Children & Young People	0.6	-	-	-	-	-	5.3	5.9
Public Health & Wellbeing	1.3	0.1	-	-	-	-	0.2	1.6
People	0.6	0.2	-	-	-	-	10.7	11.5
Managing Director	0.1	-	-	-	-	-	0.2	0.3
Corporate Services	0.3	(0.3)	(0.1)	-	-	-	(13.2)	(13.3)
Governance	(0.3)	-	0.6	-	-	-	(3.0)	(2.7)
Education	2.1	0.1	-	-	-	-	(8.0)	(5.8)
Corporate Services	2.2	(0.2)	0.5	-	-	-	(24.0)	(21.5)
Corporate Accounts	(1.0)	(0.1)	-	(14.2)	(11.0)	-	(9.3)	(35.6)
Corporate Resources	1.1	14.6	-	-	-	204.4	-	220.1
Corporate Accounts	0.1	14.5	-	(14.2)	(11.0)	204.4	(9.3)	184.5
Strategic Director Place	0.4	-	-	-	-	-	-	0.4
Regeneration	0.6	(0.1)	-	-	-	-	4.6	5.1
City Housing	(0.5)	(0.1)	-	-	-	-	0.3	(0.3)
Commercial Services	0.6	-	-	-	-	-	(7.9)	(7.3)
City Environment	1.3	0.2	-	-	-	-	0.5	2.0
Place	2.4	-	-	-	-	-	(2.5)	(0.1)
Housing Revenue Account	(21.2)	-	-	(10.2)	-	-	-	(31.4)
Net Cost of Services	(15.9)	14.5	0.5	(24.4)	(11.0)	204.4	(25.1)	143.0

4. THE FINANCIAL STATEMENTS

Note 1G Expenditure and Income Analysed by Nature

The table below discloses information on the nature of the Council's income and expenditure.

2017-2018 Restated £m		2018-2019 £m
	Expenditure	
231.0	Employee benefits expenses*	227.1
515.1	Other service expenses	464.1
44.6	Depreciation, amortisation and impairment	47.7
26.1	Loss on disposal of non-current assets	51.8
53.7	Interest payments	44.7
11.0	Levies	255.5
881.5		863.8
	Income	
(632.7)	Fees and charges and other service income	(503.3)
(167.5)	Income from Council tax and Business Rates	(170.0)
(89.9)	Government grants and contributions	(93.7)
(15.8)	Gain on disposal of non-current assets	(15.5)
(2.5)	Interest and investment income	(15.1)
(908.4)		(797.6)
(26.9)	Surplus/Deficit on provision of services	66.2

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

Note 1I Prior Period Adjustments

None

4. THE FINANCIAL STATEMENTS

Note 2 Income and Expenditure

2A Acquired and Discontinued Operations

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

Following the termination of the waste contract with Amey on 1st September 2018, waste collection and recycling facilities were transferred back to the Council.

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.

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2017-2018			2018-2019	
Turnover	Deficit/ (Surplus)	Trading Operation	Turnover	Deficit/ (Surplus)
£m	£m		£m	£m
(1.6)	(0.2)	Markets	(1.6)	(0.1)
(4.9)	0.7	Cleaning of Buildings	(5.1)	0.4
(7.1)	0.3	Schools and Welfare Catering	(6.3)	0.2
(0.3)	0.1	Civic Centre and Other Catering	(0.3)	0.1
(13.9)	0.9	Total	(13.3)	0.6

4. THE FINANCIAL STATEMENTS

2C 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 scheme is administered by the Council and is summarised in the following table.

Council Contribution £m	2017-2018		Scheme	Council Contribution £m	2018-2019	
	CCG Contribution £m	Total Expenditure £m			CCG Contribution £m	Total Expenditure £m
2.5	1.7	4.2	Child Placements with External Agencies	2.4	1.5	3.9

The second scheme relates to a pooled budget arrangement with Wolverhampton Clinical Commissioning Group (CCG) entered on 1 April 2015. 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 that the CCG and the Council establish a pooled fund for this purpose. The Host Partner is the City of Wolverhampton Council. The partners' contribution to the Fund is outlined below. The share of any over/ (under) spend is allocated according to the Section 75 agreement.

2017-2018 £m	Better Care Fund	2018-2019 £m
	Expenditure	
54.5	Adult Community Services	52.2
2.9	Dementia	2.9
9.8	Mental Health & CAMHS	10.9
-	Intermediate Care/ Reablement	-
67.2	Total Expenditure	66.0
	Gross Funding	
37.5	Wolverhampton Clinical Commissioning Group	36.5
29.3	City of Wolverhampton Council	28.4
66.8	Total Funding	64.9

4. THE FINANCIAL STATEMENTS

2017-2018 £m	Better Care Fund	2018-2019 £m
0.4	Net Over Spend	1.1
	Allocation of Over/(Under) Spend	
0.5	Wolverhampton Clinical Commissioning Group	0.8
(0.1)	City of Wolverhampton Council	0.3
0.4	Total Allocation	1.1

2D Councillors' Allowances and Expenses

The Council paid £923,000 in Councillors' allowances during 2018-2019 (2017-2018: £914,000).

4. THE FINANCIAL STATEMENTS

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	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£
Managing Director (Head of Paid Service) ¹	2018-2019	148,007	-	-	11,681	159,688
	2017-2018	147,915	-	-	42,038	189,953
Strategic Director of People/Deputy Managing Director ^{2 & 5}	2018-2019	131,995	-	-	37,780	169,775
	2017-2018	140,871	-	-	20,929	161,800
Strategic Director of Place ³	2018-2019	41,448	88,725	-	-	130,173
	2017-2018	136,183	-	-	29,027	165,210
Director of Pensions ^{4 & 24}	2018-2019	114,455	-	-	34,531	148,986
	2017-2018	120,791	-	-	33,218	154,009
Director of Finance (Section 151 Officer) ^{2, 5 & 19}	2018-2019	104,050	-	-	31,683	135,733
	2017-2018	97,982	-	-	27,847	125,829
Director of Governance (Monitoring Officer) ⁶	2018-2019	111,022	-	-	-	111,022
	2017-2018	108,845	-	-	-	108,845
Director of Education ⁷	2018-2019	114,360	-	-	34,823	149,183
	2017-2018	51,497	-	-	14,635	66,132
Director of Children's Services ^{8 & 25}	2018-2019	107,537	-	-	32,745	140,282
	2017-2018	59,506	-	-	16,912	76,418
Director of Adult Services ^{9 & 26}	2018-2019	107,537	-	-	32,745	140,282
	2017-2018	59,506	-	-	16,912	76,418
Director of Public Health ^{10 & 27}	2018-2019	107,246	-	-	32,657	139,903
	2017-2018	42,504	-	-	12,080	54,584
Director of Regeneration ¹¹	2018-2019	67,968	79,463	-	20,696	168,127
	2017-2018	-	-	-	-	-

4. THE FINANCIAL STATEMENTS

Post Title		Salary, Fees and Allowances	Contractor Costs	Expenses Allowances	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£
Service Director - City Economy ¹²	2018-2019	8,194	-	-	2,495	10,689
	2017-2018	98,328	-	-	27,945	126,273
Service Director - City Environment	2018-2019	92,027	-	-	28,022	120,049
	2017-2018	88,742	-	-	25,221	113,963
Service Director - Housing ¹³	2018-2019	108,653	-	-	33,085	141,738
	2017-2018	20,881	-	-	5,935	26,816
Service Director - City Health ¹⁴	2018-2019	51,603	-	-	15,713	67,316
	2017-2018	12,120	-	-	3,445	15,565
Director of Commercial Services ¹⁵	2018-2019	83,266	-	-	-	83,266
	2017-2018	81,940	20,700	-	-	102,640
Service Director - Strategy and Change ¹⁶	2018-2019	72,968	-	-	23,653	96,621
	2017-2018	51,878	-	-	14,744	66,622
Assistant Director - Investments and Finance ^{4, 17 & 28}	2018-2019	100,280	-	-	30,255	130,535
	2017-2018	46,326	-	-	12,740	59,066
Head of Corporate Landlord ¹⁸	2018-2019	32,282	-	-	9,830	42,112
	2017-2018	75,957	-	-	21,587	97,544
Chief Accountant ¹⁹	2018-2019	64,333	-	-	19,590	83,923
	2017-2018	31,649	-	-	8,995	40,644
Head of Corporate Communications ²⁰	2018-2019	77,476	-	-	23,591	101,067
	2017-2018	73,549	-	-	20,903	94,452
Head of Business Management ²¹	2018-2019	61,008	-	-	18,577	79,585
	2017-2018	54,234	-	-	15,143	69,377

4. THE FINANCIAL STATEMENTS

Post Title		Salary, Fees and Allowances	Contractor Costs	Expenses Allowances	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£
Head of Strategic Commissioning ²²	2018-2019	71,387	-	-	20,355	91,742
	2017-2018	54,542	36,025	-	14,919	105,486
Head of Human Resources ²³	2018-2019	64,802	-	-	19,489	84,291
	2017-2018	62,601	-	-	17,677	80,278
Strategic Director of Pensions ^{4 & 24}	2018-2019	-	-	-	-	-
	2017-2018	75,632	-	-	18,489	94,121
Service Director - Children and Young People ²⁵	2018-2019	-	-	-	-	-
	2017-2018	37,593	-	-	10,684	48,277
Service Director - Adult Social Care ²⁶	2018-2019	-	-	-	-	-
	2017-2018	40,754	-	-	11,582	52,336
Service Director - Public Health and Wellbeing ²⁷	2018-2019	-	-	-	-	-
	2017-2018	28,848	77,285	282	4,148	110,563
Chief Investment Officer ^{4 & 28}	2018-2019	-	-	-	-	-
	2017-2018	49,164	-	-	13,520	62,684

4. THE FINANCIAL STATEMENTS

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.

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2018-2019					
Number of Employees					
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50000 - £54999	29	3	75	107	4
£55000 - £59999	26	-	26	52	4
£60000 - £64999	9	2	27	38	4
£65000 - £69999	24	1	10	35	1
£70000 - £74999	8	-	2	10	1
£75000 - £79999	4	-	2	6	1
£80000 - £84999	4	-	-	4	-
£85000 - £89999	1	-	-	1	-
£90000 - £94999	1	-	-	1	-
£95000 - £99999	1	-	1	2	-
£100000 - £104999	-	-	1	1	1
£105000 - £109999	1	-	-	1	-
Total	108	6	144	258	16

4. THE FINANCIAL STATEMENTS

2017-2018					
Number of Employees					
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50000 - £54999	37	4	61	102	5*
£55000 - £59999	22	3	26	51	8
£60000 - £64999	14	2	28	44	3
£65000 - £69999	20	-	2	22	1
£70000 - £74999	7	-	2	9	2
£75000 - £79999	4	-	3	7	3
£80000 - £84999	3	-	3	6	3
£85000 - £89999	2	-	-	2	-
£90000 - £94999	1	-	2	3	1
£95000 - £99999	1	-	3	4	3
£100000 - £104999	-	-	-	-	-
£105000 - £109999	-	-	-	-	-
£110000 - £114999	-	-	-	-	-
£115000 - £119999	-	-	-	-	-
£120000 - £124999	-	-	1	1	1
Total	111	9	131	251	30

* 2017-2018 figure has been restated from 7

4. THE FINANCIAL STATEMENTS

- Note 1: The Managing Director post was held by two individuals during 2018-2019. The current post holder, with an annualised salary of £152,500 for 2018-2019, was appointed from the Strategic Director of Place post with effect from 17 July 2018. The previous post holder held the post, with an annualised salary of £153,449 for 2018-2019, until 30 June 2018. Between April 2018 and March 2019 pay costs of £20,920, included in the table against the Managing Director, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund. This is for the Managing Director's work as Chief Executive of the West Midlands Pension Fund.
- Note 2: The Strategic Director of People assumed the role of Deputy Managing Director from 1 October 2018 with no changes to remuneration. The post holder uses the title of Strategic Director of People or Deputy Managing Director as necessary depending on the circumstances and the audience. The Strategic Director of People post was held by two individuals during 2017-2018. The current post holder, with an annualised salary of £126,245 for 2017-2018, was appointed from the Director of Finance post with effect from 1 September 2017. The previous post holder held the post on a fixed term contract, with an annualised salary of £136,183 for 2017-2018, until 31 August 2017 and the amount shown includes a Market Forces Supplement of £10,485.
- Note 3: The Strategic Director of Place was held by two individuals during 2018-2019. The current post holder was appointed on 24 September 2018 and was held on an interim basis until 31 March 2019; 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 £138,910 for 2018-2019, was appointed to the Managing Director post with effect from 17 July 2018. The post was deleted on 31 March 2019 following a review of the Senior Management Structure.
- Note 4: The pay costs of these officers were fully funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.
- Note 5: Between April 2018 and March 2019 pay costs of £14,890, 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. The Director of Finance post was held by two individuals during 2017-2018. The current post holder, with an annualised salary of £90,223 for 2017-2018, had been redesignated from the Chief Accountant post with effect from 1 September 2017. The previous post holder, with an annualised salary of £108,845 for 2017-2018, was appointed to the Strategic Director of People post with effect from 1 September 2017. Between April 2017 and March 2018 pay costs of £13,810, 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 6: Between April 2018 and March 2019 pay costs of £12,520, included in the table against the Director of Governance, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund.
- Note 7: The Director of Education took up position on 11 October 2017 and had an annualised salary of £108,845 for 2017-2018.

4. THE FINANCIAL STATEMENTS

- Note 8: The Director of Children's Services post was created on 1 September 2017 from the deleted Service Director Children and Young People post. The post had an annualised salary of £102,010 for 2017-2018.
- Note 9: The Director of Adult Services post was created on 1 September 2017 from the deleted Service Director Adult Social Care post. The post had an annualised salary of £102,010 for 2017-2018.
- Note 10: The Director of Public Health post was created on 1 November 2017 from the deleted Service Director Public Health and Wellbeing post. The post had an annualised salary of £102,010 for 2017-2018.
- Note 11: The Director of Regeneration post was created on 1 April 2018 and was held by two individuals during 2018-2019. The current post holder, with an annualised salary of £104,050 for 2018-2019, was appointed on 6 August 2018. The previous post holder held the post between 1 April 2018 and 30 September 2018 on an interim basis and the costs shown are the full fees paid to the interim management agency and not the payment to the post holder.
- Note 12: The Service Director City Economy post became vacant on 30 April 2018 and was deleted. The post had an annualised salary of £98,328 during 2018-2019.
- Note 13: The Service Director Housing post was redesignated from the Head of Housing post with effect from 1 October 2017 and had an annualised salary of £98,328 for 2017-2018. The Service Director Housing post was filled on 15 January 2018.
- Note 14: The Service Director City Health took up position on 2 January 2018 and had an annualised salary of £49,008 for 2017-2018. The current post holder occupies the post of Service Director City Health on a part time basis.
- Note 15: The Service Director Commercial Services was re-designated to the post of Director of Commercial Services as of 1 April 2018. The Director of Commercial Services post became vacant on 21 December 2018 and had an annualised salary of £111,022 for 2018-2019. The post was deleted on 31 March 2019 following a review of the Senior Management Structure.
- Note 16: The Service Director Strategy and Change post holder is required to report directly to the Managing Director. The Service Director Public Service Reform post was re-designated to the post of Service Director Strategy and Change as of 1 April 2018. The Service Director Strategy and Change post became vacant on 27 January 2019 and had an annualised salary of £92,027 for 2018-2019. The post was deleted on 31 March 2019 following a review of the Senior Management Structure. The Service Director Public Service Reform took up position on 4 September 2017 and had an annualised salary of £90,223 for 2017-2018.
- Note 17: The Assistant Director Investments and Finance took up position on 1 October 2017 and had an annualised salary of £93,152 for 2017-2018.

4. THE FINANCIAL STATEMENTS

- Note 18: The Head of Corporate Landlord post became vacant on 31 August 2018 and had an annualised salary of £77,476 for 2018-2019. The post remains vacant until the review of the service has been completed.
- Note 19: The Chief Accountant took up position on 1 April 2018. The previous Chief Accountant was redesignated to the Director of Finance post with effect from 1 September 2017 and had an annualised salary of £75,957 for 2017-2018.
- Note 20: The Head of Corporate Communications post holder is required to report directly to the Managing Director.
- Note 21: The Head of Business Management post holder is required to report directly to the Managing Director.
- Note 22: The Head of Strategic Commissioning post became vacant on 3 March 2019 and had an annualised salary of £75,020 for 2018-2019. The post was deleted on 31 March 2019 following a review of the Senior Management Structure. The Head of Strategic Commissioning took up position on 1 July 2017 and had an annualised salary of £71,142 for 2017-2018. The post was held on an interim basis until 30 June 2017; the costs shown are the full fees paid to the interim management agency and not the payment to the post holder.
- Note 23: The Head of Human Resources post holder is required to report directly to the Managing Director as of 1 April 2018.
- Note 24: The Strategic Director of Pensions post became vacant on 30 September 2017 and £8,399 relates to pay in lieu of leave and had an annualised salary of £134,467 for 2017-2018. The Strategic Director of Pensions post was redesignated to Director of Pensions with effect from 1 October 2017.
- Note 25: The Service Director Children and Young People post was deleted on 31 August 2017 after a restructure. The post had an annualised salary of £90,223 for 2017-2018.
- Note 26: The Service Director Adult Social Care post was deleted on 31 August 2017 after a restructure. The post had an annualised salary of £98,328 for 2017-2018.
- Note 27: The Service Director Public Health and Wellbeing post became vacant on 16 July 2017 and had an annualised salary of £98,453 for 2017-2018. The post was then held on an interim basis between 1 July 2017 and 30 November 2017 before being deleted following a restructure. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.
- Note 28: The Chief Investment Officer post became vacant on 30 September 2017 and was replaced with the Assistant Director Investments and Finance post. The Chief Investment Officer post had an annualised salary of £98,328 for 2017-2018.

4. THE FINANCIAL STATEMENTS

2F Exit Packages

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

	2017-2018*						2018-2019						
	Compulsory		Other		Total		Value of Individual Package	Compulsory		Other		Total	
	Number	£m	Number	£m	Number	£m		Number	£m	Number	£m	Number	£m
	-	-	1	0.3	1	0.3	£300,001 to £350,000	-	-	-	-	-	-
	-	-	-	-	-	-	£250,001 to £300,000	-	-	-	-	-	-
	-	-	-	-	-	-	£200,001 to £250,000	-	-	1	0.2	1	0.2
	-	-	1	0.2	1	0.2	£150,001 to £200,000	-	-	1	0.2	1	0.2
	-	-	5	0.6	5	0.6	£100,001 to £150,000	2	0.3	2	0.2	4	0.5
	-	-	6	0.5	6	0.5	£80,001 to £100,000	-	-	2	0.2	2	0.2
	-	-	5	0.4	5	0.4	£60,001 to £80,000	2	0.1	5	0.4	7	0.5
	2	0.1	12	0.6	14	0.7	£40,001 to £60,000	2	0.1	10	0.5	12	0.6
	7	0.2	31	0.9	38	1.1	£20,001 to £40,000	4	0.1	22	0.6	26	0.7
	72	0.6	100	0.9	172	1.5	Less than £20,000	22	0.1	76	0.7	98	0.8
	81	0.9	161	4.4	242	5.3	Total	32	0.7	119	3.0	151	3.7

*2017-2018 figures restated due to excluding Pay In Lieu of Leave (PILOL) only payments

4. THE FINANCIAL STATEMENTS

2G Amounts Payable to the Auditors

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

2017-2018 £m	Grant Thornton UK LLP	2018-2019 £m
0.189	External audit (Council)	0.146
0.019	Certification of grant claims and returns	0.014
0.016	Additional work (*)	0.019
0.224	TOTAL	0.179

* The fee payable to Grant Thornton UK LLP for additional work relates to: -

- Telecommunications Billing Audit Project - £2,500
- Certification of Teachers Pensions Claim 2017-2018 - £4,200
- WV Living Audit Fee 2017-2018 - £12,000

4. THE FINANCIAL STATEMENTS

2H Grants

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

2017-2018 £m	Credited to Net Cost of Services	2018-2019 £m
(74.7)	DSG Schools Block	(65.1)
(50.7)	Mandatory Rent Rebates Subsidy	(43.7)
(50.6)	Mandatory Rent Allowance	(43.5)
(25.1)	DSG High Needs Block	(28.9)
(21.3)	Public Health Grant	(20.8)
(16.3)	DSG Early Years Block	(18.2)
(9.1)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(9.0)	Pupil Premium	(8.5)
(2.9)	Further Education	(3.6)
(2.7)	HeadStart Wolverhampton	(2.3)
(2.1)	Housing & Council Tax Benefit Administration	(2.0)
-	DSG Central Services Block	(2.0)
(2.2)	6th Form Funding	(1.8)
(1.0)	Troubled Families Grant	(1.8)
(1.8)	Universal Infant Free School Meals	(1.5)
-	Winter Pressures Grant 2018-2019	(1.4)
(0.9)	Impact ESF	(1.4)
(1.4)	SBRR Threshold Changes Grant linked to 2017-2018 Revaluation	-
(1.1)	Discretionary Rent Allowances	(1.0)
(1.0)	Independent Living Fund Grant	(1.0)
(0.1)	16-18 Bursary Fund	(0.1)
(0.6)	Education Support Grant	-
(7.4)	Other Grants	(12.1)
(282.0)	Total Credited to Net Cost of Services	(269.9)

4. THE FINANCIAL STATEMENTS

2H Grants (Continued)

2017-2018 £m		2018-2019 £m
	Credited to Taxation and Non-Specific Grant Income	
	Non Ring-Fenced Government Grants	
-	Revenue Support Grant	-
(3.7)	New Homes Bonus (including adjustment grant)	(2.7)
(5.6)	Business Rates Autumn Statement Compensation	(8.2)
(6.4)	DCLG – Additional Improved Better Care Fund	(5.4)
(1.2)	DCLG – Improved Better Care Fund	(1.1)
(1.4)	DCLG – Adult Social Care Grant	(0.9)
(42.1)	Local Business Rates Top Up Grant	(34.3)
(60.4)		(52.6)
	Capital Grants and Contributions	
(3.5)	Section 31 Grant - Department of Transport	(4.5)
(3.2)	Schools Basic Needs Grant	(6.7)
(3.0)	Disabled Facilities Grant	(3.3)
(2.6)	HM Challenge Fund (Network Renewal)	(0.1)
(1.7)	Schools Condition Allocation	(2.1)
(1.5)	Local Growth Fund - Civic Halls Improvement	-
(0.5)	National Productivity Investment Fund (NPIF)	-
(0.3)	Football Foundation	-
(3.5)	Local Growth Fund – Interchange	-
(2.8)	Local Growth Fund - Access to Growth	(1.4)
(0.5)	Local Growth Fund Feasibility	-
(0.3)	Regeneration Zone	-

4. THE FINANCIAL STATEMENTS

2017-2018 £m		2018-2019 £m
(0.7)	Devolved Formula Funding	(0.6)
(0.3)	Pennkids – Capacity Grant 30 Hours Free Childcare	-
-	Land Property Investment Fund	(6.6)
-	Homes England Development Grant	(1.2)
(0.4)	ERDF Black Country Gold	(0.7)
(0.7)	Devolved Formula Funding	(0.6)
-	ERDF Blue Network	(0.4)
(0.1)	Care and Support specialised Housing (CASSH) II	(0.3)
-	SEND Special Provision Capital Fund	(0.3)
0.1	ERDF Bilston Public Open Space	(0.3)
-	Prevention of Repossession Grant	(0.2)
-	Local Growth Fund i54 Western Extension	(0.2)
(4.0)	Other Grants and Contributions	(7.8)
(29.5)		(37.3)
(371.9)	Total Grants Credited to the CIES	(359.7)

4. THE FINANCIAL STATEMENTS

2I Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: The Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools & 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.

	2017-2018 Individual Schools Budget	Total		2018-2019 Individual Schools Budget	Total
Central Expenditure £m	£m	£m		Central Expenditure £m	£m
(6.7)	(218.9)	(225.6)	Final DSG for the year before academy recoupment	(13.5)	(224.8)
	107.7	107.7	Academy figure recouped		122.6
(6.7)	(111.2)	(117.9)	Total DSG after academy recoupment for the year	(13.5)	(102.2)
-	1.8	1.8	Brought forward from previous year	1.8	(1.8)
-	-	-	Carry-forward to following year agreed in advance	-	-
(6.7)	(109.4)	(116.1)	Agreed initial budgeted distribution in the year	(11.7)	(104.0)
(6.7)	(109.4)	(116.1)	Final budgeted distribution for the year	(11.7)	(104.0)
8.5	-	8.5	Less actual central expenditure	11.1	-
-	107.6	107.6	Less actual ISB deployed to schools	-	101.2
1.8	(1.8)	-	(Under) Overspend carried forward to following year	(0.6)	(2.8)

4. THE FINANCIAL STATEMENTS

Note 2J Exceptional Items

There were no exceptional items of expense or income in 2018-2019.

2K Events after the Reporting Period

There have been no significant events occurring between the Balance Sheet date and the approval of the accounts that require adjustment or additional disclosures.

4. THE FINANCIAL STATEMENTS

Note 3 Other Operating Expenditure

2017-2018				2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
11.0	-	11.0	Levies	10.3	-	10.3
2.2	-	2.2	Payments to the Housing Capital Receipts Pool	2.2	-	2.2
26.1	(15.8)	10.3	Losses/(gains) on the Disposal of Non-Current Assets	51.8	(15.5)	36.5
39.3	(15.8)	23.5		64.4	(15.5)	49.0

Note 4 Financing and Investment Income and Expenditure

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2017-2018				2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
3.1	(2.1)	1.0	External Training Organisations	0.4	-	0.4
36.9	-	36.9	Interest Payable	37.0	-	37.0
16.8	-	16.8	Net Interest Expense-Pensions	8.9	-	8.9
-	(0.5)	(0.5)	Interest Receivable	-	(0.9)	(0.9)
4.1	-	4.1	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	1.1	-	1.1
-	(1.9)	(1.9)	Other Investment Income	-	(1.3)	(1.3)
60.9	(4.5)	56.4		47.5	(2.2)	45.3

4. THE FINANCIAL STATEMENTS

Note 5 Taxation and Non-Specific Grant Income and Expenditure

2017-2018				2018-2019		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
-	(70.5)	(70.5)	National Non-Domestic Rates	-	(72.8)	(72.8)
-	(97.0)	(97.0)	Council tax	-	(97.2)	(97.2)
-	(60.4)	(60.4)	Non ring-fenced Revenue Grants Receivable	-	(56.5)	(56.5)
-	(29.5)	(29.5)	Capital Grants Receivable	-	(37.2)	(37.2)
-	(257.4)	(257.4)	Taxation and non-specific grant income and expenditure	-	(263.7)	(263.7)

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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

31 March 2018		Type of Organisation	31 March 2019	
Council £m	Group £m		Council £m	Group £m
4.6	4.6	Central government bodies	3.8	3.8
1.8	1.8	Other local authorities	0.9	0.9
5.6	5.6	NHS bodies	7.2	7.2
54.5	53.6	Bodies external to general government	68.7	62.8
66.5	65.6	Total	80.6	74.7

4. THE FINANCIAL STATEMENTS

6B Current Receivables for Local Taxation

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

Council tax

31-Mar-18	Type of Organisation		31-Mar-19
Council £m			Council £m
3.6	Less than one year		4.3
1.5	1-2 years		1.4
-	2-6 years		-
-	More than 6 years		-
5.1	Total		5.7

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Non-domestic rates

31-Mar-18	Type of Organisation		31-Mar-19
Council £m			Council £m
0.1	Less than one year		0.4
-	1-2 years		-
-	2-6 years		-
-	More than 6 years		-
0.1	Total		0.4

4. THE FINANCIAL STATEMENTS

6C Current Payables

31 March 2018		Type of Organisation	31 March 2019	
Council £m	Group £m		Council £m	Group £m
(3.8)	(5.4)	Central government bodies	(3.9)	(5.5)
(1.7)	(1.7)	Other local authorities	(0.6)	(0.6)
(0.7)	(0.7)	NHS bodies	0.1	0.1
(74.1)	(76.5)	Bodies external to general government	(77.5)	(78.2)
(80.3)	(84.3)	Total	(81.9)	(84.2)

4. THE FINANCIAL STATEMENTS

Note 7 Provisions, Contingent Liabilities and Guarantees

7A Provisions

Balance at 31 March 2018 £m	Provision Name	Provision Details	Amounts Used in 2018-2019 £m	Contribution to/from Provisions 2018-2019 £m	Balance at 31 March 2019 £m
(1.5)	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	-	(1.2)
(2.3)	Insurance	The Council self-insures risks to property and assets up to a total aggregate limit of £1.0 million and its liability exposures up to a limit of £250,000 on any one occurrence above which limits the external insurance cover operates. The insurance provision of £2.3 million is in respect of the outstanding claims under the self-insurance programme covering the current and past years.	-	-	(2.3)
(1.0)	Termination Benefits	During 2018-2019, 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.	1.0	(0.3)	(0.3)
(0.1)	Midlands Housing Consortium (MHC)	MHC was previously a member of the West Midlands Pension Fund. It paid a lump sum to the Council to support pension payments to fund members. This provision will reduce gradually over time as pension payments are made.	-	-	(0.1)
-	Housing Revenue Account	There are three separate provisions: for legal disrepair claims, for tenant management organisation expenditure and for rent bonds.	-	-	-
(7.2)	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 2019.	2.5	(0.7)	(5.4)

4. THE FINANCIAL STATEMENTS

Balance at 31 March 2018 £m	Provision Name	Provision Details	Amounts Used in 2018-2019 £m	Contribution to/from Provisions 2018-2019 £m	Balance at 31 March 2019 £m
(2.3)	Waste and Recycling	Costs relating to the waste and recycling service.	2.3	-	-
(0.2)	Court costs	Court costs relating to a case settled out of court.	0.1	-	(0.1)
(0.1)	Other	These are small amounts relating to ex-members of the pension fund and refunds of aftercare payments made by residents subsequently falling within Section 117 of the Mental Health Act 1983 and from whom charges are not due.	-	-	(0.1)
(14.7)	Total		6.2	(1.0)	(9.5)

4. THE FINANCIAL STATEMENTS

7B Contingent Liabilities

At 31 March 2019, the Council had the following contingent liabilities:

- The Council entered into a waste disposal contract on 8 February 1996. Under the contract, the waste disposal contractor has constructed a waste energy plant at an estimated cost of £26.6 million and the plant became operational in February 1998. If the contract is terminated by the Council for any reason, the Council becomes liable to pay to the contractor a sum, (the termination sum), equal to 90% of £26.6 million, written down to zero on a straight-line depreciation basis over 25 years commencing from the date the plant became operational. The unexpired value of the termination sum at 31 March 2019 is £4.1 million (31 March 2018: £5.1 million).
- A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £1.1 million (31 March 2018: £1.5 million). 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 2019 is estimated at £180,000 (31 March 2018: £700,000).
- During 2018-2019, 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 2018-2019 for which a provision of £344,000 (31 March 2018: £1.0 million) has been raised. There are, however, a number of applications for voluntary redundancy in progress which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.
- Advantage West Midlands (AWM) arranged for the land at i54 to be remediated in 2004 and any contamination found at that time was removed from the site. At the time of purchasing part of the land at i54 from Severn Trent Water, AWM (now succeeded by the Housing and Community Agency (HCA)) agreed to indemnify Severn Trent against any future contamination claims from third parties. When Staffordshire County Council purchased the land at i54 from the HCA, Staffordshire County Council was required to agree to the same indemnity relating to the former Severn Trent land. Under the Joint Venture Agreement relating to i54, City of Wolverhampton Council would be required to fund 50% of any liability arising from this indemnity, subject to a cap of £2.0 million.

4. THE FINANCIAL STATEMENTS

- A further, separate contingent liability exists with respect to infrastructure works at the i54 development. Staffordshire County Council have provided a comprehensive warranty to Jaguar Cars Limited in respect of the design element for earthworks to plots. Under the Joint Venture Agreement relating to i54, the City of Wolverhampton would be required to fund 50% of any liability arising from this warranty, subject to a cap of £2.5 million.
- The Council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the Council may be subject to clawback of both previous and future paid claims. A payment of £208,836 was made in 2015-2016 based on a 25% levy applied taking the total paid to date to £503,587. Further payments are anticipated. If the levy was increased to 50% the clawback is estimated to be approximately £568,000.
- In November 2014, the Employee Appeal Tribunal ruled that non-guaranteed overtime should be taken into account when calculating the amount due to employees in respect of holiday pay and that backdated claims can be made. As a result, there is a contingent liability for any potential claims from Council employees that may arise. It is not possible to place a reliable estimate on the number of claims, and therefore the value of any resulting liability.

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7B Contingent Assets

The Council and Staffordshire County Council have agreed to jointly fund and sign a 50:50 Joint Venture Agreement for i54 Western Extension. Upon signing of the agreement an amount of £179,000 will be due to the Council, from Staffordshire County Council, for costs incurred to 31/03/19.

7C 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. The organisations with a pension liability in excess of £195,000 (which the Council considers to be material for these purposes) are: -

- Wolverhampton Homes (£37.6 million as per IAS19 calculation at 31 March 2018)
- Black Country Consortium (£1.6 million as per FRS102 calculation at 31 March 2018)
- Wolverhampton Voluntary Sector Council (£200,000 as per the 2016 Valuation)
- Bushbury Hill Estate Management Board (£672,000 as per FRS102 calculation at 31 March 2018)

4. THE FINANCIAL STATEMENTS

There are a further 13 organisations with a pension liability less than £195,000.

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 Dun and Bradstreet 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 has provided a new 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 £13.6 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.

Page 105 7D Financial Guarantee Contract

The Council has provided a guarantee to the City of Wolverhampton College in respect of bank loans. In accordance with IAS 39, 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. As a result a provision of £0.2million has been made.

4. THE FINANCIAL STATEMENTS

Note 8 Non-Current Assets

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Property Plant and Equipment Subtotal £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Assets Held for Sale £m	Total £m
Gross Value												
At 31 March 2018												
-As previously reported	737.6	531.6	85.4	305.9	15.8	18.1	1,694.4	37.9	13.0	11.6	-	1,756.9
-Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	-
-As restated	737.6	531.6	85.4	305.9	15.8	18.1	1,694.4	37.9	13.0	11.6	-	1,756.9
Additions	42.8	27.9	6.3	9.2	0.5	-	86.7	0.9	2.0	-	-	89.6
Disposals	(10.0)	(43.6)	-	-	-	-	(53.6)	(2.2)	-	-	-	(55.8)
Revaluations / Fair Value Gains/(Losses)												
-Recognised in revaluation reserve	-	(14.6)	-	-	0.3	-	(14.3)	(1.5)	-	-	-	(15.8)
-Recognised in surplus/(deficit) on provision of services	(19.0)	(36.1)	0.1	-	-	-	(55.0)	-	-	-	-	(55.0)
Impairments	-	(0.3)	-	-	-	-	(0.3)	-	-	-	-	(0.3)
Other Changes - Gross Value	-	(0.9)	-	-	-	-	(0.9)	0.9	-	-	-	-
Gross Value as at 31 March 2019	751.4	464.0	91.8	315.1	16.6	18.1	1,657.0	36.0	15.0	11.6	-	1,719.6
Accumulated Depreciation / Impairment												
At 31 March 2018												
-As previously reported	-	8.6	74.0	169.1	0.8	1.5	254.0	1.7	7.4	-	-	263.1
-Prior year adjustments	-	-	-	-	-	-	-	-	-	-	-	-
-As restated	-	8.6	74.0	169.1	0.8	1.5	254.0	1.7	7.4	-	-	263.1
Disposals	-	(0.7)	-	-	-	-	(0.7)	-	-	-	-	(0.7)
Depreciation/amortisation	17.5	14.0	3.9	10.0	-	0.1	45.5	-	2.3	-	-	47.8
Depreciation writeback on revaluation												
-Recognised in the Revaluation Reserve	-	(8.6)	-	-	-	-	(8.6)	-	-	-	-	(8.6)
-Recognised in the Surplus/Deficit on the Provision of Services	(17.5)	(4.0)	-	-	-	-	(21.5)	-	-	-	-	(21.5)
Other Changes	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation / Impairment at 31 March 2019	-	9.3	77.9	179.1	0.8	1.6	268.7	1.7	9.7	-	-	280.1
Net Book Value As at 31 March 2019	751.4	454.7	13.9	136.0	15.8	16.5	1,388.3	34.3	5.3	11.6	-	1,439.5
Net Book Value As at 31 March 2018	737.6	523.0	11.4	136.8	15.0	16.6	1,440.4	36.2	5.6	11.6	-	1,493.8

4. THE FINANCIAL STATEMENTS

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Property Plant and Equipment Subtotal £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Assets Held for Sale £m	Total £m
Gross Value												
At 31 March 2017												
-As previously reported	687.8	516.8	80.9	295.7	15.8	23.0	1,620.0	41.8	11.6	11.5	0.3	1,685.2
-Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	-
-As restated	687.8	516.8	80.9	295.7	15.8	23.0	1,620.0	41.8	11.6	11.5	0.3	1,685.2
Additions	36.3	25.4	4.7	10.2	0.2	0.3	77.1	2.4	1.4	-	-	80.9
Disposals	(7.9)	(15.3)	-	-	(0.2)	(2.1)	(25.5)	(1.7)	-	-	(0.3)	(27.5)
Revaluations / Fair Value Gains/(Losses)												
-Recognised in revaluation reserve	-	12.8	-	-	-	1.8	14.6	-	-	0.1	-	14.7
-Recognised in surplus/(deficit) on provision of services	21.4	(9.9)	(0.1)	-	-	(1.3)	10.1	(4.6)	-	-	-	5.5
Impairments	-	(1.8)	(0.1)	-	-	-	(1.9)	-	-	-	-	(1.9)
Other Changes - Gross Value	-	3.6	-	-	-	(3.6)	-	-	-	-	-	-
Gross Value as at 31 March 2018	737.6	531.6	85.4	305.9	15.8	18.1	1,694.4	37.9	13.0	11.6	-	1,756.9
Accumulated Depreciation / Impairment												
At 31 March 2017												
-As previously reported	-	20.3	70.5	160.0	0.8	2.3	253.9	1.8	5.2	-	-	260.9
Disposals	-	(1.0)	-	-	-	(0.3)	(1.3)	(0.1)	-	-	-	(1.4)
Depreciation/amortisation	17.0	12.5	3.5	9.1	-	0.3	42.4	-	2.2	-	-	44.6
Depreciation writeback on revaluation												
-Recognised in the Revaluation Reserve	-	(13.6)	-	-	-	(0.3)	(13.9)	-	-	-	-	(13.9)
-Recognised in the Surplus/Deficit on the Provision of Services	(17.0)	(9.9)	-	-	-	(0.2)	(27.1)	-	-	-	-	(27.1)
Other Changes	-	0.3	-	-	-	(0.3)	-	-	-	-	-	-
Accumulated Depreciation / Impairment at 31 March 2018	-	8.6	74.0	169.1	0.8	1.5	254.0	1.7	7.4	-	-	263.1
Net Book Value As at 31 March 2018	737.6	523.0	11.4	136.8	15.0	16.6	1,440.4	36.2	5.6	11.6	-	1,493.8
Net Book Value As at 31 March 2017	687.8	496.5	10.4	135.7	15.0	20.7	1,366.1	40.0	6.4	11.5	0.3	1,424.3

4. THE FINANCIAL STATEMENTS

Asset Disposals

The total net book value of assets disposed of in the year of £55.8 million (2017-2018: £26.1 million) includes £41.2 million (2017-2018: £13.3 million) in respect of assets derecognised in respect of schools that have converted to Academies for which no consideration was received.

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 30 years
Infrastructure assets	1-49 years
Surplus assets	1-49 years
Other buildings	1-57 years
Plant and equipment	1-37 years
Vehicles	1-7 years
Intangible assets	1-5 years

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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 2019. The valuations were carried out by external valuers. The housing stock valuation was carried out by the Valuation Office Agency while the other valuations were carried out by Bruton Knowles, registered RICS valuers, using the guidance and methodology set out in the following paragraphs.

Legislation and guidance

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

4. THE FINANCIAL STATEMENTS

Basis of Valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2017-2018, 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 (2-7 years depending on the asset). 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 or 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.
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 desktop exercise is carried out using information from the land registry. It is assumed that any building is constructed in accordance with Building Regulations and does not contain any deleterious or hazardous substances. Detailed building surveys are not requisitioned unless there are obvious areas of concern which are likely to affect the valuation.

4. THE FINANCIAL STATEMENTS

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 2019, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018-2019 and future years with an estimated total value of £60.0 million (31 March 2018: £71.7 million). The major commitments are: Heath Town Regeneration (£21.7 million), Interchange (£12.8 million), Expansion of Primary School Places (£5.2 million), Housing - New Build (£3.8 million), Burton Crescent (£3.0 million), Secondary Expansion Programme (£2.2 million), Tower & Fort Works (£1.7 million), Tapworks (£1.4 million) and Civic and Wulfrun Halls (£1.3 million).

Investment Properties

During the year, the Council had £3.6 million of income receivable from investment properties (2017-2018: £3.7 million) and spent £674,000 on managing and maintaining those properties (2017-2018: £500,000). There are no restrictions on the Council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, or for it to carry out repairs, maintenance or enhancements.

Impairment

Impairments to non-current assets totalling £0.3 million were recognised in year, resulting mainly from building demolitions.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £893.4 million at 31 March 2019 (31 March 2018: £876.5 million).

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

4. THE FINANCIAL STATEMENTS

2017-2018 £m		2018-2019 £m
863.1	Opening Capital Financing Requirement	876.5
	Capital Investment	
77.2	Property, Plant and Equipment	86.7
2.4	Investment Properties	0.9
1.4	Intangible Assets	2.0
20.4	Revenue Expenditure Funded from Capital under Statute	29.8
	Sources of finance	
(16.3)	Capital Receipts	(10.8)
(28.9)	Government Grants and other Contributions	(36.2)
-	Sums set aside from Revenue:	-
(17.6)	Direct Revenue Contributions	(18.9)
(25.2)	MRP/Loans Fund Principal	(36.6)
876.5	Closing Capital Financing Requirement	893.4
	Explanation of movements in year	
13.3	Increase in underlying need to borrow (unsupported by government financial assistance)	16.8
-	Assets acquired under finance leases	-
0.1	Assets acquired under PFI contracts	0.1
13.4	Increase/(decrease) in Capital Financing Requirement	16.9

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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, 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 £5.4 million which was a contribution rate of 16.48% (2017-2018: £5.4 million; 16.48%).
- There are a number of 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.
- 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.

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

4. THE FINANCIAL STATEMENTS

Transactions Relating to Post-Employment Benefits

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

2017-2018				2018-2019		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
£m	£m	£m		£m	£m	£m
			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT			
			Cost of Services:			
(39.5)	-	(6.0)	- Current service cost*	(37.3)	-	(6.2)
-	-	-	- Past service costs	-	-	-
4.4	-	(0.2)	- Settlements and curtailments	1.8	-	(0.2)
(0.5)	-	(0.1)	- Administration Expenses	(0.5)	-	(0.1)
			Financing and Investment Income and Expenditure:			
(15.5)	(1.2)	(1.0)	- Net Interest cost	(14.0)	(1.3)	(0.9)
(51.1)	(1.2)	(7.3)	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(50.0)	(1.3)	(7.4)
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
32.2	(1.8)	1.7	- Remeasurements (liabilities and assets)	46.5	1.3	3.3
(18.9)	(3.0)	(5.6)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3.5)	-	(4.1)
			MOVEMENT IN RESERVES STATEMENT			
(51.1)	(1.2)	-	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(50.0)	(1.3)	-
			Actual amount charged against the General Fund Balance for pensions in the year:			
39.4	-	3.6	- Employer's contributions payable to scheme	56.6	-	3.9
-	4.3	-	- Retirement benefits payable to pensioners	-	4.3	-
(11.7)	3.1	3.6	Total Movement in Reserves	6.6	3.0	3.9

4. THE FINANCIAL STATEMENTS

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:

2017-2018		Assets	2018-2019	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
1,059.3	151.2	Opening balance at 1 April 2018	1,061.1	153.0
28.6	4.3	Interest Income	27.4	3.9
(27.9)	(4.2)	Remeasurement Gain/(Loss)	12.7	1.8
39.4	3.6	Employer contributions	56.6	3.9
6.8	1.1	Contributions by scheme participants	6.8	1.2
(44.5)	(2.9)	Benefits paid	(51.3)	(3.0)
(0.2)	-	Settlements	16.6	-
(0.4)	(0.1)	Admin Expenses	(0.4)	(0.1)
1,061.1	153.0	Closing balance at 31 March 2019	1,129.5	160.6

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 £86.3 million (2017-2018: Gain £0.7 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 £536.0 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

4. THE FINANCIAL STATEMENTS

whereby the Future Services Contribution is determined based upon a percentage of the monthly payroll payment and the Past Service Deficit totalling £2.7 million (based on the 2016 triennial valuation) will be recovered over the period from 2017-2018 to 2019-2020.

- The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 are £32.1 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2020 are £1.4 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.

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2017-2018					2018-2019			
Council		Subsidiary			Liabilities	Council		Subsidiary
Funded: LGPS £m	Unfunded: LGPS £m	Unfunded: Teachers £m	Funded: LGPS £m	Funded: LGPS £m		Unfunded: LGPS £m	Unfunded: Teachers £m	Funded: LGPS
(1,639.7)	(23.1)	(58.7)	(186.8)	Opening balance at 1 April	(1,622.6)	(21.7)	(57.4)	(190.6)
(39.5)	-	-	(6.0)	Current service cost	(37.3)	-	-	(6.2)
(43.8)	(0.5)	(1.2)	(5.2)	Interest cost	(41.1)	(0.4)	(1.3)	(4.8)
(6.8)	-	-	(1.1)	Contributions - participants	(6.8)	-	-	(1.2)
59.7	0.3	(1.8)	5.8	Remeasurement Gain/(Loss)	33.3	0.5	1.3	1.5
42.9	1.6	4.3	2.9	Benefits paid	49.4	1.9	4.3	3.0
-	-	-	-	Past service costs	-	-	-	-
(2.4)	-	-	(0.2)	Curtailments	(1.9)	-	-	(0.2)
7.0	-	-	-	Settlements	(12.9)	-	-	-
(1,622.6)	(21.7)	(57.4)	(190.6)	Closing balance at 31 March	(1,639.9)	(19.7)	(53.1)	(198.5)

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2017-2018 LGPS			Asset Category	2018-2019 LGPS	
Council £m	Subsidiary £m	Council £m		Subsidiary £m	
678.2	97.8	Equities	667.6	95.0	
77.5	11.2	Government Bonds	108.5	15.4	
40.6	5.8	Other Bonds	43.5	6.2	
81.7	11.8	Property	95.9	13.6	
26.1	3.7	Cash/ liquidity	35.8	5.1	
157.0	22.6	Other	178.2	25.3	
1,061.1	152.9	Total	1,129.5	160.6	

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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 Barnett Waddingham, 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 2016. The principal assumptions used by the actuary are set out in the following table.

2017-2018				2018-2019		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
			Mortality assumptions:			
			Longevity at 65 for current pensioners (years):			
21.9	21.9	21.9	- Men	20.9	20.9	20.9
24.3	24.3	24.3	- Women	23.2	23.2	23.2
			Longevity at 65 for future pensioners (years):			
24.0	n/a	24.0	- Men	22.6	n/a	22.6
26.6	n/a	26.6	- Women	25.0	n/a	25.0
2.4	2.4	2.3	Rate of inflation	2.4	2.5	2.4
3.9	n/a	3.8	Rate of increase in salaries	3.9	n/a	3.9
2.4	2.4	2.3	Rate of increase in pensions	2.4	2.5	2.4
2.6	2.4	2.6	Rate for discounting scheme liabilities	2.6	2.2	2.4

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Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2018			31 March 2019	
Local Government Pension Scheme	Discretionary Pension Scheme		Local Government Pension Scheme	Discretionary Pension Scheme
£m	£m		£m	£m
		Estimated Liabilities in Scheme		
(1,644.3)	(57.4)	City of Wolverhampton Council	(1,659.6)	(53.1)
(190.6)	-	Wolverhampton Homes Limited	(198.5)	-
(1,834.9)	(57.4)	Total Liabilities	(1,858.1)	(53.1)
		Estimated Assets in Scheme		
1,061.1	-	City of Wolverhampton Council	1,129.5	-
152.9	-	Wolverhampton Homes Limited	160.6	-
1,214.0		Total Assets	1,290.1	
(620.9)	(57.4)	Net Liabilities	(568.0)	(53.1)

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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 2016 and covered pension payments for the period from 2017-2018 to 2019-2020; the agreed payments have been built into the budget and the authority's medium term financial plans. As part of this, the Council has made annual advance payments of pension contributions to the Fund in order to reduce the total costs and will continue to explore the 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 2020 are £31.7 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2020 are £2.3 million.

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Note 10 Financial Instruments

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

31 March 2018			31 March 2019	
Long-Term £m	Current £m		Long-Term £m	Current £m
		Investments		
1.3	-	Loans and Receivables – Finance Leases	1.3	-
24.7	-	Equity instruments – Birmingham Airport and WV Living Shareholding	24.8	-
26.0	-	Total Investments	26.1	-
		Current Assets		
-	7.6	Loans and Receivables -Investments	-	25.3
-	2.2	Loans and Receivables - Cash and Cash Equivalents	-	2.8
-	66.5	Loans and Receivables – Current Receivables	-	80.6
-	0.4	Inventories-non-financial instruments	-	0.5
-	76.7	Total Current Assets	-	109.3
		Borrowings		
(672.4)	(10.7)	Financial Liabilities at Amortised Cost	(738.4)	(13.3)
(672.4)	(10.7)	Total Borrowings	(738.4)	(13.3)
		Other Non-Current Liabilities		
(13.7)		Debt arising from the County Council Reorganisation	(12.5)	
(94.5)		PFIs	(90.6)	
-		Finance Leases	-	
(3.7)		Non-financial instruments	(7.7)	
(111.9)		Total Other Non-Current Liabilities	(110.8)	
		Payables		
	(80.3)	Financial liabilities carried at contract amount		(52.9)
	(80.3)	Total Payables		(52.9)

4. THE FINANCIAL STATEMENTS

10A 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:

- a) The provision of community services such as sport and recreation facilities and community centres; and
- b) 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.

2017-2018					2018-2019				
Amounts Payable		Amounts Receivable			Amounts Payable		Amounts Receivable		
Finance Leases	Operating Leases	Finance Leases	Operating Leases		Finance Leases	Operating Leases	Finance Leases	Operating Leases	
£m	£m	£m	£m		£m	£m	£m	£m	
0.1	0.5	-	3.5	Payable/receivable in the year	-	0.5	-	2.7	
0.1	0.4	-	3.3	Due within one year	-	0.5	-	2.6	
0.1	1.1	-	11.0	Due in one to five years	-	1.0	-	9.8	
-	0.4	5.9	23.4	Due after five years	-	-	5.9	21.2	
0.2	1.9	5.9	37.7	Total due in future years	-	1.5	5.9	33.6	

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

31 March 2018 £m		31 March 2019 £m
0.1	Vehicles, Plant, Furniture and Equipment	-
0.1	Total	-

10B Equity instruments designated as Fair Value Through Other Comprehensive Income - Birmingham Airport Shareholding

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 £68,000 in the shareholding of the Council.

No Active Market (Valuation)

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2018 £m	31 March 2019 £m
Birmingham Airport Holdings Ltd				
- Ordinary shares*	Level 3	Earning based valuation	22.2	22.3
- Preference shares			1.5	1.5
	Total		23.7	23.8

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Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised Within Level 3 of the Fair Value Hierarchy for Financial Assets.

2018-2019	Unquoted Shares	Other	Total
	£m	£m	£m
Opening balance at 1 April	23.7		23.7
Transfers into Level 3			
Transfers out of Level 3			
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	0.1		0.1
Additions			
Disposals			
Closing Balance	23.8		23.8

2017-2018	Unquoted Shares	Other	Total
	£m	£m	£m
Opening balance at 1 April	24.2		24.2
Transfers into Level 3			
Transfers out of Level 3			
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	(0.5)		(0.5)
Additions			
Disposals			
Closing Balance	23.7		23.7

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4. THE FINANCIAL STATEMENTS

10C 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 8

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.

2017-2018 £m		2018-2019 £m
21.5	Allowance for Expected Credit Losses Brought Forward	25.2
(2.9)	Amounts Written Off during the Year	(3.8)
6.6	Increase in Allowance during the Year	5.0
25.2	Allowance for Expected Credit Losses Carried Forward	26.4

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10D Private Finance Initiative (PFI) and Similar Contracts

The Council has four contracts which are PFIs or similar in nature and which are accounted for as 'on balance sheet': the Bentley Bridge Leisure Centre, the Waste Disposal Facility, 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 £56.4 million. Over the remaining life of the project the commitments are:

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	Payment for Services	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£m
Payable within one year	0.4	1.1	0.3	1.8
Payable within two to five years	2.5	4.3	0.9	7.7
Payable within six to ten years	3.6	5.2	1.3	10.1
Payable within eleven to fifteen years	2.8	5.0	3.0	10.8
Payable within sixteen to twenty years	1.6	2.2	2.4	6.2
Total	10.9	17.8	7.9	36.6

4. THE FINANCIAL STATEMENTS

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

	Property, Plant and Equipment	Long-Term Liability	Total
	£m	£m	£m
Balance at 31 March 2018	10.4	(8.1)	2.3
Depreciation/Revaluation	-	-	0
Capital Expenditure/Principal Redemption	-	0.2	0.2
Balance at 31 March 2019	10.4	(7.9)	2.5

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	Property, Plant and Equipment	Long-Term Liability	Total
	£m	£m	£m
Balance at 31 March 2017	9.9	(8.2)	1.7
Depreciation	0.4	-	0.4
Capital Expenditure/Principal Redemption	0.1	0.1	0.2
Balance at 31 March 2018	10.4	(8.1)	2.3

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

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proportion of their turnover from the sale of electricity generated at the facility. The total amount payable by the Council over the life of the contract is estimated to be £149.6 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£m
Payable within one year	5.5	0.5	1.5	7.5
Payable within two to five years	5.7	0.5	1.6	7.8
Total	11.2	1.0	3.1	15.3

The following tables below show the movements on the balances for property, plant and equipment and the long-term liability over the current and previous year:

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	Property, Plant and Equipment	Deferred Income	Long-Term Liability	Total
	£m	£m	£m	£m
Balance at 31 March 2018	3.0	(0.9)	(4.4)	(2.4)
Depreciation/Revaluation	0.3	0.3	-	0.6
Capital Expenditure/Principal Redemption	-		1.4	1.4
Balance at 31 March 2019	3.3	(0.7)	(3.0)	(0.4)

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	Property, Plant and Equipment	Deferred Income	Long-Term Liability	Total
	£m	£m	£m	£m
Balance at 31 March 2017	2.9	(1.4)	(5.7)	(4.2)
Depreciation and amortisation	0.1	0.4	-	0.5
Capital Expenditure/Principal Redemption	-	0.1	1.3	1.4
Balance at 31 March 2018	3.0	(0.9)	(4.4)	(2.3)

Highfields & 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 £198.5 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£m
Payable within one year	1.9	4.6	1.1	7.6
Payable within two to five years	9.1	17.1	4.8	31.0
Payable within six to ten years	11.9	18.5	9.7	40.1
Payable within eleven to fifteen years	15.4	11.6	15.0	42.0
Payable within sixteen to twenty years	12.1	3.5	14.4	30.0
Total	50.4	55.3	45.0	150.7

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

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	Property, Plant and Equipment	Long-Term Liability	Total
	£m	£m	£m
Balance at 31 March 2018	11.5	(41.2)	(29.7)
Depreciation	0.5		0.5
Capital Expenditure/Principal Redemption	0.1	0.9	1.0
Balance at 31 March 2019	12.1	(40.3)	(28.2)

	Property, Plant and Equipment	Long-Term Liability	Total
	£m	£m	£m
Balance at 31 March 2017	11.0	(41.9)	(30.9)
Depreciation	0.4		0.4
Capital Expenditure/Principal Redemption	0.1	0.7	0.8
Balance at 31 March 2018	11.5	(41.2)	(29.7)

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 PennFields Special School which has not converted to an academy. The terms of the PFI contract and level of unitary payment remains unchanged, however, during 2018-2019 the Council received a contribution of £2.2 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:

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	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	1.6	2.8	1.3	5.7
Payable within two to five years	6.7	10.7	6.2	23.6
Payable within six to ten years	10.1	11.8	8.8	30.7
Payable within eleven to fifteen years	12.3	9.5	10.6	32.4
Payable within sixteen to twenty years	18.5	6.3	9.4	34.2
Payable within twenty-one to twenty-five years	5.3	1.4	3.3	10.0
Total	54.5	42.5	39.6	136.6

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

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	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2018	24.5	(40.9)	(16.4)
Depreciation	(11.8)	-	(11.8)
Capital Expenditure/Principal Redemption	-	1.3	1.3
Balance at 31 March 2019	12.7	(39.6)	(26.9)

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2017	23.6	(42.2)	(18.6)
Depreciation	0.9	-	0.9
Capital Expenditure/Principal Redemption	-	1.3	1.3
Balance at 31 March 2018	24.5	(40.9)	(16.4)

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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 2018-2019 the Council received a contribution of £1.2 million from Heath Park Academy representing the balance of the unitary payment not funded by capital grants from Central Government.

10E 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.

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31 March 2018				31 March 2019				
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	
(672.4)	(10.7)	(879.2)	(10.9)	(738.4)	(13.3)	(964.7)	(13.4)	
				Financial Liabilities at Amortised Cost				

Basis of Fair Value Valuation

The fair values of the loans 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 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.

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10F 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.

10G 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.

2017-2018				2018-2019				
Financial Assets: Loans and Receivables	Financial Assets: Equity Instruments	Financial Liabilities Measured at Amortised Cost	Total		Financial Assets: Loans and Receivables	Financial Assets: Equity Instruments	Financial Liabilities Measured at Amortised Cost	Total
£m	£m	£m	£m		£m	£m	£m	£m
-	-	36.9	36.9	Interest Expense	-	-	36.9	36.9
(0.5)	-	-	(0.5)	Interest Income	(0.9)	-	-	(0.9)
-	0.5	-	0.5	Gain or loss on valuation of unquoted equity investment	-	(0.1)	-	(0.1)
(0.5)	0.5	36.9	36.9	Net (Income)/Expense	(0.9)	(0.1)	36.9	35.9

4. THE FINANCIAL STATEMENTS

10H Reconciliation of Liabilities Arising From Financing Activities

	31 March 2018	Financing cash flows	Non-cash changes		31 March 2019
			Acquisition	Other non- cash changes	
	£m	£m	£m	£m	£m
Long-term borrowings	(672.4)	(66.0)	-	-	(738.4)
Short-term borrowings	(10.7)	(2.0)	-	(0.6)	(13.3)
On balance sheet PFI liabilities	(94.5)	3.9	-	-	(90.6)
Total liabilities from financing activities	(777.6)	(64.1)	-	(0.6)	(842.3)

	31 March 2017	Financing cash flows	Non-cash changes		31 March 2018
			Acquisition	Other non- cash changes	
	£m	£m	£m	£m	£m
Long-term borrowings	(573.2)	(99.0)	-	(0.2)	(672.4)
Short-term borrowings	(91.6)	81.1	-	(0.3)	(10.7)
Finance lease liabilities	(0.1)	-	-	-	-
On balance sheet PFI liabilities	(97.9)	3.4	-	-	(94.5)
Total liabilities from financing activities	(762.8)	(14.5)	-	(0.5)	(777.6)

4. THE FINANCIAL STATEMENTS

10I 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:

4. THE FINANCIAL STATEMENTS

	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	£m
Opening balance as at 1 April 2018	-	-	-	8.2	8.2
Transfers:					
• Individual financial assets transferred to 12-month expected credit losses	0.3	-	0.2	-	0.5
• Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-
• Individual financial assets transferred to lifetime expected credit losses credit impaired	-	0.1	-	-	0.1
New financial assets originated or purchased	-	-	-	-	-
Amounts written off	-	-	-	(0.3)	(0.3)
Financial assets that have been derecognised	-	-	-	-	-
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes in models/risk parameters	-	-	-	0.2	0.2
Other changes	-	-	-	-	-
As at 31 March 2019	0.3	0.1	0.2	8.1	8.7

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

The Council's maximum exposure to credit risk at 31 March 2019 was £110.0 million (31 March 2018: £77.6 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 2018-2019 or 2017-2018.

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).

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Analysis of External Borrowing Financial Liabilities by Maturity Date

2017-2018 £m	Time until Repayment	2018-2019 £m
6.0	Payable next year	8.0
30.7	Payable within two to five years	29.8
35.1	Payable within six to ten years	52.4
65.3	Payable within eleven to fifteen years	80.9
61.1	Payable within sixteen to twenty years	51.0
59.9	Payable within twenty-one to twenty-five years	73.3
45.9	Payable within twenty-six to thirty years	69.5
76.2	Payable within thirty-one to thirty-five years	107.6
59.3	Payable within thirty-six to forty years	61.6
81.6	Payable within forty-one to forty-five years	78.0
151.8	Payable within forty-six to fifty years	128.8
-	Payable within fifty-one to sixty years	-
672.9	Total	740.9

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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 2018-2019, the Council's interest payable would have increased by £7.2 million, and its interest receivable would have increased by £227,000, resulting in an increase in net expenditure of £7.0 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £7.0 million.

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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 £23.7 million in Birmingham Airport Holdings Ltd. 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.

4. THE FINANCIAL STATEMENTS

Fraud, Error and Corruption Risk, and Contingency Management

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

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 £39.5 million in 2018-2019 (£38.5 million in 2017-2018). There are a number of other transaction streams between the two entities, including capital works carried out by Wolverhampton Homes Limited for the Council, support services provided by the Council, and premises leases payable by Wolverhampton Homes Limited. Payments by the Council to Wolverhampton Homes Limited amounted to £47.0 million in 2018-2019 (2017-2018: £45.0 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £6.5 million (2017-2018: £5.0 million). At the year end, Wolverhampton Homes Limited owed the Council £3.3 million (2017-2018: £2.5 million), and the Council owed Wolverhampton Homes Limited £2.7 million (2017-2018: £4.4 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 £9.1 million (2017-2018: £8.7 million) while payments by Yoo Recruit Ltd to the Council totalled £124,820 (2017-2018: £183,616).

At 31 March 2019, the amount owing to Yoo Recruit Ltd, included in current payables, was £538,439 (2017-2018: £246,343) while an amount, included in current receivables, of £113,864 (2017-2018: £93,555) was owed to the Council.

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WV Living was formed as a wholly-owned subsidiary of the Council in 2017-2018. During 2018-2019 the company has incurred expenditure of £8.4 million and has stock assets of £7.7 million at 31 March 2019. £0.7 million of expenditure relates to transactions with the Council. Turnover in 2018-2019 was £2.5 million, £0.2 million of this being transactions with the Council. At the year end WV Living owed the Council £7.4 million of which £7.0 million was loan financing and £0.4 million for services provided. (2017-2018: £3.1 million of which £2.2 million was loan financing and £0.9 million for services provided). As the impact on the group accounts is considered by the Council, to be material this year, the company's accounts have been wholly consolidated in the Group Accounts

Central Government

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

2017-2018 £m	Grant	2018-2019 £m
(74.7)	DSG Schools Block	(65.6)
(50.7)	Mandatory Rent Rebates Subsidy	(46.1)
(51.1)	Mandatory Rent Allowance	(44.9)
(42.1)	Top Up Grant	(34.3)
(25.1)	DSG High Needs Block	(29.0)
(21.3)	Public Health Grant	(20.8)
(18.1)	DSG Early Years Block	(19.1)
(9.1)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(9.0)	Pupil Premium	(8.5)
(5.6)	Business Rates Autumn Statement Compensation	(8.2)
(1.2)	Improved Better Care Fund	(6.5)
(3.7)	Section 31 Grant - DfT	(4.6)
(6.4)	Additional Improved Better Care Fund	(3.9)
-	Interchange - LGF	(3.5)
(3.0)	Disabled Facilities Grant	(3.3)
(3.0)	EFA FE +19	(3.0)

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2017-2018 £m	Grant	2018-2019 £m
(3.7)	New Homes Bonus	(2.7)
(2.7)	Access To Growth - LGF	(2.4)
(7.6)	Schools Basic Needs Grant	(2.2)
-	DSG Central Services Block	(2.0)
(2.1)	Housing & Council Tax Benefit Administration	(2.0)
(2.2)	6th Form Funding	(1.8)
(1.8)	Universal Infant Free School Meals	(1.5)
-	SBRR Threshold Changes Grant linked to 2017-18 Revaluation	(1.4)
(0.2)	Schools Condition Allocation (SCA)	(1.4)
-	Winter Pressures Grant 2018-19	(1.4)
-	Homes England Development Grant	(1.2)
-	Levy Account Surplus Grant	(1.2)
-	Managing Short Trips - LGF	(1.2)
-	Business Rates Reconciliation Payment	(1.1)
(0.2)	AIM ERDF	(1.0)
(0.1)	Devolved Formula Funding	(1.0)
(1.3)	Independent Living Fund Grant	(1.0)
(1.1)	Discretionary Rent Allowances	(1.0)
(1.7)	Troubled Families Grant	(0.9)
(1.4)	Adult Social Care Grant	(0.9)
(2.3)	Civic Halls Improvement - LGF	-
(1.6)	Bilston Urban Village - LGF	-
(9.6)	Other grants (each less than £1.0 million)	(10.0)
(363.7)	TOTAL	(349.8)

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Councillors

Councillors have direct control over the Council's financial and operating policies. The total of Councillors' allowances paid during the year is shown in Note 2D. The register of Councillors' interests is available on the Council's website.

Other Related Parties

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

2017-2018		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	Income £m
-	(1.6)	Birmingham Airport Holdings Limited The Council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. In 2018-2019 the Council received a preference dividend of £93,000, ordinary dividends of £1,217,000 and rental income of £84,000.	-	(1.3)
-	-	Wolverhampton Grand Theatre The Grand Theatre is managed by Wolverhampton Grand Theatre (1982) Limited. The Council continues to own the building and can appoint 40% of the members of the company of which 2 can be directors. The Council provides grant funding to support the net cost of operating the theatre.	-	-
0.7	(0.1)	ConnectEd Partnership Limited ConnectEd Partnership Limited (previously known as Wolverhampton Schools' Improvement Partnership) is a company limited by guarantee established to advance educational opportunities and outcomes for children and young people in Wolverhampton. The board of directors comprises of representatives from each school cluster and phase and the senior substantive Council officer for schools.	0.7	(0.3)
-	(1.4)	i54 The Council is party to a joint arrangement with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	0.1	(1.6)
14.1	(2.1)	Inspired Spaces Wolverhampton Limited The Council is a 10% shareholder in this company as well as a 10% shareholder in each of the operating companies (Inspired Spaces Wolverhampton (Project Co 1) Limited and Inspired Spaces Wolverhampton (Project Co 2) Limited set up for the administration of the 2 schools (Highfields and Penn Fields Schools and St. Matthias and Heath Park Academy). These companies were set up as part of the LEP for the building of the new schools. The board of all 3 companies have representatives of the Council.	13.8	(0.4)

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2017-2018		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	Income £m
		Entities in which Members/Senior Officers Have Declared an Interest and other Government Bodies		
0.3	-	African Caribbean Community Initiative	-	-
0.7	(0.4)	Amethyst Academies Trust	0.8	-
0.2	-	Base 25	0.1	(0.3)
0.2	-	Bilston Business Improvement District Ltd	0.2	-
0.1	(0.1)	Birmingham City Council	0.2	-
0.4	(0.1)	Black Country Consortium Limited	0.4	-
0.5	-	Black Country Partnership NHS Foundation Trust	0.4	-
-	-	Bury Metropolitan Borough Council	0.1	-
1.3	-	Bushbury Hill EMB	1.4	-
0.4	-	Canal & River Trust	0.1	-
0.1	(0.3)	Central Learning Partnership Trust	-	-
0.1	(0.1)	Central Learning Partnership Trust – Woden Primary School	0.1	(0.2)
0.7	(0.1)	City of Wolverhampton College	0.6	(0.1)
-	-	Coventry City Council	-	(0.1)
0.4	-	Department of Energy & Climate Change	0.1	-
1.1	-	Dovecotes TMO	1.1	-
0.1	-	Dudley & Walsall Mental Health Partnership Trust	-	-
0.1	-	Dudley Group NHS Foundation Trust	0.1	-
1.1	(1.3)	Dudley Metropolitan Borough Council	0.9	(1.9)
-	-	Education & Skills Funding Agency	-	(0.1)
0.2	(0.1)	Edward the Elder Primary School Academy	0.1	(0.1)
0.1	-	Environment Agency	0.1	-
0.4	-	FBC Manby Bowdler LLP	-	-
0.1	-	Gazebo Theatre in Education Company Ltd	-	-
-	(0.1)	Goldthorn Park Primary School	-	-
1.0	-	Hilton Main Construction Limited	2.0	-
0.1	-	Kingswood Trust	0.1	-
0.1	-	Lichfield Diocesan	-	-
0.2	-	London Borough of Barking & Dagenham	-	-

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2017-2018		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	Income £m
0.2	-	Mencap	0.1	-
0.1	-	New Outlook Housing Association Limited	-	-
0.4	-	New Park Village TMC	0.4	-
-	(0.1)	NHS Dudley CCG	-	-
-	(0.1)	NHS Property Services Ltd	-	(0.1)
-	-	NHS Sandwell & West Birmingham CCG	-	(0.1)
-	-	NHS Shropshire CCG	-	0.3
-	(0.2)	NHS Stafford and Surrounds CCG	-	(0.4)
39.1	(50.5)	NHS Wolverhampton CCG	38.1	(50.9)
1.7	(0.2)	Northern House Academy	-	-
0.1	-	Public Health England	0.1	-
0.3	-	Re-Entry Project	-	-
9.9	(0.6)	Royal Wolverhampton Hospitals NHS Trust	7.7	(1.5)
0.3	(0.1)	Sandwell Metropolitan Borough Council	1.6	(0.1)
0.3	-	Shropshire County Council	0.5	(0.1)
-	(0.2)	Smestow Academy	-	-
-	(0.2)	Solihull Metropolitan Borough Council	-	(0.2)
0.4	-	Springfield Horseshoe Co-op/Burton Rd.	0.4	-
0.2	(0.2)	St Barts CE Multi Acad (Woodfield Inf, Woodfield Jnr & St Barts CE Primary)	-	-
0.6	(0.1)	Staffordshire County Council	0.7	(0.5)
0.1	-	Telford & Wrekin Council	-	-
0.2	-	Tettenhall College	0.1	-
0.2	-	The Royal Wolverhampton School	-	-
0.2	-	The Way Youth Zone	0.2	-
0.1	-	University Hospitals Birmingham NHS Trust	-	-
0.1	(0.1)	University of Birmingham	-	-
0.5	(0.1)	University of Wolverhampton	-	-
0.1	-	Walsall Healthcare NHS Trust	0.1	-
0.2	(0.9)	Walsall Metropolitan Borough Council	0.3	(1.7)
0.8	(0.4)	West Midlands Combined Authority	0.9	(0.2)
3.7	-	West Midlands Fire Service	3.9	-

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2017-2018		Entity and Nature of Relationship	2018-2019	
Expenditure £m	Income £m		Expenditure £m	Income £m
-	-	West Midlands Growth Company Ltd	0.2	(0.1)
10.9	-	West Midlands Integrated Transport Authority	10.3	-
5.1	(0.5)	West Midlands Pension Fund	6.1	(0.9)
7.2	-	West Midlands Police Authority	8.1	-
0.1	-	West Midlands Travel Limited	-	-
0.4	-	Wolverhampton Bid Company Ltd	0.4	-
0.3	-	Wolverhampton Citizen's Advice	-	-
-	(0.1)	Wolverhampton Girls' High School (Academy)	-	(0.1)
-	-	Woodthorne Primary School	0.1	(0.1)
0.1	-	Worcestershire County Council	0.1	-
0.3	-	Youth Justice Board	0.1	-
109.0	(62.4)	Total	104.0	(63.1)

4. THE FINANCIAL STATEMENTS

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.

2017/2018			Fund Name and Purpose	2018/2019		
Income	Expenditure	Fund Value at 31 March 2017		Income	Expenditure	Fund Value at 31 March 2018
£000	£000	£000		£000	£000	£000
-	-	43	Springfield Reading Room In its capacity as trustee, the council is authorised to apply income in various ways.	-	-	43
-	-	29	Greenway Benefaction Established for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley.	1	-	30
-	-	17	Butler Bequest Music in the Parks To provide music in the parks.	-	-	17
39	20	32	Mayoral Charities Funds raised by the Mayor for their chosen local charities	52	55	29
1	-	13	Monica Lloyd To provide assistance with further education	-	-	13
-	-	26	Other smaller funds	1	-	27
40	20	160	Total	54	55	159

4. THE FINANCIAL STATEMENTS

Note 13 Reconciliation of the Financial Statements to the Statutory Accounts

13A Detailed Analysis of Movement in Reserves Statement:

2018-2019 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Reserves of Subsidiaries	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(10.0)	(55.8)	(7.0)	(0.4)	(4.2)	(3.4)	27.0	(53.8)
	-	-	-	-	-	-	(0.8)	(0.8)
As restated	(10.0)	(55.8)	(7.0)	(0.4)	(4.2)	(3.4)	26.2	(54.5)
Surplus or Deficit on Provision of Services	87.6	-	(21.5)	-	-	-	3.7	69.9
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	-	-	-	-	-	-	(3.3)	(3.3)
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	87.6	-	(21.5)	-	-	-	0.4	66.6
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment and revaluation of non-current assets	(62.1)	-	-	(17.9)	-	-	-	(79.9)
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	(2.1)	-	(1.2)	-	-	-	-	(3.4)
Revenue Expenditure Funded from Capital under Statute	(19.1)	-	-	-	-	-	-	(19.1)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(45.1)	-	(10.0)	-	-	-	-	(55.1)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	3.5	-	12.0	-	(15.5)	-	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	0.1	-	-	-	-	-	-	0.1
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(1.4)	-	-	-	-	-	-	(1.4)
Net Charges made for retirement benefits in accordance with IAS 19	(51.4)	-	-	-	-	-	-	(51.4)
Capital Expenditure charged in the year to the General Fund	1.4	-	-	-	-	-	-	1.4

4. THE FINANCIAL STATEMENTS

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Reserves of Subsidiaries	Total Usable Reserves
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.2)	-	-	-	2.2	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	36.6	-	-	-	-	-	-	36.6
Transfers of HRA Balance	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	37.2	-	-	-	-	(37.2)	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	36.2	-	36.2
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.5	-	-	-	-	-	-	0.5
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	10.8	-	-	10.8
Other income that cannot be credited to the General Fund	0.4	-	-	-	-	-	-	0.4
Revenue provision for the repayment of debt	17.2	-	20.7	-	-	-	-	37.9
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	17.5	-	-	-	17.5
Capitalisation under Section 16(2)(b) directive	(3.7)	-	-	-	-	-	-	(3.7)
Loan receipts transferred to Capital Adjustment Account	-	-	-	-	(2.2)	-	-	(2.2)
Adjustments between Accounting Basis & Funding Basis under Regulations	(90.4)	-	21.5	(0.4)	(4.7)	(1.0)	-	(75.0)
Net Increase/Decrease before Transfers & Other Movements	(2.8)	-	-	(0.3)	(4.7)	(1.0)	0.4	(8.5)
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	2.9	(2.9)	-	-	-	-	-	-
Balance Carried Forward	(10.0)	(58.6)	(7.0)	(0.7)	(8.9)	(4.4)	26.7	(62.9)

4. THE FINANCIAL STATEMENTS

2018-2019 Part 2 – Unusable Reserves

	Short-term Accumulating Compensated Absences Account	Financial Instruments Revaluation Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	3.6	(17.2)	(438.0)	(2.4)	5.3	640.7	(177.0)	15.0	(65.7)	(38.7)
	-	-	-	-	-	-	-	-	-	(0.8)
As restated	3.6	(17.2)	(438.0)	(2.4)	5.3	640.7	(177.0)	15.0	(65.7)	(39.5)
Surplus or Deficit on Provision of Services	-	-	-	-	-	-	-	-	66.1	69.9
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	5.9	5.9	5.9	5.9
Gains on Available-for-Sale Financial Assets	-	(0.1)	-	-	-	-	-	(0.1)	(0.1)	(0.1)
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(47.8)	-	(47.8)	(47.8)	(51.1)
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	-	(0.1)	-	-	-	(47.8)	5.9	(41.9)	24.2	24.6
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	76.9	-	-	-	3.2	79.9	-	-
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	-	-	3.4	-	-	-	-	3.4	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	19.1	-	-	-	-	19.1	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	43.8	-	-	-	11.3	55.1	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-

4. THE FINANCIAL STATEMENTS

	Short-term Accumulating Compensated Absences Account £m	Financial Instruments Revaluation Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	TOTAL (Group) £m
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	-	-	-	1.4	-	-	-	1.4	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	51.4	-	51.4	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(1.4)	-	-	-	-	(1.4)	-	-
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	-	-	-	-	-	(36.6)	-	(36.6)	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-
Reversal of financing of unequal pay back provision	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(36.2)	-	-	-	-	(36.2)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.5)	-	-	-	-	-	-	(0.5)	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(10.8)	-	-	-	-	(10.8)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.4)	-	-	-	-	(0.4)	-	-
Revenue provision for the repayment of debt	-	-	(37.9)	-	-	-	-	(37.9)	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(17.5)	-	-	-	-	(17.5)	-	-
Capitalisation under Section 16(2)(b) directive	-	-	3.7	-	-	-	-	3.7	-	-

4. THE FINANCIAL STATEMENTS

	Short-term Accumulating Compensated Absences Account £m	Financial Instruments Revaluation Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	TOTAL (Group) £m
Loan receipts transferred to Capital Adjustment Account	-	-	2.2	-	-	-	-	2.2	-	-
Adjustments between Accounting Basis & Funding Basis under Regulations	(0.5)	-	44.7	1.4	-	14.9	14.5	75.0	-	-
Net Increase/Decrease before Transfers & Other Movements	(0.5)	(0.1)	44.8	1.4	-	(32.9)	20.5	33.1	24.2	24.6
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	3.1	(17.3)	(393.2)	(1.0)	5.3	607.8	(156.6)	48.1	(41.5)	(14.9)

4. THE FINANCIAL STATEMENTS

2017-2018 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Reserves of Subsidiary	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(10.0)	(61.3)	(5.1)	(0.1)	(6.8)	(2.8)	24.3	(61.8)
							(0.1)	
							24.2	
Surplus or Deficit on Provision of Services	39.0	-	(66.0)	-	-	-	4.6	(22.6)
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	-	-	-	-	-	-	(1.7)	(1.7)
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	39.0	-	(66.0)	-	-	-	2.9	(24.3)
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment and revaluation of non-current assets	(30.1)	-	0.3	(17.3)	-	-	-	(47.1)
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	(4.4)	-	38.4	-	-	-	-	34.0
Revenue Expenditure Funded from Capital under Statute	(14.3)	-	-	-	-	-	-	(14.3)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(17.9)	-	(8.2)	-	-	-	-	(26.1)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	3.2	-	12.5	-	(15.7)	-	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.2)	-	(0.1)	-	-	-	-	(0.3)
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	8.9	-	-	-	-	-	-	8.9
Net Charges made for retirement benefits in accordance with IAS 19	(52.4)	-	-	-	-	-	-	(52.4)
Capital Expenditure charged in the year to the General Fund	0.6	-	-	-	-	-	-	0.6
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.1)	-	-	-	2.1	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	43.7	-	-	-	-	-	-	43.7
Transfers of HRA Balance	-	-	-	-	-	-	-	-
Capital grants and contributions unapplied credited to CIES	0.6	-	-	-	-	(0.6)	-	-

4. THE FINANCIAL STATEMENTS

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Reserves of Subsidiary	Total Usable Reserves
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	28.9	-	-	-	-	-	-	28.9
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	(0.4)	-	-	-	-	-	-	(0.4)
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	16.3	-	-	16.3
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	-	0.3
Revenue provision for the repayment of debt	4.7	-	21.6	-	-	-	-	26.3
Transfer of HRA Settlement Receipts to UCR								
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	17.0	-	-	-	17.0
Capitalisation under Section 16(2)(b) directive	(3.0)	-	-	-	-	-	-	(3.0)
Loan receipts transferred to Capital Adjustment Account	-	-	-	-	(0.1)	-	-	(0.1)
Adjustments between Accounting Basis & Funding Basis under Regulations	(33.9)		(64.5)	(0.2)	2.6	(0.6)	-	32.3
Net Increase/Decrease before Transfers & Other Movements	5.1	-	(1.5)	(0.3)	2.6	(0.6)	2.9	8.0
Group contributions to/from Reserves (Group a/cs only)							(1.0)	
Transfers to/from other Earmarked Reserves	(5.1)	5.5	(0.4)	-	-	-	-	-
Balance Carried Forward	(10.0)	(55.8)	(7.0)	(0.4)	(4.2)	(3.4)	26.2	(53.8)

4. THE FINANCIAL STATEMENTS

2017-2018 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 (Council)	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	3.3	(17.7)	(397.2)	6.5	5.0	662.3	(157.1)	105.0	18.9	43.2
Surplus or Deficit on Provision of Services	-	-	-	-	-	-	-	-	(27.0)	(22.6)
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	(27.9)	(27.9)	(27.9)	(27.9)
Gains on Available-for-Sale Financial Assets	-	0.5	-	-	-	-	-	0.5	0.5	0.5
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(30.3)	-	(30.3)	(30.3)	(32.0)
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	-	0.5	-	-	-	(30.3)	(27.9)	(57.7)	(84.7)	(82.0)
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	44.0	-	-	-	3.1	47.1	0	0
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	-	-	(34.0)	-	-	-	-	(34.0)	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	14.3	-	-	-	-	14.3	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	21.2	-	-	-	4.9	26.1	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-

4. THE FINANCIAL STATEMENTS

	Short-term Accumulating Compensated Absences Account £m	Available- for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	TOTAL (Group) £m
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.3	-	-	0.3	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	(8.9)	-	-	-	(8.9)	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	52.4	-	52.4	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.6)	-	-	-	-	(0.6)	-	-
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	-	-	-	-	-	(43.7)	-	(43.7)	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-
Reversal of financing of unequal pay back provision	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(28.9)	-	-	-	-	(28.9)	-	-
Capital grants and contributions unapplied credited to CIES										
Movement in the Donated Assets Account										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.3	-	-	-	-	-	-	0.3	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(16.3)					(16.3)		
Other income that cannot be credited to the General Fund	-	-	(0.3)					(0.3)		
Revenue provision for the repayment of debt	-	-	(26.3)					(26.3)		
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend			(17.0)					(17.0)	-	-
Capitalisation under Section 16(2)(b) directive			3.0					3.0		
Loan receipts transferred to Capital Adjustment Account			0.1					0.1		
Adjustments between Accounting Basis & Funding Basis under Regulations	0.3		(40.8)	(8.9)	0.3	8.7	8.0	(32.4)	-	-

4. THE FINANCIAL STATEMENTS

	Short-term Accumulating Compensated Absences Account £m	Available- for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	TOTAL (Group) £m
Net Increase/Decrease before Transfers & Other Movements	0.3	0.5	(40.7)	(8.9)	0.3	(21.6)	(19.9)	(90.0)	(84.6)	(82.0)
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	3.6	(17.2)	(438.0)	(2.4)	5.3	640.7	(177.0)	15.0	(65.7)	(38.7)

4. THE FINANCIAL STATEMENTS

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. The most significant earmarked reserves are the Efficiency Reserve (£6.5 million), the Budget Contingency Reserve (£3.8 million), the Job Evaluation Reserve (£1.7 million) and the Budget Strategy Reserve (£9.1 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

4. THE FINANCIAL STATEMENTS

	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

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	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.

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13C Movement in Specific Earmarked Reserves

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

2017-2018				Reserve	2018-2019			
31 March 2017 £m	Transfers Out £m	Transfers In £m	31 March 2018 £m		31 March 2017 £m	Transfers Out £m	Transfers In £m	31 March 2018 £m
				Specific Earmarked Reserves				
(6.8)	1.4	(0.7)	(6.1)	Efficiency Reserve (Corporate)	(6.1)	0.4	(0.8)	(6.5)
(5.6)	4.1	(1.9)	(3.4)	Budget Contingency Reserve (Corporate)	(3.4)	1.0	(1.4)	(3.8)
(2.1)	0.4	-	(1.7)	Job Evaluation Reserve (Corporate)	(1.7)	-	-	(1.7)
(12.6)	3.5	-	(9.1)	Budget Strategy Reserve (Corporate)	(9.1)	-	-	(9.1)
				Other Earmarked Reserves				
(1.9)	1.6	(1.7)	(2.0)	People	(2.0)	-	(3.8)	(5.8)
(5.6)	2.4	(2.0)	(5.2)	Place	(5.2)	1.2	(1.6)	(5.6)
(20.0)	4.0	(7.1)	(23.1)	Corporate	(23.1)	7.7	(5.9)	(21.3)
-	-	-	-	Education				
(6.7)	5.2	(3.6)	(5.1)	Schools	(5.1)	3.7	(3.6)	(5.0)
(61.3)	22.6	(17.0)	(55.7)	Total Earmarked Reserves	(55.7)	14.0	(17.1)	(58.8)

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Note 14 Notes to the Cash Flow Statement

14A Adjustment for Non-Cash Movements

2017-2018			2018-2019	
Council £m	Group £m		Council £m	Group £m
(0.1)	2.1	Increase in Inventories	0.2	5.7
2.5	5.6	Decrease/(Increase) in Current Receivables	14.1	15.6
4.2	(1.3)	(Decrease)/Increase in Current Payables	(1.6)	(6.9)
(45.7)	(45.7)	Depreciation, amortisation and impairment of non-current assets	(48.1)	(48.1)
(77.1)	(77.1)	Revaluations of non-current assets	(35.1)	(35.1)
(26.1)	(26.1)	Net book value on disposal of property, plant and equipment, investment property and intangible assets	(55.1)	(55.1)
(52.4)	(58.7)	Net Charges made for retirement benefits in accordance with IAS 19	(51.4)	(54.7)
43.7	47.3	Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	61.1	61.1
(3.4)	(3.4)	Net Movement in Provisions	5.2	5.2
(0.2)	(0.2)	Non-current borrowing revaluation amounts	-	-
(154.6)	(157.5)		(110.7)	(112.3)

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14B Adjustment for Items that are Investing and Financing Activities

2017-2018			2018-2019	
Council £m	Group £m		Council £m	Group £m
15.8	15.8	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15.5	15.5
15.8	15.8		15.5	15.5

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14C Net Cash Flows from Operating Activities

The cash flows from operating activities include the following items:

2017-2018			2018-2019	
Council £m	Group £m		Council £m	Group £m
36.9	37.8	Interest paid	37.0	37.4
(0.5)	(0.5)	Interest received	(0.9)	(0.9)
(2.0)	(2.0)	Dividends received	(1.3)	(1.3)
34.4	35.3		34.8	35.2

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Note 15 Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018-2019 financial year and its position at 31 March 2019. 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 2018-2019 and the Service Reporting Code of Practice 2018-2019, 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. 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 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.

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3. 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 Authority'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 Tax payers 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.

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4. Accounting for Non-Domestic Rates (NDR)

The NDR 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 NDR for the year from the National Non-Domestic Rates (NNDR) 1 return.

- The NDR 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 non-domestic 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 NDR 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.

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5. 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.

6. 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.

7. 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.

8. 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:

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- 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.

9. Employee Benefits

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

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

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

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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 Children's and Young People line and Public Health & Wellbeing line in 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:

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- 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 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.

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10. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31 March 2019, and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

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

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

11. 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.

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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 (ie 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 the 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

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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.

12. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into Sterling at the exchange rate applicable on the date the transaction was effective.

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 (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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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.

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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.

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.

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16. Inventories

Inventories are included on 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.

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.

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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 write 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.

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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.

4. THE FINANCIAL STATEMENTS

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-minimus 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.

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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:

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- 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

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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 Initiative (PFI) and Similar Contracts

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

The original recognition of these assets at fair value, based on the cost to purchase the property, plant and equipment, was balanced by the recognition of a liability for amounts due to the scheme operator, from the Council and third parties where relevant, to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- **Fair value of the services received during the year** - 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 amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Third party income 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.

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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 authority 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 authority.

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 for Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against

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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 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:

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- 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. Accounting for the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the fourth year of its second phase which will last until 31 March 2019. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the Balance Sheet date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption. CRC scheme assets are classified as either current intangible assets or, if held for the purposes of trading, as current assets. The asset is initially measured at cost. Allowances that are issued for less than their fair value are initially measured at their fair value, with the difference between fair value and the purchase price recognised as income.

Page 183 **Note 15A Changes in Accounting Policies and Accounting Estimates from Previous Year**

Whilst there were no changes in Accounting Policies from the previous year, there was a change in the accounting estimate used for the valuation of schools. In previous years, schools had been valued on a Depreciated Replacement Cost basis, but following advice from the Council's valuers, in 2018-2019, the schools were valued on the more prudent Modern Equivalent Asset basis. This change had the impact of reducing the valuation of the schools by £43.4 million.

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:

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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 not been consolidated in the Group Accounts. During 2018-2019 the company has incurred expenditure of £8.4 million, £0.7 million of this being transactions with the council. [Turnover in 2018-2019 was £2.5 million, £0.2 million of this being transactions with the Council.](#)

Yoo Recruit Ltd was formed as a wholly-owned subsidiary of the Council in 2013-2014. The turnover of this company for 2018-2019 was approximately £10.6 million, of which £9.1 million was derived from the Council, with a net income after tax of £40,455. 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 Council is the main funder of Wolverhampton Grand Theatre (1982) Limited and, in practice, bears the risk of the Theatre going into overall deficit as well as having the power to appoint and remove directors of the company. Although the Council does have significant influence as the transactions and balances of this company are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.

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

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

LGPS Central Ltd 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 West Midlands Pension Fund paid £0.355m of set-up costs in relation to LGPS Central Limited in 2018/19 bringing the Pension Fund's total share of set-up costs to £0.502m. These set up costs have been reimbursed by LGPS Central Limited in full to the Pension Fund in 2018/19.

LGPS Central Limited launched its first products on 3 April 2018, a range of passive equity funds which the Fund has invested in from launch. Additionally, 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.

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The charges in respect of these services totalled £1.699m in 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.202m (2017/18: £nil).

The Pension Fund was invoiced £2.071m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.370m (2017/18: £nil).

LGPS Central Limited has let office space from Wolverhampton City Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by Wolverhampton City Council from LGPS Central Limited in 2018/19 totalled £81,798 and the reimbursement of associated utilities and maintenance charges for 2018/19 totalled £8,021. In addition, West Midlands Pension Fund provided graphic design services to LGPS Central Limited for a fee of £11,770.

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Consequently, LGPS Central Limited paid contributions to the Fund on behalf of staff totalling £274,764 (2017/18: £8,582).

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 balances at this year end.

Private Finance Initiative (PFI) Contracts

The Council provides services, via private sector partners, under a PFI or PFI-type contracts in four areas: The Waste Disposal Facility, the Bentley Bridge Leisure Centre, the Highfields and Penn Fields School contract and the St. Matthias School and Heath Park Academy contract. In the Waste Disposal Facility, 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 10D.

Equal Pay Back Pay

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

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

Accounting for the Voluntary Redundancy Programme

The Council continued to accept applications for voluntary redundancy during 2018-2019, and there were a number of employees who were part-way through the approval process at the year end. The Council has taken a prudent approach to the treatment of the anticipated costs of such employees, recognising those costs as a provision in 2018-2019 where it seemed likely that approval would be given, and a redundancy would result.

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.

Schools

Schools within Wolverhampton are managed in a variety of ways including Council Community Schools, Voluntary Aided, Voluntary Controlled and Academies. The Council has reviewed each category of school 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.

Academy Schools – Academies are entirely separate entities of 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. As a result, the leases are classed as finance leases.

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.

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Note 15C Major Assumptions about the Future

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Net Liability

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

Variation to Assumptions	Impact on Net Liability	
	Council	Group
Discount Rate 0.1% higher	Decrease of £29.5 million	<i>Decrease of £33.5 million</i>
Rate of Inflation 0.1% p.a. higher	Increase of £27.4 million	<i>Increase of £30.8 million</i>
Rate of increase in salaries 0.1% p.a. higher	Increase of £2.7 million	<i>Increase of £3.3 million</i>
Life expectancy of scheme members 1 year higher	Increase of £66.0 million	<i>Increase of £73.0 million</i>

Property, Plant and Equipment

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. The valuations are carried out by external valuers. The housing stock is valued by the Valuation Office Agency and the remaining assets by registered RICS valuers Bruton Knowles.

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Assets 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.

Arrears

At 31 March 2019, the Council had a receivables balance, before the expected credit loss allowance, of £74.9 million. An allowance has been made against these receivables based on the age of the debt outstanding and historical collection rates with a resultant expected credit loss allowance of £25.9 million that was considered to be appropriate. In the current economic climate, however, it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the expected credit loss allowance would be required.

Note 15D Accounting Standards Issued but Not Yet Adopted

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- **Amendments to IAS40 Investment Property: Transfers of Investment Property** states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use and that a change of use only occurs if the property meets or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The Council has not transferred any properties to or from "investment property" during the financial year, but notes this clarification.
- **IFRIC 23 Uncertainty over Income Tax Treatments** clarifies the accounting for uncertainties in income taxes. The Council has noted the clarifications.
- **Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation** proposes an exception to IFRS9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not qualify for amortised cost or fair value through other comprehensive income measurement as a result of a prepayment feature (for example where the lender is forced to accept a prepayment amount that is less than unpaid amounts of principal and interest, constituting a payment to the borrower by the lender and not a compensation from the borrower to the lender). Such a financial asset would now be eligible to be measured at amortised cost or at fair value through other comprehensive income (depending on an organisation's business model) if certain conditions are met. The Council does not hold such assets, so is not currently impacted by the amendment.
- **Annual Improvements to IFRS Standards 2014 – 2016 Cycle** contains amendments to three IFRSs as a result of the IASB's annual improvements project:
 - IFRS 1 First-time adoption of International Financial Reporting Standards – some short-term exemptions that relate to Disclosures about Financial Instruments (IFRS7), Employee benefits (IAS 19) and Investment entities (IFRS 12 and IAS 27) have been deleted because the reporting period to which these exemptions applied have already passed and as such these exemptions are no longer applicable.
 - IFRS 12 Disclosure of Interests in other Entities – states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified or included in a disposal group that is classified as held for sale.

4. THE FINANCIAL STATEMENTS

- IAS 28 Investments in Associates and Joint Ventures – clarifies that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture and that election should be made at initial recognition of the associate or joint venture.

The Council has considered these amendments; they do not currently impact the Council.

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

Housing Revenue Account Income and Expenditure Statement

2017-2018	Notes	2018-2019
£m		£m
(90.9) Gross Rents - Dwellings		(88.8)
(0.8) Gross Rents - Non-Dwellings		(0.8)
(5.4) Charges to Tenants for Services and Facilities		(5.8)
- Contributions		-
(97.1) Total Income		(95.4)
25.8 Repairs and Maintenance		25.4
19.6 Supervision and Management		19.3
0.5 Rents, Rates and Taxes		0.3
0.4 Increase in Allowance for Bad Debts		1.4
17.2 Depreciation of Property, Plant and Equipment	H1	17.9
(38.6) Revaluation/impairment of Property, Plant and Equipment	H2	1.2
24.9 Total Expenditure		65.5
(72.2) Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement		(29.9)
0.2 HRA Share of Corporate and Democratic Core		0.2
(72.0) Net Cost of HRA Services		(29.7)
- Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		-
(4.4) (Gain) on Sale of Property, Plant and Equipment		(2.0)
- (Gain) on the Fair Value of Investment Assets		-
10.4 Interest Payable		10.3
- Interest and Investment Income		(0.1)
(66.0) (Surplus)/Deficit for the Year		(21.5)

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

2017-2018 £m	Notes	2018-2019 £m

Movement on the Housing Revenue Account Balance Statement

2017-2018 £m	Notes	2018-2019 £m
(5.0)	Opening HRA Balance	(7.0)
	(Increase)/Decrease in the HRA balance for the year analysed between:	
(66.0)	- (Surplus)/Deficit for the year on the Income and Expenditure Account	(21.5)
64.0	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	21.5
(2.0)	(Increase)/Decrease in the HRA balance for the year	0
(7.0)	Closing HRA Balance	(7.0)

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Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2017-2018 £m	2018-2019 £m	
17.0	Council Dwellings	17.5
0.2	Other Land and Buildings	0.4
0	Vehicles, Plant, Furniture and Equipment	0
17.2	Total Depreciation Charge for the Year	17.9

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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

2017-2018 £m		2018-2019 £m
(38.4)	Council Dwellings	1.5
(0.2)	Other Land and Buildings	(0.2)
(38.6)	Total revaluation/Impairment Charge for the Year	1.3

The revaluation is mainly made up of a £6.0 million uplift due to the annual review to reflect changes in value due to local market conditions

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

2017-2018 £m		Note	2018-2019 £m
64.0	Net additional amount required to be debited or credited to the HRA Balance		21.5
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
12.5	- Net Gain on Sale of Property, Plant and Equipment		12.0
38.6	- Impairment/revaluation of Property, Plant and Equipment	H2	1.3
-	- Capital Expenditure Funded by the HRA		-
(8.2)	- Net Gain / (Loss) on the Fair Value of Investment Assets		-
42.9	Subtotal		13.3
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
	- HRA Share of Contribution to Pension Reserve	H4	-
0.1	- Adjustment for Premiums and Discounts		0

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

21.6	- Amount Set Aside for the Repayment of Debt	20.7
(0.6)	- Transfer to/(from) Earmarked Reserves	-
21.1	Subtotal	20.7
64.0	Total	34.0

Note H4 – Contribution to the Pension Reserve

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

Note H5 – Housing Stock

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

31 March 2018		31 March 2019
4,849	Low Rise Flats	4,827
2,897	Medium Rise Flats	2,882
2,111	High Rise Flats	2,109
11,357	Houses and Bungalows	12,177
22,214	Total Dwellings Owned by the Council	21,995
14	Homeless Dwellings (Leased)	14
22,228		22,009

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.

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

31 March 2018 £m		31 March 2019 £m
737.6	- Council Dwellings	751.5
11.9	- Other Land and Buildings	11.8
-	- Vehicles, Plant, Furniture and Equipment	-
-	- Intangible Assets	-
749.5	Total Property, Plant and Equipment	763.3

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2018 (at 1 April 2016 prices) amounted to £1,858.9 million (31 March 2017: £1,719.6 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 Government of providing Council housing at less than open market rents.

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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.

2017-2018 £m		2018-2019 £m
	Sources of Funding	
(6.3)	- Borrowing	(19.2)
(12.8)	- Usable Capital Receipts	(4.5)
(17)	- Major Repairs Reserve	(17.5)
(0.1)	- Government and EU Grants	(1.6)
(0.1)	- Other Contributions	0
(36.3)	Total Capital Expenditure	(42.8)

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

Capital receipts generated during 2018-2019 from the disposal of HRA assets are detailed in the following table.

2017-2018 £m		2018-2019 £m
(9.9)	Sale of Council Houses (including Right-to-Buy)	(11.6)
(0.4)	Sale of Other Land and Buildings	(0.4)
-	Repaid Discounts	-
(10.3)	Total Capital Receipts	(12.0)

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

2017-2018 £m		2018-2019 £m
2.2	Paid over to Government	2.2
(12.5)	Available to Finance Capital Expenditure	(14.2)
(10.3)	Total Capital Receipts	(12.0)

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Note H9 – Rent Arrears

During 2018-2019, there was an increase in total rent arrears of £0.5 million. Within total rent arrears, current tenants' arrears as a proportion of net rental income was 1.9%, 0.6% higher than in 2017-2018. The comparative total figures are shown in the following table.

31 March 2018 £m		31 March 2019 £m
1.3	Current Tenants	1.8
0.8	Former Tenants	0.8
2.1	Total Arrears	2.6

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

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

2017-2018 £m		2018-2019 £m
1.9	Allowance for Bad and Doubtful Debts Brought Forward	1.9
(0.3)	Amounts Written Off during the Year	(0.9)
0.4	Increase in Allowance Charged to the HRA during the Year	1.4
2.0	Allowance for Bad and Doubtful Debts Carried Forward	2.4

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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.

2017-2018 £m		2018-2019 £m
(0.2)	Balance Brought Forward	(0.2)
(17.0)	Transfer of MRA from the Capital Adjustment Account	(17.5)
17.0	Capital Expenditure on Land and Property in the HRA	17.5
(0.2)	Balance Carried Forward	(0.2)

6. THE COLLECTION FUND STATEMENT

The Collection Fund Statement

2017-2018 £m		Note	2018-2019 £m
	Deficit/(Surplus) Brought Forward		
6.2	City of Wolverhampton Council		(2.4)
(0.1)	West Midlands Police and Crime Commissioner		(0.1)
0.1	West Midlands Fire and Rescue Authority		-
7.0	Central Government		2.7
13.2			0.2
	Income		
(105.8)	Council Tax	C1	(111.6)
(72.7)	Non-Domestic Rates	C2	(72.2)
1.2	Transition Protection Payments - NDR		0.1
(177.3)	Total Income		183.7
	Expenditure		
	Precepts and Demands		
90.9	City of Wolverhampton Council		97.0
7.2	West Midlands Police and Crime Commissioner		8.1
3.5	West Midlands Fire and Rescue Authority		3.7
	Non-Domestic Rates		
-	Central Government		-
0.7	West Midlands Fire and Rescue Authority		0.7
70.5	City of Wolverhampton Council		72.9
0.3	Cost of Collection Allowance		0.3

6. THE COLLECTION FUND STATEMENT

2017-2018 £m		Note	2018-2019 £m
	Distribution of Council Tax Surplus/(Payment of Deficit)		
1.3	City of Wolverhampton Council		0.8
0.1	West Midlands Police and Crime Commissioner		0.1
0.1	West Midlands Fire and Rescue Authority		-
	Distribution of Business Rates Surplus/(Payment of Deficit)		
(4.2)	City of Wolverhampton Council		1.0
(4.3)	Central Government		(2.7)
(0.1)	West Midlands Fire and Rescue Authority		-
	Allowance for Bad and Doubtful Debts		
2.4	Council Tax		1.7
0.4	Non-Domestic Rates		1.1
(4.5)	Provision for appeals		(1.9)
164.3	Total Expenditure		182.8
(13.0)	Deficit/(Surplus) for the Year		(0.9)
	Deficit/(Surplus) Carried Forward		
(2.4)	City of Wolverhampton Council		(0.9)
(0.1)	West Midlands Police and Crime Commissioner		(0.1)
-	West Midlands Fire and Rescue Authority		-
2.7	Central Government		0.3
0.2			(0.7)

6. THE COLLECTION FUND STATEMENT

Notes to the Collection Fund Statement

Note C1 – The Council Tax Base

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

Band	Total Number of Chargeable Dwellings after Effect of Discount	Ratio	Band D Equivalent Dwellings (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	74.36	5/9	41.31	719.83	959.78
A	34,164.65	6/9	22,776.43	863.80	1,151.74
B	18,834.35	7/9	14,648.94	1,007.17	1,343.69
C	13,930.63	8/9	12,382.78	1,151.74	1,535.65
D	5,911.38	9/9	5,911.38	1,295.70	1,727.60
E	2,701.32	11/9	3,301.61	1,583.64	2,111.52
F	1,548.75	13/9	2,237.08	1,871.56	2,495.41
G	892.14	15/9	1,486.90	2,159.50	2,879.34
H	86.38	18/9	172.76	2,591.40	3,455.20
	78,143.96		62,959.19		

6. THE COLLECTION FUND STATEMENT

Note C2 – Non-Domestic Rates

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

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

The total non-domestic rateable value was £194.8 million as at 31 March 2019 (£194.9 million as at 31 March 2018). The national multipliers for 2018-2019 were 48.0p for qualifying small businesses, and the standard multiplier was 49.3p for all other businesses (46.6p and 47.9p respectively in 2017-2018).

7. WEST MIDLANDS PENSION FUND STATEMENTS

Independent auditor's report to Councillors of City of Wolverhampton Council on the pension fund financial statements

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7. WEST MIDLANDS PENSION FUND STATEMENTS

Fund Account

2017-2018 £m		Note	2018-2019 £m
	Contributions & Benefits		
(1,205.9)	Contributions Receivable	P8	(272.7)
(25.6)	Transfers In	P9	(43.5)
(14.5)	Other Income	P10	(14.5)
(1,246.0)	Total contributions and other income		(330.7)
555.9	Benefits Payable	P11	589.7
41.0	Payments to and on account of leavers	P12	37.3
0.7	Other Payments		4.4
597.6	Total benefits and other expenditure		631.4
66.8	Management Expenses	P13	87.4
	Returns on Investments		
(248.7)	Investment Income	P14	(237.9)
7.7	Taxes on income		0.7
312.8	Changes in Value of Investments	P16	1,557.0
(615.6)	Profits and Losses on Disposal of Investments		(2,002.2)
(543.8)	Net return on investments		(682.4)
(1,125.4)	Net (Increase) in the Fund During the Year		(294.3)
14,294.4	Net Assets of the Fund at the beginning of the year		15,419.8
15,419.8	Net Assets of the Fund at the end of the year		15,714.1

7. WEST MIDLANDS PENSION FUND STATEMENTS

New Assets Statement

2017-2018 £m		Note	2018-2019 £m
	Investment Assets (at Market Value)	P15	
188.5	Bonds		339.8
1,494.2	UK Equities		40.0
6,343.5	Overseas Equities		1,301.3
5,351.9	Pooled Investment Vehicles		11,481.8
862.8	Property		980.7
-	Derivatives - Futures		20.7
44.9	Derivatives - Forward Foreign Exchange		1.0
126.0	Foreign Currency Holdings		690.6
830.1	Cash Deposits		821.8
0.4	Other Investment Assets		51.8
45.2	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		0.5
15,287.5	Investment Assets		15,730.0
	Investment Liabilities (at Market Value)	P15	
	Derivatives - Forward Foreign Exchange		(2.8)
-	Other Investment Liabilities		(152.1)
-	Investment Liabilities		(154.9)
15,287.5	Net Investment Assets		15,575.1
0.1	Long Term Investments		-
25.1	Long-Term Debtors	P19	113.7
151.4	Current Assets	P20	47.3
(44.3)	Current Liabilities	P21	(22.0)
15,419.8	Net Assets of the Fund at the end of the year		15,714.1

7. WEST MIDLANDS PENSION FUND STATEMENTS

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 at: <http://www.wmpfonline.com/article/4764/Annual-Reports>.

West Midlands Pension Fund is part of the Local Government Pension Scheme and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region together with employees of scheduled and admitted bodies. At 31 March 2019, the Fund had 673 participating employers and 323,795 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 2018		31 March 2019	
No.		No.	
118,093	Active Members	121,035	
91,741	Pensioner Members	95,991	
103,565	Deferred Members	106,769	
313,399	Total	323,795	

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 2018/19.

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>

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

- (i) The Local Government Pension Scheme Regulations 2013 (as amended)
- (ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
- (iii) The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 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 2019. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2018/19 contribution rates was conducted at 31 March 2016. Employer contribution rates during 2018/19 ranged from 10.2% to 44.7% 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 local authority pension funds into eight Investment Pools. LGPS Central Limited (LGPSC), the company established to manage investments on behalf of nine LGPS funds including West Midlands Pension Fund, received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional asset Pool went live on 1 April 2018.

The Pool's first 3 sub-funds covering passive equity assets were launched at the start of April and on 3 April 2018, following approval from Pensions Committee, West Midlands Pension Fund transitioned assets to the value of £4.886bn and cash of £247m to the LGPS Central sub-funds.

In January 2019, the Fund agreed to a commitment of £200m in the LGPS Central Limited - Private Equity Scottish Limited Liability Partnership. No investments were actually made during the 2018/19 financial year as the first call on the commitment came in April 2019.

In February, the Fund, along with five other LGPS Central Pool Partner Funds, transitioned a further £789m of assets to the LGPS Central Limited - Global Equity Active Multi-Manager sub-fund.

Work is underway to develop further LGPS Central Limited sub-funds in collaboration with LGPS Central Pool Partner Funds and the Fund 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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Following the transfer of in-house investment and finance team members to LGPS Central Limited on 1 April 2018, West Midlands Pension Fund retained LGPS Central Limited to provide advice and execution services on a number of legacy portfolios. It is likely that some of these advisory and execution mandates will continue to remain in place for some period 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 2018/19 financial year and its financial position as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* (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.

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. Provision has not been made where the amount payable or receivable in relation to transfers was not agreed at the year end (see note P9).

B. Contribution income

Contributions receivable have been included in the accounts on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Additional contributions (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 2019, 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. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

D. Investment Income

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 from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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 2019. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial assets

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 2019, cost is therefore an appropriate estimate of the fair value of shares held in this company.

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 values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 17 to the accounts). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

H. Freehold and leasehold properties

These have been valued at their open market value. Property is valued by the Fund's valuers on an annual basis. The market values included in these accounts are contained in a valuation report by Savills plc (in accordance with Royal Institute of Chartered Surveyors valuation standards) as at 31 March 2019. One third of the commercial property portfolio is valued fully in March each year with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Browns, agricultural valuers, at the same date.

I. Foreign currencies

Investments held in foreign currencies have been valued as set out in paragraph g) above and translated at exchange rates ruling at 31 March 2019.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Dividends, interest and purchases and sales of investments have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates have been used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at 31 March 2019.

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.

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

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

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 and an apportionment 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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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

The cost of external investment advice is included in investment management expenses as is the cost of any 'in-house' Fund investment activity.

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 and Equitable Life as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in 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).

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Note P4 - Critical judgements in applying accounting policies

Unquoted private equity investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2019 was £1,010.4 million (£1,191 million at 31 March 2018).

7. WEST MIDLANDS PENSION FUND STATEMENTS

Pension Fund liability

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

Note P5 - Assumptions made about the future and other major sources of estimation uncertainty

Actuarial present value of promised retirement benefits

Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, 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:

Changes in assumptions - year ended March 2019	Approx. % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	9%	2,089.6
1 year increase in member life expectancy	4%	834.5
0.5% p.a. increase in salary increase rate	1%	217.4
0.5% p.a. increase in CPI inflation	8%	1,861.5

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

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 £3,401.1m at 31 March 2019 (£3,265.3m at 31 March 2018). 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

A full actuarial valuation of the Fund was made as at 31 March 2016 by the Fund's Actuary, G Muir of Barnett Waddingham LLP. The Actuary has determined the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £11,569.0 million represented 81% of the funding target of £14,219.0 million at the valuation date. The valuation also showed that a primary rate of contribution of 18.6% 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 practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2017. 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 2017. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils was certified as follows:

7. WEST MIDLANDS PENSION FUND STATEMENTS

Future Service Rate (% of pay) plus lump sum (£)					
	2015/16	2016/17	2017/18	2018/19	2019/20
Birmingham City Council	12.9% plus £41,870,400	13.4% plus £43,724,800	15.3% plus £61,800,000 (£125.0m)	16.8% plus £61,800,000 (£124.0m)	18.3% plus £61,500,000 (£124.2m)
Coventry City Council	12.7% plus £12,395,000	13.1% plus £15,518,000	16.8% plus £12,000,000 (£31.1m)	16.8% plus £12,000,000 (£31.1m)	16.8% plus £12,000,000 (£31.1m)
Dudley MBC	12.7% plus £9,174,000	13.2% plus £10,931,000	15.4% plus £9,500,000 (£30.2m)	17.0% plus £9,700,000 (£31.3m)	18.6% plus £9,600,000 (£32.3m)
Sandwell MBC	13.1% plus £15,323,200	13.1% plus £19,227,200	14.7% plus £16,900,000 (£16.9m)	16.2% plus £17,000,000 (£17.0m)	17.7% plus £16,900,000 (£16.9m)
Solihull MBC	12.9%	13.5%	14.7% plus £5,000,000 (£15.6m)	16.5% plus £5,100,000 (£16.6m)	18.4% plus £5,100,000 (£17.4m)
Walsall MBC	13.2% plus £14,835,000	13.2% plus £15,518,000	15.4% plus £14,000,000 (£28.0m)	16.9% plus £14,800,000 (£30.2m)	18.3% plus £15,000,000 (£31.5m)
City of Wolverhampton Council	13.1% plus £9,900,000	13.5% plus £10,900,000	15.5% plus £13,300,000 (£29.2m)	16.8% plus £14,000,000	18.1% plus £14,600,000

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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 2017. 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:

	2016	2013
Rate of return on investments:	4.7% per annum	5.6% per annum
Rate of pay increases:	3.9% per annum	4.35% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4% per annum	2.6% per annum

7. WEST MIDLANDS PENSION FUND STATEMENTS

The assets were assessed at market value.

The latest triennial actuarial valuation of the Fund was completed at 31 March 2016 and this was conducted by the Fund's Actuary Barnett Waddingham. Based on the results of this valuation, the contribution rates payable by the individual employers were revised with effect from 1 April 2017. The Actuarial Valuation 2016 report can be found on the Fund's website by following the link www.wmpfonline.com/CHttpHandler.ashx?id=12682&p=0

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 2018	31 March 2019
Rate of return on investments (discount rate)	2.55% per annum	2.40% per annum
Rate of pay increases	3.85% per annum*	3.90% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.35% per annum	2.40% per annum

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

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £22,063.7 million. The effect of the changes in actuarial assumptions between 31 March 2018 and 31 March 2019 as described above is to increase the liabilities by £792.3 million. Adding interest over the year increases the liabilities by a further £557.4 million and allowing for net benefits accrued/paid over the period increases the liabilities by £273.3 million which includes any increase arising as a result of early retirements/augmentations. A change in mortality rates assumptions has decreased the liabilities by £1,265.2 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 2019 is therefore £22,421.5 million.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P8 - Contributions receivable

Contributions receivable by type

2017-2018 £m		2018-2019 £m
	From employers	
619.3	Contributions	615.3
440.0	Past service deficit	48.2
0.4	Augmented membership	-
34.6	Additional cost of early retirement	24.2
1,094.3		687.7
	From members	
111.0	Basic contributions	102.3
0.6	Additional contributions	8.7
111.6		111.0
1,205.9	Total contributions	798.7

Following the actuarial valuation as at 31 March 2016, some employers chose to pay their full three-year future service and past service deficit contributions as a lump sum in 2017/18. The lump sums paid by the seven councils and accounted for last year are shown in the table in note 6. Additionally, having paid £5.5m on account in January 2018, City of Wolverhampton Council paid the balance of its 2018/19 and 2019/20 future service and past service deficit contributions by lump sum payment of £57.3m on 30 April 2018. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions receivable by type of employer

2017-2018 £m		2018-2019 £m
55.8	Administering authority	54.8
1,113.9	Scheme Employers	190.0
36.2	Admitted employers	27.9
1,205.9	Total	272.7

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P9 - Transfers in

2017-2018 £m		2018-2019 £m	
	Group transfers		14.9
25.6	Individual transfers		28.6
25.6	Total		43.5

Note P10 - Other income

2017-2018 £m		2018-2019 £m	
	Benefits recharged to employers		
7.8	Compensatory added years		(7.7)
6.7	Pensions increases		(6.8)
14.5	Total		(14.5)

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P11 - Benefits payable

Benefits payable by type

2017-2018 £m		2017-2018 £m
	Pensions	
410.3	Retirement pensions	434.7
28.5	Widows' pensions	29.2
1.0	Children's' pensions	1.0
5.1	Widowers' pensions	5.5
0.2	Ex-spouse	0.2
0.2	Equivalent pension benefits	0.2
0.2	Co-habiting partners	0.3
445.5	Total pensions	471.1
	Lump sum benefits	
98.8	Retiring allowances	106.0
11.6	Death grants	12.6
110.4	Total lump sum benefits	118.6
555.9	Total benefits payable	589.7

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Benefits payable by type of employer

2017-2018 £m		2018-2019 £m
45.0	Administering authority	49.8
469.7	Other scheduled employers	490.6
41.2	Admitted employers	49.3
555.9	Total	589.7

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P12 - Payments to and on account of leavers

2017-2018		2018-2019	
£m		£m	
36.4	Individual transfers		32.7
-	Group transfers		
1.7	Refunds of contributions		1.9
0.1	State scheme premiums		0.1
2.8	Bulk pension transfer increases		2.6
41.0	Total		37.3

Note P13 - Management expenses

2017-2018		2018-2019	
£m		£m	
3.8	Administrative costs		5.1
58.9	Investment management expenses, comprising:		79.9
44.6	- Management fees	47.5	
11.4	- Performance-related fees	13.0	
2.3	- Transaction costs	15.2	
0.6	- Custody fees	0.4	
-	- LGPS Central Limited	3.8	
2.8	Oversight and governance costs		2.4
1.3	LGPS Central		-
66.8	Total management costs		87.4

Included in administrative costs of £5.1m above are external audit fees of £50,438 (2017/18: £48,618). The charge for 2018/19 comprises the current year audit fee of £37,438 and £13,000 invoiced by Grant Thornton for additional audit work required in 2017/18.

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £15.2 million in 2018/19 and £11.4 million in 2017/18.

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P14 - Investment Income

2017-2018 £m		2018-2019 £m
	Dividends and Interest	
	<u>Bonds</u>	
7.7	UK private sector – quoted	7.5
	<u>Equities</u>	
58.0	UK private sector – quoted	9.2
142.9	Overseas	51.9
	<u>Pooled Investment Vehicles</u>	
14.9	UK private sector – quoted	103.1
0.3	Overseas equities	7.0
2.9	Interest on cash deposits	5.2
2.9	Stocklending	0.9
0.9	Other investment income	0.5
230.5	Total dividends and interest	185.3
23.8	Property management income	62.5
(5.6)	Property management expenses	(9.9)
18.2	Total property management	52.6
248.7	Total investment income	237.9

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Stocklending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £215.8m (2018: £353m) in exchange for which the custodian held collateral worth £238.6m (2018: £394.8m) representing 111% of stock lent (2018: 112%). These equities continue to be recognised in the Fund's financial statements and the collateral consists of acceptable securities and government debt.

During the period the stock is on loan, the voting rights on the loaned stock pass to the borrower.

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P15 - Net investment assets

2017-2018 £m		2018-2019 £m
	Bonds	
188.5	UK companies – segregated (external)	187.9
	Overseas Sovereign - Index Linked	151.9
188.5		339.8
	UK equities	
1,492.2	Quoted	38.0
2.0	Unquoted	2.0
1,494.2		40.0
	Overseas equities	
4,627.8	Quoted	27.5
1,715.7	Quoted – segregated (external)	1,273.8
6,343.5		1,301.3
	Pooled investment vehicles	
	Managed funds	
563.1	UK fixed interest	584.8
820.1	Other fixed interest	1,112.3
872.3	UK quoted, index linked	920.6
	UK quoted equities (pooled assets)	1,244.1
-	Overseas quoted equities (pooled assets)	4,723.9
610.0	Infrastructure	818.5
1,191.0	Private equity	1,010.4
553.2	UK absolute returns	530.4
48.3	Overseas absolute returns	61.0
51.4	UK property	60.0
170.6	Overseas property	167.5
	Unit trusts	
162.1	UK quoted equities	162.8
302.7	Overseas equities	85.3
7.1	Overseas property	0.2
5,351.9		11,481.8
	Property	
806.8	UK freehold	934.2
56.0	UK leasehold*	46.5
862.8		980.7

7. WEST MIDLANDS PENSION FUND STATEMENTS

	Derivative contracts	
-	Futures	20.7
44.9	Forward currency contracts	1.0
44.9		21.7
	Foreign currency holdings	
2.2	Australian dollars	0.5
0.5	Canadian Dollars	0.6
0.5	Czech Koruna	1.0
0.7	Danish Kroner	0.5
11.5	Euro	208.8
0.6	Hong Kong Dollars	239.4
0.6	Hungarian Forints	0.5
1.1	Japanese Yen	5.4
0.6	New Zealand Dollars	0.5
0.6	Norwegian Kroner	0.5
0.5	Polish Zloty	0.5
0.6	Singapore Dollars	0.8
3.5	Swedish Kroner	2.9
4.1	Swiss Francs	3.1
0.6	Turkish Lira	0.6
97.8	United States Dollars	225.0
126.0		690.6
	Cash deposits	
830.1	UK	488.0
-	US	333.8
830.1		821.8
	Other investments	
0.4	Broker balances	51.8
45.2	Outstanding dividend entitlement and recoverable with-holding tax	0.5
45.6		52.3
15,287.5	Total investment assets	15,730.0

7. WEST MIDLANDS PENSION FUND STATEMENTS

	Investment liabilities	
	Derivative contracts	
-	Forward currency contracts	(2.8)
-		(2.8)
	Other liabilities	
-	Amounts payable for purchases	(152.1)
-		(152.1)
-	Total investment liabilities	(154.9)
15,287.5	Net investment assets	15,575.1

* 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.

2017-2018			2018-2019	
Market value £m	% of total market value %		Market value £m	% of total market value %
		Security		
-	-	LGPS Central Global Ex UK Passive Equity Fund	3,649.8	23.5
-	-	LGPS Central Global UK Passive Equity Fund	1,244.1	8.0
-	-	LGPS Central Global Equity Active Multi-Manager Fund	791.2	5.1
773.9	5.1	Legal & General - All Stocks Index-Linked Gilts Fund	920.6	5.9

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.

7. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2018			31 March 2019	
Market value	% of total market value		Market value	% of total market value
£m	%		£m	%
Investments managed by LGPS Central Limited regional asset pool:				
-	-	Global equities	4,723.9	30.4
-	-	UK equities	1,244.1	8.0
-	-		5,968.0	38.4
Investments managed outside of LGPS Central Limited regional asset pool:				
7,986.2	52.4	In-house	2,579.3	16.6
162.1	1.1	Managers: UK quoted	162.8	1.0
1,232.0	8.1	Managers: emerging markets	1,273.8	8.2
786.4	5.2	Managers: global equities	85.3	0.5
2,444.0	16.0	Managers: fixed interest	2,805.6	18.2
229.1	1.5	Managers: indirect property	227.7	1.5
610.0	4.0	Managers: infrastructure funds	818.5	5.3
601.5	3.9	Managers: absolute return	591.4	3.8
1,191.0	7.8	Managers: private equity	1,010.4	6.5
15,242.3	100.0		9,554.8	61.6
45.2		Outstanding dividend entitlement and recoverable with-holding tax	52.3	
15,287.5		Net investment assets	15,575.1	

ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

During the year the Fund approved the use of both forward foreign currency hedging and exchange traded futures contracts for the purpose of hedging exposures to reduce risk in the Fund and to gain exposure to assets more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

a) Futures

During the year, 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. 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 use of futures enables the Fund to invest cash in higher returning assets at relatively lower cost whilst retaining flexibility to switch money cheaply into the income assets that the Fund may be targeting. The Fund will continue to use futures to manage transitions, ensuring efficient portfolio management and potentially manage active currency risk not covered by the passive hedging strategy. 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 by targeting a 50% hedge ratio based on the strategic weight of each region with a rebalancing taking place on a monthly basis to reflect changing market values.

7. WEST MIDLANDS PENSION FUND STATEMENTS

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	700.1	EUR	809.3	1.0	-
One to six months	GBP	354.5	JPY	51,202.0	-	(1.3)
One to six months	GBP	1,992.0	USD	2,607.2	-	(1.5)
Open forward currency contracts at 31 March 2019					1.0	(2.8)
Net forward currency contracts at 31 March 2019						(1.8)
Prior year comparative						
Open forward currency contracts at 31 March 2018					44.9	-
Net forward currency contracts at 31 March 2018					44.9	-

d) Open exchange traded futures contracts

Type	Expires	Economic exposure £m	Market value 31 March 2018 £m	Economic exposure £m	Market value 31 March 2019 £m
Assets					
UK equity	Under one year	-	-	59.9	1.1
Overseas equity	Under one year	-	-	730.4	19.3
UK bond	Under one year	-	-	150.0	0.3
Total assets					20.7

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P16 - Investment market value movements analysis

	Value as at 31 March 2018	Purchases at cost	Sales at book value	Investment management fees deducted at source	Change in market value	Value as at 31 March 2019
	£m	£m	£m	£m	£m	£m
Bonds	188.5	151.3				339.8
UK equities	1,494.2	0.2	(1,091.0)	(0.8)	(362.6)	40.0
Overseas equities	6,343.5	13.9	(3,545.7)	(2.1)	(1,508.3)	1,301.3
Pooled investment vehicles	5,351.9	7,820.1	(1,861.4)	(59.3)	230.5	11,481.8
Property	862.8	120.5	(18.1)		15.5	980.7
	14,240.9	8,106.0	(6,516.2)	(62.2)	(1,624.9)	14,143.6
Derivative contracts						
Futures	-	51.7	(4.2)	-	(26.8)	20.7
Forward foreign exchange	44.9	167.0	(308.4)		94.7	(1.8)
	14,285.8	8,324.7	(6,828.8)	(62.2)	(1,557.0)	14,162.5
Broker balances	0.4					51.8
Outstanding dividend entitlement and recoverable with-holding tax	45.2					0.5
Amounts payable for purchases of investments						(152.1)
Foreign currency	126.0					690.6
Cash deposits	830.1					821.8
Total investments	15,287.5					15,575.1

The change in market value of investments comprises increases and decreases in the market value of investments held at any time 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 £15.2 million (2017/18: £2.3 million). In addition to the

7. WEST MIDLANDS PENSION FUND STATEMENTS

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.

31 March 2018 £m		31 March 2019 £m	
2.3	Equities - Overseas Quoted		15.2
2.3			15.2

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 2017/18 is set out below:

	Value as at 31 March 2017 £m	Purchases at Cost £m	Sales at Book Value £m	Investment Management Fees Deducted at Source £m	Change in Market Value £m	Value as at 31 March 2018 £m
Bonds	192.4	-	-	-	(3.9)	188.5
UK Equities	1,368.4	329.2	(134.2)	-	(69.2)	1,494.2
Overseas Equities	5,920.3	983.1	(512.0)	-	(47.9)	6,343.5
Pooled Investment Vehicles	5,574.4	1,797.5	(1,657.0)	(46.2)	(316.8)	5,351.9
Property	756.4	75.6	(25.8)	(1.5)	58.1	862.8
	13,811.9	3,185.4	(2,329.0)	(47.7)	(379.7)	14,240.9
Derivative Contracts						
Futures	-	1,394.5	(1,413.0)	-	18.5	-
Forward Foreign Exchange	-	15,453.6	(15,457.1)	-	48.4	44.9
	13,811.9	20,033.5	(19,199.1)	(47.7)	(312.8)	14,285.8
Broker Balances	0.2					0.4
Outstanding dividend entitlement and recoverable With-holding tax	24.7					45.2
Foreign Currency	111.8					126.0
Cash Deposits	304.1					830.1
Total Investments	14,252.7					15,287.5

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profits and losses on the sale of investments shown in the Fund Account include an additional £616.3 million which represents profit realised on sale of the Fund's assets.

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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:

2017-2018 £m			2018-2019 £m	
756.4		Opening balance		862.8
75.6		Additions		120.5
(27.1)		Disposals		(18.1)
57.9		Net change in market value		15.5
862.8		Closing balance		980.7

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 2018 £000			31 March 2019 £000	
50,031		Within one year		40,056
192,879		Between one and five years		142,444
223,218		Later than five years		164,249
466,128		Total future lease payments due under existing contracts		346,749

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.

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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 2019.	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 2019	n/a	n/a
Unquoted bonds	2	Average of broker prices	Evaluated price feeds	n/a
Pooled Investments- overseas 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 2019	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.

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Sensitivity of level 3 assets

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 2019.

Level 3 assets	Valuation range	Valuation at 31 March 2019	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	14.3	980.7	1,120.9	840.5
Private Equity	28.3	1010.4	1,296.3	724.5
Infrastructure	20.1	818.5	983.0	654.0
Absolute Return/Diversified Growth	12.5	591.5	665.4	517.6
Total		3401.1	4,065.6	2,736.6

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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.

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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 investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

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Value at 31 March 2019	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	7,576.0	3,188.2	2,420.4	13,184.6
Non- financial assets at fair value through profit and loss			980.7	980.7
Financial liabilities at fair value through profit and loss		(2.8)		(2.8)
Net financial assets	7,576.0	3,185.4	3,401.1	14,162.5

7. WEST MIDLANDS PENSION FUND STATEMENTS

Value at 31 March 2018	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	9,172.8	1,802.8	2,402.5	13,378.1
Non- financial assets at fair value through profit and loss			862.8	862.8
Net financial assets	9,172.8	1,802.8	3,265.3	14,240.9

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

Period 2018/19	Market value 1 April 2018 £'000	Transfers into Level 3	Transfers out of level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains / losses £'000	Realised gains/losses £'000	Market value 31 March 2019 £'000
Freehold and Leasehold Property	862.8	-	-	120.5	(18.1)	8.1	7.4	980.7
Private Equity	1,191.0	-	-	220.1	(247.8)	(356.7)	203.8	1010.4
Infrastructure	610.0	-	-	239.6	(30.5)	(10.8)	10.2	818.5
Absolute Return/Diversified Growth	601.5	-	-	285.8	(261.3)	27.0	-61.5	591.5
Total	3,265.3	0.0	0.0	866.0	(557.7)	(332.4)	159.9	3401.1

Note P18 - Investment capital commitments

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

31 March 2018 £m		31 March 2019 £m
907.6	Non-publicly quoted equities and infrastructure	814.6
107.1	Property	103.9
1,014.7		918.5

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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 2018		31 March 2019	
£m		£m	
-	Private equity consolidation proceeds		82.6
25.1	Early retirement costs		28.9
	Reimbursement of lifetime tax allowances		2.2
25.1	Total		113.7

As part of a consolidation exercise, the Fund sold a number of small limited partnership private equity holdings in the secondary markets for the total sum of £184.6m. £102m of the proceeds were received by 31 March 2019 and the balance is receivable in two instalments of £29.3m due by 28 August 2020 and £53.3m due by 29 September 2020. The total outstanding of £82.6m is therefore included as long term debtors. The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £28.9m is due after the following financial year (2017/18: £25.1m). The instalments due in 19/20 are reported in current assets.

Note P20 - Current Assets

		Receivables and prepayments	
		Contributions Receivable	
98.0	- Employers' future service		11.8
20.2	- Employers' past service deficit		4.7
11.7	- Members		9.6
24.8	Other Receivables		19.0
154.7	Total Receivables and Prepayments		45.1
(3.3)	Cash		2.2
151.4	Total Current Assets		47.3

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note: Following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it was calculated by Mercer Limited that the Fund is due to receive a total of £27.7 million. This is to be paid in 10 equal and annual instalments commencing on 15 April 2011 and finishing on 15 April 2020 together with interest payments resulting in annual income of £3.3 million. The balance due included in Other Receivables at 31 March 2019 is £3 million (31 March 2018: £6.3 million).

Note P21 - Current liabilities

31 March 2018 £m		31 March 2019 £m
	Payables and receipts In advance	
(2.0)	Pensions and lump sum benefits	(5.9)
(42.3)	Other payables	(16.1)
(44.3)	Total	(22.0)

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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 2018			31 March 2019		
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m	
1.9	38.7	Opening value of the fund	1.8	37.8	
		Income			
0.1	6.4		-	5.9	
(0.3)	(8.5)	Expenditure	(0.3)	(7.6)	
0.1	1.2	Change in market value	0.1	1.5	
1.8	37.8	Closing value of the fund	1.6	37.6	

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P23 Post year end transactions

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

Note P24 Financial instruments

Net gains and losses on financial instruments

31 March 2018 £m		31 March 2019 £m
	Financial assets	
419.3	Fair value through profit and loss	(1,545.7)
	Financial liabilities	
	Fair value through profit and loss	(26.8)
419.3	Total	(1,572.5)

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.

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31 March 2018			31 March 2019		
Fair value through Profit and Loss £m	Assets at amortised cost £m	Financial liabilities at amortised cost £m	Fair value through Profit and Loss £m	Assets at amortised cost £m	Financial liabilities at amortised cost £m
			Financial assets		
188.5			Bonds	339.8	
1,494.2			UK equities	40	
			Overseas equities		
6,343.5				1301.3	
			Pooled investment vehicles		
5,351.9				11,481.8	
			Derivative contracts		
44.9				21.7	
	952.8		Cash		1,514.6
			Other investment balances		166.0
	70.8				45.1
	154.7		Debtors		
13,423.0	1,178.3			13,184.6	1,725.7
			Financial liabilities		
			Derivative contracts	(2.8)	
			Other investment balances		(152.1)
		(44.3)	Creditors		(22.0)
13,423.0	1,178.3	-44.3		13,181.8	(174.1)
	14,557.0			14,733.4	

Note P25 - The nature and extent of risks arising from financial instruments

7. WEST MIDLANDS PENSION FUND STATEMENTS

Risk management

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

- Investment risk - the possibility that the Fund will not receive the expected returns.
- Credit risk - the possibility that the other parties might fail to pay amounts due to the Fund.
- Liquidity risk - the possibility that the Fund might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise as a result of stock market movements. Currency risk, other price risk and interest rate risk are types of market risk.

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

Investment risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to liabilities through the triennial actuarial valuation followed by an appropriate asset allocation. During the year, the Fund targeted an 86% exposure to return seeking assets such as equities, property, other alternatives with equity-like returns, including emerging market debt and higher return fixed interest investments. The remaining 14% is allocated to stabilising assets, such as UK Government bonds or gilts, both index linked and conventional.

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

Counterparty risk

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

Credit risk

The Fund's deposits with financial institutions as at 31 March 2019 totalled £821.8 million in respect of temporary loans and treasury management instruments (31 March 2018: £830.1 million). The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Proposed counterparties are assessed using an amalgamation of credit ratings and market research with the resulting 'score' determining the suitability and individual limit in each case. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite. A credit rating sensitivity analysis as at 31 March 2019 is shown overleaf:

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Summary	Long term Fitch rating*	Value at 31 March 2018 £m	Value at March 2019 £m
Money market funds			
HSBC Sterling Liquidity Fund	Aaa-mf	100.0	157.4
HSBC USD Liquidity Fund Class H	Aaa-mf	-	333.8
LGIM Liquidity Fund	Aaa-mf	230.0	111.0
Insight Liquidity Fund	AAAmmf	250.0	0.9
Aberdeen Liquidity Fund (Lux)	Aaa-mf	153.2	-
Short-term deposits			
Principality Building Society	BBB+	25.0	-
Nottingham Building Society	Baa1	10.0	-
Leeds Building Society	A-	-	-
Barclays	A	-	-
Skipton Building Society	A-	-	-
Coventry Building Society	A	15.0	-
Northamptonshire County Council		-	-
Mid Suffolk County Council		-	-
Swindon City Council		-	-
The City of Liverpool Council		10.0	-
London Borough of Barking & Dagenham		10.0	-
Reading Borough Council		10.0	-
London Borough of Haringey		10.0	-
Bank deposit accounts			
NatWest Corporate Cash Manager Account			129.9
CBRE Client Account West Midlands Met Authority			15.7
GBP Current Accounts	AA-	2.9	-
HSBC Global Active	AA-	4.0	73.1
Total		830.1	821.8

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* Moody's rating used if no Fitch rating available

7. WEST MIDLANDS PENSION FUND STATEMENTS

Liquidity risk

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

Foreign exchange risk

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

Securities lending

As at 31 March 2019, £215.8 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 2018: £353 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £238.6 million, giving a margin of 10.6% (2017/18, £394.8 million, margin of 11.8%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stocklending amounted to £0.9 million during the year (2017/18: £2.9 million) and is detailed in note 12 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers; therefore, its value is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

Reputational risk

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

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk, which arises from investments held by the Fund for which the future price is uncertain. The Fund mitigates price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

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Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period (overleaf):

Market risk - Other price risk

Asset Type	Value at March 2019 £m	% Change	Value on increase £m	Value on decrease £m
UK equities	1,446.9	16.6%	1,687.1	1,206.7
Global equities (ex UK)	6,110.5	16.9%	7,143.2	5,077.8
Property	227.7	14.3%	260.3	195.1
Fixed interest*	2,957.5	8.3%	3,203.0	2,712.0
Private equity	1,010.4	28.3%	1,296.3	724.5
Alternatives**	1,409.9	16.8%	1,646.8	1,173.0
Total Fund (See note below)	13,162.9		15,236.7	11,089.1

*includes exposure to fixed interest gilts, index-linked gilts, corporate bonds, cash, high yield debt, emerging market debt, mezzanine debt, convertibles and senior loans.

**includes exposure to absolute return (£591.4m) and infrastructure (£818.5m)

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 10.5%. On this basis, the total value on increase is £14,545 million and the total value on decrease is £11,780.8 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.

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Asset Type	Value as at 31 March 2018 £m	% Change	increase £m	decrease £m
UK equities	1,656.3	16.8%	1,934.6	1,378.0
Global equities (ex UK)	6,646.2	17.9%	7,835.9	5,456.5
Property	1,091.9	14.3%	1,248.0	935.8
Fixed interest*	2,444.0	8.3%	2,646.9	2,241.1
Private equity	1,191.0	28.3%	1,528.1	853.9
Alternatives**	1,211.5	16.2%	1,407.8	1,015.2
Total Fund (See note below)	14,240.9		16,601.3	11,880.5

*includes exposure to fixed interest gilts, index-linked gilts, corporate bonds, cash, high yield debt, emerging market debt, mezzanine debt, convertibles and senior loans.

**includes exposure to absolute return (£601.5m) and infrastructure (£610.0m)

Currency risk - sensitivity analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2019 and 31 March 2018:

Asset Type	Value at 31 March 2019 £	% Change	Value on Increase £	Value on Decrease £
Global equities (ex UK)	6,110.5	10.0%	6,721.6	5,499.5
Private equity	1,010.4	10.0%	1,111.4	909.4
Fixed interest	2,957.5	10.0%	3,253.3	2,661.8
Alternatives	1,409.9	10.0%	1,550.9	1,268.9
Property funds	167.5	10.0%	184.3	150.8
Liquid assets	1,074.0	10.0%	1,181.4	966.6
Total	12,729.8		14,002.9	11,457.0

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Asset Type	Value at 31	% Change	Value on	Value on
	March 2018		Increase	Decrease
	£		£	£
Global equities (ex UK)	6,646.2	10.0%	7,310.8	5,981.6
Private equity	1,191.0	10.0%	1,310.1	1,071.9
Fixed interest	2,444.0	10.0%	2,688.4	2,199.6
Alternatives	1,211.5	10.0%	1,332.7	1,090.4
Property funds	229.1	10.0%	252.0	206.2
Liquid assets	126.0	10.0%	138.6	113.4
Total	11,847.8		13,032.6	10,663.1

Interest rate risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Interest rate risk - sensitivity analysis

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

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

Asset Type	Carry amount as at 31 March		Change in year in the net assets available to pay benefits	
	2019		+100BPS	-100BPS
	£m		£m	£m
Index-linked Gilts	920.6		(203.5)	203.5
Gilts	172.7		(20.0)	20.0
Corporate Bonds	585.1		(49.6)	49.6
Gilt Future*	150.3		(13.1)	13.1
US TIPS	151.9		(18.5)	18.5
Total	1,980.6		(304.7)	304.7

* Economic exposure

7. WEST MIDLANDS PENSION FUND STATEMENTS

Asset Type	Carrying amount as at 31 March 2018	Change in year in the net assets available to pay benefits	
	£m	+100BPS £m	-100BPS £m
Index-linked Gilts	872.3	(183.2)	183.2
Gilts	166.6	(17.3)	17.3
Corporate Bonds	585.1	(50.1)	50.1
Total	1,624.0	(250.6)	250.6

Note P26 - Impairment for bad and doubtful debts

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

Additions analysis		
Individual Value	Number	Total £
Less than £100	8	206.40
£100 - £500	1	106.71
Over £500	2	2,297.30
TOTAL	11	2,610.41

Write off analysis		
Individual Value	Number	Total £
Less than £100	2	150.56
£100 - £500	52	11,319.38
Over £500	21	66,268.39
TOTAL	75	77,738.33

7. WEST MIDLANDS PENSION FUND STATEMENTS

Note P27 - 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 £64.1 million were receivable from the City of Wolverhampton Council for 2018/19 (2017/18: £35.8 million). Having paid £5.5m on account in January 2018, City of Wolverhampton Council paid the balance of its 2018/19 and 2019/20 future service and past service deficit contributions by lump sum payment of £57.3m on 30 April 2018. Balances owed by and to the Council at the year end are shown in Notes P19, P20 and P21.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund as set out below:

Pensioner: Councillors Bagri, Butt, Inston, Mutton and Underhill
 Active: Councillor Hevican
 Deferred: Councillors Brookfield and Simkins

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

There are five employing bodies of the Fund in which a member of the Committee has declared an interest for 2018/19. Contributions from each of these are set out below.

Contributions receivable 2017-2018		Contributions receivable 2018-2019	
£000		£000	
5,730	West Midlands Fire and Rescue Service	-	
4,497	Wolverhampton Homes		4,890
174	Wolverhampton Girls High School		218
18	Kingswood Trust		21
-	Wolverhampton City Council		64,100
-	Birmingham Museums Trust		175

7. WEST MIDLANDS PENSION FUND STATEMENTS

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 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 West Midlands Pension Fund paid £0.355m of set-up costs in relation to LGPS Central Limited in 2018/19 bringing the Pension Fund's total share of set-up costs to £0.502m. These set up costs have been reimbursed by LGPS Central Limited in full to the Pension Fund in 2018/19.

LGPS Central Limited launched its first products on 3 April 2018, a range of passive equity funds which the Fund has invested in from launch. Additionally, 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 £1.699m in 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.202m (2017/18: £nil).

Page 247 The Pension Fund was invoiced £2.071m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2018/19 (2017/18: £nil). The amount outstanding in respect of these services at 31 March 2019 was £0.370m (2017/18: £nil).

LGPS Central Limited has let office space from Wolverhampton City Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by Wolverhampton City Council from LGPS Central Limited in 2018/19 totalled £81,798 and the reimbursement of associated utilities and maintenance charges for 2018/19 totalled £8,021. In addition, West Midlands Pension Fund provided graphic design services to LGPS Central Limited for a fee of £11,770.

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Consequently, LGPS Central Limited paid contributions to the Fund on behalf of staff totalling £274,764 (2017/18: £8,582).

Wolverhampton City 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 balances at this year end.

7. WEST MIDLANDS PENSION FUND STATEMENTS

Key management personnel

The Fund's current senior management comprises six individuals: the Director of Pensions, Assistant Director (Finance & Investments), the Head of Operations, the Head of Pensions, the Head of Governance and Corporate Services and the Head of Finance. The total salary paid to the senior management team in 2018/19 was £458,000 (2017/18: £481,000). In addition to this, employer's pension contributions of £138,000 (2017/18: £130,000) were met from the Fund in respect of these individuals.

Annual Governance Statement 2018-2019

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 being revised in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The new 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 Managing Director, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting both the members of the Pensions Committee and the Local Pension Board in their role.

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

WV Living is a private limited company, which has been set up by the City of Wolverhampton Council, to develop and build a new range of homes within the city. Therefore, the company are required to submit separate accounts via Companies House. Senior Officers from the Council are directors of the company and formal governance arrangements have been established in an articles of association.

8. ANNUAL GOVERNANCE STATEMENT

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 2019 and up to the date of approval of the annual report and statement of accounts.

On 3 April 2019 The City of Wolverhampton Council approved a new Council Plan for 2019-2024, to replace the existing Corporate Plan 2016-2019. The plan will build on the Council's transformation journey with a focus on delivering the following improved outcomes for the City:

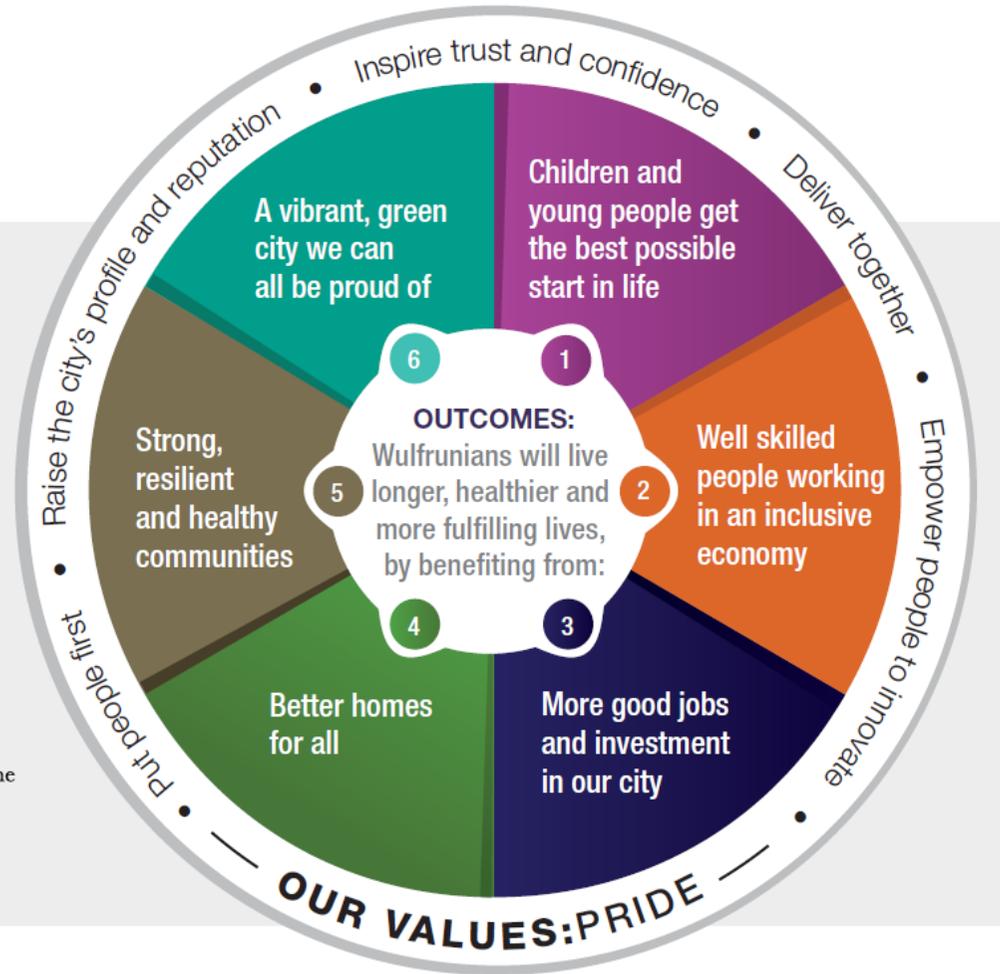
Council Plan

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

CITY OF WOLVERHAMPTON COUNCIL

In partnership with

Wolverhampton for Everyone
 a people powered city
'Connecting people, places and communities to unlock potential and create change'



8. ANNUAL GOVERNANCE STATEMENT

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	• Published information is accurate and reliable • Implementation of previous governance issues	• Financial and Contract Procedures Rules • modern.gov (the council's committee management information system)	• Local Government Ombudsman Report • Scrutiny reviews • Annual Governance Statement – including the follow up of previous year issues	• Combined Authority

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 2018-2019

The review of effectiveness has found the arrangements for the governance framework to be fit for purpose.

A key component of the review is through the work of the Council's Audit and Risk Committee and during the year the Committee continued with its new initiatives, helping to ensure that the Council had a modern, effective and risk focussed Committee. During the year they:

8. ANNUAL GOVERNANCE STATEMENT

- Maintained the focus of the Committee on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its risks well. This also involved the Committee 'calling-in' certain risks and their risk owners, for a more detailed review.
- 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 had 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 through the results of an independent validation of the Council's self-assessment exercise and as reported to the Audit and Risk Committee in 2018.

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

Managing the risk of Fraud and Corruption

With regards to the CIPFA Code of practice on managing the risk of fraud and corruption - having considered all the principles, 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.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government

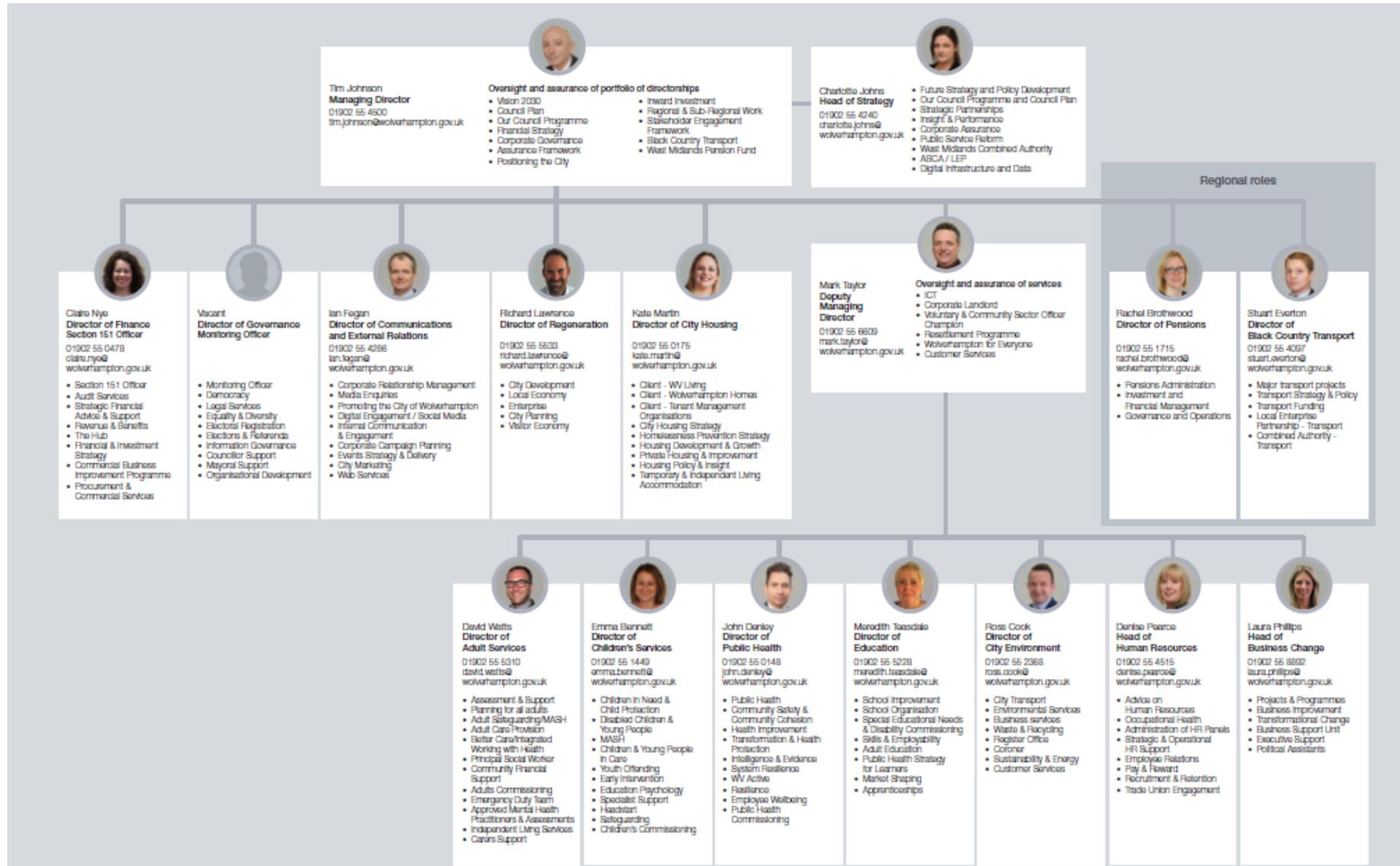
The role of the Council's Section 151 Officer has been assessed against the CIPFA Statement and found to be compliant

Key Changes to the Governance Framework

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There were no key changes to the governance framework during the year. However, on 3 April 2019 The City of Wolverhampton Council approved a new Council Plan (see above) and a new senior management structure as follows:

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8. ANNUAL GOVERNANCE STATEMENT

West Midlands Pension Fund

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

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company’s Financial Statements for 2018-2019. This states that the control framework has been reviewed by the Company’s Audit and Service Delivery Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company’s internal auditors.

Progress on the Governance Issues from 2017-2018

The table below describes the governance issues identified during 2017-2018 and the progress made against these during 2018-2019. While a number of issues have been carried forward to 2019-2020, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p><i>Savings Targets</i></p> <p>This continues to be a key area for the Council to manage as it is faced with finding savings of £19.5 million by 2019-2020.</p>	<p>On 17 October 2018, Cabinet approved that:</p> <ul style="list-style-type: none"> • Budget Reduction and Income Generation proposals amounting to £695,000 in 2019-2020 proceed to formal consultation and scrutiny stages of the budget process • That Financial Transactions and Base Budget Revisions totalling a net reduction of £4.7 million in 2019-2020 be incorporated into the 2019-2020 draft budget <p>Cabinet also approved a number of changes to items in the Medium Term Financial Strategy. As a result of the recommendations Cabinet also approved that further options are explored between October 2018 and January 2019 to address the updated projected budget deficit of in the region of £6.0 million for 2019-2020 based on the Council's high-level strategy.</p>	<p>Council approved a balanced budget for 2019-2020 without the use of general reserves. It is estimated that further savings of £27.3 million are required in 2020-2021 rising to £40 – 50 million over the medium-term to 2023-2024.</p> <p>Council approved that work starts on developing budget reduction and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy, with progress reported back to Cabinet in July 2019. It is important to note that projected budget deficit assumes the achievement of budget reduction proposals amounting to £9.6 million over the five year period 2019-2020 to 2023-2024. It is also important to note that a number of assumptions have been made with regards to the level of resources that will be available to the Council, and that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. At the point that further information is known it will be incorporated into future reports to</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>Councillors. Any reduction in the Government's allocation of funding to the Council would have significant detrimental impact and further increase the budget deficit forecast of the medium-term.</p> <p>Carried forward</p>
<p><i>Procurement, Contract Management and Monitoring</i></p> <p>Following the establishment of the contract monitoring team, contract management training is being rolled out across service teams and being tailored to their specific requirements.</p>	<p>The Commercial Team has held a number of internal contract training sessions. In addition, collaboration is taking place between Procurement and Commercial to establish external training for selected officers within the authority. Support is also provided as required to officers.</p>	<p>This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.</p> <p>Carried forward</p>
<p><i>Combined Authority</i></p> <p>The devolution deal 2 agreed in November 2017 covers a number of areas where the Government has committed to support the West Midlands as it develops its Local Industrial Strategy to drive regional economic growth. The deal sets out a number of initiatives on public service reform, ways in which the West Midlands could have more control of financing its activities, new arrangements for the adult skills budget and agreed governance changes, including a commitment to integrate the West Midlands Fire and Rescue Service into the Combined Authority, whereby a public</p>	<p>Transport</p> <p>Transforming Cities Funding (TCF)</p> <ul style="list-style-type: none"> • As part of the TCF, the West Midlands Combined Authority will receive capital funding of £250 million from the national fund total of £1.7 billion. • Funding will be provided over four years to 2021-2022, and will be a single grant to the West Midlands. • The Black Country is the main beneficiary from the Transforming Cities Funding. In addition to the £207 million already allocated to the Wednesbury to Brierley Hill Metro 	<p>Transport</p> <p>The situation remains as per the mid-year update.</p> <p>Skills and Productivity</p> <p>City partners have worked together to develop bids for AEB funding for the city. The overall strategy has been to improve the relevance and accessibility of local AEB funded skills provision to meet both resident and business need and to make better connections between AEB funded</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>consultation has been completed and will be submitted to the Secretary of State alongside the draft Scheme. A delivery plan for the devolution deal has been developed and work is underway to plan delivery impact within Wolverhampton.</p> <p>A devolution deal for the adults skills budget is also progressing. The Adult Education Budget (AEB) grant funds activity in Further Education (FE) Colleges, Local Authority Adult and Community Learning services and at a much smaller scale through contracts with private training providers. Key Features include implementing a governance structure that ensures the Combined Authority is engaged with the Department so that there is an understanding of how post 16 policy aligns to AEB allocations and helping to achieve objectives for adult funding.</p> <p>In March 2018, the Chancellor announced in the Government's Spring Statement, a Housing Deal for the Combined Authority, of £350 million of new Government funding to support the delivery of new homes in the West Midlands. The funding will deliver infrastructure to support the development of priority sites including in and around Wolverhampton.</p> <p>Following discussions with Birmingham City Council, it has been agreed from a governance perspective that the transport plan, operations</p>	<p>Extension, the Black Country received £25.43 million of the remaining £43 million.</p> <ul style="list-style-type: none"> This will benefit schemes including highways development (A4123, A454 and A449), Birchley Island, Dudley interchange and the Cycling Programme. <p>Skills and Productivity Adult Education Budget:</p> <ul style="list-style-type: none"> In June 2018, the WMCA Board agreed the West Midlands Regional Skills Plan which sets out how WMCA will work with local partners and providers to better deploy AEB to meet the needs of residents and businesses. The WMCA's AEB allocation for 2019-2020 will be confirmed by the Department for Education (DfE) in January 2019, and will be based on actual delivery to West Midlands residents in 2017-2018. <p>Housing and Land Housing First</p> <ul style="list-style-type: none"> WMCA had been awarded £9.6m for the delivery of Housing First for the period 2018-21. Constituent Authorities had agreed to deliver 225 housing units per year, for three years, in order to conduct the pilot. <p>Cohesion and Integration – PSR West Midlands 5G</p>	<p>provision and other skills and employment funding which is operating within the city.</p> <p>An innovative partnership bid for AEB funding has been developed between Adult Education Wolverhampton and the Wolverhampton Learning Platform (five local Voluntary sector providers) to deliver coordinated offer in community venues across the city. The offer includes ESOL, Basic skills, Employability, Vocational first steps training as well as support for residents with health related barriers to learning and work.</p> <p>The college and Adult Education Wolverhampton have also submitted growth bids for AEB so we are hoping to see more effective and targeted skills provision going forward - better linked to local growth sectors and better coordinated across the various levels of skills from entry to advanced.</p> <p>We expect to gradually grow the local delivery of high quality and relevant skills provision over the next three years of funding and to have, over time, much more local influence over all AEB funded provision so that we can create efficiencies, develop better skills</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>and infrastructure delivery for the Commonwealth games will be led by Transport for West Midlands with Birmingham City Council leading on infrastructure delivery. There are a number of named funded schemes in the bid, including the completion of the Metro in Wolverhampton city centre.</p>	<ul style="list-style-type: none"> The WMCA has successfully bid for regional 5G test bed status as part of the Government's Urban Connected Cities programme, which is a DCMS-led programme to accelerate the deployment of 5G next-generation mobile connectivity in the UK. The proposal is for the Black Country to have a test bed focussed on Industry 4.0. <p>Economic Growth</p> <p>Town Centres Programme</p> <ul style="list-style-type: none"> Bilston has been agreed as one of the first wave centres agreed at the Housing & Delivery Board on 25 October. First wave centres will benefit from WMCA resources in terms of funding and staff resource and act as a test bed for interventions. <p>Cultural Development Fund</p> <ul style="list-style-type: none"> Cultural Development fund bid, managed by Arts Council England has been submitted by CWC and partners including the University of Wolverhampton. If this bid is successful it will Complement's WMCA's Regional Skills Plan ambition to 	<p>pathways and support more connection to jobs through skills provision.</p> <p>Housing and Homelessness Prevention Strategy</p> <ul style="list-style-type: none"> The Cabinet in September 2018 approved the City's new Homelessness Prevention Strategy and Action Plan, which supports the delivery of the WMCA homelessness prevention funding streams in partnership with over 20 City Partners. The Cabinet Member for City Assets and Housing attends the WMCA Members Advisory Group for Housing and Homelessness Prevention which oversees, amongst other housing programmes, the Housing First Pilot Fund. The City of Wolverhampton is part of the WMCA Homelessness Prevention Task Force (Director/ Head of Service) and WMCA Housing First Working Group (Manager/Officer) The City of Wolverhampton, Housing First Pilot commenced in January 2019, with the first rough

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
	<p style="text-align: center;">increase digital skills to support the growth of the creative tech businesses.</p> <p>Environment</p> <p>Air Quality</p> <ul style="list-style-type: none"> • Some air quality powers conferred in original devolution agreement. Devo 2 gives the WMCA the same legal powers as the local authorities on air quality • Air Quality is linked to the smart city programme, and planned investment in connectivity infrastructure such as 'smart streetlights' that can help support this. 	<p style="text-align: center;">sleeper resettlements taking place in Q4 2018/19.</p> <ul style="list-style-type: none"> • The City of Wolverhampton ALMO landlord management agent, Wolverhampton Homes, is also a Housing First accommodation provider. <p>Housing Growth Deal</p> <ul style="list-style-type: none"> • A 'Shadow Board' for the Walsall to Wolverhampton Housing Growth Corridor was established in September 2018. • WMCA secured Investment Board approval for the WMCA Housing Growth Corridors in November 2018. Additional approvals were secured by WMCA from HM Treasury also at this time. • The Cabinet in January 2019 approved the corporate governance, programme support resourcing (for 2019-21) for the Walsall to Wolverhampton Housing Growth Corridor ('Housing Deal') and Strategic Partnership Board, Chaired by the Cabinet Member for City Assets and Housing, with representation from Walsall MBC, WMCA,

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>Homes England and the Black Country Consortium as well as thematic partners (such as Education/ Health/Employment/ Environment).</p> <ul style="list-style-type: none"> • WMCA have produced and consulted on, in March 2019 a Strategic Investment Framework to support prioritising funding and the delivery of programmes, including the 'Housing Deal'. • W2W Partnership Business Cases are being prepared for the Phase 1 Programme (2019-21) for consideration by WMCA from June 2019. • The W2W PMO Partnership Team is being recruited (commenced April 2019). • W2W Delivery Group meets every two weeks with Walsall MBC, WMCA and Homes England representation. <p>Cohesion and Integration – PSR</p> <p>WMCA have signed a grant agreement with DCMS for the Urban Connected Communities programme, which is designed to accelerate the deployment of 5G technology. A number of papers on</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>the governance to support the WM5G initiative have been to WMCA Programme Board, and the Managing Director has been asked to be a Director on the WM5G company.</p> <p>The Black Country test bed will be focussed on construction, and is based at the Springfield campus. Further work is underway with WM5G, LEP and University of Wolverhampton in finalising the test bed activity. Other programme workstreams include 'barrier busting' initiatives, and through the council's 'digital infrastructure programme' there is a clear approach to how we are supporting the acceleration of digital infrastructure roll out</p> <p>Economic Growth</p> <p>Town Centres Programme</p> <ul style="list-style-type: none"> • Bilston town centre programme is progressing with an action plan in development. The acquisition of the Pipe Halls building is being undertaken.

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>Cultural Development Fund</p> <ul style="list-style-type: none"> The Cultural Development Fund bid was recommended for funding by Arts Council England, but unfortunately was not successful in being funded following the ministerial decision process. The Council and wider partners are seeking other funding mechanisms for what is acknowledged as a strong bid. <p>Environment</p> <p>The Smart Streetlight project is now in delivery.</p>
<p><i>Corporate Landlord</i></p> <p>A draft Strategic Asset Plan has been produced and is to be finalised by the end of June 2018. The Disposal Programme for 2018-2019 and 2019-2020 has been identified and the delivery of the programme is in progress. Focal 365 has been implemented, data migration and cleansing is in progress and the system is being utilised.</p>	<p>The Strategic Asset Plan was approved at Cabinet in October 2018 and has been published on the Council's internet site.</p> <p>The disposal programme continues to be delivered and to date £1.18 million has been achieved with a further £8.9 million to be achieved during 2018-2019.</p> <p>Focal 365 is due to be launched initially across Corporate Landlord by the end of November 2018.</p>	<p>The Asset Plan has been approved and the Council is in the process of ensuring the data is kept up to date. The transfer of all data is a significant undertaking and will need more time to fully implement.</p> <p>Carried forward</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p><i>Cyber Security</i></p> <p>Maintaining robust, secure and up-to-date technology defences continues to be the Council's first line of defence against cyber-attacks. Regular maintenance of the cyber security technical defences is required to address identified vulnerabilities. System back-up's will continue to be undertaken in accordance with agreed time-tables and practise restores to the Council's non-production area are ongoing to ensure that back-ups have been undertaken correctly and can be restored.</p> <p>Preparation for the next PSN Certification has begun, the certification is due in June. Prior to this internal and external health checks will be undertaken to identify any vulnerabilities which will then be addressed prior to the renewal of the certification.</p> <p>An independent body will be commissioned to undertake a health-check review, once</p>	<p>Regular maintenance and updates of the Council's cyber security technical defences continues to address any identified vulnerabilities.</p> <p>Rigour around system and data backups continues with regular practice restores to non-production environments.</p> <p>PSN certification has been gained again for 2018-2019 and best practices regarding people, process and technology perspectives will continue to be applied to ensure compliance during 2019-2020.</p> <p>Independent security practitioners will continue to be commissioned to check the robustness of the Council's cyber defences and to advise on methods/actions to strengthen them where appropriate.</p> <p>Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities</p>	<p>A Cyber security operational group was set up and introduced to address current and potential future cyber security issues.</p> <p>As part of the work of the group, action plans have been produced and work is ongoing to support the overarching cyber security risk assessments reported through the Audit and Risk committee.</p> <p>Cyber security awareness raising has taken place through the Council's internal communication mechanism, with the main focus being around the identification of phishing emails.</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>completed any recommendations arising from this will be actioned.</p> <p>Information Security and Cyber-Security policies will continue to be regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities.</p> <p>Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities.</p>		
<p><i>Project Governance including the Civic Halls</i></p> <p>In January 2018, the Council approved a further £23.7 million for a new scheme for the Civic Halls on the basis of a revised business case to address significant building fabric, structural and management issues following detailed technical surveys and reviews that were undertaken in 2017. Additional works include a substantial number of items not included in the original scheme such as a new electrical and engineering system, major structural work,</p>	<p>The new governance structure and project management structure for the Civic Halls has now been fully implemented and is helping to driving delivery of the project. The mechanisms of the Civic Halls new governance structure have also been implemented into other construction projects (Refer to the Internal Audit Report - Lessons Learnt).</p> <p>The Project and Works team have worked closely with the Programme team to develop a construction project assurance process The RIBA gateway process has been incorporated into the Council's reporting Verto system. This has aligned the</p>	<p>The GDPR programme of work has concluded and is moving towards a business as usual status. Any outstanding work not completed directly through the work programme will form part of core business activities from quarter one 2019, this includes refresher or targeted training which will be requested and delivered through the normal channels.</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>including a new roof and the latest safety and security measures.</p> <p>A new governance and project management structure is being put in place, commensurate with the scale and complexity of this scheme, including the appointment of a more experienced Project Manager and a specialist in risk management. The new project includes a range of work-streams alongside the main design and construction works. Also, Audit Services have recently undertaken a lessons learned review in order to prevent similar issues with future projects. Once this report has been finalised, the recommendations arising from it will be implemented in accordance the agreed timescales.</p> <p>This framework will also be adopted for all future projects of this size, while for smaller projects the Council is introducing a local approach to project assurance which will encompass a series of gateway reviews.</p>	<p>transparency of the Verto reporting mechanism with the construction projects gateways.</p> <p>The output of the alignment will drive the transparent, consistent reporting of each individual construction project at each gateway. This will ensure that projects do not pass through gateways without full review and scrutiny.</p>	<p>Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended. Communications on data protection and information security will continue to be published through the Council's intranet, as and when required; either following a business need, incident or direction/guidance from the ICO.</p>
<p><i>General Data Protection Regulations</i></p> <p>The Council is putting into place appropriate policies, procedures and technologies to ensure that the handling and protection of its data is</p>	<p>Procurement have now contacted all suppliers and are developing a plan to ensure current contracts are varied to accommodate the new legislation, however</p>	<p>The GDPR programme of work has concluded and is moving towards a business as usual status. Any outstanding work not completed directly</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>undertaken in a secure manner and consistent with both the provisions of the current Data Protection Act 1998, the new Data Protection Bill (which will become the Data Protection Act 2018) and the General Data Protection Regulation (GDPR) which comes into force during May 2018, and a work programme has been developed.</p>	<p>this is still in progress due to this being a very large task.</p> <p>All standard contractual documentation has appropriate clauses to encompass GDPR, bespoke contracts also include GDPR compliant clauses.</p> <p>A new process has been established whereby any new contract has a GDPR Supplier Self-Assessment document issued at tender stage which is then considered by Information Governance to ensure compliance. No contract can be awarded without this document being approved by Information Governance.</p> <p>A systems audit is also underway to ensure all cloud and on-premise systems meet the requirements of GDPR.</p>	<p>through the work programme will form part of core business activities from quarter one 2019, this includes refresher or targeted training which will be requested and delivered through the normal channels.</p> <p>Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended.</p> <p>Communications on data protection and information security will continue to be published through the Council's intranet, as and when required; either following a business need, incident or direction/guidance from the ICO.</p>
<p><i>Arm's Length Management Organisation Housing Partnership - Residential Landlord Services</i></p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> • Cabinet approved refreshed ALMO Management Agreement in September 2018 	<p>Actions complete:</p> <ul style="list-style-type: none"> • Housing Revenue Account (HRA) Budget Setting (Rents/ Service

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>New Service Level Agreements and management arrangements are being put in place for the delivery of Homelessness Prevention Services/Housing Option Services, Disabled Facilities Grants, Affordable Warmth and Home Improvement Agency Services with Wolverhampton Homes, following the 'transfer' of these services in December 2017. A legal review of the ALMO Management Agreement commenced in February 2018 and will be presented to Cabinet in July 2018 making any necessary recommendations to amend Management Agreement monitoring and/ governance and/or legal operating arrangements.</p>	<ul style="list-style-type: none"> • ALMO Company Board approved refreshed Board Governance and Membership and ALMO Management Agreement in September 2018 (AGM) • SLA for Homelessness Prevention between CWC and WH in place from June 2018. Service performance now being reported to Cabinet Performance Panel quarterly. • Cabinet approved a new Housing Assistance Policy (Grants) in September 2018. <p>Next Steps: SLA for Private Housing / Home Improvement Services by 31 March 2019</p>	<p>Charges) 2019-2020 Report – agreed by Cabinet (Resources) Panel – January 2019.</p> <ul style="list-style-type: none"> • ALMO Business Plan 2019 – 2023 – new four-year Business Plan agreed by Wolverhampton Homes Board and Cabinet - March 2019. • The legal review of the ALMO Management Agreement has been undertaken and approved by' Cabinet. <p>Next steps:</p> <ul style="list-style-type: none"> • Home Improvement Grants SLA LEAN Systems Review underway (January 2019) with Wolverhampton Homes / City Housing / Adult Social Care/ Public Health. Draft SLA being produced. <p>Commission to produce an Affordable Warmth/Warm Homes Strategy with Wolverhampton Homes and partners has commenced from January 2019.</p>
<p><i>Tenant Management Organisations - Residential Landlord Services</i></p> <p>An employee 'desk top' review commenced in February 2018 of these partnerships. Further to</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> • Audit of TMO for Bushbury – September 2018. Improvement Action Plan now inplace, 'Better Homes' Legal Agreement engrossed, Tenant Vote completed. 	<p>Actions complete:</p> <ul style="list-style-type: none"> • Audit of TMO for Springfield Horseshoe – completed and Improvement Action Plan inplace. Follow-up 'spot inspections' taking

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>this review, an audit schedule has been agreed for 2018-2019 for all four TMOs operating in the City. Management Agents have been notified of the forthcoming audits commencing in May 2018. A number of TMO 'Modular Management Agreements' are not currently in place. New Key Performance Indicators (KPIs) for Landlord Services (including Health and Safety) monitoring are to be reported from Quarter 1 in 2018-2019. TMO operational performance and KPIs continue to be reported to the Cabinet Performance Panel.</p> <p>Dovecotes TMO has been placed under a performance improvement arrangement (via a Performance Improvement Plan agreed with Dovecotes TMO Board in March 2018), for six months due to concerns around governance and performance. An outcome of a Housing Ombudsman Inquiry was also pending at March 2018.</p> <p>Bushbury Estate Management Board (TMO) continues its Application and Business Case to the Secretary of State and Minister of Housing, Communities and Local Government to enact the Right to Transfer of approximately 830 council freehold homes to a Preferred Transfer Partner by April 2019. The City continues in its</p>	<ul style="list-style-type: none"> • Audit of TMO for Dovecotes – October 2018. Improvement Action Plan now in place. • Recruitment of Service Support Manager and Client Manager for TMOs complete <p>Next Steps:</p> <ul style="list-style-type: none"> • Audit of TMO for Springfield – commenced • Audit of TMO for New Park Village – commenced • Modular Management Agreements for all TMOs in place for 31 March 2019 	<p>place in March 2019 for further assurance.</p> <ul style="list-style-type: none"> • Audit of TMO for New Park Village – completed and Improvement Action Plan in place. • Modular Management Agreements for all TMOs in place for 31 March 2019. • KPIs Review complete – all KPIs being reported to Cabinet (Performance) Panel on a quarterly basis in a new report format.

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>duty to co-operate in the Right to Transfer legislative process.</p>		
<p><i>Residential Site Management Agreement</i></p> <p>A review of the existing arrangements for Residential Site Management commenced in March 2018. A draft Management Agreement has been produced, but was not engrossed as at March 2018. It is anticipated a new interim Management Arrangement will be put in place by the end of Quarter 1 in 2018-2019, whilst a longer-term review of management options is undertaken in consultation with partners, residents and Wolverhampton Homes.</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> Legal Review of SLA for Residential Site Management complete WH to take on Client role for contract agreed by Housing Board in October 2018. <p>Next Steps:</p> <ul style="list-style-type: none"> Consultation with residents and Site Management Agent (Gypsy and Traveller Council) SLA in place between CWC and G&TC by 31 March 2019. 	<p>Actions complete:</p> <ul style="list-style-type: none"> SLA in draft between the Council/Wolverhampton Homes/Gypsy Traveller Council – negotiations ongoing in Q1 2019-2020 with residents/site management agent. <p>Next steps:</p> <ul style="list-style-type: none"> Consultation with residents and Site Management Agent (Gypsy and Traveller Council).
<p><i>Housing Policies</i></p> <p>City Housing Allocations Policy – Cabinet received a report in April 2018 to ensure the City Housing Allocations Policy with Amendments meets the new requirements of the new Homelessness Reduction Act 2018. Landlord Management Agents will be required to operate in accordance with the Amended Housing Allocation Policy. Operational measures have been put in place with the ALMO</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> Cabinet agreed new Private Housing Assistance Policy in September 2018 Cabinet agreed refreshed Right to Buy Housing Policy in July 2018. Cabinet agreed a new Homelessness Prevention Strategy 2018 - 2023 <p>Next Steps</p> <ul style="list-style-type: none"> Review of City Allocations Policy – to commence 	<p>Actions complete:</p> <ul style="list-style-type: none"> Review of City Housing Allocations Policy – commenced 2019-2020. Consult upon Homelessness Prevention Strategy Action Plan 2018–23. <p>New Service Model for Private Housing Enforcement / Illegal Evictions, including</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>(Wolverhampton Homes) to ensure operational compliance from 1 April 2018. A further Review (including formal consultation) of the Allocations Policy, including an Equality Impact Assessment is planned by Quarter 3 2018-2019</p> <p>Private Housing Assistance Policy – A new Private Housing Assistance Policy is being developed to ensure continued compliance with the Regulatory Reform (Housing Assistance) England and Wales Order 2002, Housing, Grants and Construction and Regeneration Act 1996 and the Housing Act 2004.</p> <p>Housing Right to Buy Policy – A report to Cabinet making recommendations to revise four elements of the Right to Buy Policy is to be presented to Cabinet by June 2018 to ensure continued compliance with Housing Act 1985</p> <p>Housing Enforcement / Illegal Evictions – There is currently no City Policy or resources in place to administer legal requirements under Protection from Eviction Act 1977 and Housing</p>	<ul style="list-style-type: none"> • Produce and consult upon Homelessness Prevention Strategy Action Plan 2018 – 2023 • New Service Model for Housing Enforcement / Illegal Evictions 	<p>new Illegal Evictions Prevention Officer post in 2019-2020</p>

8. ANNUAL GOVERNANCE STATEMENT

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>Act 1980. A proposal to resource and develop a new service offer is to be developed. The option of an interim resource arrangement with another Local Authority will also be considered .</p> <p>Prevention of Homelessness Strategy – A draft Homelessness Strategy is being consulted upon in readiness for Members consideration in June 2018. This would meet the obligations of the Homelessness Act 2002 and Code of Guidances.</p>		

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Action Plan for the Significant Governance Issues identified during 2018-2019 which will need addressing in 2019-2020

Based on the Council's established risk management approach, the following issues have been assessed as being key for the purpose of the 2018-2019 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

8. ANNUAL GOVERNANCE STATEMENT

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Savings Targets</i></p> <p>Council approved a balanced budget for 2019-2020 without the use of general reserves. It is estimated that further savings of £27.3 million are required in 2020-2021 rising to £40 –50 million over the medium-term to 2023-2024.</p> <p>Council approved that work starts on developing budget reduction and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy, with progress reported back to Cabinet in July 2019. It is important to note that projected budget deficit assumes the achievement of budget reduction proposals amounting to £9.6 million over the five year period 2019-2020 to 2023-2024.</p> <p>It is also important to note that a number of assumptions have been made with regards to the level of resources that will be available to the Council, and that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the Government’s allocation of funding to the Council would have significant detrimental impact and further increase the budget deficit forecast of the medium-term.</p>	<p>Director of Finance 31 March 2020</p>
<p><i>Procurement, Contract Management and Monitoring (brought forward)</i></p> <p>This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.</p>	<p>Director of Finance 31 March 2020</p>
<p><i>Corporate Landlord</i></p> <p>The Asset Plan has been approved and the Council is in the process of ensuring the data is kept up to date. The transfer of all data is a significant undertaking and will need more time to fully implement.</p>	<p>Deputy Managing Director 31 March 2020</p>

8. ANNUAL GOVERNANCE STATEMENT

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Civic Halls</i></p> <p>This is one of the highest priority projects the Council is involved in and will be monitored regularly. Project management has improved and we are now part way through the project with the main refurbishment works due to commence in the near future. Liaison with Planning and Historic England needs to be finalised so that the final phase can be undertaken in the determined timeframe.</p>	<p>Director of Regeneration 31 March 2020</p>
<p><i>General Data Protection Regulations</i></p> <p>Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended.</p>	<p>Director of Governance 31 March 2020</p>
<p><i>Combined Authority</i></p> <p>As one of the seven constituent authorities of the West Midlands Combined Authority, we need to continue to ensure that the city is benefitting from devolution deals to the region to meet key priorities. The Leader will also have responsibility for a specific portfolio within the Combined Authority working across the region.</p>	<p>Head of Strategy 31 March 2020</p>
<p><i>Tenant Management Organisations</i></p> <p>We will need to monitor and help complete the implementation of the recommendations arising from the recent audit reviews and as included in the Improvement Plans for the four TMOs.</p>	<p>Director of City Housing 31 March 2020</p>

8. ANNUAL GOVERNANCE STATEMENT

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Residential Site Management Agreement</i></p> <p>Consultation to take place with residents and Site Management Agent (Gypsy and Traveller Council) in order to finalise the service level agreement.</p>	<p>Director of City Housing 31 March 2020</p>

Future Assurance

A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit and Risk Committee during 2019-2020.

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.

8. ANNUAL GOVERNANCE STATEMENT



Ian Brookfield, Leader of the Council

Date:



Tim Johnson, Managing Director

Date:

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.

9. GLOSSARY

Budget

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

Business Rate or National Non-Domestic Rates (NDR)

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

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.

9. GLOSSARY

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

See Statement of Recommended Practice, Code of Practice

Code of Practice on Local Authority Accounting

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

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingent Asset

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

9. GLOSSARY

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core

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

Council Tax

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

Current Asset

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

Dedicated Schools Grant

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

Deficit

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

Defined Benefit Scheme

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

9. GLOSSARY

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 Minimus

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

9. GLOSSARY

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.

9. GLOSSARY

General Fund

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

Going Concern

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

Government Grants

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

Heritage Assets

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

Housing Revenue Account (HRA)

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

Impairment

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

See Property, Plant and Equipment

Income and Expenditure Account / Statement

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

9. GLOSSARY

Infrastructure Assets

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

Intangible Assets

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

International Accounting Standards (IAS)

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

See International Financial Reporting Standards

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

9. GLOSSARY

Levy

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

Liabilities

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

See Accruals, 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

9. GLOSSARY

Net Current Replacement Cost

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

Net Realisable Value

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

Net Worth

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

Non-Current Asset

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

Obsolescence

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

See Impairment

Operational & Non-Operational Assets

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

See Property Plant and Equipment

Operating Leases

Leases other than a finance lease.

See Finance Leases

Payables

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

See Accruals, Receivables

9. GLOSSARY

Precept

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

Premium

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

See Discount

Prior Year Adjustments

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

Private Finance Initiative (PFI)

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

Property, Plant and Equipment

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

See Capital Expenditure

Provisions

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

Prudence

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

Receipts in Advance

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

9. GLOSSARY

Receivables

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

See Accruals, Payables

Related Party

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

- (i) The elected members of the Council and their partners.
- (ii) The senior officers of the Council.
- (iii) The companies in which the Council has an interest.
- (iv) Central Government and preceptors of Wolverhampton's Collection Fund.
- (v) Other entities which the Council has the ability to control or influence.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Retirement benefits do not include termination benefits payable as a result of either;

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant (RSG)

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

Ring-fenced

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

9. GLOSSARY

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).

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CITY OF WOLVERHAMPTON COUNCIL	<h1>Audit and Risk Committee</h1> <p>10 June 2019</p>
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Report title	Annual Governance Statement 2018-2019	
Accountable director	Claire Nye, Finance	
Originating service	Legal Services	
Accountable employee(s)	Tracey Christie Tel Email	Head of Legal Services 01902 554925 tracey.christie@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	21 May 2019

Recommendation for action:

The Committee is recommended to:

1. Review and comment upon the contents of the Council's Annual Governance Statement for 2018-2019.

1.0 Purpose

- 1.1 That the Committee review and comment upon the content of the Annual Governance Statement for the year 2018-2019.
- 1.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2015, to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the Council and the Managing Director.

2.0 Background

- 2.1 The Annual Governance Statement draws upon the management and internal control framework of the Council, especially the work of internal and external audit and the Council's risk management arrangements. In compiling the Annual Governance Statement assurance is obtained from a range of sources in order that the signatories to the statement can assure themselves that it reflects the governance arrangements for which they are responsible.

3.0 Progress, options, discussion

- 3.1 Progress on the implementation of the actions required in the key areas will be monitored by Audit Services and reported to the Audit and Risk Committee during the year.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[MH/31052019/O]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report.
[TS/31052019/R]

6.0 Equalities implications

- 6.1 There are no equalities implications arising from the recommendation in this report.

7.0 Environmental implications

- 7.1 There are no environmental implications arising from the recommendation in this report.

8.0 Human resources implications

- 8.1 There are no human resources implications arising from the recommendation in this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendations in this report

10.0 Health and Wellbeing implications

10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers

11.1 There are no relevant preceding reports.

12.0 Appendices

12.1 Appendix 1 - Annual Governance Statement 2018-2019

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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.

Page 297 The Council has a Local [Code of Corporate Governance](#), which is being revised in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The new 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 Managing Director, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting both the members of the Pensions Committee and the Local Pension Board in their role.

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

WV Living is a private limited company, which has been set up by the City of Wolverhampton Council, to develop and build a new range of homes within the city. Therefore, the company are required to submit separate accounts via Companies House. Senior Officers from the Council are directors of the company and formal governance arrangements have been established in an articles of association.

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 2019 and up to the date of approval of the annual report and statement of accounts.

On 3 April 2019 The City of Wolverhampton Council approved a new Council Plan for 2019-2024, to replace the existing Corporate Plan 2016-2019. The plan will build on the Council's transformation journey with a focus on delivering the following improved outcomes for the City:

Council Plan

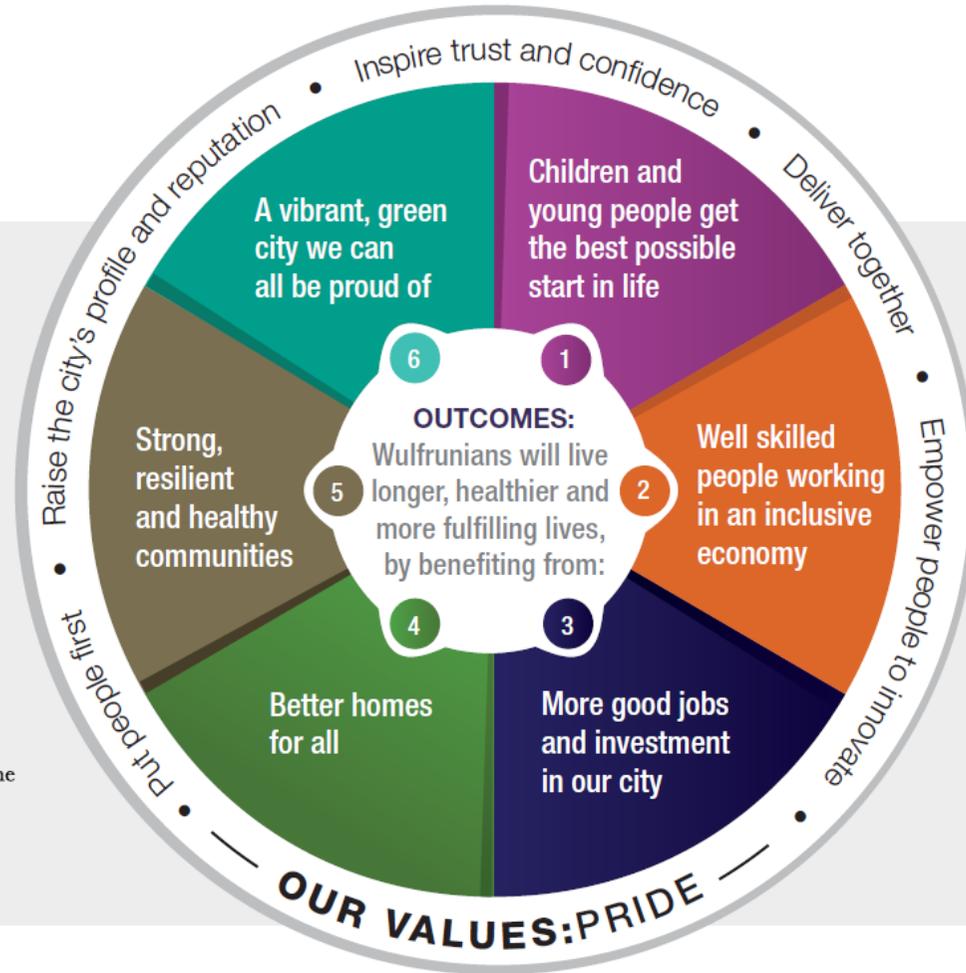
Working together to be a city of opportunity and to deliver our contribution to Vision 2030

CITY OF
WOLVERHAMPTON
COUNCIL



Wolverhampton for Everyone
a people powered city

'Connecting people, places and communities to unlock potential and create change'



A full copy of the [Council Plan](#) can be found here

These are underpinned by the governance environment. This environment is consistent with the core principles of the new 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. 	<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 (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) Council, Cabinet and Committees Audit and Risk Committee Scrutiny function Standards Committee Internal and External Audit Strategic Executive Board Wider Leadership Team Directors Assurance Statements Corporate and Business plans Medium Term Financial Strategy Corporate Risk Register and Assurance Map Codes of Conduct Whistleblowing and other anti-fraud related policies Financial and Contract Procedures Rules 	<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 Latest LGA Corporate Peer Review – positive outcome 2017 Ofsted inspection of Children's Services – judged "Good". Annual Statement of Accounts Local Government Ombudsman Report Scrutiny reviews 	<ul style="list-style-type: none"> Medium Term Financial Strategy Procurement, Contract Management and Monitoring Corporate Landlord Civic Halls General Data Protection Regulations Tenant Management Organisations Residential Site Management Combined Authority

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<ul style="list-style-type: none"> Implementing good practices in transparency, reporting, and audit to deliver effective accountability. 	<ul style="list-style-type: none"> Implementation of previous governance issues 	<ul style="list-style-type: none"> modern.gov (the council's committee management information system) 	<ul style="list-style-type: none"> Annual Governance Statement – including the follow up of previous year issues 	

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.

Page 301

Opinion for 2018-2019

The review of effectiveness has found the arrangements for the governance framework to be fit for purpose.

A key component of the review is through the work of the Council's Audit and Risk Committee and during the year the Committee continued with its new initiatives, 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, gaining an increased assurance that the Council was managing its risks well. This also involved the Committee 'calling-in' certain risks and their risk owners, for a more detailed review.
- 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 had 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 through the results of an independent validation of the Council's self-assessment exercise and as reported to the Audit and Risk Committee in 2018.

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

Managing the risk of Fraud and Corruption

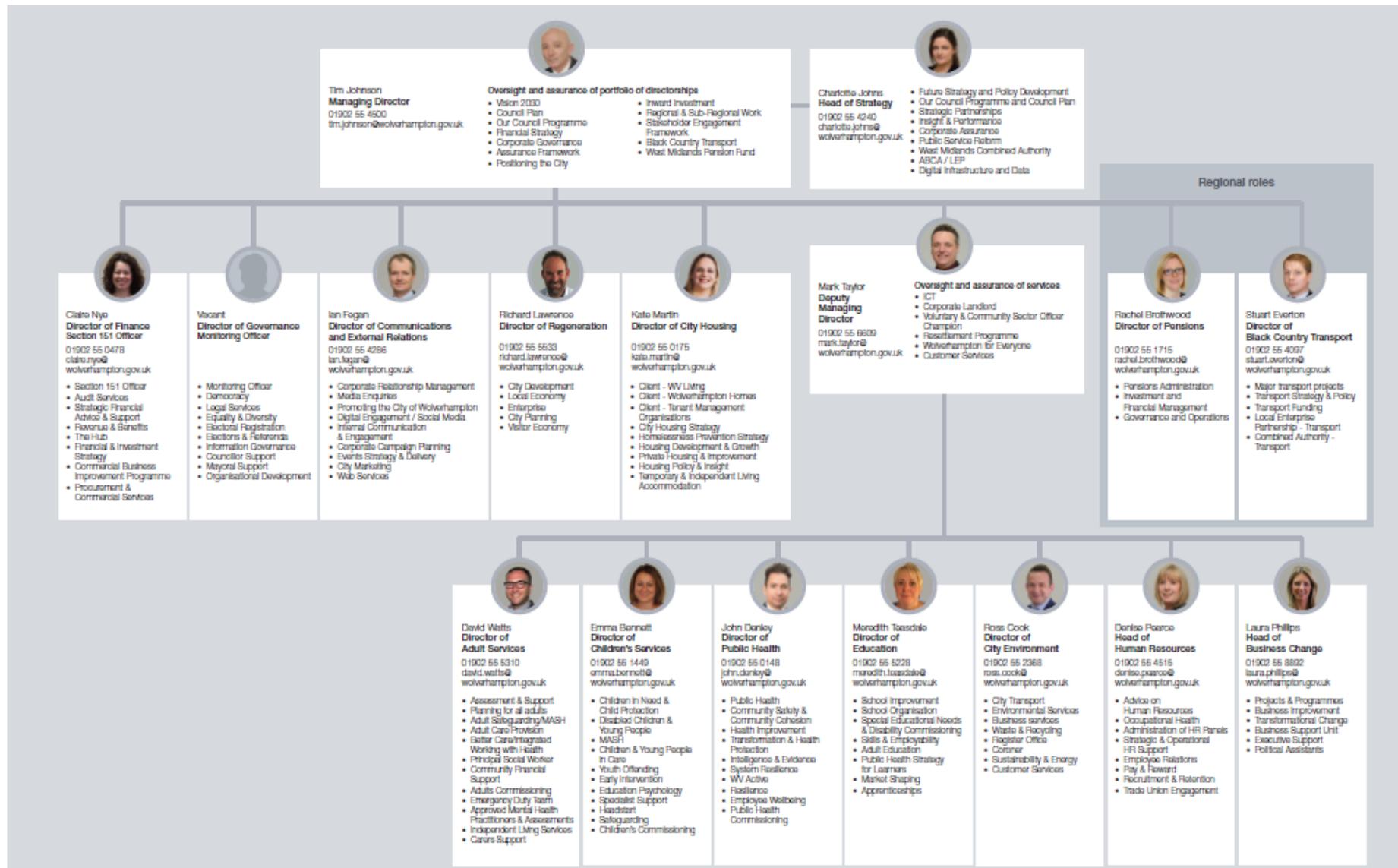
With regards to the CIPFA Code of practice on managing the risk of fraud and corruption - having considered all the principles, the Council is satisfied that it has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The activities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

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

Key Changes to the Governance Framework

There were no key changes to the governance framework during the year. However, on 3 April 2019 The City of Wolverhampton Council approved a new Council Plan (see above) and a new senior management structure as follows:



West Midlands Pension Fund

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

Wolverhampton Homes

Wolverhampton Homes have included a Statement of Corporate Governance within the Company’s Financial Statements for 2018-2019. This states that the control framework has been reviewed by the Company’s Audit and Service Delivery Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company’s internal auditors.

Progress on the Governance Issues from 2017-2018

The table below describes the governance issues identified during 2017-2018 and the progress made against these during 2018-2019. While a number of issues have been carried forward to 2019-2020, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p><i>Savings Targets</i></p> <p>This continues to be a key area for the Council to manage as it is faced with finding savings of £19.5 million by 2019-2020.</p>	<p>On 17 October 2018, Cabinet approved that:</p> <ul style="list-style-type: none"> • Budget Reduction and Income Generation proposals amounting to £695,000 in 2019-2020 proceed to formal consultation and scrutiny stages of the budget process • That Financial Transactions and Base Budget Revisions totalling a net reduction of £4.7 million in 2019-2020 be incorporated into the 2019-2020 draft budget <p>Cabinet also approved a number of changes to items in the Medium Term Financial Strategy. As a result of the recommendations Cabinet also approved that further options are explored between October 2018 and January 2019 to address the updated projected budget deficit of in the region of £6.0 million for 2019-2020 based on the Council's high-level strategy.</p>	<p>Council approved a balanced budget for 2019-2020 without the use of general reserves. It is estimated that further savings of £27.3 million are required in 2020-2021 rising to £40 – 50 million over the medium-term to 2023-2024.</p> <p>Council approved that work starts on developing budget reduction and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy, with progress reported back to Cabinet in July 2019. It is important to note that projected budget deficit assumes the achievement of budget reduction proposals amounting to £9.6 million over the five year period 2019-2020 to 2023-2024. It is also important to note that a number of assumptions have been made with regards to the level of resources that will be available to the Council, and that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>Government's allocation of funding to the Council would have significant detrimental impact and further increase the budget deficit forecast of the medium-term.</p> <p>Carried forward</p>
<p><i>Procurement, Contract Management and Monitoring</i></p> <p>Following the establishment of the contract monitoring team, contract management training is being rolled out across service teams and being tailored to their specific requirements.</p>	<p>The Commercial Team has held a number of internal contract training sessions. In addition, collaboration is taking place between Procurement and Commercial to establish external training for selected officers within the authority. Support is also provided as required to officers.</p>	<p>This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.</p> <p>Carried forward</p>
<p><i>Combined Authority</i></p> <p>The devolution deal 2 agreed in November 2017 covers a number of areas where the Government has committed to support the West Midlands as it develops its Local Industrial Strategy to drive regional economic growth. The deal sets out a number of initiatives on public service reform, ways in which the West Midlands could have more control of financing its activities, new arrangements for the adult skills budget and agreed governance changes, including a commitment to integrate the West Midlands Fire and Rescue Service into the Combined Authority, whereby a public consultation has been completed and will be submitted to the Secretary of State alongside</p>	<p>Transport</p> <p>Transforming Cities Funding (TCF)</p> <ul style="list-style-type: none"> As part of the TCF, the West Midlands Combined Authority will receive capital funding of £250 million from the national fund total of £1.7 billion. Funding will be provided over four years to 2021-2022, and will be a single grant to the West Midlands. The Black Country is the main beneficiary from the Transforming Cities Funding. In addition to the £207 million already allocated to the Wednesbury to Brierley Hill Metro Extension, the Black Country received £25.43 million of the remaining £43 million. 	<p>Transport</p> <p>The situation remains as per the mid-year update.</p> <p>Skills and Productivity</p> <p>City partners have worked together to develop bids for AEB funding for the city. The overall strategy has been to improve the relevance and accessibility of local AEB funded skills provision to meet both resident and business need and to make better connections between AEB funded provision and other skills and</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>the draft Scheme. A delivery plan for the devolution deal has been developed and work is underway to plan delivery impact within Wolverhampton.</p> <p>A devolution deal for the adults skills budget is also progressing. The Adult Education Budget (AEB) grant funds activity in Further Education (FE) Colleges, Local Authority Adult and Community Learning services and at a much smaller scale through contracts with private training providers. Key Features include implementing a governance structure that ensures the Combined Authority is engaged with the Department so that there is an understanding of how post 16 policy aligns to AEB allocations and helping to achieve objectives for adult funding.</p> <p>In March 2018, the Chancellor announced in the Government's Spring Statement, a Housing Deal for the Combined Authority, of £350 million of new Government funding to support the delivery of new homes in the West Midlands. The funding will deliver infrastructure to support the development of priority sites including in and around Wolverhampton.</p> <p>Following discussions with Birmingham City Council, it has been agreed from a governance perspective that the transport plan, operations and infrastructure delivery for the Commonwealth games will be led by Transport for West Midlands with Birmingham City Council</p>	<ul style="list-style-type: none"> This will benefit schemes including highways development (A4123, A454 and A449), Birchley Island, Dudley interchange and the Cycling Programme. <p>Skills and Productivity</p> <p>Adult Education Budget:</p> <ul style="list-style-type: none"> In June 2018, the WMCA Board agreed the West Midlands Regional Skills Plan which sets out how WMCA will work with local partners and providers to better deploy AEB to meet the needs of residents and businesses. The WMCA's AEB allocation for 2019-2020 will be confirmed by the Department for Education (DfE) in January 2019, and will be based on actual delivery to West Midlands residents in 2017-2018. <p>Housing and Land</p> <p>Housing First</p> <ul style="list-style-type: none"> WMCA had been awarded £9.6m for the delivery of Housing First for the period 2018-21. Constituent Authorities had agreed to deliver 225 housing units per year, for three years, in order to conduct the pilot. <p>Cohesion and Integration – PSR</p> <p>West Midlands 5G</p> <ul style="list-style-type: none"> The WMCA has successfully bid for regional 5G test bed status as part of the Government's Urban Connected Cities programme, which is a DCMS-led 	<p>employment funding which is operating within the city.</p> <p>An innovative partnership bid for AEB funding has been developed between Adult Education Wolverhampton and the Wolverhampton Learning Platform (five local Voluntary sector providers) to deliver coordinated offer in community venues across the city. The offer includes ESOL, Basic skills, Employability, Vocational first steps training as well as support for residents with health related barriers to learning and work.</p> <p>The college and Adult Education Wolverhampton have also submitted growth bids for AEB so we are hoping to see more effective and targeted skills provision going forward - better linked to local growth sectors and better coordinated across the various levels of skills from entry to advanced.</p> <p>We expect to gradually grow the local delivery of high quality and relevant skills provision over the next three years of funding and to have, over time, much more local influence over all AEB funded provision so that we can create efficiencies, develop better skills</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>leading on infrastructure delivery. There are a number of named funded schemes in the bid, including the completion of the Metro in Wolverhampton city centre.</p>	<p>programme to accelerate the deployment of 5G next-generation mobile connectivity in the UK.</p> <ul style="list-style-type: none"> The proposal is for the Black Country to have a test bed focussed on Industry 4.0. <p>Economic Growth</p> <p>Town Centres Programme</p> <ul style="list-style-type: none"> Bilston has been agreed as one of the first wave centres agreed at the Housing & Delivery Board on 25 October. First wave centres will benefit from WMCA resources in terms of funding and staff resource and act as a test bed for interventions. <p>Cultural Development Fund</p> <ul style="list-style-type: none"> Cultural Development fund bid, managed by Arts Council England has been submitted by CWC and partners including the University of Wolverhampton. If this bid is successful it will Complement's WMCA's Regional Skills Plan ambition to increase digital skills to support the growth of the creative tech businesses. <p>Environment</p>	<p>pathways and support more connection to jobs through skills provision.</p> <p>Housing and Homelessness Prevention Strategy</p> <ul style="list-style-type: none"> The Cabinet in September 2018 approved the City's new Homelessness Prevention Strategy and Action Plan, which supports the delivery of the WMCA homelessness prevention funding streams in partnership with over 20 City Partners. The Cabinet Member for City Assets and Housing attends the WMCA Members Advisory Group for Housing and Homelessness Prevention which oversees, amongst other housing programmes, the Housing First Pilot Fund. The City of Wolverhampton is part of the WMCA Homelessness Prevention Task Force (Director/ Head of Service) and WMCA Housing First Working Group (Manager/Officer) The City of Wolverhampton, Housing First Pilot commenced in January 2019, with the first rough sleeper resettlements taking place in Q4 2018/19.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
	<p>Air Quality</p> <ul style="list-style-type: none"> • Some air quality powers conferred in original devolution agreement. Devo 2 gives the WMCA the same legal powers as the local authorities on air quality • Air Quality is linked to the smart city programme, and planned investment in connectivity infrastructure such as 'smart streetlights' that can help support this. 	<ul style="list-style-type: none"> • The City of Wolverhampton ALMO landlord management agent, Wolverhampton Homes, is also a Housing First accommodation provider. <p>Housing Growth Deal</p> <ul style="list-style-type: none"> • A 'Shadow Board' for the Walsall to Wolverhampton Housing Growth Corridor was established in September 2018. • WMCA secured Investment Board approval for the WMCA Housing Growth Corridors in November 2018. Additional approvals were secured by WMCA from HM Treasury also at this time. • The Cabinet in January 2019 approved the corporate governance, programme support resourcing (for 2019-21) for the Walsall to Wolverhampton Housing Growth Corridor ('Housing Deal') and Strategic Partnership Board, Chaired by the Cabinet Member for City Assets and Housing, with representation from Walsall MBC, WMCA, Homes England and the Black Country Consortium as well as thematic partners (such as

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>Education/ Health/Employment/ Environment).</p> <ul style="list-style-type: none"> • WMCA have produced and consulted on, in March 2019 a Strategic Investment Framework to support prioritising funding and the delivery of programmes, including the 'Housing Deal'. • W2W Partnership Business Cases are being prepared for the Phase 1 Programme (2019-21) for consideration by WMCA from June 2019. • The W2W PMO Partnership Team is being recruited (commenced April 2019). • W2W Delivery Group meets every two weeks with Walsall MBC, WMCA and Homes England representation. <p>Cohesion and Integration – PSR</p> <p>WMCA have signed a grant agreement with DCMS for the Urban Connected Communities programme, which is designed to accelerate the deployment of 5G technology. A number of papers on the governance to support the WM5G initiative have been to WMCA Programme Board, and the Managing</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>Director has been asked to be a Director on the WM5G company.</p> <p>The Black Country test bed will be focussed on construction, and is based at the Springfield campus. Further work is underway with WM5G, LEP and University of Wolverhampton in finalising the test bed activity. Other programme workstreams include 'barrier busting' initiatives, and through the council's 'digital infrastructure programme' there is a clear approach to how we are supporting the acceleration of digital infrastructure roll out</p> <p>Economic Growth</p> <p>Town Centres Programme</p> <ul style="list-style-type: none"> • Bilston town centre programme is progressing with an action plan in development. The acquisition of the Pipe Halls building is being undertaken. <p>Cultural Development Fund</p> <ul style="list-style-type: none"> • The Cultural Development Fund bid was recommended for funding by Arts Council England, but

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
		<p>unfortunately was not successful in being funded following the ministerial decision process. The Council and wider partners are seeking other funding mechanisms for what is acknowledged as a strong bid.</p> <p>Environment</p> <p>The Smart Streetlight project is now in delivery.</p>
<p><i>Corporate Landlord</i></p> <p>A draft Strategic Asset Plan has been produced and is to be finalised by the end of June 2018. The Disposal Programme for 2018-2019 and 2019-2020 has been identified and the delivery of the programme is in progress. Focal 365 has been implemented, data migration and cleansing is in progress and the system is being utilised.</p>	<p>The Strategic Asset Plan was approved at Cabinet in October 2018 and has been published on the Council's internet site.</p> <p>The disposal programme continues to be delivered and to date £1.18 million has been achieved with a further £8.9 million to be achieved during 2018-2019.</p> <p>Focal 365 is due to be launched initially across Corporate Landlord by the end of November 2018.</p>	<p>The Asset Plan has been approved and the Council is in the process of ensuring the data is kept up to date. The transfer of all data is a significant undertaking and will need more time to fully implement.</p> <p>Carried forward</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p><i>Cyber Security</i></p> <p>Maintaining robust, secure and up-to-date technology defences continues to be the Council's first line of defence against cyber-attacks. Regular maintenance of the cyber security technical defences is required to address identified vulnerabilities. System back-up's will continue to be undertaken in accordance with agreed time-tables and practise restores to the Council's non-production area are ongoing to ensure that back-ups have been undertaken correctly and can be restored.</p> <p>Preparation for the next PSN Certification has begun, the certification is due in June. Prior to this internal and external health checks will be undertaken to identify any vulnerabilities which will then be addressed prior to the renewal of the certification.</p> <p>An independent body will be commissioned to undertake a health-check review, once completed any recommendations arising from this will be actioned.</p> <p>Information Security and Cyber-Security policies will continue to be regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities.</p>	<p>Regular maintenance and updates of the Council's cyber security technical defences continues to address any identified vulnerabilities.</p> <p>Rigour around system and data backups continues with regular practice restores to non-production environments.</p> <p>PSN certification has been gained again for 2018-2019 and best practices regarding people, process and technology perspectives will continue to be applied to ensure compliance during 2019-2020.</p> <p>Independent security practitioners will continue to be commissioned to check the robustness of the Council's cyber defences and to advise on methods/actions to strengthen them where appropriate.</p> <p>Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities</p>	<p>A Cyber security iperational group was set up and introduced to address current and potential future cyber security issues.</p> <p>As part of the work of the group, action plans have been produced and work is ongoing to support the overarching cyber security risk assessments reported through the Audit and Risk committee.</p> <p>Cyber security awareness raising has taken place through the Council's internal communication mechanism, with the main focus being around the identification of phishing emails.</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>Employee awareness of potential threats and good working practices, through mandatory and associated training will continue in order to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities.</p>		
<p><i>Project Governance including the Civic Halls</i></p> <p>In January 2018, the Council approved a further £23.7 million for a new scheme for the Civic Halls on the basis of a revised business case to address significant building fabric, structural and management issues following detailed technical surveys and reviews that were undertaken in 2017. Additional works include a substantial number of items not included in the original scheme such as a new electrical and engineering system, major structural work, including a new roof and the latest safety and security measures.</p> <p>A new governance and project management structure is being put in place, commensurate with the scale and complexity of this scheme, including the appointment of a more experienced Project Manager and a specialist in risk management. The new project includes a range of work-streams alongside the main</p>	<p>The new governance structure and project management structure for the Civic Halls has now been fully implemented and is helping to driving delivery of the project. The mechanisms of the Civic Halls new governance structure have also been implemented into other construction projects (Refer to the Internal Audit Report - Lessons Learnt).</p> <p>The Project and Works team have worked closely with the Programme team to develop a construction project assurance process The RIBA gateway process has been incorporated into the Council's reporting Verto system. This has aligned the transparency of the Verto reporting mechanism with the construction projects gateways.</p> <p>The output of the alignment will drive the transparent, consistent reporting of each individual construction project at each gateway. This will ensure that projects do not pass through gateways without full review and scrutiny.</p>	<p>The GDPR programme of work has concluded and is moving towards a business as usual status. Any outstanding work not completed directly through the work programme will form part of core business activities from quarter one 2019, this includes refresher or targeted training which will be requested and delivered through the normal channels.</p> <p>Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>design and construction works. Also, Audit Services have recently undertaken a lessons learned review in order to prevent similar issues with future projects. Once this report has been finalised, the recommendations arising from it will be implemented in accordance the agreed timescales.</p> <p>This framework will also be adopted for all future projects of this size, while for smaller projects the Council is introducing a local approach to project assurance which will encompass a series of gateway reviews.</p>		<p>basis once this work programme has formally ended. Communications on data protection and information security will continue to be published through the Council's intranet, as and when required; either following a business need, incident or direction/guidance from the ICO.</p>
<p><i>General Data Protection Regulations</i></p> <p>The Council is putting into place appropriate policies, procedures and technologies to ensure that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the current Data Protection Act 1998, the new Data Protection Bill (which will become the Data Protection Act 2018) and the General Data Protection Regulation (GDPR) which comes into force during May 2018, and a work programme has been developed.</p>	<p>Procurement have now contacted all suppliers and are developing a plan to ensure current contracts are varied to accommodate the new legislation, however this is still in progress due to this being a very large task.</p> <p>All standard contractual documentation has appropriate clauses to encompass GDPR, bespoke contracts also include GDPR compliant clauses.</p> <p>A new process has been established whereby any new contract has a GDPR Supplier Self-Assessment document issued at tender stage which is then considered by Information Governance to ensure compliance. No contract can be awarded without this</p>	<p>The GDPR programme of work has concluded and is moving towards a business as usual status. Any outstanding work not completed directly through the work programme will form part of core business activities from quarter one 2019, this includes refresher or targeted training which will be requested and delivered through the normal channels.</p> <p>Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
	<p>document being approved by Information Governance.</p> <p>A systems audit is also underway to ensure all cloud and on-premise systems meet the requirements of GDPR.</p>	<p>readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended.</p> <p>Communications on data protection and information security will continue to be published through the Council's intranet, as and when required; either following a business need, incident or direction/guidance from the ICO.</p>
<p><i>Arm's Length Management Organisation Housing Partnership - Residential Landlord Services</i></p> <p>New Service Level Agreements and management arrangements are being put in place for the delivery of Homelessness Prevention Services/Housing Option Services, Disabled Facilities Grants, Affordable Warmth and Home Improvement Agency Services with Wolverhampton Homes, following the 'transfer' of these services in December 2017. A legal review of the ALMO Management Agreement commenced in February 2018 and will be presented to Cabinet in July 2018 making any</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> • Cabinet approved refreshed ALMO Management Agreement in September 2018 • ALMO Company Board approved refreshed Board Governance and Membership and ALMO Management Agreement in September 2018 (AGM) • SLA for Homelessness Prevention between CWC and WH in place from June 2018. Service performance now being reported to Cabinet Performance Panel quarterly. • Cabinet approved a new Housing Assistance Policy (Grants) in September 2018. <p>Next Steps:</p>	<p>Actions complete:</p> <ul style="list-style-type: none"> • Housing Revenue Account (HRA) Budget Setting (Rents/ Service Charges) 2019-2020 Report – agreed by Cabinet (Resources) Panel – January 2019. • ALMO Business Plan 2019 – 2023 – new four-year Business Plan agreed by Wolverhampton Homes Board and Cabinet - March 2019. • The legal review of the ALMO Management Agreement has been undertaken and approved by' Cabinet.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>necessary recommendations to amend Management Agreement monitoring and/ governance and/or legal operating arrangements.</p>	<p>SLA for Private Housing / Home Improvement Services by 31 March 2019</p>	<p>Next steps:</p> <ul style="list-style-type: none"> Home Improvement Grants SLA LEAN Systems Review underway (January 2019) with Wolverhampton Homes / City Housing / Adult Social Care/ Public Health. Draft SLA being produced. <p>Commission to produce an Affordable Warmth/Warm Homes Strategy with Wolverhampton Homes and partners has commenced from January 2019.</p>
<p><i>Tenant Management Organisations - Residential Landlord Services</i></p> <p>An employee 'desk top' review commenced in February 2018 of these partnerships. Further to this review, an audit schedule has been agreed for 2018-2019 for all four TMOs operating in the City. Management Agents have been notified of the forthcoming audits commencing in May 2018. A number of TMO 'Modular Management Agreements' are not currently in place. New Key Performance Indicators (KPIs) for Landlord Services (including Health and Safety) monitoring are to be reported from Quarter 1 in 2018-2019. TMO operational performance and KPIs continue to be reported to the Cabinet Performance Panel.</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> Audit of TMO for Bushbury – September 2018. Improvement Action Plan now in place, 'Better Homes' Legal Agreement engrossed, Tenant Vote completed. Audit of TMO for Dovecotes – October 2018. Improvement Action Plan now in place. Recruitment of Service Support Manager and Client Manager for TMOs complete <p>Next Steps:</p> <ul style="list-style-type: none"> Audit of TMO for Springfield – commenced Audit of TMO for New Park Village – commenced Modular Management Agreements for all TMOs in place for 31 March 2019 	<p>Actions complete:</p> <ul style="list-style-type: none"> Audit of TMO for Springfield Horseshoe – completed and Improvement Action Plan in place. Follow-up 'spot inspections' taking place in March 2019 for further assurance. Audit of TMO for New Park Village – completed and Improvement Action Plan in place. Modular Management Agreements for all TMOs in place for 31 March 2019. KPIs Review complete – all KPIs being reported to Cabinet (Performance) Panel on a quarterly basis in a new report format.

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>Dovecotes TMO has been placed under a performance improvement arrangement (via a Performance Improvement Plan agreed with Dovecotes TMO Board in March 2018), for six months due to concerns around governance and performance. An outcome of a Housing Ombudsman Inquiry was also pending at March 2018.</p> <p>Bushbury Estate Management Board (TMO) continues its Application and Business Case to the Secretary of State and Minister of Housing , Communities and Local Government to enact the Right to Transfer of approximately 830 council freehold homes to a Preferred Transfer Partner by April 2019. The City continues in its duty to co-operate in the Right to Transfer legislative process.</p>		
<p><i>Residential Site Management Agreement</i></p> <p>A review of the existing arrangements for Residential Site Management commenced in March 2018. A draft Management Agreement has been produced, but was not engrossed as at March 2018. It is anticipated a new interim Management Arrangement will be put in place by the end of Quarter 1 in 2018-2019, whilst a longer-term review of management options is</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> • Legal Review of SLA for Residential Site Management complete • WH to take on Client role for contract agreed by Housing Board in October 2018. <p>Next Steps:</p> <ul style="list-style-type: none"> • Consultation with residents and Site Management Agent (Gypsy and Traveller Council) • SLA in place between CWC and G&TC by 31 March 2019. 	<p>Actions complete:</p> <ul style="list-style-type: none"> • SLA in draft between the Council/Wolverhampton Homes/Gypsy Traveller Council – negotiations ongoing in Q1 2019-2020 with residents/site management agent. <p>Next steps:</p> <ul style="list-style-type: none"> • Consultation with residents and Site Management Agent (Gypsy and Traveller Council).

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>undertaken in consultation with partners, residents and Wolverhampton Homes.</p>		
<p><i>Housing Policies</i></p> <p>City Housing Allocations Policy – Cabinet received a report in April 2018 to ensure the City Housing Allocations Policy with Amendments meets the new requirements of the new Homelessness Reduction Act 2018. Landlord Management Agents will be required to operate in accordance with the Amended Housing Allocation Policy. Operational measures have been put in place with the ALMO (Wolverhampton Homes) to ensure operational compliance from 1 April 2018. A further Review (including formal consultation) of the Allocations Policy, including an Equality Impact Assessment is planned by Quarter 3 2018-2019</p> <p>Private Housing Assistance Policy – A new Private Housing Assistance Policy is being developed to ensure continued compliance with the Regulatory Reform (Housing Assistance) England and Wales Order 2002, Housing,</p>	<p>Actions Complete:</p> <ul style="list-style-type: none"> • Cabinet agreed new Private Housing Assistance Policy in September 2018 • Cabinet agreed refreshed Right to Buy Housing Policy in July 2018. • Cabinet agreed a new Homelessness Prevention Strategy 2018 - 2023 <p>Next Steps</p> <ul style="list-style-type: none"> • Review of City Allocations Policy – to commence • Produce and consult upon Homelessness Prevention Strategy Action Plan 2018 – 2023 • New Service Model for Housing Enforcement / Illegal Evictions 	<p>Actions complete:</p> <ul style="list-style-type: none"> • Review of City Housing Allocations Policy – commenced 2019-2020. • Consult upon Homelessness Prevention Strategy Action Plan 2018–23. <p>New Service Model for Private Housing Enforcement / Illegal Evictions, including new Illegal Evictions Prevention Officer post in 2019-2020</p>

2017-2018 Key areas for Improvement	In-year update provided as at September 2018	End of year update
<p>Grants and Construction and Regeneration Act 1996 and the Housing Act 2004.</p> <p>Housing Right to Buy Policy – A report to Cabinet making recommendations to revise four elements of the Right to Buy Policy is to be presented to Cabinet by June 2018 to ensure continued compliance with Housing Act 1985</p> <p>Housing Enforcement / Illegal Evictions – There is currently no City Policy or resources in place to administer legal requirements under Protection from Eviction Act 1977 and Housing Act 1980. A proposal to resource and develop a new service offer is to be developed. The option of an interim resource arrangement with another Local Authority will also be considered .</p> <p>Prevention of Homelessness Strategy – A draft Homelessness Strategy is being consulted upon in readiness for Members consideration in June 2018. This would meet the obligations of the Homelessness Act 2002 and Code of Guidances.</p>		

Action Plan for the Significant Governance Issues identified during 2018-2019 which will need addressing in 2019-2020

Based on the Council's established risk management approach, the following issues have been assessed as being key for the purpose of the 2018-2019 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Savings Targets</i></p> <p>Council approved a balanced budget for 2019-2020 without the use of general reserves. It is estimated that further savings of £27.3 million are required in 2020-2021 rising to £40 –50 million over the medium-term to 2023-2024.</p> <p>Council approved that work starts on developing budget reduction and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy, with progress reported back to Cabinet in July 2019. It is important to note that projected budget deficit assumes the achievement of budget reduction proposals amounting to £9.6 million over the five year period 2019-2020 to 2023-2024.</p> <p>It is also important to note that a number of assumptions have been made with regards to the level of resources that will be available to the Council, and that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. At the point that further information is known it will be incorporated into future reports to Councillors. Any reduction in the Government's allocation of funding to the Council would have significant detrimental impact and further increase the budget deficit forecast of the medium-term.</p>	<p>Director of Finance 31 March 2020</p>
<p><i>Procurement, Contract Management and Monitoring (brought forward)</i></p> <p>This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.</p>	<p>Director of Finance 31 March 2020</p>

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Corporate Landlord</i></p> <p>The Asset Plan has been approved and the Council is in the process of ensuring the data is kept up to date. The transfer of all data is a significant undertaking and will need more time to fully implement.</p>	<p>Deputy Managing Director 31 March 2020</p>
<p><i>Civic Halls</i></p> <p>This is one of the highest priority projects the Council is involved in and will be monitored regularly. Project management has improved and we are now part way through the project with the main refurbishment works due to commence in the near future. Liaison with Planning and Historic England needs to be finalised so that the final phase can be undertaken in the determined timeframe.</p>	<p>Director of Regeneration 31 March 2020</p>
<p><i>General Data Protection Regulations</i></p> <p>Further compliance checks and audits will be scheduled throughout the year that follow on from the initial GDPR readiness audit and will be aligned to the statutory Data Protection Officer (DPO) reporting. This will ensure that compliance with the new Regulation and UK Data Protection laws will be monitored and reported on an ongoing basis once this work programme has formally ended.</p>	<p>Director of Governance 31 March 2020</p>
<p><i>Combined Authority</i></p> <p>As one of the seven constituent authorities of the West Midlands Combined Authority, we need to continue to ensure that the city is benefitting from devolution deals to the region to meet key priorities. The Leader will also have responsibility for a specific portfolio within the Combined Authority working across the region.</p>	<p>Head of Strategy 31 March 2020</p>

2018-2019 - Key areas and actions for implementation	Responsibility and expected implementation date
<p><i>Tenant Management Organisations</i></p> <p>We will need to monitor and help complete the implementation of the recommendations arising from the recent audit reviews and as included in the Improvement Plans for the four TMOs.</p>	<p>Director of City Housing 31 March 2020</p>
<p><i>Residential Site Management Agreement</i></p> <p>Consultation to take place with residents and Site Management Agent (Gypsy and Traveller Council) in order to finalise the service level agreement.</p>	<p>Director of City Housing 31 March 2020</p>
<p><i>Future Assurance</i></p> <p>A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit and Risk Committee during 2019-2020.</p>	

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, Managing Director

Date:

CITY OF WOLVERHAMPTON COUNCIL	<h1>Audit and Risk Committee</h1> <p>10 June 2019</p>
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Report title	Strategic Risk Register and Strategic Assurance Map	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow	Head of Audit
	Tel	01902 550417
	Email	Peter.Farrow@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	21 May 2019

Recommendations for noting:

The Committee is asked to note:

1. The latest summary of the Council's strategic risk register as at Appendix 1.
2. The inclusion of risk 36 – Parent Company Assurance of Tenant Management Organisations (TMOs).
3. The reduction in the scores for the following risks:
 - Risk 8 – Business Continuity Management
 - Risk 25 – Payment card industry data security standard
 - Risk 35 – Brexit.
4. The change in target score for risk 24 - Maximising Benefits from West Midlands Combined Authority to reflect the change in the Council's and other Local Authority leaderships and allow time to develop new relationships.

5. The amendment to the narrative of risk 32 – Waste Management Services to refer to the on-going management of the service following the changes to service delivery.
6. That as the target score has been achieved, risk 33 – Governance of Major Capital Projects and Programmes has been archived and replaced by risk 37 which refers to the on-going governance and management of capital projects and programmes.
7. As the target score for risk 34 – Wolverhampton Interchange Programme (Train Station) has been achieved, this risk has been archived.
8. The main sources of assurance available to the Council against its strategic risks at Appendix 2.

1.0 Purpose

- 1.1 To keep members of the Audit and Risk Committee aware of the key risks the Council faces and how it can gain assurance that these risks are being mitigated.

2.0 Background

- 2.1 The Council is no different to any organisation and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The strategic risk register was last presented to the Committee in March 2019. Since this time, we have worked with risk owners to review and update the risks.
- 2.3 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.
- 2.4 A detailed summary of the strategic risk register is included at Appendix 1 of this report which sets out the status of the risks as at May 2019. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.
- 2.5 The key risks at the time of this report and their risk scores and underlying direction of travel is as follows:

Medium Term Financial Strategy	16	↔
Business Continuity Management	12	↓
City Centre Regeneration	12	↔
Emergency Planning	12	↔
Skills for Work and Inclusive Growth	10	↔
Cyber Security	12	↔
Compliance with National Building Safety Programme	10	↔
Fire Safety – Public Buildings	10	↔
Civic Halls	12	↔
Brexit	12	↓
Parent Company Assurance Tenant Management Organisations (TMOs)	12	New

Information Governance	8	↔
Safeguarding	8	↔
Maximising Benefits from the Combined Authority	6	↔
Payment Card Industry Data Security Standard	4	↓
Health and Safety	8	↔
Waste Management Services	4	↔
Governance of Major Capital Projects and Programmes	8	↔
Wolverhampton Interchange Programme	4	↓

2.6 Appendix 2 provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown on the following page). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

The three lines of defence model:

First line	Second line	Third line
The first level of the control environment is the business operations which perform day to day risk management activity	Oversight functions such as Finance, HR and Risk Management set directions, define policy and provide assurance	Internal and external audit are the third line of defence, offering independent challenge to the levels of assurance provided by business operations and oversight functions

3.0 Progress, options, discussion

3.1 The strategic risk register will be updated as required and presented at approximately quarterly intervals to the Committee. The Committee also takes the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee called in risk 23 – Cyber Security, a report on Cyber Security is attached at appendix 3 and the Head of ICT is attending the meeting to discuss the work being undertaken to mitigate this risk in more detailed.

4.0 Financial implications

4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the strategic risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual corporate risks, but these will be evaluated and reported separately if required. [GE/14052019/G]

5.0 Legal implications

- 5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct legal implications arising from this report.
[TS/14052019/W]

6.0 Equalities implications

- 6.1 Although there may be equalities implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct equalities implications arising from this report.

7.0 Environmental implications

- 7.1 Although there may be some environmental implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct environmental implications arising from this report.

8.0 Human resources implications

- 8.1 Although there may be some human resource implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct human resource implications arising from this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendations made in this report.

10.0 Health and Wellbeing implications

- 10.1 There are no health and wellbeing implications arising from the recommendations made in this report.

11.0 Schedule of background papers

- 11.1 None

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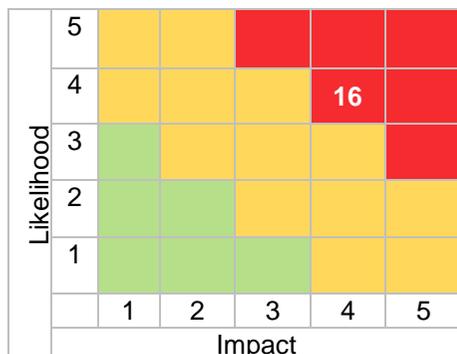
Appendix 1 – Strategic Risk Register

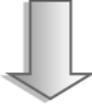
May 2019



- The following are the reported strategic risks that are currently assessed as high/medium (10 +) that the Council faces in delivering its corporate priorities.

Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)	Comment
4 01/14	<p>Medium Term Financial Strategy</p> <p>If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy (MTFS) including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p>	16 Red		16 Red	12* Amber On-Going	<p>As reported previously the 2019-2020 Budget and Medium Term Financial Strategy 2019-2020 to 2023-2024 was presented to Cabinet on 20 February 2019 and full Council on 6 March 2019. The report detailed the following matters:</p> <ul style="list-style-type: none"> The Council's net budget requirement for 2019-2020 for the General Fund Services is £234.9 million, in the opinion of the Director of Finance (Section 151 Officer) the 2019-2020 budget estimates are robust. The Council does not require the use of general reserves in order set a balance budget for 2019-2020. A further £27.3 million needs to be identified for 2020-2021 and £40-£50 million over the medium term in order to address the projected budget deficit. The overall level of risk associated with the Medium Term Financial Strategy 2019-2020 to 2023-2024 remains as red. Work to develop budget reductions and income generation proposals for 2020-2021 onwards in line with the Five Year Financial Strategy is ongoing, progress on this work will be reported to Cabinet in July 2019.

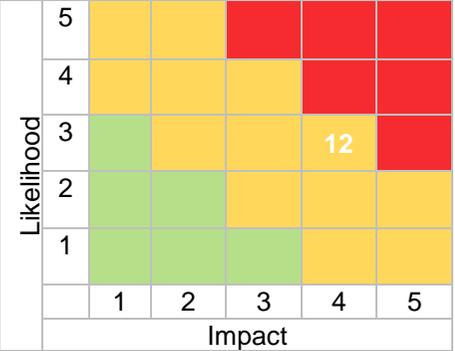


Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)	Comment																																													
8 01/14	<p>Business Continuity Management (BCM)</p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: John Denley Cabinet Member: Cllr Jasbir Jaspal</p> <table border="1" data-bbox="219 683 674 1034"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>4</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>3</td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow; text-align: center;">12</td> <td style="background-color: red;"></td> </tr> <tr> <td>2</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td>1</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5		Impact						16 Red		12 Amber	8* Amber On-going	<p>The score of this risk has decreased from red to amber due to the delay in the date the UK are scheduled to leave the European Union. The risk score will be continually monitored in conjunction with risk 35 – Brexit and the ongoing political situation. Following a report from the Director of Public Health, Strategic Executive Board (SEB) have agreed to withdraw from the collaboration agreement with the West Midlands Fire Service (WMFS), as the benefits proposed by the agreement had not been fully realised. Work is now focusing on the adoption of a collaborative approach to resilience and emergency planning between neighbouring Local Authorities and members of the West Midlands Local Resilience Forum (LRF).</p> <p>An internal audit review of the Council’s resilience arrangements was completed in April 2019. The review assessed the Council’s compliance with the Cabinet Office’s National Resilience Standards and provided assurance that all statutory requirements were being met. In addition, examples of good and leading practice were identified in the following areas;</p> <ul style="list-style-type: none"> • Establishment of three-year work plan that is monitored by the Resilience Board. • Maintenance of Wolverhampton’s local risk register and participation in the LRF’s risk management process. • Establishment of emergency plans, based on local and national risk assessments that are reviewed and approved by SEB and the Resilience Board. • Facilitation of quarterly business continuity sessions with local businesses and voluntary organisations. <p>Since last reported, with regards to both business continuity and emergency planning it is noted:</p> <ul style="list-style-type: none"> • Work to establish a new, offsite control room continues, with a back-up control room located at a secondary site. • A tactical resilience plan has been established. • Business continuity plans are now in place for all services. Plans have been prepared by Heads of Service in conjunction with the resilience team. • A strategic operations group is being established to deal with operational resilience and emergency planning issues.
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9 01/14	<p>City Centre Regeneration</p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> the attraction of private sector investment and the creation of space to accommodate new businesses and economic growth the enhancement and creation of visitor attractions the creation of well-paid employment retention of skilled workers the creation of residential opportunities a functioning city centre offer that serves the residents of the City a reduced demand on Council services <p>Risk owner: Richard Lawrence Cabinet member: Cllr Harman Banger</p> <table border="1" data-bbox="219 1013 672 1364"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>4</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>3</td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow; text-align: center;">12</td> <td style="background-color: red;"></td> </tr> <tr> <td>2</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td>1</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1							1	2	3	4	5		Impact					12 Amber		12 Amber	12* Amber On-going	<p>Risks are being managed across the City Centre programme to address the potential for delayed delivery and cost overrun. With regards to key projects the following is noted:</p> <ul style="list-style-type: none"> The i9 office development is now fully funded subject to concluding the funding agreements with Walsall as accountable body and marketing of the building to potential occupiers has begun. The main contractor has been appointed, works are due to commence in July 2019. A revised funding strategy for the delivery of the Westside Leisure scheme has now been agreed in principle at Cabinet. The new arrangement gives the Council part of the responsibility to occupy the scheme and will in turn provide an opportunity to generate rental income. It is anticipated that Westside will have a significant impact on the City Centre, adding an estimated £6.5 million a year to the local economy, creating new jobs and raising business rates income to the Council. Proposals to enhance key areas of public realm throughout the city as identified within the Connected Places Strategy delivery plan are progressing with Westside Link, Cleveland Boulevard and Springfield Link due for commencement in 2019. These works will seek funding from the Local Enterprise Partnership. off the back of outputs secured through the associated major developments. Advanced discussions are ongoing with a high-calibre developer with regards to bringing a comprehensive residential-led mixed use scheme to Canalside South. A joint study between CWC and Canal and River Trust (with funding support from the Homes England) has been completed which will result in a phased masterplan proposal with clear routes to delivery. A design for City Learning Quarter is ongoing to meet the needs of user groups. As part of the scheme a demolition programme is due to commence in May 2019 and is scheduled for completion towards the end of the summer. The demolition programme will allow for more detailed ground investigations to
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						<p>take place prior to submission of a full planning application for the development.</p> <ul style="list-style-type: none"> The Council continues to support Benson Elliot (owners of the Mander Centre) following the disappointing news regarding the planned closure of the Debenhams store during 2020. During March Benson Elliot announced plans to let over 105,000 square foot of retail space to four well-known brands. 																																																
<p>15 01/14</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 335</p>	<p>Emergency Planning Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p> <p>Risk owner: John Denley Cabinet member: Cllr Jasbir Jaspal</p> <table border="1" data-bbox="219 1062 674 1414"> <tr><td></td><td>5</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>4</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>3</td><td></td><td></td><td>12</td><td></td></tr> <tr><td></td><td>2</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td></td><td></td><td></td><td></td></tr> <tr><td>Likelihood</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>		5						4						3			12			2						1					Likelihood							1	2	3	4	5		Impact					<p>12 Amber</p>		<p>12 Amber</p>	<p>8* Amber On-going</p>	<p>For full details see risk 8 – Business Continuity Management above.</p>
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22 01/17	<p>Skills for Work and Inclusive Growth</p> <p>If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and low rates of inclusive growth will result in increased demand for council services.</p> <p>Risk owner: Meredith Teasdale Cabinet Member: Cllr Dr Michael Hardacre</p> <table border="1" data-bbox="219 699 672 1050"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000;"></td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ff0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00; text-align: center;">10</td> </tr> <tr> <td>1</td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #90ee90;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber		10 Amber	10* Amber On-going	<p>Since last reported the following is noted;</p> <ul style="list-style-type: none"> www.wolvesworkbox.com launched in June 2017 as the virtual front door to skills and employment support in the city. To date (May 2019) the site has had over 322,000 unique visits, 100 organisations are using workbox to promote their offer and over 3,000 residents have signed up to workbox to receive information. A user portal is currently in development to make the site more interactive and enable tracking of outcomes. Workbox continues to be developed with information about employers, health and work and learning communities. Wolves at Work is a joint partnership between DWP and the Council aimed at supporting 3,000 residents into sustained employment over three years. There are 30 work coaches across the two organisations. It has so far exceeded its' targets and has to date supported 4,185 local people to gain employment – around 45 percent of which are aged 18 to 29. Continuation of funding past March 2020 is now being explored. Connexions supports young people who are 14 - 19, or with Special Educational Needs who are under 25 with no access to education, employment or training (NEET). NEETs and Not Knowns in Wolverhampton currently stands at 4.6% which is better than national and regional comparators. 94.2 % of (academic age) 16 and 17-year olds in the City were in learning, Wolverhampton is the best performing authority in the Black Country in this area. A new approach to apprenticeship recruitment has been embedded at the Council. This includes an apprentice pay structure, an inclusive apprentice process working with managers and other employment support mechanisms including Wolves at Work and the Corporate Parenting Officer. Workbox has been updated with apprenticeship information to showcase opportunities in the city. The number of apprenticeships starts has increased from 64 to 223 The Council's Retail Revival partnership with Ebay continues, on Friday 10 March eBay opened its first UK concept store in Wolverhampton. Based in the i10 building on Railway Drive,
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						<p>the store offers 40 small businesses from the local area the chance to sell a selection of their products for a month.</p> <ul style="list-style-type: none"> With regards to the recent concerns with national retail chains, the Council continues to maintain regular dialogue with key stores, in the city. The Council are in the process of liaising with Debenhams and other key partners to identify and understand the implications of the stores closure on its employees and the local economy. Appropriate support will be provided to Debenhams employees where it is needed.
23 01/17	<p>Cyber Security Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Sandra Samuels OBE</p> 	12 Amber		12 Amber	10 Amber Dependent on cyber world-wide cyber incidents	See Appendix 3 for the update on this risk, the Head of ICT is attending Committee to discuss this risk in more detail.

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27 02/19	<p>City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s)</p> <p>There is a risk of injury to members of the public, reputational damage, exposure to regulatory action and financial penalties to Council if appropriate processes and controls to ensure compliance with the requirements of the National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).</p> <p>Risk Owner: Kate Martin Cabinet Member: Cllr Peter Bilson</p> <table border="1" data-bbox="219 948 674 1299"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">10</td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1								1	2	3	4	5		Impact						10 Amber		10 Amber	5 Amber	<p>The National Building Safety Programme was established by the Ministry of Housing, Communities and Local Government (MHCLG) to review national building safety, regulations and policies covering high-rise residential buildings over 18 meters (including hotels and non-residential buildings of mixed uses) following the Grenfell tragedy on 14 June 2017.</p> <p>The purpose of the review is to make sure that users of high rise buildings are safe, and feel safe, now and in the future. The scope of the review includes building management practice, property health and safety, fire safety management and building regulations/legislation and policy for all high-rise buildings (over 18m) in public and private ownership, as well as buildings housing vulnerable residents, new residential developments and non-residential buildings, in particular those with mixed uses.</p> <p>The Council are working in collaboration with partners such as Wolverhampton Homes, Tennant Management Organisations (TMOs) and West Midlands Fire Service (WMFS) to keep up to date with requirements from the programme and ensure compliance with these requirements.</p> <p>Details of work undertaken are reviewed and approved through partnership meetings with WMFS, the TMO Managing Agents Group, Wolverhampton Homes Asset Management Group and the Safer Highrise Homes Group. All work is reported to the Council's Corporate Fire Safety Board. Regular updates are provided to Cabinet and the Leader of the Council via quarterly briefings.</p>
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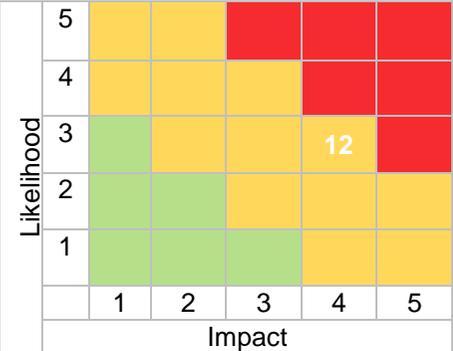
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29 12/17	<p>Fire Safety – Public Buildings If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Peter Bilson</p> <table border="1" data-bbox="219 778 674 1129"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1								1	2	3	4	5			Impact					10 Amber		10 Amber	5 Amber Dec 2019	<p>The Council is the Responsible Person for public buildings. The named Responsible Person is now the Deputy Managing Director.</p> <ul style="list-style-type: none"> 98% of public buildings currently have a fire risk assessment (FRA). Existing FRA's have been reviewed and new FRA's commissioned where required, 95% of corporate buildings and 95% of community schools have a suitable and updated FRA. Work is ongoing to complete the remaining outstanding FRA's. FRA's identify actions required to improve fire safety, which are the responsibility of either Corporate Landlord or the Site Duty-holder to complete. However, Corporate Landlord retain oversight of all actions in order to ensure implementation. Corporate Landlord undertakes actions to both buildings and systems, for example maintaining and upgrading fire protection systems such as alarms and sprinklers. Sufficient resource(s) are required in terms of specialist staff to arrange works and funding to undertake the works. A fire safety expert is required in-house to enable the Council to fulfil its statutory duties, a report regarding resource requirements and a proposed compliance structure was submitted to and approved by SEB in February 2019, the new post will be advertised following job evaluation. As reported previously there is a funding gap to undertake required fire safety works, a detailed report regarding this issue will be presented to Project Assurance Group (PAG) on 7 July 2019. The role of Responsible Person was launched in June 2018. In conjunction with Workforce Development, training has now been delivered to all Responsible Persons and 500 fire marshals. Corporate Landlord will now undertake six monthly site audits to ensure that Responsible Persons are fulfilling their duties. Corporate Landlord has implemented liaison arrangements for I10, I11 and other buildings in multiple occupation. The elevated level of risk at the former Dudley Road School site has now been reduced, Blakenhall Action Community Forum (BACF) have undertaken the majority of fire safety
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						<p>works required, a number of minor actions and completion supporting documentation remain outstanding.</p> <ul style="list-style-type: none"> • It is noted that whilst Corporate Landlord manages fire risk actions and regular ongoing checks for corporate buildings, community schools have delegated responsibilities. Schools are requested to provide a fire log return half-termly and updated copies of their FRA action plans to demonstrate that regular fire safety checks are being undertaken, along with training and review of emergency arrangements. To date only 70% of returns have been submitted, Corporate Landlord are liaising with the Head of School Organisation regarding the outstanding returns. • Annual visits to schools are undertaken to assess fire safety arrangements and investigations are underway into safety defects in the Building School for the Future (BSF) schools.

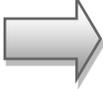
Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)	Comment
30 01/18	<p>Civic Halls</p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Richard Lawrence Cabinet Member: Cllr Harman Banger</p>	12 Amber		12 Amber	10* Amber On-going	The Civic Halls project continues to make good progress against its project programme with the move into Phase 2 of the refurbishment project programmed for May 2019. Monitoring of progress is ongoing through Member Reference Group, Project Assurance Group and the Civic Halls Programme Board and an independent advisor from Equib continues to provide specialist support on this programme. Risk reviews are planned to review the current and future risks to ensure that regular monitoring is undertaken.

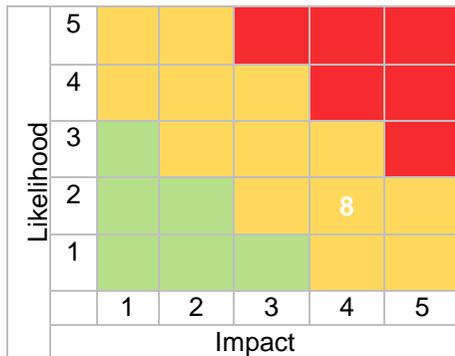
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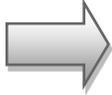
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35 11/18	<p>Brexit</p> <p>There is a risk that the implications of Brexit, particularly a no-deal Brexit could have a negative impact on Council and the wider City.</p> <p>Risk owner: John Denley Cabinet Member: Cllr Ian Brookfield</p> <table border="1" data-bbox="219 596 672 948"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000; text-align: center;">12</td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3				12		2						1								1	2	3	4	5			Impact					16 Red		12 Amber	10 Amber <small>Ongoing depending on external political factors</small>	<p>The score of this risk has been reduced from red to amber. Monitoring of the ongoing political situation continues in order to identify and prepare for potential impacts across the Council and within the City of Wolverhampton. This includes ensuring that appropriate arrangements are in place in the event of a snap general election or, referendum.</p> <ul style="list-style-type: none"> Regional work alongside partners such as the Black Country Local Economic Partnership (LEP) and West Midlands Combined Authority (WMCA) continues and where required updates are provided to the City Board. Resilience plans have been developed and ready for use if required. Leadership Teams are responsible for monitoring and updating plans where appropriate. The Council are awaiting the results of the Government's consultation into the UK's Shared Prosperity Fund which will replace some of the funding currently received from the EU. Work is ongoing to identify how this fund will be distributed and to ensure the Council are in a position to comply with the governance arrangements surrounding the new fund. <p>Where required regular updates on progress and details of the work being undertaken in preparation for Brexit are provided to the Strategic Executive Board (SEB).</p>
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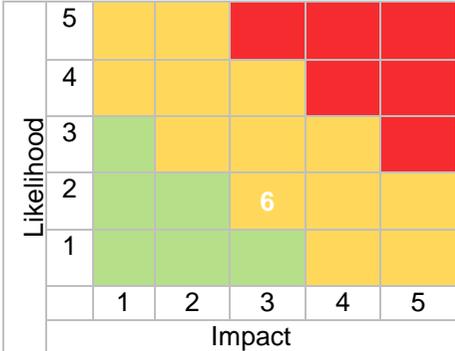
Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)	Comment																																													
36 05/19	<p>Parent company assurance of Tenant Management Organisations (TMOs)</p> <p>There is a risk to the safety of residents if assurance cannot be provided that adequate management and safety controls are in place within TMOs.</p> <p>Risk Owner: Kate Martin Cabinet Member: Cllr Peter Bilson</p>  <table border="1" data-bbox="219 646 672 997"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>12</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	12	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow	Yellow			1	2	3	4	5			Impact					N/A	N/A	12 Amber	4 Amber June 2020	<p>Wolverhampton currently has four TMO's responsible for the management of approximately 2,500 properties within the City. A review completed by internal audit during 2018-2019 provided limited assurance that TMO's were operating in accordance with their management agreement(s) and identified non-implementation of recommendations made in previous audit reports.</p> <p>Since publication of the audit reports additional support has been provided to TMO's to assist with the implementation of outstanding issues, this work is being overseen by the Director for City Housing and a considerable number of recommendations made in the audit reports have now been implemented.</p> <p>A programme to support TMOs during 2019-2020 has been established and approved by SEB. The programme includes; Governance, financial management, health and safety, housing development support, provision of safeguarding training, access to legal services, information governance support, risk management, business continuity, audit and procurement support and the introduction of improved KPI's.</p> <p>TMO management agreements have been reviewed and new agreements are in the process of being implemented, ongoing monitoring will be undertaken to ensure compliance with these agreements.</p> <p>The Director for City Housing will be attending a future meeting of the Audit and Risk Committee to discuss the work being undertaken in relation to TMO's in more detail.</p>
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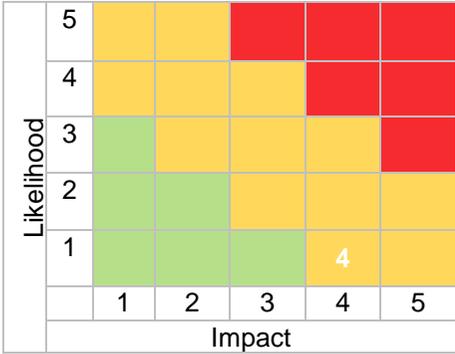
- The following are the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.

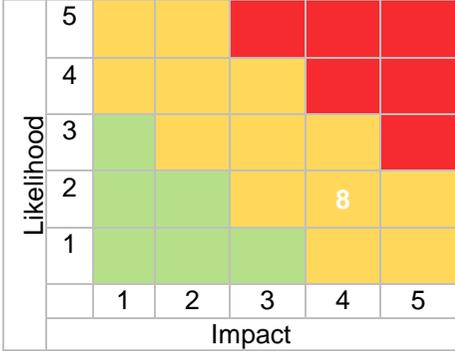
Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)
3 01/14	<p>Information Governance (IG)</p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018; compliance with the Freedom of Information Act and Environmental Information Regulations; <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Sandra Samuels OBE</p>	8 Amber		8 Amber	4 Amber Nov 2019

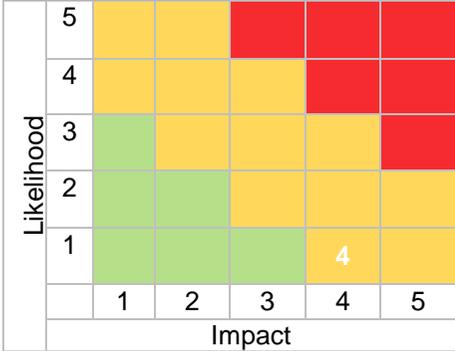


Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)																																													
7 01/14	<p>Safeguarding</p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Emma Bennett Cabinet Member: Cllr John Reynolds and Cllr Linda Leach</p> <table border="1" data-bbox="250 512 705 863"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">8</td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2				8		1								1	2	3	4	5		Impact						8 Amber		8 Amber	8* Amber On-going
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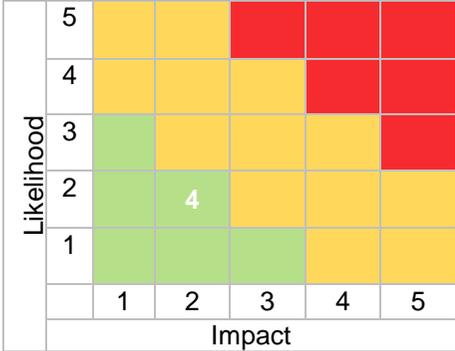
Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)																																										
24 01/17	<p>Maximising Benefits from West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p> <p>Risk owner: Tim Johnson Cabinet Member: Cllr Ian Brookfield</p>  <table border="1" data-bbox="250 507 705 858"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td>6</td><td></td><td></td></tr> <tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	5						4						3						2			6			1							1	2	3	4	5		Impact					6 Amber		6 Amber	3 Green April 2020
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25 03/17	<p>Payment Card Industry Data Security Standard</p> <p>If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard, there is a risk of data breaches which may result in regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles</p>  <table border="1" data-bbox="250 576 705 930"> <tr><td>5</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>4</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>3</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>2</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>1</td><td>Green</td><td>Green</td><td>Green</td><td>4</td><td>Yellow</td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	4	Yellow		1	2	3	4	5		Impact					8 Amber		4 Amber	4* Amber Ongoing
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28 10/17	<p>Health and Safety</p> <p>Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Sandra Samuels OBE</p>  <table border="1" data-bbox="250 517 705 868"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td>8</td><td></td><td></td></tr> <tr><td>1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	5						4						3						2			8			1							1	2	3	4	5		Impact					8 Amber		8 Amber	4 Amber To fall in conjunction with other Health and Safety associated risks.
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Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)
32 06/18	<p>Waste Management Services</p> <p>If the Council does not continue to effectively manage the delivery of its waste service there is a risk that savings targets will not be delivered, and reputational damage may be incurred due to issues with waste collections.</p> <p>Risk owner: Ross Cook Cabinet Member: Cllr Steve Evans</p> 	4 Amber		4 Amber	4* Amber Ongoing

Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)																																										
33 06/18	<p>Governance of Major Capital Projects and Programmes</p> <p>The Council will fail to maximise opportunities and incur significant reputational and financial risks if major capital projects are not effectively managed, monitored and reviewed, in terms of project timescales, achievement of milestones and costs.</p> <p>Risk owner: Laura Phillips Cabinet Member: Cllr Sandra Samuels OBE</p> <div data-bbox="250 536 705 890" data-label="Figure"> <table border="1" data-bbox="250 536 705 890"> <tr><td>5</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>4</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>3</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>2</td><td>Green</td><td>Green</td><td>Yellow</td><td>8</td><td>Yellow</td></tr> <tr><td>1</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table> </div>	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	8	Yellow	1	Green	Green	Green	Yellow	Yellow		1	2	3	4	5		Impact					8 Amber		8 Amber	8 Amber Target achieved Risk archived
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Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)
34 06/18	<p>Wolverhampton Interchange Programme (Train Station)</p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the Interchange programme and specifically the train station is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Richard Lawrence Cabinet Member: Cllr Peter Bilson</p> 	4 Green		4 Green	4 Green Target achieved Risk archived

Risk ref	Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date (where appropriate)																																										
37 05/19	<p>Governance of Major Capital Projects and Programmes</p> <p>The Council will fail to maximise opportunities and incur significant reputational and financial risks if it does not continue to manage, monitor and review major capital projects effectively, particularly in terms of project timescales, achievement of milestones and costs.</p> <p>Risk owner: Laura Phillips Cabinet Member: Cllr Sandra Samuels OBE</p> <div data-bbox="248 547 705 896" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <table border="1"> <tr><td>5</td><td style="background-color: #FFD700;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FF0000;"></td><td style="background-color: #FF0000;"></td><td style="background-color: #FF0000;"></td></tr> <tr><td>4</td><td style="background-color: #FFD700;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FF0000;"></td><td style="background-color: #FF0000;"></td></tr> <tr><td>3</td><td style="background-color: #90EE90;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FF0000;"></td></tr> <tr><td>2</td><td style="background-color: #90EE90;"></td><td style="background-color: #90EE90;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FFD700; text-align: center;">8</td><td style="background-color: #FFD700;"></td></tr> <tr><td>1</td><td style="background-color: #90EE90;"></td><td style="background-color: #90EE90;"></td><td style="background-color: #90EE90;"></td><td style="background-color: #FFD700;"></td><td style="background-color: #FFD700;"></td></tr> <tr><td></td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td><td style="text-align: center;">5</td></tr> <tr><td></td><td colspan="5" style="text-align: center;">Impact</td></tr> </table> </div>	5						4						3						2				8		1							1	2	3	4	5		Impact					N/A	N/A	8 Amber	4* Amber
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* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such these risks may not have target dates.

Strategic Risk Assurance Map – May 2019

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
3	<p>Information Governance (IG) If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which came into force during May 2018; compliance with the Freedom of Information Act and Environmental Information Regulations; <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p>	8 Amber	<p>Internal audit review 2016/17 – Freedom of Information Requests (Substantial Assurance)</p> <p>Internal audit review 2016/17 – Information Governance (Satisfactory assurance)</p> <p>Internal audit Health-Check 2018/19 – GDPR (Satisfactory assurance)</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Performance reports to Cabinet, Scrutiny Board and Strategic Executive Board (SEB)</p> <p>Reporting to the Information Governance Board</p> <p>Performance indicators reported to Cabinet- Number of data breaches</p> <p>Performance indicator - % of Freedom of Information (FOI) requests met within timescales</p> <p>Performance indicator- % of Subject Access Requests (SAR) met within timescales</p> <p>Records Management Programme updates in Verto</p>	<p>Senior Information Risk Officer Annual Report</p> <p>Controls Assurance Statements</p>	<p>The Council's on-going dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to inform the level of assurance over the effectiveness and adequacy of the controls in place to manage this risk.</p>
	<p>Medium Term Financial Strategy If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p>	16 Red	<p>Assumptions of the MTFS</p> <p>Local Government Association (LGA) Finance Peer review- June 2016</p> <p>Audit and Risk Committee review of risk – December 2016</p> <p>Internal audit review Budgetary Control – 2016/17 (Satisfactory assurance)</p> <p>Performance indicator- number of Looked After Children (LAC) per 10,000 population</p> <p>Financial Decision Making Audit Services Review</p> <p>Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016</p> <p>Follow up – Wolverhampton Adult Social Care Peer Challenge, April 2017</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) – Risk sufficiently managed</p> <p>LGA Finance Peer review follow up – September 2017</p> <p>Internal audit review Main Accounting – 2017/18 (Satisfactory assurance)</p> <p>Internal audit review Main Accounting – 2018/19 (Satisfactory assurance)</p>	<p>MTFS risk register</p> <p>Reports to Budget Working Party</p> <p>Reports to Cabinet</p> <p>Scrutiny reviews of budget strategy</p> <p>Outcome of Local Government Finance Peer Review Report –Report to 3C Scrutiny Board 14 September 2016</p> <p>Scrutiny review, 3C Scrutiny Board - Update on the implementation on the Local Government Finance Peer Review Report 15 March 2017</p> <p>Resources panel reviews</p> <p>Care panel reviews of placement costs</p>	<p>Management accounts</p> <p>Reports to LAC Budget Monitoring Group (every two months)</p> <p>Controls Assurance Statements</p>	<p>Ongoing internal and external reviews will continue to provide assurances over the successful delivery of the MTFS and the achievement of efficiency savings.</p>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
7	Safeguarding If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.	8 Amber	S.11 (Safeguarding self-Assessment) Audit 2016/17 Internal audit review 2016/17 – MASH (satisfactory assurance) Children's Services Ofsted Inspection January / February 2017 (Requires Improvement Rating) Children's Services Ofsted Inspection January / February 2017 (Good Rating) Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed Ofsted Inspection Sept / Oct 2018 Independent review of Safeguarding Boards	Annual reports from adults and children's local safeguarding boards 'Our Story' report to Cabinet Member for Children and Families National and local Wolverhampton performance indicators in relation to social care Self- audits confirmation by schools of s175 compliance Annual Reports from: IRO Service, Local Authority Designated Officer, Foster Home Reviewing Officer Safeguarding Adults Board Annual Review – Report to Adult and Safer City Scrutiny Panel 31 January 2017	Quality Assurance Framework and assessments Controls Assurance Statement WSCB Self-Assessment against Ofsted Descriptors	Regular updates to the both the Children's and Adult's Board(s) and People management teams with regards to the implementation of recommendations made by Ofsted will provide further assurance.
8	Business Continuity Management Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.	12 Amber	Audit and Risk Committee review of risk – July 2016 Internal audit review 2018/19 – Business continuity and resilience management (satisfactory assurance) Scrutiny from LRF and neighbouring Local Authorities	Reports from Wolverhampton Resilience Board to SEB Strategic Business Continuity Plan, approved by SEB Approval of emergency plans / business continuity plans from SEB	Controls Assurance Statement Implementation of the Apprise Co-ordination system Implementation of Strategic control group	The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. Given the continual reductions in the Council's workforce, ongoing testing will be required to provide assurance over the resilience of the provision of Council services.
15	City Centre Regeneration If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including: <ul style="list-style-type: none"> creation of well-paid employment retention of skilled workers sector and economic growth increased prosperity and reduced demand on council services 	12 Amber	External advice – Equib	Programme and project risk registers / risk monitoring through Verto Monthly reporting to the City Centre Regeneration Programme Board Stronger City Economy Scrutiny Panel Review 2016/17 – Regeneration programmes Reviews by the Project Assurance Group (PAG) Reports and approvals from Cabinet / Full Council Reporting to Member Reference Group	Reports to Programme Board from project managers Controls Assurance Statement	Regular update reports to Programme Board(s) and Cabinet continue to provide assurance on the management of this risk.
15	Emergency Planning Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.	12 Amber	Audit and Risk Committee review of risk – July 2017 Internal audit review 2018/19 – Business continuity and resilience management (satisfactory assurance)	Reports to Wolverhampton Resilience Board (WRB) Regular reports from WRB to SEB and C3 Scrutiny Panel	Controls Assurance Statement	The exercise and testing programme, once developed and implemented will provide further assurances on the management of this risk. In the meantime, unplanned incidences and the lessons learned from these exercises continue to provide some level of assurance.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
22	<p>Skills for Work and Inclusive Growth</p> <p>If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and low inclusive growth will result in increased demand for Council Services.</p>	10 Amber	<p>Reports to the Black Country Local Enterprise Partnership and City Board</p> <p>National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc.</p> <p>Skills and Employment Board</p> <p>Audit and Risk Committee review of risk – September 2016</p> <p>Black Country performance management framework</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed</p> <p>Internal Audit Review – IMPACT 2018/19 Satisfactory</p>	<p>Stronger City Economy Scrutiny Panel Review – Investment and Funding July 2016</p> <p>Report to SEB – City Board –</p> <p>Monthly unemployment briefings</p> <p>Performance indicator - % of residents with no qualification</p> <p>Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided</p> <p>Monthly unemployment briefings</p> <p>Scrutiny Skills and Employment Update – Report to Stronger City Economy Scrutiny Panel – 20 September 2016</p> <p>Skills and Employment Update(s) regularly presented to Stronger City Scrutiny Panel</p>	<p>Reports to the Wolverhampton Skills and Employment Board growth board</p> <p>Inclusion board</p> <p>Controls Assurance Statement</p>	<p>National indicators will demonstrate the effectiveness of the measures in place to manage this long-term risk.</p> <p>In addition, assurances received at a regional level (e.g. through the West Midlands Combined Authority) will also inform the adequacy and effectiveness of the regional initiatives being employed to manage this risk.</p>
23	<p>Cyber Security</p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p>	12 Amber	<p>Annual Public Service Network (PSN) certification</p> <p>Independent testing of cyber security technical defences</p> <p>Use of 3rd party software to stimulate email phishing attacks</p> <p>Audit and Risk Committee review of risk – July 2017</p> <p>Audit and risk Committee review of risk – May June 2019</p> <p>Internal audit review - ICTS Strategic Planning</p> <p>Cyber Security Essentials Plus certification</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Reports to SEB and Cabinet (Performance Monitoring)</p>	<p>Regular maintenance and review of technical defence's i.e. fire walls and virus software.</p> <p>Senior Information Risk Officer Annual Report</p> <p>Appointment of Chief Cyber Security Officer</p> <p>Controls Assurance Statements</p>	<p>Independent testing of the Council's cyber security defences will continue to provide assurance.</p>
24	<p>Maximising Benefits form West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p>	6 Amber	<p>SEP monitoring via WMCA SEP Board and Black Country LEP.</p> <p>WMCA Assurance framework</p> <p>Reports to WMCA Board and various Committees</p> <p>City of Wolverhampton Council providing the internal audit service for WMCA</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed</p>	<p>Regular reports to SEB</p> <p>Representation on WMCA Boards and Committee's including Audit Risk and Assurance Committee and Overview and Scrutiny Committee.</p> <p>Update on the West Midlands Combined Authority – Report to Scrutiny Board 17 January 2017</p>	<p>Appointment of Business Support Officer</p> <p>Controls Assurance Statement</p>	<p>Council representation on key WMCA Boards and Committees will continue to provide assurance.</p>

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
25	<p>Payment Card Industry Data Security Standard</p> <p>If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard there is a risk of data breaches and which may result in regulatory action, financial penalties and reputational damage.</p>	4 Amber	<p>Advice provided by the Payment Card Industry</p> <p>Internal Audit Review – PCI Compliance 2018/19 Satisfactory</p>	<p>Progress reporting to the Hub Management / Customer Services Management Teams</p> <p>Compliance with contract procedure rule / liaison with Corporate Procurement</p> <p>Reports to Project Assurance Group (PAG)</p> <p>Reports to Commercial Business Improvement Programme Board (CBIP)</p>	Controls Assurance Statement	The implementation of a 3 rd party solution to take and process payment details on behalf of the Council will ensure compliance with the Payment Card Industry standard and transfer the risk of fraud to the 3 rd party.
27	<p>City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s)</p> <p>There is a risk of injury to members of the public, reputational damage, exposure to regulatory action and financial penalties to Council if appropriate processes and controls to ensure compliance with the requirements of the National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).</p>	10 Amber	<p>Independent testing by a Government approved laboratory – confirming that tower-bocks have passed fire safety tests.</p> <p>Independent assurance / review from West Midlands Fire Service</p> <p>Audit and Risk Committee review of risk – July 2017</p>	<p>Regular reporting of fire safety issues to weekly fire safety meetings</p> <p>Reports from fire safety meetings to Senior Officers / SEB</p> <p>Reports to Scrutiny Scoping Group – Fire Safety in tower-blocks</p> <p>Regular meetings with TMO Managing Agents Group, Wolverhampton Homes Asset Management Group and the Safer Highrise Homes Group.</p> <p>Reports to Corporate Fire Safety Board and Cabinet.</p>	<p>Daily fire safety checks</p> <p>Implementation of Fire Risk Assessments (Type 4 FRS's)</p> <p>Continuing compliance with Fire Regulatory (Fire Safety) Reform Order 2005</p> <p>On-going consultation with residents</p>	Joint work with Wolverhampton Homes, the Fire Service and specialist contractors is on-going to review fire safety and provide assurance to residents.
28	<p>Health and Safety</p> <p>Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.</p>	8 Amber	<p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Completed Health and Safety audits Compliance with RIDDOR reporting 	<p>Bi-weekly Health and Safety Meetings Strategic Director Place</p> <p>Senior management briefings and presentations, including reports to Wolverhampton Homes Board</p>	Regular Health and Safety audits in accordance with audit schedule.	The number of reported incidents will continue to provide assurance in this area. In addition, approval of the Health and Safety plan 2017-19 and monitoring of targets set out within the plan will provide assurance that controls are in place.
29	<p>Fire Safety – Public Buildings</p> <p>If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.</p>	10 Amber	External inspections by the Fire-Service	<p>Scrutiny review -Fire Safety</p> <p>Monitoring of FRA's by Corporate Landlord</p>	<p>Completion of Fire Risk Assessments</p> <p>Development of online fire logs.</p> <p>Regular Health and Safety audits in accordance with schedule</p> <p>Appointment of Site Duty-Holders.</p>	Work is on-going to ensure that sufficient systems and processes are in place to comply with regulations and public safety.
30	<p>Civic Halls</p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.</p>	12 Amber	<p>Audit Services Lessons Learnt Review – 2017/18</p> <p>External advice – Equib</p>	<p>Ongoing risk assessment / risk register within Verto.</p> <p>Risk workshops</p> <p>PAG reviews and monitoring</p> <p>Reports to Member Reference Group</p>	Establishment of new governance and project management structure.	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
32	Waste Management Services If the Council does not manage the changes to Waste Service Delivery effectively there is a risk that savings targets will not be delivered, and reputational damage may be incurred due to issues with waste collections.	4 Amber	Internal Audit Review – Waste Services and Future Contract Arrangements (Substantial assurance) Audit and Risk Committee review of risk – September 2018	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance and progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group Scrutiny review – Changes to Waste Management Services	Establishment of project management structure Project Manager Appointment Lead officer – Waste	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
33	Governance of Major Capital Projects and Programmes The Council will fail to maximise opportunities and incur significant reputational and financial risks if major capital projects are not effectively managed, monitored and reviewed, in terms of project timescales, achievement of milestones and costs.	8 Amber	Audit services Lessons Learnt Reports – 2017/18 Audit and Risk Committee monitoring of lessons learnt action plans Independent project gateway reviews Equip – Independent / external project and risk assurance	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance and progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group	Project Management Methodology Controls Assurance Statements	The Audit and Risk Committee will monitor the implementation of all recommendations within the Lessons Learnt Action Plan to ensure that improvements are put in place and adhered to.
34	Wolverhampton Interchange Programme (Train Station) There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the Interchange programme and specifically the train station is not effectively managed in terms of project timings, costs and scope.	4 Green	Audit Services Lessons Learnt Reports – 2017/18 Audit and Risk Committee monitoring of lessons learnt action plans Independent project gateway reviews Equip – Independent / external project and risk assurance	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance and progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group	Project Management Methodology Controls Assurance Statements	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.
35	Brexit There is a risk that the implications of Brexit, particularly a no-deal Brexit could have a negative impact on the Council and the wider City.	12 Amber	On-going work with regional lead	Service area Brexit continuity plans being reviewed by the Resilience team	Service area Brexit continuity plans being prepared	Regular updates to SEB as well as joint working with regional partners will provide assurance on the management of this risk.
36	Parent company assurance of Tenant Management Organisations (TMOs) There is a risk to the safety of residents if assurance cannot be provided that adequate management and safety controls are in place within TMOs.	12 Amber	Independent internal audit reviews TMOs 2017/18- Limited Assurance	Support programme for TMOs Implementation of improved KPI's	Controls Assurance Statements Implementation of revised TMO Management agreements	Ongoing support to TMOs as agreed in the support programme and monitoring of improved KPI's will provide assurance on the management of this risk.
37	Governance of Major Capital Projects and Programmes The Council will fail to maximise opportunities and incur significant reputational and financial risks if it does not continue to manage, monitor and review major capital projects effectively, particularly in terms of project timescales, achievement of milestones and costs	8 Amber	Audit services Lessons Learnt Reports – 2017/18 Audit and Risk Committee monitoring of lessons learnt action plans Independent project gateway reviews Equip – Independent / external project and risk assurance	Programme and project risk registers / risk monitoring through Verto PAG reviews and monitoring Performance and progress reports to Cabinet, and Strategic Executive Board (SEB) Reports to Member Reference Group	Project Management Methodology Controls Assurance Statements	The Audit and Risk Committee will monitor the implementation of all recommendations within the Lessons Learnt Action Plan to ensure that improvements are put in place and adhered to.

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Update on Selected Risk for Review

Risk title and description	Previous score (Feb 2019)	Direction of travel	Current score (May 2019)	Target score and date
<p>Cyber Security Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Gail Rider Cabinet Member: Cllr Sandra Samuels</p>	12 Amber		12 Amber	10 Amber Ongoing – Dependent on cyber world-wide cyber incidents

1. Background

- 1.1 At the March 2019 meeting of the Audit and Risk Committee, members requested further information and assurances in respect of strategic risk 23 – cyber security be provided to the Committee by the risk owner. This report updates the Committee on the progress made by the Council in this area and the further actions required to manage the risk. The Council's Head of ICT will also attend the meeting to address any further assurances that the Committee may require.
- 1.2 The Cyber Security risk was first identified for inclusion in the strategic risk register by SEB in January 2016. At this time, the risk was assessed as 15 (red).
- 1.3 A Cyber-attack is a malicious and deliberate attempt by an individual or organisation to breach the information system of another individual or organisation. Usually, the attacker seeks some type of benefit from disrupting the victim's network, often related to theft of data. Cyber security relates to security measures put in place to protect information (data) which is held digitally. It is imperative that the systems and data owned by the Council are fully protected against Cyber-attacks.
- 1.4 ICT play a key part in the delivery of robust security protocols, protecting network, applications and the authority's data. Working in partnership with the internal Information Governance (IG) team, a vigorous set of procedures, form an integral part of ICT's security role within the organisation. It must be noted that every member of staff within

the authority, has a personal responsibility in keeping the council safe from attacks. This can only be achieved by staff following all policies and procedures thoroughly, therefore reducing the risk of Cyber-attacks and any subsequent impact on critical services.

- 1.5 A decision was made in 2016 as part of the ICT strategy to adopt a “Cloud First” approach for the storing of council data, including the management and hosting of applications. This decision was made in line with a thorough review of options available. Although much of the Councils data is stored in the cloud, the authority also has an onsite data centre which houses a range of servers which manage a variety of applications, these are either not suitable to be migrated to the cloud or suppliers and their applications are not yet ready to work in this way. Where data is stored on servers on site, this is referred to as “on prem” data storage. The Council has a secondary data centre at Stafford, where a replication of the data centre at the Civic is housed. This forms part of the Disaster Recovery (DR) strategy, where Stafford would be used to replicate services should the authority have an incident at Civic where access to on prem data was not available.
- 1.6 Where information is required to be shared, ICT ensure that all present and future procurements conform to ISO 27002, the international standard for Information Security Management. (ISM) https://en.wikipedia.org/wiki/ISO/IEC_27002

2.0 Risk mitigation

- 2.1 There are key objectives to be considered when managing Cyber threats and incidents. ICT in partnership with IG ensure these are consistently complied with. The bullet points below set out the objectives. ICT work consistently to deliver against each of these:
- Defend – Defence against Cyber threats.
 - Deter – The detection, understanding, investigation and disruption of hostile Cyber actions, which could lead to prosecution.
 - Develop – Innovate, research and develop Cyber internal expertise that will meet and overcome future threats.
 - Review – Consistently review Cyber security updates and guidance form the Governments, National Cyber Security Centre (NCSC).
 - Profile – As members of the Public Services Network (PSN) Councils are required to develop their own threat profiles to ensure continued compliance.
- 2.2 ICT take a preventative approach ensuring all measures are taken to protect information from unauthorised modification, destruction or disclosure whether accidental or intentional. These measures include a combination of legacy and next generation security, combined with user awareness training and focused training for ICT staff.
- 2.3 ICT Policies consist of several operational security documents which are split between user type policies such as password procedures and internal operational policies such as authentication and patch procedures. The objective of these policies is to ensure the highest standards and best practice are in place, ensuring information security is maintained across the council. New password standards have caused some concerns with staff, due to the complexity. ICT take security seriously and understand the impact of a major incident, therefore the setting of password standards has been set at a complex level to reduce likelihood of attack, these are also in line with standards

recommended from Microsoft. (MS). The major threat to any business's data is generally that of individuals. Internal staff are possibly unwittingly one of the highest threats to security, particularly when policies are not followed. Hackers are by far the greatest threat, these are managed by encryption, firewalls, anti-virus products and patching of software. No business can be 100% protected, new threats are consistently tried by external hackers, ICT keep ahead of the game by applying all the above procedures, following guidelines and keeping abreast of new information.

- 2.4 Next generation firewalls conduct deep inspections of the network traffic, as it navigates the network combined with a live database of known threats received from the internet. These are managed by ICT, any threat detected is instantly blocked.
- 2.5 Traditional anti-virus and device lockdown methodologies are used on the network and use the latest software, these are updated continually. These run in the background without causing any effect on service provision. ICT use multiple anti-virus engines from different vendors which provide a higher level of protection and bring a more rigorous approach to defence.
- 2.6 Staff awareness training is a programme of training which highlights data/security risks. This includes sharing an understanding of "phishing" campaigns and completing a mandatory training course which all employees must complete, this course focuses on data security. Phishing campaigns involve targeting a wide group of staff within the organisation by sending out an email that entices users to perform a task, such as providing log in credentials. We look to entice staff to open a malicious attachment or click on a bad link. The awareness previously conducted should equip staff with the knowledge of how to spot a suspicious email and not respond, this is an excellent way of testing staff knowledge.

Regular "phishing" campaigns are run in partnership with IG to ensure staff have a good understanding of the risks to the authority. Information from phishing campaigns to date demonstrates an excellent level of understanding across the authority. Where staff open an email in error, this is reported and the IG team work with managers to re-enforce training and highlight the risks to the authority.

- 2.7 Cloud storage is not new, the technology continues to evolve, offering secure levels of data storage and an opportunity to secure effective DR procedures with ease. The authority takes a pragmatic approach in the use of cloud storage. Cloud storage is simply a way in which to store data off site. Data is held on servers at various locations throughout the world. CWC purchase cloud storage within the UK and Amsterdam, ICT have not secured cloud storage outside of these areas.

Where a new application is required, a "cloud first" approach is taken. If a supplier cannot offer a cloud hosted system, resilience forms an essential part of the supplier offering, this will include, secureness of the solution, resilience options, cost and ease of use. ICT have an Azure cloud presence via MS, which has proven to be cost effective when measured against other options. CWC use secure cloud storage rather than simple cloud storage which provides protection whilst data is in transit and provides the ability to set policies and permissions for each storage area, to control who has access to specific data. With MS being a major player in the world of technology their security in this area is one of the most effective, thus offering confidence in this mode of operation. Data

encryption is a key feature of the MS offering, ensuring all data is fully encrypted, this safeguards data moves. By adopting this approach, data is unlikely to be penetrated.

Although encrypted information is not 100% uncrackable, decryption requires a huge amount of computer processing power, forensic software, and a lot of time, therefore this is considered a valuable and well protected mode of protection. ICT hold strategic meetings with MS each month, with Cyber security being a permanent agenda item. This equips ICT with a full understanding of future offerings, current issues and similar. MS offer flexibility and scalability to suit our business, meaning the authority is only paying for storage which is used, thus ensuring no wasted expenditure.

- 2.8 There are multiple articles around the safety of using cloud storage versus on prem storage, but in effect many of the risks remain the same. On prem storage is open to physical damage, risks may also include damage such as flood or fire, whereas cloud storage is generally well protected in relation to these types of issues and data is duplicated on different cloud servers, therefore the risk is well managed and appropriately mitigated.
- 2.9 Throughout May 2019, ICT have engaged with an external body to secure a “**Cyber Security Essentials Plus certification**”. This external assessment and verification covers 5 key modules: Secure Configuration, Boundary Firewall and Internet Gateways, Access Controls and Privilege Management, Managing Patches and Malware protection.

The award of this certification will ensure the authority is recognised for their outstanding position and methodologies applied, in the way it manages Cyber Security, keeping the Authority safe as possible from Cyber-attacks.

3.0 Further actions

The future roadmap to ensure Cyber security is continually reviewed, includes but is not limited to:

- PSN (Public Services Network) annual testing, unless ICT pass this each year we are not permitted to operate (PSN compliance provides a report on the authority's security arrangements. It demonstrates that our organisation's security arrangements, policies and controls are sufficiently rigorous for us to interact with the PSN and those connected to it).
- PEN (Penetration) testing of new and existing systems, ensuring suppliers pass critical security tasks so that they can continue to provide their services via the CWC network.
- Cloud App technology, which notifies ICT immediately of activity linked to our network outside of the UK.
- Continued education of internal staff by initiating phishing campaigns, City People articles and similar.
- Continual training for security staff within ICT to ensure skills are kept up to date.
- Trialling of new software to enhance security whilst addressing new types of attacks which have been identified.
- Attendance at the newly formed regional Cyber group to share concerns, experiences and ideas.

- Attendance at high profile seminars where information and new technologies are shared. The Civil Contingencies Act 2004 requires the Council as a 'Category 1' responder to perform seven duties that seek to improve the resilience of the Council and our local community. One of these duties is to: "maintain plans for the purpose of ensuring, so far as is reasonably practicable, that if an emergency occurs the person or body is able to continue to perform his or its functions" (Civil Contingencies Act 2004, Section 2(1)c.)"

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 10 June 2019
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Report title	Annual Internal Audit Report 2018-2019	
Accountable director	Claire Nye, Director of Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

- 1.1 The purpose of this report is to provide the Audit and Risk Committee with an annual internal audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

2.0 Background

- 2.1 This report gives a brief description of the role of Internal Audit, the control environment within which it operates, its compliance with the Public Sector Internal Audit Standards and a summary of the work carried out during the year to 31 March 2019.

3.0 Progress, options, discussion, etc.

- 3.1 Quarterly internal audit update reports will continue to be presented to the Committee throughout the year.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/22052019/B]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report.
[TS/22052019/Q]

6.0 Equalities implications

- 6.1 There are no equalities implications arising from the recommendations in this report.

7.0 Environmental implications

- 7.1 There are no environmental implications arising from the recommendations in this report.

8.0 Human resources implications

- 8.1 There are no human resources implications arising from the recommendations in this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendations in this report.

10.0 Health and Wellbeing implications

- 10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers - None

Internal Audit Annual Report 2018-2019



1. *Introduction*

Our internal audit work for the period from 1 April 2018 to 31 March 2019 was carried out in accordance with the approved Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Council's governance, risk management and control processes. In this way our annual report provides one element of the evidence that underpins the Annual Governance Statement the Council is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the council may rely, could include:

- The work of the External Auditors (Grant Thornton)
- The result of any quality accreditation
- The outcome of any visits by Her Majesty's Revenues and Customs (HMRC)
- Other pieces of consultancy or third party work designed to alert the Council to areas of improvement
- Other external review agencies (i.e. Ofsted, the Information Commissioner's Office)

As stated above, the framework of assurance comprises a variety of sources and not only the Council's internal audit service. However, Internal Audit holds a unique role within a local authority as the only independent source of assurance on all internal controls. Internal Audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the Council's risks and its overall whole control environment but also all sources of assurance where appropriate, and where possible this is captured in the regular Strategic Assurance Map that is presented to the Audit and Risk Committee.

In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. Also, consideration of the Council's ethics-related objectives programmes and activities, and the information technology governance is implicit in all internal audit activity.

The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

Executive Summary

As the providers of internal audit to the council, we are required to provide the Managing Director and Section 151 Officer with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Managing Director and Section 151 Officer is reasonable assurance that there are no major weaknesses in the council's governance, risk management and control processes. We have taken into account:

- All audits undertaken for the year ended 31 March 2019.

- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The Council's Strategic Risk Register and Assurance Map as presented to each meeting of the Audit and Risk Committee.

Internal Audit Opinion

We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out above, our opinion is as follows:

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

In reaching our opinion, the following factors were taken into particular consideration:

- We have had unfettered access to all records and employees during 2018-2019.
- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance, identified as a result of our audit work performed in year are detailed later in this report.
- While stand-alone reviews of governance and risk management are not undertaken, consideration of both these issues are implicit in all internal audit work. Similarly, assurance is gained from the regular review of the Council's Strategic Risk Register as presented at each meeting of the Audit and Risk Committee, and through the 'calling-in' of certain risks by the committee for a more detailed review.

Throughout the year we did note a number of key control issues, either through our work or in the preparation of the Annual Governance Statement, and these are listed below.

While not fundamental to the overall opinion, we gave a '**limited assurance**' rating as a result of our internal audit work in the following areas:

• Tenant Management Organisations
• Recruitment and Retention of Social Workers
• Aldersley Leisure Village Events – Cash Handling
• Civil Parking Enforcement Contract Management
• SEND Data Integrity

Further details on each of these limited assurance reports was presented to the Audit and Risk Committee throughout the year, and this can be found on the Council's [website](#)

In addition to the limited assurance reviews above, we also undertook three detailed lessons learnt reviews at the request of the Managing Director and a number of issues were raised, in respect of the following projects/programmes:

- Civic Halls – Refurbishment
- Markets Relocation
- Interchange – Train Station

A special meeting of the Audit and Risk Committee was held on 25 July 2018 where these three reports were presented and the former Managing Director responded to questions arising from the reports by committee members. Full copies of these reports can be found on the Council's [website](#)

Governance issues arising from the Annual Governance Statement

The Council recognises that the identification, evaluation and monitoring of risks is a key aspect in the governance of the organisation. The following matters represent the most significant current governance issues that are subject to attention in order to ensure that good practice is embedded:

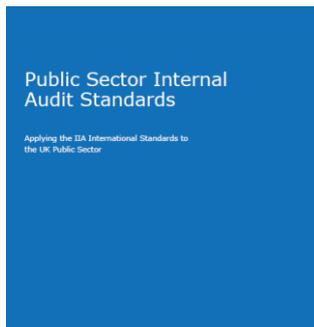
• Savings targets
• Procurement, Contract Management and Monitoring
• Corporate Landlord
• Civic Halls
• West Midlands Combined Authority
• General Data Protection Regulations
• Tenant Management Organisations
• Residential Site Management Arrangements

Further details on each of these can be found in the Annual Governance Statement.

Key risks the Council faces

The key risks the Council faces in delivering its outcomes are captured in a Strategic Risk Register which is updated as and when the risk profile of the Council changes, and is reported to the Audit and Risk Committee on a regular basis.

Compliance with the Public Sector Internal Audit Standards



The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the internal audit charter approved by the Audit and Risk Committee. The quality assurance and improvement programme and accompanying self-assessment identified no major non-conformances with these standards. This was confirmed through the results on an independent valuation of the self-assessment exercise commissioned by, and reported through the Audit and Risk Committee in 2018. Therefore, the internal audit activity is able to confirm conformance with the international standards for the professional practice of internal auditing.

Summary of work completed

A detailed written report and action plan is prepared and issued for every review where appropriate. The responsible officer will be asked to respond to the report by completing and returning an action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Year on year comparison

56 pieces of audit work have been completed during the year, 47 of which have been given an audit opinion. A summary of the audit opinions given, with a comparison over previous years, is set out below:

Opinion	2018-2019	2017-2018	2016-2017
Substantial	18	17	19
Satisfactory	23	21	10
Limited	6	9	8

Direction of travel

As can be seen the number and type of each level of assurance has remained fairly constant between 2017-18 and 2018-2019.

2 Summary of audit reviews completed

The following audit reviews were completed during the 2018-2019 financial year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Previously reported:							
Fixed Assets 2017 – 2018	High	-	-	2	2	2	Substantial
Main Accounting 2017-2018	High	-	-	5	5	5	Satisfactory
Compliance with GDPR Requirements	Medium	-	7	6	13	13	Satisfactory
Senior Officer Remuneration	N/A	-	-	-	-	-	N/A
Direct Payments	High	-	4	2	6	6	Satisfactory
Ashmore Park Nursery School	Medium	-	1	-	1	1	Substantial
Springdale Junior School	Medium	-	1	4	5	5	Substantial
St. Anthony's RC Primary School	Medium	-	1	4	5	5	Substantial
West Park Primary School	Medium	-	3	6	9	9	Substantial
Westacres Primary School	Medium	-	2	4	6	6	Substantial
Colton Hills Secondary School	Medium	-	7	5	12	12	Satisfactory
Dovecotes Primary School	Medium	-	2	3	5	5	Substantial
Windsor Nursery School	Medium	-	-	2	2	2	Substantial
Christ Church Infants School	Medium	-	5	3	8	8	Satisfactory
Oak Meadow Primary School	Medium	-	3	2	5	5	Substantial
Strategic Stakeholder Relationship Management	High	-	3	-	3	3	Satisfactory
City Development Project Pipeline	High	-	5	-	5	5	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Deprivation of Liberties	Medium	-	2	2	4	4	Satisfactory
Foster Care – Framework Agreement	High	-	-	-	-	-	N/A
Carbon Reduction Credits Scheme	Medium	-	1	-	1	1	Satisfactory
Complaints and Compliments Procedure	Medium	-	6	3	9	9	Satisfactory
Transport Grant Certifications	Medium	-	-	-	-	-	N/A
Bilston Nursery School	Medium	-	3	4	7	7	Substantial
Eastfield Nursery School	Medium	-	2	3	5	5	Substantial
Wodensfield Primary School	Medium	-	2	2	4	4	Substantial
Vulnerable Youngs Persons	Medium	-	1	4	5	5	Satisfactory
Adult Education Policies and Procedures	Medium	-	-	-	-	-	N/A
Black Country ESF and Youth Employment Initiatives	Medium	-	6	1	7	7	Satisfactory
Tenant Management Organisations *see note below	Medium	4	55	52	111	111	Limited
Recruitment and Retention of Social Workers	High	-	5	-	5	5	Limited
Procurement of Mobile Phones	Medium	-	2	1	3	3	Satisfactory
WMPF Monthly Payroll Contribution Statements	High	-	-	1	1	1	Substantial
Local Taxes – E-Form Testing	Medium	-	-	1	1	1	N/A
Aldersley Leisure Village Events – Cash Handling	Medium	1	5	4	9	9	Limited
Civil Parking Enforcement Contract Management	Medium	1	6	-	7	7	Limited
City North Gateway	Medium	-	-	-	-	-	Grant Certification
Troubled Families Grant Certification – Q3	Medium	-	-	-	-	-	Grant Certification

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
i54 Western Extension Project Management	Medium	-	7	-	7	7	Satisfactory
Reported this quarter for the first time:							
Pennfields Special School	Medium	-	7	4	11	11	Satisfactory
GDPR – Operational Arrangements	Medium	-	1	6	7	7	Satisfactory
Three Conversations Policy – Care Pathway	Medium	Compliance review – not RAG rated			10	10	Satisfactory
Resilience Team	High	Compliance review – not RAG rated			7	7	Satisfactory
Impact Assessments – Smoking Cessation	Medium	-	-	-	-	-	N/A
SEND Data Integrity	Medium	4	5	-	9	9	Limited
Payment Card Industry Data Security Standards	Medium	-	1	3	4	4	Satisfactory
Waste Services and Future Contract Arrangements	High	-	-	3	3	3	Substantial
Transport Capital Programme Prioritisation	High	-	2	2	4	4	Satisfactory
Main Accounting (GL and Budgetary Control)	High	-	-	9	9	9	Satisfactory
Payroll Dashboard Checks	High	-	-	-	-	-	Substantial
Accounts Receivable	High	-	1	3	4	4	Satisfactory
Accounts Payable **see note below	High	-	2	-	2	2	Satisfactory
Treasury Management	High	-	-	-	-	-	Substantial
Housing Benefits	High	-	-	-	-	-	Substantial
Housing Rents	High	-	-	-	-	-	Substantial
Troubled Families Grant Certification	Medium	-	-	-	-	-	Grant Certification

- Key:**
- AAN Assessment of assurance need.
 - * The four organisations that formed part of the TMO review were Bushbury Hill Estate Management Board, Dovecote Tenant Management Organisation, New Park Tenant Management Co-operative and the Springfield Tenant Management Co-operative. Therefore, a significant number of the same, or similar recommendations were made for all four, hence the larger number of recommendations made.
 - ** Accounts Payable is made up of four separate reviews. These include: Accounts payable uploads, changes to supplier bank details, P-Card review, and P-Card VAT.
 - N/A Consultancy type assignments where an opinion on the control environment is not the main focus of a review.

3 *On-going assurance work where reports are not issued*

Project/Programme	In the original audit plan?	Audit Service's Role
Equal Pay	Yes	A member of the audit team is embedded in the project to provide advice on project governance and management of risks associated with the management of equal pay claims. Audit assurance is also provided around the calculation of settlement offers and the payment of claims.
Information Governance	Yes	A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.
Commercial Business Improvement Programme (formerly Digital Transformation Programme)	Yes	Audit takes part in the programme in a project assurance capacity. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Pay Strategy	Yes	A member of the team sits on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.
Project Assurance Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that all of the Council's projects and programmes, recorded through the Verto system, are reviewed and scrutinised.
WV Active Improvement Programme	Yes	We have representation on the Programme Board. During the lifecycle of the programme on-going advice is provided on the governance of the programme and the management of associated risks.
Delivering Independent Travel Programme	New	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Schools Fire Safety Working Group	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is to rectify the specification of fire doors in newly built PFI schools.

Project/Programme	In the original audit plan?	Audit Service's Role
Business Support Programme	New	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.
City Learning Quarter Programme	New	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.
Our Assets Programme	New	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Children's Transformation Board	New	A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues.
Agresso Board	New	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.

Counter Fraud Activities

We continue to investigate all allegations of suspected fraudulent activity, during the year. Details of these are presented to the Audit and Risk Committee in separate reports, along with details of initiatives put in place, in order to both raise awareness of, and tackle fraud across the Council.

4 *Key issues arising from our work completed in the final quarter*

There was only one limited assurance report issued during the final quarter on the data integrity of the quality of the information available to support Special Educational Needs and Disabilities commissioning decisions.

The Council uses Capita One software to assist teams in carrying out statutory functions, completing relevant DfE returns and for service monitoring and planning. It is a universal system and holds core data for all pupils on roll in Wolverhampton schools, alongside details of their involvement with services provided by the Council. The data held in Capita One is sensitive as it contains details of children and adults (name, address, ethnicity etc.). The system used by the schools to collect data about pupils is principally SIMS but a range of management systems are used. Information from schools, academies and the DfE are sent to the Council and Capita One is updated. Our review noted that:

- Responsibility for the Capita One system was spread over a number of service areas and this had led to a lack of consistency in its use, regular updates and in the accuracy of the information available – leading to additional time being spent on manually correcting inaccuracies
- Orders not being raised for the provision of services from specialist providers resulting in a lack of budget commitment and non-compliance with the corporate process.
- Pupil data was not being sufficiently protectively marked in various correspondence between teams.
- There was no formal process in place to remove access to the system for leavers or employees who change role and no longer require access.
- Records being retained longer than the required time frame.

Further details of other limited assurance reports as presented to the Audit and Risk Committee earlier in the year, can be found on the Council's [website](#)

Follow up of previous recommendations

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee. During this quarter we have followed up recommendations in respect of our previous review of the Rainbow Nursery and action was being taken in order to implement these.

5 Changes to the Audit Plan during the year

Audit Area (as was in place during 2018-2019)	Audit related pieces of work in the initial plan	Audit related pieces of work added or removed during the year	Revised number of audit related pieces of work
Corporate	8	(1)*	7
Key Financial Systems	12	2	14
People	15	(4)	11
Education	23	(1)	22
Place	13	(5)	8
Housing	5		5
Total	76	(9)	67

The additional support provided to the lessons learnt reports and projects and programmes, reported under section 3 of this report, resulted in the plan being revisited throughout the year and the plan is re-profiled throughout the year as and when the risk profile of the Council changes, and in order to react to emerging issues and specific management requests.

6 Audit and assurance effectiveness measures

Our performance against the following Audit and Assurance effectiveness measures, that were prepared around the successful delivery of the audit service, is as follows:

Audit Plan measures	
Audit reports identifying suggested areas for action, issued to auditees within two weeks of completion of fieldwork.	Approximately 65% of audit reports were issued within two weeks of the completion of audit fieldwork. A protocol has been agreed with senior managers in order to help continue to improve on this.
Number of audits where time taken to complete assignment is more than 10% longer than planned.	Approximately 70% of reviews took 10% longer than anticipated, with the others completed either on target or under. In the majority of instances, reasons for audit work exceeding budget is that unforeseen issues arise which take time to resolve. However, we will continue to seek to improve on the time taken in completing such reviews.

Delivery of at least 80% of the audit plan, and an opinion which provides suitable assurance on the overall governance, risk management and control environment.	The audit plan was subject to revision during the course of the year in order to take account of emerging issues and a changing risk profile. Based on the revised number of audits as at 31 March 2019, 90% of the plan had been delivered. The four audits not started as at 31 March 2019 have been incorporated in the 2019-2020 audit plan.
Risk Based Audit Plan produced and available to the Council in advance of the year.	The Audit Plan was approved by the Audit and Risk Committee prior to the commencement of the new plan year.
Recommendations measures	
90% of recommendations accepted by Council management.	All recommendations made in the year were accepted by Council management.
Number of key recommendations followed up, implemented by the council by the target date.	The majority of previous key recommendations followed up had been implemented within the agreed date. Where not, these have been reported back to the Audit and Risk Committee throughout the year.
Relationships measure	
Positive feedback from completed client satisfaction surveys.	The majority of feedback was of a positive nature.
External Audit measure	
External Audit use the work of internal audit to help inform their own work.	No issues have been raised by the External Auditors on the work of Internal Audit.

7 *Key Partnerships*

The City Council's Audit Service also provide the internal audit service for:

- West Midlands Pension Fund
- West Midlands Combined Authority
- Wolverhampton Homes
- WV Living

CITY OF WOLVERHAMPTON COUNCIL	<h1>Audit and Risk Committee</h1> <p>10 June 2019</p>
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Report title	Audit and Risk Committee Annual Report – 2018-2019	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for decision:

The Committee is recommended to:

1. Endorse the Audit and Risk Committee Annual Report for 2018-2019 and refer it to Full Council for approval.

1.0 Purpose

1.1 This report summarises the main areas of work undertaken by the Audit and Risk Committee during 2018-2019.

2.0 Background

2.1 The purpose of the Audit and Risk Committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides an independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

3.0 Progress, options, discussion

3.1 The Audit and Risk Committee will continue to receive regular assurance reports throughout the year.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report.
[GE/10052019/L]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report.
[TS/10032019/Q]

6.0 Equalities implications

6.1 There are no equalities implications arising from the recommendation in this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from the recommendation in this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from the recommendation in this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendation in this report.

10.0 Health and Wellbeing implications

10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers

11.1 None

12.0 Appendices

12.1 Appendix 1 - Audit and Risk Committee – Annual Report

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Audit and Risk Committee
Annual Report
2018-2019



**Stronger
Economy**



**Stronger
Communities**



**Stronger
Organisation**

The Audit and Risk Committee at Wolverhampton

Councillor Alan Butt – Chair of the Audit and Risk Committee

The Audit and Risk Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.



The purpose of the Audit and Risk Committee is to provide independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.

It also oversees the work of both the internal and external auditors, helping to ensure that efficient and effective assurance arrangements are in place. The key benefits of the Committee can be seen as:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and similar review processes;
- providing additional assurance through a process of independent review; and
- raising awareness of the need for internal control and the implementation of audit recommendations.

The Audit and Risk Committee agrees a work programme for each year. It is based on (but not limited to) the following main sources of assurance:

- Annual Governance Statement - this is the statutory report which the Committee approves in relation to the council's Statement of Accounts.
- Strategic Risk Register and Assurance Map - a regular review of the key risks the Council faces, and how and where the Committee can gain assurance that these risks are being well managed.
- Internal Audit - the ongoing work of, and reports from the Council's internal auditors.
- External Audit - the reports submitted to the Committee by the Council's external auditors Grant Thornton

I believe it has been another successful year for the Audit and Risk Committee and we look forward to building on this during 2019-2020.

Finally, as the new Chair of the Audit and Risk Committee I would like to thank the former Chair and all the members who served on the Committee during the year, both the internal and external auditors and all of the other officers who have contributed towards its success.

We undertook the following key developments during the year

In the last 12 months the Committee has put in place many initiatives, in what has been a productive year, helping to ensure that the City of Wolverhampton has a modern, effective and risk focused Committee.



* Site visit to the Civic Halls undertaken by members of the Audit and Risk Committee following the lessons learned report presented at the June 2018 meeting.

During the year we also:

- Continued to focus on the Council's risk management arrangements, gaining an increased assurance that the Council is managing its risks well. This also involved the Committee 'calling-in' a number of risks and their risk owners, for a more detailed review as detailed later in this report.
- Maintained a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, our Internal Auditors and Senior Officers. We also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Held an additional meeting in June 2018 to consider three lessons learned reports in the key areas of:
 - Civic Halls Refurbishment*
 - Wolverhampton Interchange (Train Station)
 - Markets Relocation
- Continued to obtain strong local press coverage on a number of issues that were raised through, and discussed at the Committee, which portrayed the Council in a positive light.

Our key business during the year was:

Meeting	Activity
11 June 2018	<ul style="list-style-type: none"> • The Council's Statement of Accounts • External Audit Progress Report and Update • Annual Governance Statement • Annual Internal Audit Report
25 June 2018 (additional meeting)	<ul style="list-style-type: none"> • Markets Relocation – Lessons Learned • Wolverhampton Interchange (Train Station) – Lessons Learned • Civic Halls Refurbishment – Lessons Learned
23 July 2018	<ul style="list-style-type: none"> • External Audit Progress Report and Update/Audited Statement of Accounts • Strategic Risk Register and Strategic Assurance Map • Audit and Risk Committee Annual Report • Counter Fraud Update • Payment Transparency • CIPFA Audit Committee Update • Audit Investigations Update
17 September 2018	<ul style="list-style-type: none"> • Annual External Audit Letter • External Audit Progress Report and Update • Capital Projects Lessons Learnt – Progress Update • Strategic Risk Register and Assurance Map • Internal Audit Update • Internal Audit Charter – Annual Review • Payment Transparency • Counter Fraud Update
10 December 2018	<ul style="list-style-type: none"> • External Audit Update • Strategic Risk Register and Assurance Map • Capital Projects Lessons Learnt – Progress Update • Annual Governance Statement – Action Plan Update • Internal Audit Update • Counter Fraud Update • Internal Audit – External Assessment • Payment Transparency • CIPFA Audit Committee Update • Audit Investigations Update
11 March 2018	<ul style="list-style-type: none"> • Certification Work for the City of Wolverhampton Council for the year ended 31 March 2018 • External Audit Progress Report and Update • External Audit Communications • Strategic Risk Register and Assurance Map • Internal Audit Plan 2019-2020 • Internal Audit Update

- Counter Fraud Update
- Audit and Risk Committee – Terms of Reference Annual Review
- Payment Transparency
- CIPF Audit Committee Update
- Audit Investigations Update

How we ensured there was a strong focus on risk management

One of the main roles of the Committee is to regularly review the Strategic Risk Register in order to ensure that the risks the Council faces are being suitably addressed. During the year we ‘called in’ the following risks for a more detailed review:

Waste Management Services

We heard from the Lead Officer – Waste, on how the transfer of waste service back into the Council was progressing and how the risks associated with it were being managed.

The Head of School Organisation presented an update on the current financial position of maintained nursery schools and responded to the Committee’s questions on Government funding for maintained nursery schools.

Maintained Nursery Schools

Brexit

The Head of Public Service Reform gave an overview of the significant activity the Council was engaged in regarding the uncertainties and risks associated with Brexit.

Our conclusion for 2018-2019:

As a result of our work throughout the year, we were able to confirm:

- That the system of internal control, governance and risk management in the Council was adequate in identifying risks and allowing the Council to understand the appropriate management of these risks.
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention and had not been adequately resolved.

We believe that our key achievements during the year were:

- Providing assurance through a process of independent review and challenge.
- Raising the profile of internal control issues across the Council and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the risks that the Council faces, through examination of the strategic risk register and accompanying assurance map.
- Maintaining a good working relationship with the Council's internal and external auditors.
- Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The presence of two independent members serving on the Committee in order to broaden the Committee's experience and independent view point.
- Maintaining a detailed focus on the actions being taken to combat fraud.
- Reviewing and updating the Committee's Terms of Reference in order to ensure they remain fit for purpose.

These are our Terms of Reference:

Statement of purpose

Our Audit and Risk Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit and Risk Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

To monitor the effective development and operation of risk management in the Council.

To monitor progress in addressing risk-related issues reported to the committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve the risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.

To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the Head of Internal Audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To provide free and unfettered access to the audit committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.

External Audit

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.

To monitor the on-going progress towards publication of the Council's annual statement of accounts, ensuring the statutory deadlines are achieved.

To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full Council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.

To publish an annual report on the work of the Committee.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 10 June 2019
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Report Title	Audit Services – Counter Fraud Update	
Accountable Director	Claire Nye	Finance
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

1. The contents of the latest Audit Services Counter Fraud Update.

1.0 Purpose

- 1.1 The purpose of this report is to provide the Committee with an update on current counter fraud activities undertaken by Audit Services.

2.0 Background

- 2.1 The cost of fraud to local government is estimated at £2.1 billion a year. This is money that could be used for local services.
- 2.2 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Ministry of Housing, Communities and Local Government.

3.0 Progress, options, discussion, etc.

- 3.1 At the last meeting of the Audit and Risk Committee in March 2019, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/20052019/H]

5.0 Legal implications

- 5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations.
[TS/20052019/R]

6.0 Equalities implications

- 6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

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

8.0 Human resources implications

- 8.1 There are no human resources implications arising from this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from this report.

10.0 Health and Wellbeing implications

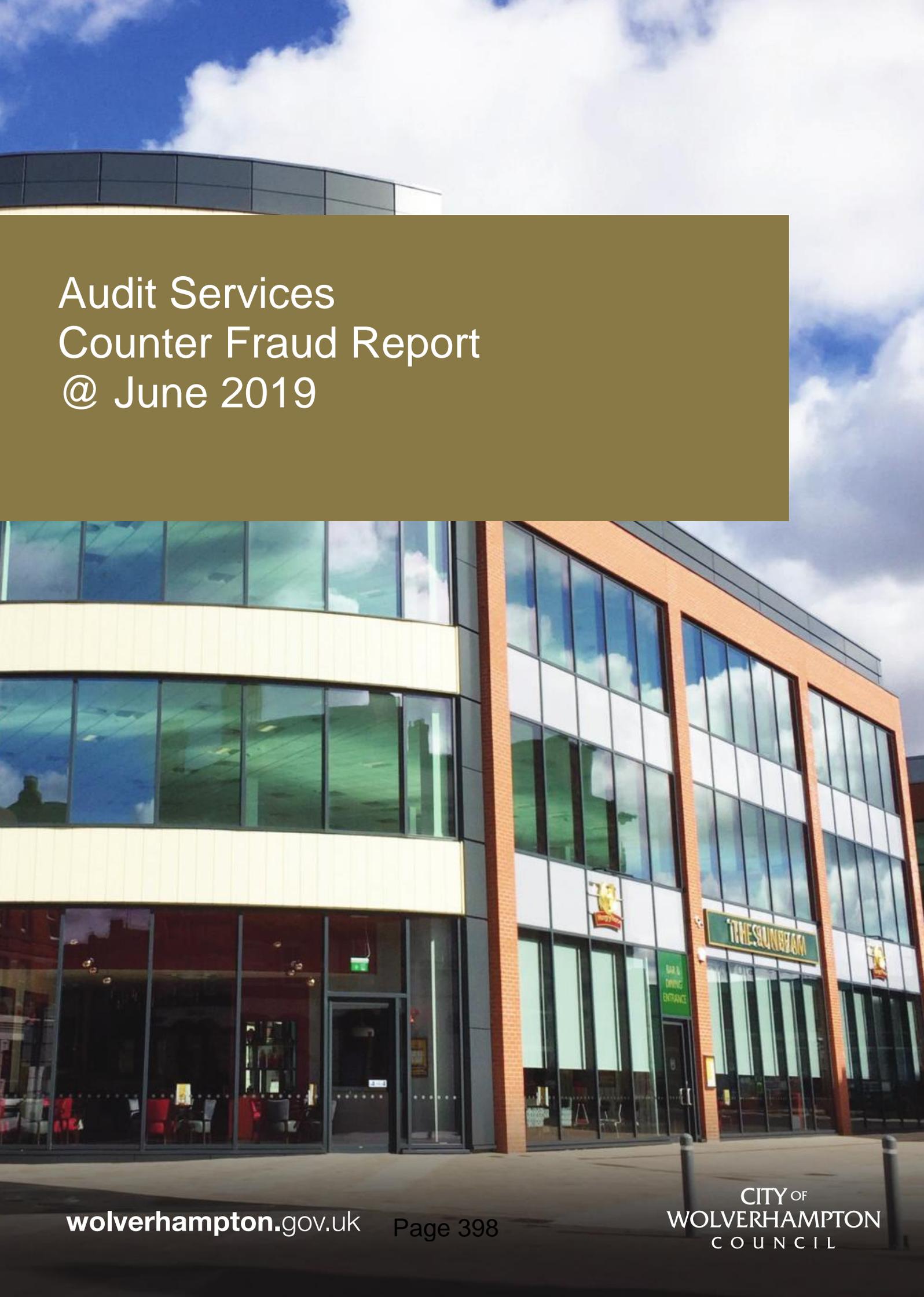
- 10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers

11.1 None

12.0 Appendices

12.1 Appendix 1 – Audit Services Counter Fraud Activities as at June 2019



Audit Services Counter Fraud Report @ June 2019

1 *Introduction*

The counter fraud agenda is one that continues to hold significant prominence from Central Government who are promoting a wide range of counter fraud activities. The purpose of this report is to bring the Audit and Risk Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit within Audit Services.

The Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within the Authority's Anti-Fraud and Corruption Policy, which states: "The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated, and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council."

2 *The Counter Fraud Unit*

The Counter Fraud Unit, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, conducts raising fraud awareness seminars and holds fraud surgeries. In addition, they lead on the Cabinet Office's National Fraud Initiative (NFI) exercise.

The team also provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

3 *Counter Fraud Update*

Counter Fraud Plan

The latest status of progress against the counter fraud plan is shown at Appendix 1

National Anti-Fraud Network Intelligence Notifications

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. For the financial year ending 31 March 2019 there have been seven alerts issued by NAFN, which either involved suppliers used by the Council or are applicable to all Councils. The appropriate sections of the Council have been alerted and it was confirmed that there was no impact at Wolverhampton. The most common alerts related to Bank Mandate fraud, Council Tax Refund fraud and cyber fraud including ransomware and email interception.

National Fraud Initiative Exercise 2019/20

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Where matches are identified, the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems.

The latest NFI exercise commenced in January 2019 and a total of 12,405 matches have been released by the Cabinet Office. As the Cabinet Office continues to develop and refine the NFI exercise it is anticipated that further matches may be released in the coming months. A total of 584 matches have been processed with no issues found indicating systems are working effectively. As more matches are processed details of the progress made will be brought before the Committee as it becomes known.

National Fraud Initiative HMRC Pilot

The Council was selected, by the Cabinet Office, as one of only ten Local Authorities to take part in a pilot NFI exercise where HMRC data has been matched to the Council's data for the first time. This is a significant development for the NFI project. HMRC hold information about household composition, household earnings and property ownership.

A sample of matches were investigated with the majority relating to tenancy issues. In one case a tenant appeared to own a property that they had not declared. In addition, three cases were identified where undeclared capital potentially impacts on benefit payments, all these cases are currently being investigated.

Council feedback on the usefulness of the various matches, in identifying fraud and error, has been provided to the Cabinet Office. The feedback will be used to help refine the matches and to ensure the maximum impact is achieved from the exercise. It is anticipated that matches to HMRC data will be incorporated into the national exercises for all Councils, in future years.

Counter Fraud Team - Tenancy Fraud Performance

The Counter Fraud Teams Tenancy Fraud results for April 2018 to March 2019 are shown in the following tables:

	QUARTER 4 January 2018 – March 2019	YEAR TOTAL April 2018 – March 2019
Type of fraud and/or error	Number	Number
Total Number of Referrals Received	43	157
Open referrals being investigated	7	7
Anti-Money Laundering – Right to Buy Checks	65	352
Residency Duration Checks for Right to Buy Applications	15	74

Further details of the above figures are included below.

Type of fraud and/or error	QUARTER 4 January 2018 – March 2019		YEAR TOTAL April 2018 – March 2019	
	Cases	*Value £	Cases	*Value £
Tenancy sub-letting – Illegal subletting of properties which were recovered	4	372,000	9	837,000
Right to buy – preventing fraudulent RTB applications	0	0	1	65,000
Other tenancy fraud – succession, abandonment or non-occupation – legal action required where fraudster fails to hand keys back	3	279,000	5	465,000
Total	7	654,000	15	1,367,000

*The savings figures for tenancy fraud are based on methodology and calculations produced by the Cabinet Office in support of the National Fraud Initiative. The figures include:

Social housing tenancy fraud - Notional £93,000 (previously £18,000). The increase in the notional savings recognises the future losses prevented from recovering the property. Previously the calculation only considered one year's loss.

Social housing application fraud – Notional £36,000 (previously £8,000). The increase in the notional savings recognises the future losses prevented by not letting the property to an ineligible individual and with the potential of having to place a genuine prospective tenant from the waiting list in expensive temporary accommodation. There is no allowance in this calculation for past value fraud and therefore the notional loss is less than that of social housing tenancy fraud.

Right to Buy fraud – Notional £65,000 (previously the exact figure was used). The notional saving for a Right to Buy (RTB) application that has been withdrawn is calculated by the Cabinet Office based on the region in which the property is based, the increases in the maximum RTB cap and the changes in average house prices. This method allows for benchmarking to be carried out.

Partnership Working

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell assisting in the implementation of the Council's Counter Fraud Plan, including carrying out investigations. This joint approach will see an increase in shared information, working practices and the introduction of new counter fraud initiatives.

Fraud Risk Register

The Counter Fraud Unit maintains the Council's fraud risk register. The register is used to help identify areas for testing and to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2.

Midland Fraud Group

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in February 2019 discussions were held on the National Fraud Initiative, DWP joint working and cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided by Natwest Bank June 2017
	Develop on line fraud training for staff.	To be refreshed Summer 2019
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Summer 2019
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Summer 2019
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Latest exercise commenced January 2019
	Complete the annual CIPFA fraud survey.	CIPFA Survey completed June 2018
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting February 2019 next meeting Summer 2019
	Attend external fraud seminars and courses.	NAFN Counter Fraud Summit October 2018 Midland Fraud Forum Conference – February 2018

Issue	Action	Timescale
		<p>Cyber Security Training - January 2019</p> <p>Fighting Fraud and Corruption Locally Conference – March 2019</p>
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> • New CIPFA Code of Practice 	June 2015 (the last time required)
	<ul style="list-style-type: none"> • CIPFA Counter Fraud Tracker Survey 	Annually
	<ul style="list-style-type: none"> • The former Department for Communities and Local Government – ten actions to tackle fraud against the Council. 	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	November 2017 - Wolverhampton Homes Tenancy Fraud Team transfer to Council's Counter Fraud Unit
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; CIPFA's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in external initiatives.	On-going

Issue	Action	Timescale
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 2018
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Summer 2019
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Summer 2019
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	Corporate Fraud Group established
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single person's discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple Councils.	Red
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	Red
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications, use by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green
Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 10 June 2019
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Report title	Payment Transparency	
Accountable director	Claire Nye, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

1. The Council's current position with regards to the publication of all its expenditure.

1.0 Purpose

1.1 This report is to update the Committee on the Council's current position with regards to the publication of all its expenditure.

2.0 Background

2.1 The latest position on the Council's payment transparency activity is as follows:

- The Council publishes its own spend data which is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- In addition, to the spend to date, the site also includes spend for the financial years from 2011.
- Since last reported to the Audit and Risk Committee in March 2019, there has been no requests for information from the public (as an 'armchair auditor').

3.0 Progress, options, discussion

3.1 We will continue to report back to the Audit and Risk Committee on the details of any 'armchair auditor' requests the Council receives.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report.
[GE/20052019/F]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report.
[TS/20052019/Q]

6.0 Equalities implications

6.1 There are no equalities implications arising from the recommendation in this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from the recommendation in this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from the recommendation in this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendation in this report.

10.0 Health and Wellbeing implications

10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers

11.1 None

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CITY OF WOLVERHAMPTON COUNCIL	<h1>Audit and Risk Committee</h1> <p>10 June 2019</p>
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Report title	CIPFA Audit Committee Update	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update - the Audit Committee Role in Supporting Counter Fraud and Anti-Corruption.

1.0 Purpose

- 1.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) issue regular briefings for audit committee members in public sector bodies. Their aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

2.0 Background

- 2.1 The latest edition of these briefings covers the Audit Committee Role in Supporting Counter Fraud and Anti-Corruption.

3.0 Progress, options, discussion

- 3.1 Further CIPFA updates will be brought before the Audit Committee, as and when they are published.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[GE/10052019/V]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report.
[TS/09052019/Q]

6.0 Equalities implications

- 6.1 There are no equalities implications arising from the recommendation in this report.

7.0 Environmental implications

- 7.1 There are no environmental implications arising from the recommendation in this report.

8.0 Human resources implications

- 8.1 There are no human resources implications arising from the recommendation in this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendation in this report

10.0 Health and Wellbeing implications

10.1 There are no health and wellbeing implications arising from this report.

11.0 Schedule of background papers

11.1 CIPFA Audit Committee Update

12.0 Appendices

12.1 Appendix 1 - CIPFA Audit Committee Update - This document contains some information which is copyrighted and cannot be made readily available. However, to comply with the spirit of the Freedom of Information Act, should you require details of the report it may be possible to give you access to certain information. If you wish to do that, please contact the accountable employee as detailed above.

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