CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** 29 July 2020

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

Membership

Chair Cllr Alan Butt (Lab)
Vice-chair Cllr Jonathan Yardley (Con)

Labour	**Independent Member**
Cllr Mary Bateman	Mr Mike Ager
Cllr Philip Bateman MBE	Mr John Humphries
Cllr Craig Collingswood	
Cllr Roger Lawrence	
Cllr Barbara McGarrity QN	
Cllr Lynne Moran	

Quorum for this meeting is two Councillors.

Information for the Public

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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** (Pages 3 - 8)
[For approval]

4 **Matters arising**
[To consider any matters arising from the minutes].

DECISION ITEMS

5 **Covid-19 Risk Register Update** (Pages 9 - 34)
[To receive an update on the new and emerging risks the Council faces as a result of the Covid-19 pandemic].

6 **Statement of Accounts 2019-2020** (Pages 35 - 328)
[To receive the draft statement of accounts for 2019-2020].

Agenda Item No: 3

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

Minutes - 22 June 2020

Attendance

Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)
Cllr Jonathan Yardley (Vice-Chair)
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Craig Collingswood
Cllr Roger Lawrence
Cllr Barbara McGarrity QN
Cllr Lynne Moran
Mike Ager (Independent Member)

Employees

Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Jas Kaur	Democratic Service Manager (Host)
Claire Nye	Director of Finance
David Pattison	Director of Governance
Hayley Reid	Senior Auditor
Kirsty Tuffin	Democratic Services Officer
Mark Wilkes	Audit Business Partner

External Auditors, Grant Thornton
Mark Stocks

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence**
Apologies for absence were received from John Humphries, Independent Member.

2 **Declaration of interests**
There were no declarations of interest.

3 **Minutes of the previous meeting**
That the minutes of the previous meeting held on 23 March 2020 be approved as a correct record.

4 **Matters arising**

Regarding item 7, Peter Farrow advised the Committee that the amount of receipts retained by the Council from for Right to Buy was 30%.

In regard to item 6, the Committee were advised that the draft accounts would be circulated to Members. It was agreed that a special meeting/workshop be arranged to discuss the draft accounts prior to the final version.

In regard to item 8, the Committee were advised that the budget for Gorsbrooke Road, Transit Road, had yet to be finalised but an update would be presented to a future Committee. Both recycling centres had opened and regular data on fly tipping had been provided in the regular Councillor briefing circulated by David Pattison.

Resolved:

1. That it be agreed that the draft annual accounts would be circulated to Members.
2. That it be agreed that a special meeting/workshop be arranged to go through the draft accounts prior to the final version be presented to committee for approval.
3. That it be agreed that an update on Gorsbrooke Road, Transit Road, be presented to Committee.

5 **External Audit Plan Addendum**

Mark Stocks, External Auditor, presented an update report on the planned scope and timing of the statutory audit of the Council as reported in their Audit Plan dated 23 March 2020.

The committee were advised that employees at Grant Thornton had been working from home due to the pandemic but had no concerns regarding completing the audit. While Covid-19 had significant impacts upon both Grant Thornton and Councils the audit would be completed.

Resolved:

1. That the External Audit Plan Addendum update provided by Grant Thornton be noted.

6 **Covid-19 Risk Register and Strategic Risk Register**

Hayley Reid, Regulatory Governance Manager, presented the update on the Strategic Risk Register and a Covid-19 Risk Register.

The Committee were advised that since the Strategic Risk Register was last presented in March 2020, Covid-19 had created new risks which had been added to a Covid-19 Risk Register and the Strategic Risk Register had also been updated to reflect the impact of Covid-19.

Following queries on the risk level for Risk 30 of the Strategic Risk Register, the Committee were advised that a Pre-Construction Services Delivery Agreement had been entered into for Civic Halls and that the final agreement would be signed shortly, work had been halted following the Covid 19 pandemic as a result of health and safety concerns.

It was agreed that Hayley Reid would continue to liaise with the risk owners for Covid-19 Risk 16 - Education Provision to ensure that the risk score and mitigating actions were up to date. An update would be provided to the Committee, at the next meeting on 29 July 2020.

Resolved:

1. That the Council's Covid-19 risk register which detailed the risks faced by the Council as a result of the Covid-19 pandemic, as at Appendix 1 be noted.
2. That the latest summary of the Council's Strategic Risk Register which has been updated to reflect the impacts of the Covid-19 pandemic as at Appendix 2 be noted.
3. That it be agreed that Hayley Reid would correspond with the risk owners for Covid-19 Risk 16 - Education Provision to ensure that the risk score and mitigating actions were up to date.

7 **Annual Governance Statement**

David Pattison, Director of Governance, presented the report on the Annual Governance Statement for the year 2019-2020. The Council are 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, signed by the Leader of the Council and the Chief Executive.

The Committee were advised that there had been good governance in place during the year, and that the statement incorporates the impact of Covid-19. The Council had ensured that a clear audit trail had been conducted throughout the response to Covid-19. A number of questions were asked about the Civic Halls and these were addressed, and further information was offered if sought by the Committee members.

Resolved:

1. That the comments on the contents of the Council's Annual Governance Statement for 2019-2020 be noted.

8 **Annual Internal Audit Report 2019-2020**

Peter Farrow, Head of Audit, presented the report on the annual internal audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

The Committee were advised that no limited assurance reports had been issued since the Committee last met on 23 March 2020. Four limited assurance reports had been issued throughout the year where directors had attended Audit and Risk Committee to discuss. A small number of audits had been underway or not yet started had to be put on hold as a result of Covid-19, but the aim was to complete these as and where appropriate over the coming months. It was agreed that Peter Farrow provide the external auditors with an update position statement on work completed on the key financial systems work.

Peter Farrow advised that further details would be provided on Lawnswood Campus at a later meeting as issues were still ongoing. It was agreed that training options for Modern Day Slavery would be looked into and the Black Lives Matter campaign be incorporated where appropriate.

Resolved:

1. That the contents of the Annual Internal Audit Report and the overall opinion below be noted:
   "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".
2. That it be agreed that Peter Farrow provide the external auditors with an update position statement on work both completed and outstanding on the key financial systems.
3. That it be agreed that further details would be provided on Lawnswood Campus at a later Committee meeting.
4. That it be agreed that training options for Modern Day Slavery would be looked into and the Black Lives Matter campaign be incorporated.

9 **Internal Audit and the Impact of Covid-19**

Peter Farrow, Head of Audit, presented the report on how the Council's Internal Audit function had reacted to the challenge brought by Covid-19.

The Committee were advised that the original plan audit plan would be revisited as it was prepared prior to the impact of Covid-19 and that the Committee would be kept up to date throughout the year.

The Chair gave thanks to colleagues in the audit team that had been redeployed who had helped keep the Council and the City running.

Resolved:

1. That the impact of Covid-19 on the operations of the internal audit team be noted.

10 **CIPFA Audit Committee Update**

Peter Farrow, Head of Audit, presented the latest CIPFA updates.

The Committee were advised that training would be conducted internally wherever possible in order keep the cost of any training low but CIPFA could be used should a need be identified.

Resolved:

1. That the contents of the latest CIPFA Audit Committee update be noted.

11 **Payment Transparency**

Peter Farrow, Head of Audit, presented the report on the Council's current position with regards to the publication of all its expenditure.

The Committee were advised that no armchair auditor requests had been received in the last quarter.

Resolved:

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

12 **Counter Fraud Update**

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

The Committee were advised that the fighting fraud and corruption locally strategy as per appendix 2, had been updated since the last edition. The council policy had already incorporated most the recommended strategy within their practices. The council's practices would be reviewed against the checklist within the strategy and an update would be provided on any initiatives put in place as a result of this. Checks for fraud were being conducted on applications received for grants using the Governments spotlight system and Experian.

Following concerns of subletting, the Committee were advised that these cases would continue to be investigated during Covid-19 but it had placed limitations on how they could progress, and once restrictions were lifted areas such as conducting interviews would recommence.

Resolved:

1. That the contents of the latest Audit Services Counter Fraud Update be noted.
2. That it be agreed that update would be provided on any initiatives put in place as a result of a review on the Council's practices against the checklist provided in the fighting fraud and corruption locally strategy as per appendix 2.

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Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

29 July 2020

Report title	Covid-19 Risk Register
Accountable director	Claire Nye, Director of Finance
Originating service	Audit
Accountable employee	Peter Farrow Head of Audit Tel 01902 550417 Email Peter.Farrow@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board 10 July 2020

Recommendation for noting:

The Committee is asked to note:

1. The Council's Covid-19 risk register which details the risks faced by the Council as a result of the Covid-19 pandemic, as at Appendix 1.

1.0 Purpose

1.1 To keep members of the Audit and Risk Committee aware of the new and emerging risks the Council faces as a result of the Covid-19 pandemic.

2.0 Background

2.1 As with all other local authorities the Council has had to adapt the ways in which it has worked to address Covid-19 not only in terms of ensuring that the City's vulnerable residents have been supported alongside its businesses but also in its governance arrangement. The Council's approach to governance during Covid-19 has been very clearly set out and shared with Councillors, the key aspects include:

- A new officer structure to deal with Covid -19 - this has allowed for focus to be applied to key work streams coming out of the pandemic

- A new approach to decision making – following the introduction of full lockdown in March 2020 the Council instigated a decision making approach that ensured that the focus has been on protecting the vulnerable and supporting businesses.

- All decisions made have been tracked and recorded on detailed spreadsheets with records of whether they need to be made through the urgent decision process or through delegated powers – this has included the following:

    - Clear records being kept of the financial pressures as a result of Covid-19 including loss of income, additional spend
    - Clear evidence based approach to explain why decisions have been made, using performance data
    - Communication implications of any approach taken and the need to ensure that the message is received by all communities

- A Covid-19 risk register has been produced interfacing with the Council's strategic risk register to ensure that the Council has been aware of and taken account of the key Covid-19 risks in an ever changing situation.

At all times the approach of the Council has been informed and shaped by advice from the Director of Public Health and key partners to ensure that the Council as had the most effective response possible to the pandemic. As part of the governance process key areas of concern have been able to be fed to a regional and national level. The same approach is now being taken as we take forwards the Council's approach to recovery.

2.2 This report updates the Committee on the Covid-19 risk register. 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.

2.3 The Covid-19 risk register was last presented to the Committee in June 2020. As reported to Committee in June, the Covid-19 global pandemic has had a significant impact on the risks faced by the Council. In addition, the Council's response to the pandemic has resulted in a significant change to Council services being delivered and the way in which those services are being delivered. This unprecedented environment has resulted in decisions being taken at speed, in accordance with the information available at time, government guidance, direction and relevant legislation.

2.4 The purpose of this report is to highlight the new significant risks that the Council now faces, along with details of the steps being taken to mitigate those risks.

2.5 The Covid-19 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 Council's objectives. Other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.

2.6 A detailed summary of the Council's Covid-19 risk register is included at Appendix 1 of this report which sets out the status of the risks as at July 2020. 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.

3.0 Progress

3.1 The Covid-19 Risk Register will be updated as required and presented at approximately quarterly intervals to the Committee.

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 risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual risks, but these will be evaluated and reported separately if required. [GE/15072020/U]

5.0 Legal implications

5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual risks, there are no direct legal implications arising from this report. [SZ/16072020/P]

6.0 Equalities implications

6.1 Although there may be equalities implications arising from the implementation of the strategies employed to mitigate individual risks, there are no direct equalities implications arising from this report.

7.0 Climate Change and Environmental implications

7.1 Although there may be some environmental implications arising from the implementation of the strategies employed to mitigate individual 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 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 Covid implications

11.1 The Council has prepared a Covid-19 risk register which details the risks faced by the Council as a result of the Covid-19 pandemic.
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12.0 Schedule of background papers

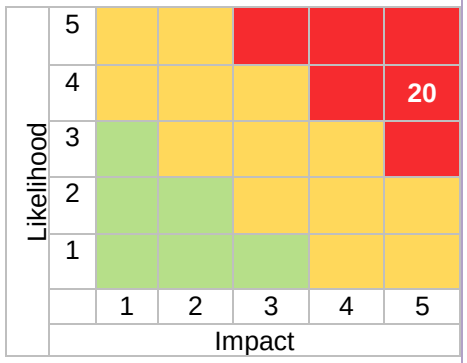
12.1 Appendix 1 – Updated Covid-19 Risk Register.

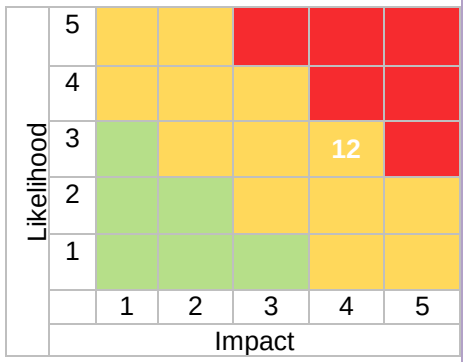
Appendix 1 –

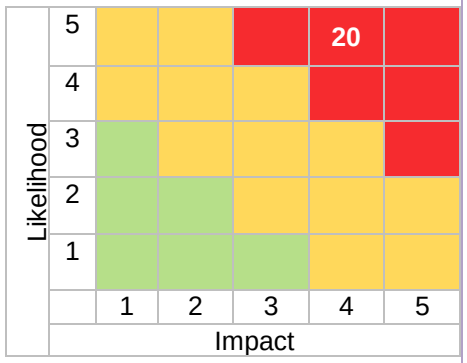
Covid-19 Risk Register

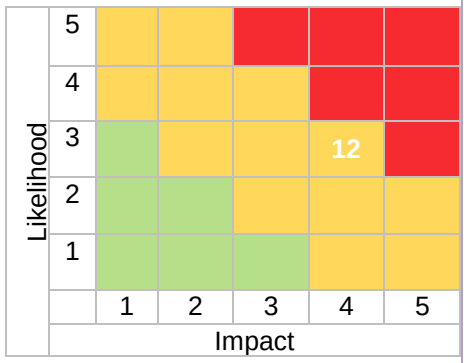
July 2020

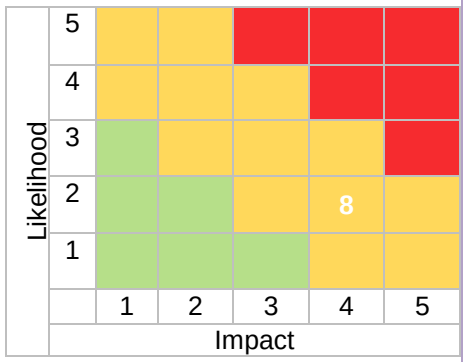
CITY OF WOLVERHAMPTON COUNCIL

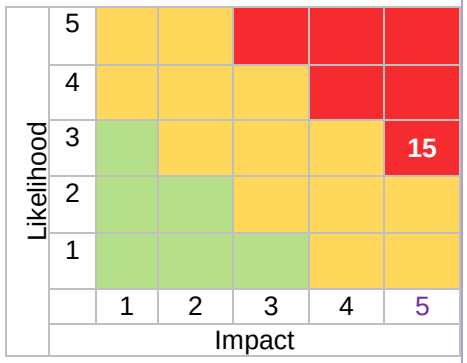
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
1 04/20	**Budgetary Pressure 2020-2021** There is a risk that the Council will need to spend more than we have in tackling Covid-19 (above and beyond specific Covid-19 grants received). There is a legal requirement to operate within budget. Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles  	20 Red		10 Amber *On-Going	The Government has provided the Council with additional funding to tackle the Covid-19 pandemic. However, the score of this risk is not likely to reduce until more details regarding this funding, and the full impact of the pandemic on the Council's financial situation is identified. Work is ongoing within the Council's Finance Team alongside Senior Managers and Budget Holders to monitor spending and regular updates continue to be provided to the Leader, Cabinet Member and the Strategic Executive Board (SEB). Detailed financial reports including the revenue and capital outturn for 2019-20 were presented to Cabinet on 8 July 2020 and a further report outlining the effect on the Council's MTFS, including budgetary pressures for 2020-21 will be provided in due course.	4 – MTFS

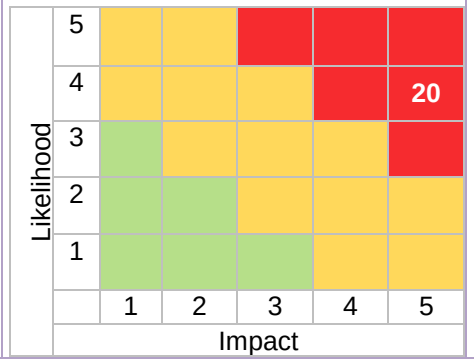
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
2 04/20	**Impact on Residents Health** There is potential impact on the health of Wolverhampton residents due to inaction by the Council. Risk owner: John Denley Cabinet Member: Cllr Jasbir Jaspal  	12 Amber		8 Amber *On-Going	The Council has published an outbreak control plan (OCP) which was approved by the Leader on 29 June. The OCP details how the Council will tackle the virus and control any future outbreaks. The plan developed by the Council in conjunction with Wolverhampton Commissioning Group and the Royal Hospital NHS Trust aims to reduce the spread of the virus, save lives and help people return to a normal way of life safely, whilst protecting health and social care systems and supporting the economy. The plan provides a framework for responding to incidents and outbreaks and works in tandem with national NHS test and trace system, an outbreak control action plan will address the priorities within the plan. A copy of the OCP is available on the Council's website. COVID-19 remains a very infectious disease, and all authorities are likely to see occasional outbreaks, especially as there is a now a national requirement to balance the short-term risks of disease transmission with the long-term health and economic risks of restrictions on movement. Important elements of our strategy include arrangements to minimise the risks of outbreaks occurring in high risk settings, but also mechanisms to recognise and respond swiftly to outbreaks so that chains of transmission are broken and dissipated within a contained setting.	N/A

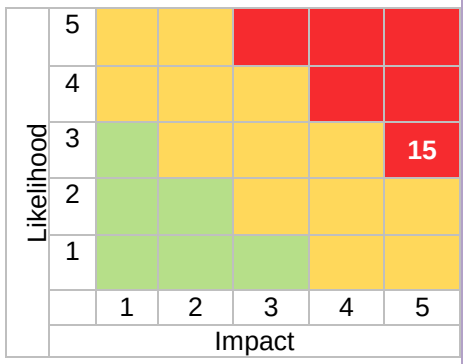
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
3 04/20	**Businesses Closing** Loss of Business, impacting on the overall regeneration of the City. Risk owner: Richard Lawrence Cabinet Member: Cllr Stephen Simkins  	20 Red		8 Amber *On-Going	As Covid-19 restrictions have eased some local businesses have reopened across the City, however, there are still significant challenges that remain in place such as reduction in demand from customers, navigating public policy measures such as social distancing, disrupted supply chain and more generally economic uncertainty and loss. Wolves in Business has been set up to enable the Enterprise team and city partners to reach a wider business audience and sectors to raise awareness of local and national support and financial assistance put in place by Central Government. Work is currently underway to gather business intelligence and understand the wider position across the city to enable a proactive approach that will support growth and aid recovery.	9 – City Centre Regeneration 4 – MTFS 22 – Skills for Work and Inclusive Growth

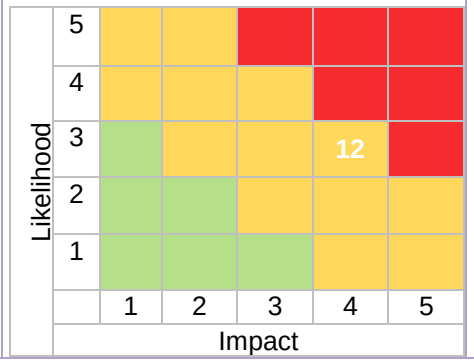
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
4 04/20	**Safeguarding Children** Ensuring that the most vulnerable children are safeguarded. Risk owner: Emma Bennett Cabinet Member: Cllr John C Reynolds  	12 Amber		8 Amber *On-Going	An interim model for Childrens Services has been agreed and the Council have identified children classed as most vulnerable / requiring contact more frequently. Visits have now been extended to include all children (not just those classed as most vulnerable) to ensure that all children allocated to a social worker are seen, where possible in their own homes. Reporting methods and processes for escalation have also been established. Work is ongoing with the City's school's to support vulnerable children to attend school and identify vulnerable children that are not attending school, as there is an ongoing concern about the impact of hidden harm whilst families have reduced contact with professionals. Wolverhampton Safeguarding Together Partnership are holding weekly Covid meetings to identify and respond to potential wider safeguarding concerns within the City.	7 – Safeguarding

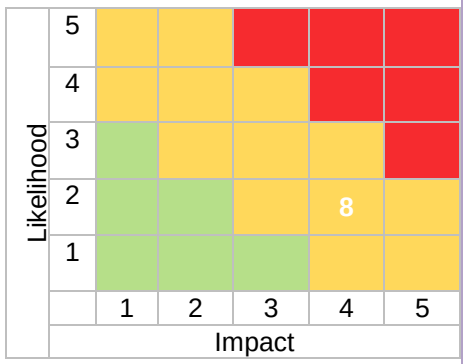
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
5 04/20	**Safeguarding Adults** Ensuring that the most vulnerable adults are safeguarded. Risk owner: David Watts Cabinet Member: Cllr Linda Leach  	8 Amber		8 Amber *Ongoing	The Care Act easements temporary operating procedure was agreed and consulted on externally - the Council's approach is that Care Act easements will only be implemented as a last resort when all other options have been explored. Service providers have been contacted to identify whether they can continue to provide services. Assessments are being undertaken virtually. To date it remains that it has not been necessary to move to either stage 3 or stage 4 of the care act easements procedure.	7 – Safeguarding

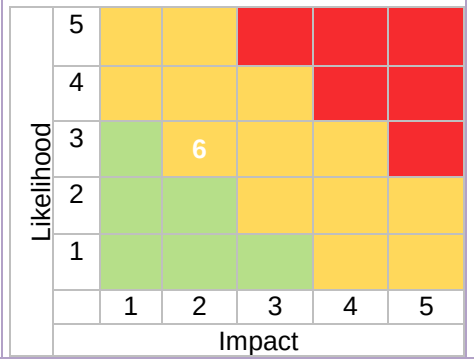
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
6 04/20	**Reputation / Loss of Public Trust and Confidence** There is a risk that the Council loses public trust and confidence by; i) failing to respond to the needs of local people, especially vulnerable ii) failure to warn and inform the public leading to impact upon the health of residents and businesses. Risk owner: Tim Johnson Cabinet Member: Cllr Ian Brookfield  	15 Red		10 Amber *On-Going	The Council recognises that there is an uncertainty in the current climate and continues to engage in comprehensive and regular communications with the residents of Wolverhampton. There has been a comprehensive assessment of levels of vulnerability and the Council's approach has been and will continue to be tailored to meet residents needs as the crisis moves through the recovery phase. The City is now in a different phase of the covid-19 pandemic. However, there is no place for complacency and effective communications remain vital to ensure that the correct messages get to the public in order to help prevent the virus spreading and to support the City's businesses and residents return to a normal way of life.	N/A

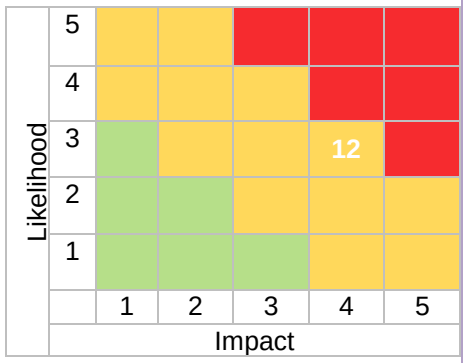
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
07 04/20	**Medium Term Budgetary Pressure** There is a risk that the medium-term impact of Covid-19 will place significant pressure on the Medium Term Financial Plan. Risk owner: Claire Nye Cabinet Member: Cllr Louise Miles  	20 Red		10 Amber *On-Going	See commentary under risk 1 above. Work is ongoing within the Council's Finance Team alongside Senior Managers and Budget Holders to monitor spending and regular updates continue to be provided to the Leader, Cabinet Member and the Strategic Executive Board (SEB). Detailed financial reports including the revenue and capital outturn for 2019-20 were presented to Cabinet on 8 July 2020 and a further report outlining the effect on the Council's MTFS, including budgetary pressures for 2020-21 will be provided in due course.	4 - MTFS

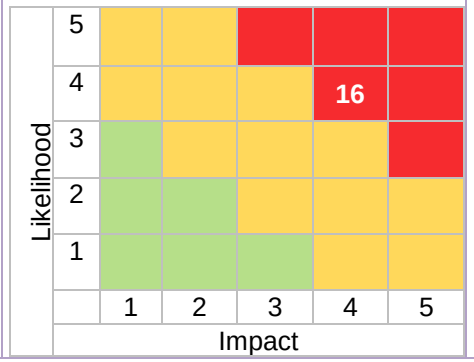
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
08 04/20	**Supply Chain** There is a risk that we may lose key suppliers (ICT and Social Care Suppliers are of particular concern). Risk Owner: Claire Nye Cabinet Member: Cllr Louise Miles  	15 Red		10 Amber *On-Going	The Council are actively working to support at risk suppliers. In accordance with Government guidance (PPN 02/20 issued in March 2020 and PPN 04/20 issued in June 2020) the Council is working to: • Review its contract portfolio and identify suppliers at risk, • Continue to pay at risk suppliers as normal until the end of October 2020, even if services are disrupted or suspended, • Put in place measures to support supplier cashflow and ability to retain staff and supply chains. SEB has approved the immediate payment of invoices and instructed staff that invoices should be processed as quickly as possible, that includes undertaking goods receipting promptly to avoid payment delays. Further support will be provided to suppliers deemed to be at risk during the current crisis, support will be provided on a case by case basis and focus on ensuring that suppliers are able to maintain or resume normal services during the current crisis. Support measures should be approved by the Chief Accountant and then passed to the Director of Regeneration for final sign-off. Procurement have been working to identify suppliers at risk via our credit analysis partner and have provided up to date information to contract owners on a number of high-risk contracts.	N/A

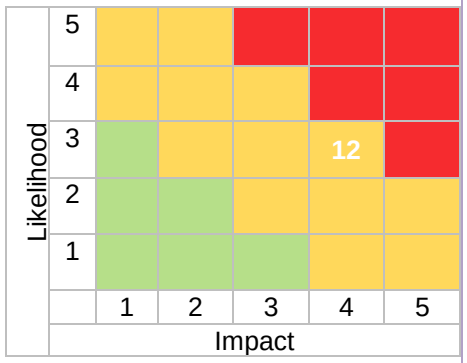
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
9 04/20	**Service Providers – Adult Social Care** There is a risk that we may lose service providers and not be able to maintain adequate service provision Risk owner: David Watts Cabinet Member: Cllr Linda Leach  	12 Amber		8 Amber *On-Going	Daily communications with service providers to assess ability to provide services, review case numbers, staffing levels and identify PPE requirements are ongoing. The Council have received a Covid-19 infection prevention grant, 75% of which has been distributed to care homes on a per bed basis. The remaining 25% is being used to support the non-bed-based sector. In the absence of further specific covid-19 grants to support all social care providers. The likelihood score of this risk has been increased as a result of the increased risk of social care provider failure.	N/A

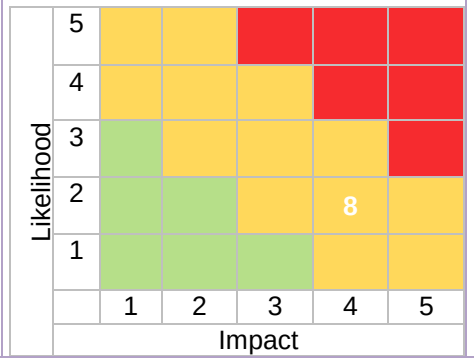
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
10 04/20	**Governance / Decision Making** There is a risk that impacts from decisions made at speed could leave the Council open to complaint, litigation or financial penalty at a later date. Risk owner: David Pattison Cabinet Member: Cllr Paula Brookfield  	8 Amber		8 Amber *On-Going	Robust decision-making procedures are being established alongside strong risk management. Regular director / member meetings are ongoing to provide challenge. Virtual Committee meetings for elected members are happening on a regular basis now with only Council meetings and certain Scrutiny Panels not taking place, the position on these is being reviewed, in the light of changing legislation, and will be updated shortly. Decision and risk logs have been established for all work streams and are reviewed regularly. The Council's Data Protection Officer is a member of the Governance Programme and is working to ensure DPO issues are taken into account when decisions are made.	37 - Governance of Major Capital Projects, 3 - Information Governance

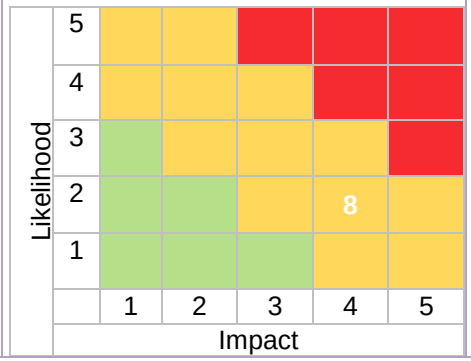
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
11 04/20	**Fraud / Misappropriation** The Council is open to fraud and misappropriation due to changes in legislation / speed that government grants need to be validated and distributed. Risk Owner: Claire Nye / David Pattison Cabinet Member: Cllr Paula Brookfield  	6 Amber		4 Amber June 2020	£55m provided by central government is to be paid out to 4,000+ businesses in a very short time frame. In some cases to businesses and sole traders where the Council only holds limited information. There is a risk that payments may be made in error or as a result of fraud. However, due to the sum of each grant, individually the impact of a small % of such cases will not have a significant impact. While there are a range of pre-payment checks, BEIS continue to push for payments to be made as soon as possible with an emphasis on post-payment checks. However, the Council will continue to take a risk-based approach on the level of pre and post checks undertaken. In July BEIS issued further guidance on a risk-based post payment assurance framework which the Council will adopt.	N/A

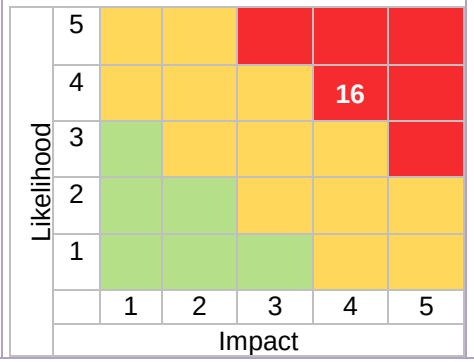
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
12 4/20	**Employee Support – Health and Wellbeing** Impact on staff health and wellbeing due to unprecedented levels of service demand / changes to working practices. Lack of Personal Protective Equipment (PPE) for frontline workers is a particular concern. Risk Owner: Tim Johnson Cabinet Member: Cllr Ian Brookfield 	12 Amber		8 Amber *On-Going	Employee well-being was a Council priority prior to Covid-19 and continues to be a priority now. Strong communications are regularly issued to staff. Adjustments continue to be made to facilitate homeworking, the Council have launched an online employee wellbeing hub, a comprehensive programme of support was made available to staff during mental health week (18 - 24 May 2020) and bespoke face to face counselling for staff going through difficult times, including bereavement has been made available. Significant work is ongoing to ensure staff have the correct PPE, despite national issues with regards to supply. The Council have asked local businesses to assist with the supply of PPE in the City and have also purchased 3/4 million boxes of PPE, this is 7 times more than we have received from Central Government. Following Government guidance issued on 10 May 2020 the Council are consulting with employees, unions and the health and safety team before approval is sought to re-start services, in order to ensure that both employees and the public are protected. Work has been undertaken alongside Public Health to implement an individual risk assessment for services that are opening or services that have remained open throughout the crisis period, all relevant staff have had a risk assessment undertaken.	28 – Health and Safety

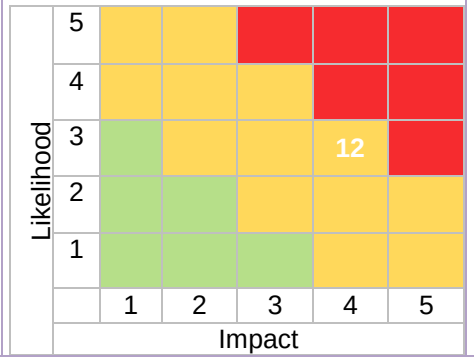
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
13	**WV Living** There is potential for significant reputational and financial risk to the Council as a result of the financial impacts on WV Living as a result of Covid-19. Risk Owner: Claire Nye Cabinet Member: Councillor Louise Miles 	16 Red		12 Amber *On-Going	In response to a formal request for support from the Chair of the Board of WV Living, the Council approved at the Cabinet meeting on 23 June a package of financial support for WV Living that will provide the medium-term cash flow required. WV Living continue to work to update their Business Plan in order to identify new opportunities and take into account the impacts of the coronavirus crisis, this process will take a number of months whilst the impact the crisis has had on the housing market is better understood. The Council continues to work closely with WV Living to monitor the ongoing situation.	N/A

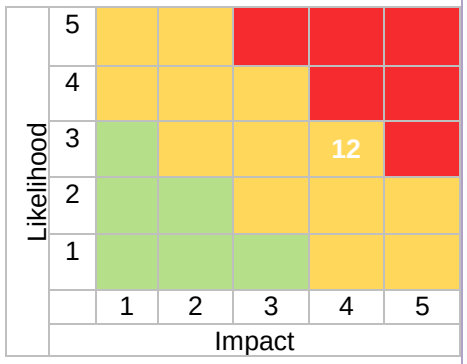
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
14 4/20	**Employee Capacity** There is a risk to the provision of statutory functions / functions required as part of the Council's Covid-19 response due to employee capacity issues - including impact of sickness / caring responsibilities. Risk Owner: Tim Johnson Cabinet Member: Cllr Ian Brookfield  	12 Amber		8 Amber *On-Going	Detailed analysis has been conducted and systems have been established in order to understand the flexibility of the workforce. Service areas have been prioritised and redeployment capacity assessed, where necessary employees are being redeployed - requirements are reviewed on an ongoing basis.	N/A

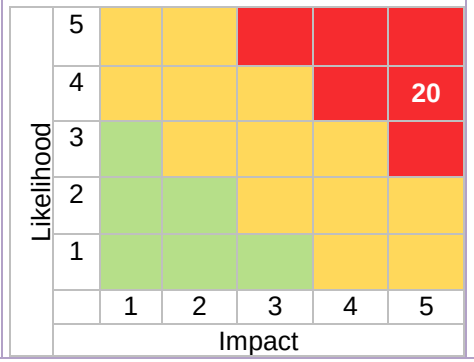
Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
15 4/20	**ICT Network and Telecommunications / Security Issues** There is a risk of service disruption due to failures in ICT and telecommunications systems (including the ability to access the Council's secondary data centre). There is also an increased risk of cyber security threats as a result of Covid-19. Risk Owner: Charlotte Johns Cabinet Member: Cllr Louise Miles  	8 Amber		4 Amber *On-Going	Regular and ongoing maintenance and review of ICT systems and technical defences is ongoing - this includes specific actions such as the decision to block Zoom from the corporate network and the installation of necessary updates. System back-ups continue to be undertaken on a regular basis. There is a continual review of ICT security. Work has been undertaken to implement multi factor authentication to improve security, which is currently in testing and is expected to be rolled out in mid-July. Following security updates by Zoom, testing is underway to inform a review of the current policy to block it from the corporate network. Work on a second POP site is underway, supporting further network resilience.	23 – Cyber Security

Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
16 4/20	**Education Provision** There are risks to education provision in the city as a result of school closures, these include, but are not limited to; early years sufficiency (closure of providers), pupil performance 2020-21 and management of transitions back into school. Risk Owner: Emma Bennett Cabinet Member: Cllr Dr Michael Hardacre  	8 Amber		4 Amber *On-Going	The Council are providing a programme of ongoing support to the City's school's - planning for transitions has commenced in line with guidance from the Government. The Council are supporting schools to interpret guidance. The risk score (likelihood) is now decreasing as we prepare for the co-ordinated re-opening of schools and settings. The capacity across early years childcare providers is increasing but longer-term impact on smaller providers is possible depending on what happens in September. Performance, as judged nationally in summer 2021 could impact on pupils individually but also there are potential implications for the city and our resources. However, recent steps, such as a move towards priority year groups having more face to face contact with schools, laptops for year 10 children and the ongoing drive for our most vulnerable children to attend school, means that the risk will be mitigated somewhat. At the end of June Wolverhampton had 32 Private Voluntary and Independent (PVI) settings open (out of 45), so the positive trend is continuing. Plans for September have been announced by the DfE and the Council are working to support all schools and childcare settings to safely remain open or to re-open.	22 - Skills for Work and Inclusive Growth

Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
17 4/20	**Impact on-going projects and programmes** There is a risk to ongoing Council managed and operated capital projects and programmes in terms of both timings and costs due to impacts of Covid-19. Furthermore, original business cases may no longer align with future strategic aims. Risk Owner: Richard Lawrence Cabinet Member: Cllr Stephen Simkins  	16 Red		12 Amber *On-Going	With regards to the Council's major capital projects; the strategic pipeline and the related investment funding opportunities, the Infrastructure for Growth Board received a paper on 20th July which highlighted some of the challenges and impacts caused by COVID-19 pandemic specific to these pieces of work. Risk and issue logs on the Council's Verto system have been modified to allow a filter on specific covid-19 risks and issues. With respect to wider transformational projects, many pre-existing projects are now back in operation and there is a need to review assumptions within project business cases. As part of the organisation's recovery coordination work, key themes are now being agreed which will provide a clear framework for the prioritisation of projects – and will support any decision making around ongoing project/programme work	37 - Governance of Major Capital Projects

Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
18 4/20	**PPE** There is a risk to Wolverhampton's frontline workers due to national issues regarding the supply of PPE. Risk Owner: David Watts Cabinet Member: Cllr Linda Leach  	12 Amber		8 Amber *On-Going	The Council are in regular contact with care providers to identify PPE requirements. Public health, the NHS and health and safety are working to keep on top of national guidance. Local risk assessment processes have been designed and implemented to enable reopening of further services. Any localised shortages of PPE have been managed via mutual aid between local authorities	N/A

Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
19 05/20	**Recovery** If the Council's recovery planning is not robust the Council and the City will not recover swiftly causing an inability to support citizens and businesses effectively, resulting in significant financial and/or reputational damage. Risk Owner: Charlotte Johns Cabinet Member: Cllr Ian Brookfield  	12 Amber		8 Amber *On-Going	Planning for recovery has now commenced and falls into two categories; • Short term operational transition of services from lock down, alongside. • Longer term strategic approach to wider recovery within the council and City to shape future service delivery. With regards the phased re-opening of Council services detailed work is ongoing to review and implement Government guidance appropriately. Heads of Service are working in conjunction with the Council's Health and Safety Team to identify how services can move forward safely, with minimal risk to officers and members of the public. This includes considerations such as PPE requirements and work locations. An employee risk assessment has been established in collaboration with key partners, and has since been adopted as best practice by others. The Council have established a recovery framework which is in the process of being approved. This includes a phased approach, the first phase of which is to establish a robust evidence base to inform recovery through an impact assessment which is proposed through four lenses; services, community, employee and economy. A robust governance structure to oversee the recovery phase has been established including a city Recovery Co-ordinating Group. Regular reporting to the Strategic Executive Board and elected members is ongoing. Collaboration is also being undertaken with both regional partners and partners from within the City where appropriate, through the regional Recovery Co-ordinating Group.	N/A

Risk ref	Risk title and description	Current score (July 2020)	Direction of travel	Target score and date (where appropriate)	Comment	Link to Strategic Risks
20 07/20	**Rising Unemployment** Impact of Covid-19 on businesses and industries across the City will result in more unemployment. Risk Owner: Richard Lawrence Cabinet Member: Cllr Stephen Simkins  	20 Red	N/A	10 Amber *On-Going	Covid-19 has significantly impacted businesses and industries across the City. Nationally and regionally, the number of people claiming unemployment benefits in April 2020 has increased exponentially. The West Midlands is predicted to be one of the hardest hit economies, reflecting the region's high dependency on the automotive and education sectors. The labour market which emerges from this crisis will likely be the toughest for generations, with the current hibernation of thousands of businesses potentially followed by a longer period where companies are reluctant to return to their pre-crisis recruitment and training behaviour. Wolves @Work has built strong relationships with businesses and resident across the city supporting those affected from redundancy. The service is part of a region wide group tracking vacancies and redundancies across the West Midlands ensuring we are informed and can respond to changes in the economy	9 - City Centre Regeneration 22 - Skills for Work and Inclusive Growth

* 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.

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Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

29 July 2020

Report title	Draft Statement of Accounts 2019-2020	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Emma Bland Tel Email	Finance Business Partner 01902 553928 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 2019-2020 on 22 June 2020, in accordance with the revised deadline of 31 August 2020.

2. That the 2019-2020 Draft Statement of Accounts is currently being audited by Grant Thornton UK LLP and is expected to continue through to the end of August 2020. Any material changes required as a result of the audit are expected to be reported to the Audit and Risk Committee in September 2020. *However, these dates may change due to the unprecedented situation related to COVID-19.*

3. That formal approval by the Council and publication of the 2019-2020 Statement of Accounts is required by 30 November 2020.

4. That the Statement of Accounts incorporates a copy of the Annual Governance Statement as required by the Accounts and Audit Regulations 2015.

5. The Grant Thornton in-depth insight into the impact of Covid-19 on financial reporting in the local government sector.

1.0 Purpose

1.1 The draft Statement of Accounts for 2019-2020, which is subject to audit, has been approved by the Director of Finance and is appended to this report.

2.0 Background

2.1 Previously the draft Statement of Accounts have been required by statute (The Accounts and Audit Regulations 2015) to be prepared and approved by the Section 151 Officer by 31 May. However, given the unprecedented situation across the UK relating to COVID-19, new regulations, (the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404) extended the deadline from 31 May 2020 to 31 August 2020, to reduce pressure on authorities.

2.2 A copy of the draft Statement of Accounts is attached at Appendix 1 and can also be found at http://www.wolverhampton.gov.uk/article/3050/Statement-of-Accounts. The accounts are currently being audited by the Council's appointed external auditors, Grant Thornton; the audit is expected to continue through to the end of August 2020. Following the audit, it is expected that they will report their findings to the Audit and Risk Committee in September. *However, these dates may change due to the unprecedented situation related to COVID-19.* 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 30 November 2020 (also extended from 31 July 2020).

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).

2.5 Grant Thornton have provided an in-depth insight into the impact of Covid-19 on financial reporting in the local government sector (attached at Appendix 2) for information. This briefing note can be used to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority.

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.

[EB/10072020/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 2019-2020 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.

4.3 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404 require that the accounts are approved by 31 August 2020 and published by 30 November 2020.

[TS/10072020/Q]

5.0 Equalities implications

5.1 There are no equality implications arising from this report

6.0 Climate Change and Environmental implications

6.1 There are no climate change and 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 COVID Implications

10.1 COVID implications are covered in the appendices attached.

11.0 Schedule of background papers

11.1 There are no schedule of background papers.

12.0 Appendices

12.1 Appendix 1 – Draft Statement of Accounts 2019-2020.

12.2 Appendix 2 – Grant Thornton's in-depth insight into the impact of Covid-19 on financial reporting in the local government sector.

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Appendix 1

2019-2020

CITY OF WOLVERHAMPTON COUNCIL

Statement of Accounts

wolverhampton.gov.uk

SECTION 1 - NARRATIVE REPORT

Important Note for Readers of the Accounts

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

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

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

Purpose and Contents of this Document

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

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 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 several specific areas of income and expenditure required by law or by the Code.

Note 3 Other Operating Expenditure.

Note 4 Financing and Investment Income and Expenditure.

Note 5 Taxation and Non-Specific Grant Income and Expenditure.

Note 6 Current Receivables and Payables – this note summarises how much money was owed to the Council at the end of the year, and how much the Council owed other parties.

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

Note 8 Non-Current Assets – this note provides information about the Council's non-current assets, which are assets that it uses for more than one year.

Note 9 Employee Pensions – this note provides information about employee pensions, including the net pensions' liability (the difference between current pension commitments and the assets available to fund those) at the end of the year.

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

Note 11 Members of the City of Wolverhampton Council Group and Other Related Parties – the Council has relationships with several other organisations that readers should be aware of when reading the accounts. This note provides information about these relationships.

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

Note 13 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.

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 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.

Items of Interest in the Accounts

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

Provisions, Contingent Liabilities and Guarantees

The Council's total level of provisions increased by £0.7 million (net) over the course of the year. Total provisions at 31 March 2020 stood at £10.2 million (2018-2019: £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 2019-2020, resulting in additions to non-current assets of £92.9 million, together with other capital expenditure of £63.6 million. The main additions were on council dwellings (£58.4 million), other land and buildings (£19.5 million) and infrastructure assets (£7.0 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 increased by £30.9 million during 2019-2020, made up of a decrease of £5.1 million in liabilities, countered by a decrease of £36.0 million in assets. The main reasons for the net movement were gains of £18.8 million resulting from changes in actuarial assumptions, net interest payable of £14.1 million, and other expenditure of £35.6 million. Note 9 to the Financial Statements provides further information on employee pensions.

In practice, the value of the net pension's liability is not entirely meaningful, because pension payments will generally not need to be made for many years, and the Pension Fund plans over long timescales as a result. Furthermore, the amount the Council must charge to its revenue accounts is the amount of employee contributions payable for the year, and not the costs calculated under the accounting rules. It is also important to note that the calculation of the net pensions' liability relies on several complex judgements and assumptions, variations in which can lead to significant differences in the outcome: this is discussed in Note 15 to the Financial Statements.

In 2018-2019 the Council made an upfront payment of £24.7 million in respect of pension contributions, in order to reduce interest costs. The full £24.7 million payment was accounted for as a reduction in the Council's net pension liability in 2018-2019, however accounting regulations required that the actual amount due in relation to 2018-2019, of £36.6 million, was recognised as a cost in 2018-2019. This cost is shown as a cost in the Movement in Reserves Statement (Note 13A) and in the Employee Pensions note (Note 9) for 2018-2019.

This means that there was a difference in 2018-2019, between the net pension liability and the pension reserve, equal to this upfront amount that was paid in relation to employer's contributions for 2019-2020. This difference no longer remains, now that the upfront payment has been drawn down by actual amounts due.

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 2020, its total borrowing portfolio stood at £732.9 million, of which £629.1 million is owed to the Public Works Loan Board, £103.8 million to private sector lenders. The Council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA). Please note borrowings on the balance sheet are higher due to £5.3 million accrued interest and a £5.3 million difference between the LOBO principal cash value and amortised cost (under the Code of Practice).

Our Council Plan

In collaboration with partners across Wolverhampton, the Vision 2030 document captures the aspirations and priorities for the City.

Our Vision 2030 is that Wolverhampton will be a place where people come from far and wide to work, shop, study and enjoy our vibrant city. It will be transformed while still retaining all of those attributes that give our city its unique identify. A healthy, thriving and sustainable international 'smart city' – renowned for its booming economy and skilled workforce, rich diversity and a commitment to fairness and equality that ensures everyone has the chance to benefit from success.

It is in this context that the City of Wolverhampton Council Plan is developed. In April 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, the Council will deliver on the priorities of the people of our city. The plan includes six strategic priorities which have been developed with the people of our city to ascertain their key priorities and the outcomes they want to see, to enable us to work together to deliver what matters most to local people. The six priorities come together to deliver the overall Council Plan outcome of 'Wulfrunians will live longer, healthier and more fulfilling lives'. Over the medium-term resources will continue to be aligned to enable the realisation of the Council's priorities of achieving:

- Children and young people get the best possible start in life
- Well skilled people working in an inclusive economy
- More good jobs and investment in our city
- Better homes for all
- Strong, resilient and healthy communities
- A vibrant, green city we can all be proud of

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.

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.

The Council's budget reported to Council in March 2020 was prepared pre the Covid-19 pandemic. At the time of reporting to Council, the full impact of the Covid-19 pandemic was not anticipated and the impact on both the finances and operating environment could not have been foreseen. The timing of the national lockdown and the progression of the pandemic has had limited direct impact on 2019-2020, however, the impact will be seen in 2020-2021 and future years. The impact of Covid-19, has been and will continue to be monitored and reported and Medium-Term Financial Strategy amended as appropriate to address the financial pressures faced by the council in its response to the pandemic.

Financial Position 2019-2020

In March 2019, the Council approved a budget incorporating a budget reduction target of £18.1 million for 2019-2020. The following table provides a high-level comparison of the Council's General Fund outturn for 2019-2020 compared with the 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. Detailed reports will be considered by Cabinet in July, analysing the outturn and year end reserves position in more detail and importantly, considering any impact on the budget for 2020-2021 and the medium term.

Through tight budgetary control and financial management, the Council has achieved a net underspend position at the end of 2019-2020 after taking into account net transfers to and from reserves.

As part of a review of all reserves, the General Fund Balance has been increased at the end of 2019-2020 to £13 million (representing 5% of the net 2020-2021 budget). Note 13c provides a breakdown of the movement in specific earmarked reserves which total £64.6 million at the end of the financial year.

Covid-19 has had and will continue to have a significant financial impact on the Council. The impact of Covid and the Council's plans for reset and recovery' of services over the immediate and medium term will be discussed more fully later. In recognition of the investment that will be required to support the recovery work, a specific earmarked reserve has been established. This has been in part created through the net underspend position and also by transfers from other existing earmarked reserves. Earmarked reserves total £64.6 million at the end of the financial year.

Service	2019-2020 Net Controllable Revised Budget £ million	2019-2020 Net Controllable Outturn £ million	Total Variation Over/(Under) £ million
Adult Services	63.8	63.5	(0.3)
Children's Services and Education	57.6	57.2	(0.4)
Public Health & Well Being	0.9	1.0	0.1
Regeneration	6.8	6.8	-
City Assets and Housing	9.0	9.4	0.4
City Environment	22.5	22.8	0.3
Finance	13.5	12.7	(0.8)
Governance	6.4	5.9	(0.5)
Strategy	7.1	6.5	(0.6)
Chief Executive	1.2	1.1	(0.1)
Deputy Chief Executive	5.0	4.9	(0.1)
Corporate Accounts	41.1	41.1	-
Net Budget Requirement	**234.9**	**232.9**	**(2.0)**
Funding:			
Council Tax (including Adult Social Care Precept)	(103.5)	(103.5)	-
Enterprise Zone Business Rates	(2.8)	(2.2)	0.6
Top Up Grant	(26.2)	(26.2)	-
Business Rates (net of WMCA growth payment and Collection Fund deficit)	(71.9)	(72.4)	(0.5)
New Homes Bonus	(2.1)	(2.1)	-
Section 31 Grant - Business Rates Support	(10.6)	(10.7)	(0.1)

Improved Better Care Fund	(12.9)	(12.9)	-
Winter Pressures and Social Care Grants - Adult Social Care	(3.7)	(3.7)	-
Levy Account Surplus (2018-2019)	(1.2)	(1.2)	-
Total Corporate Resources	**(234.9)**	**(234.9)**	**-**
Net Budget (Surplus)/Deficit	**-**	**(2.0)**	**(2.0)**

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 must be considered against the significant reduction in return on investments that has resulted
- A significant reduction in income
- An increase in demand for services

In March 2020, Covid-19 was declared a global pandemic. The impact on both the local and national economy cannot yet be determined with any accuracy, but it is likely to have a significant impact on the economy.

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 262,008 (2018 mid-year estimate) people living in its 26.8 square miles. The latest Indices of Deprivation (2019) indicate that Wolverhampton is less deprived than it was four

years before (2015), a change from the 17th most deprived in 2015 to 24th most deprived in 2019. Although the intensity of deprivation in the city has lessened, it is important to note that deprivation in the city continues to be concentrated in a number of 'hot spots', where the council is seeking to intervene using a "place-based" approach.

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 5.3% (approximately 14,000 extra residents) between 2020 and 2030 (2018-based population projections). This growth rate is now projected to be above the English average over the same period (circa 4.4%).

The projected increase in the population and 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, particularly exacerbated during and after the Covid-19 outbreak, 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 (Pre Covid-19)

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 2020 (pre Covid-19) is summarised in the table below.

	2020-2021 £m	2021-2022 £m	2022-2023 £m	2023-2024 £m
Net Expenditure Budget	**248.2**	**261.8**	**273.4**	**279.5**
General Funding	**(248.2)**	**(246.2)**	**(253.1)**	**(260.4)**
Cumulative Projected Deficit	**-**	**15.6**	**20.3**	**19.1**
Annual Projected Deficit	**-**	**15.6**	**4.7**	**(1.2)**

The Council has been able to set a balanced budget for 2020-2021 without the use of general reserves, however, as the table above shows, the Council forecast that it will need to save a further £15.6 million in 2021-2022, rising to around £20 million over the medium term. These budget reductions are in addition to £8.8 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 £235 million over the last ten financial years.

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

Covid-19: The Impact

On 11 March 2020, the World Health Organisation categorised Covid-19 as a global pandemic. This has had a significant impact on the City of Wolverhampton as it has on the rest of the UK and the world. Whilst the direct financial impact of the pandemic was limited in 2019-2020 it will have a significant impact on 2020-2021 and future years across a range of council's services and programmes. This impact has been and will continue to be closely monitored through our Medium-Term Financial Strategy and updated as appropriate.

Before Covid-19, the Council already faced significant medium-term financial challenges. In March 2019, the Council reported a forecast financial deficit £15.6 million in 2021-2022, rising to around £20 million over the medium term to 2023-2024.

Continuing to provide essential services

In response to the pandemic, the City of Wolverhampton Council implemented urgent crisis response and business continuity plans. The pandemic has had a significant impact on the services delivered by the council to the residents of Wolverhampton. The Council responded swiftly to the challenge, focused on supporting the city's residents and businesses.

The Council immediately implemented an enhanced Covid-19 Governance Structure. The City Strategic Coordinating Group (CSCG) is the strategic driver having a holistic view of service delivery and pressures points and provides regular updates to the West Midlands LA Strategic Group. The City Tactical Management Group (CTMG) is the driver to deliver the actions requested by CSCG, acts as an escalation point for any issues that can't be resolved by the services, and provides regular updates and assurance to CSCG. A number of key priorities were identified to provide the focus of the council's response:

- Supporting the health system
- Supporting and shielding vulnerable people
- Support to city businesses
- Adult social care and supporting city care providers
- Registrar and Bereavements
- Supporting children, families and schools
- Prioritising front line services
- Assessing economic impact and planning for recovery
- Supporting those in financial hardship

Under the Councils emergency decision-making powers, a range of new short-term initiatives were implemented. The Council has played an active role in responding to the crisis, including the creation of a Food Distribution Hub that has provided 800,000 meals in food parcels to the city's most vulnerable residents self-isolating due to Covid-19. The Council has procured additional Personal Protective Equipment (PPE) – over 750,000 items - to enable key staff to continue to deliver services safely. Additional funding has been agreed for Adult Social Care providers to ensure market sustainability, and the Council has worked with a local hotel to set up 74 self-contained rooms to support rough sleepers and those in temporary accommodation (that was not self-contained). All of these initiatives required additional investment and have been funded to date from the Covid-19 Emergency Funding received from Central Government.

In addition, the Council worked closely with schools and nurseries. Most schools have remained open throughout the lockdown period, with over 3,000 children attending schools each day (9%) and 560 in early years settings.

The Council has administrated a number of Government initiatives to provide support to Businesses, in the form of over £41 million in business grants and £31.9 million in business rates relief. The Council has also applied the Governments hardship relief scheme to Council Tax payers of working age in receipt of Council Tax Reduction, totalling £2.3 million.

A flexible and committed council workforce

Covid-19 has had a significant impact on the council's workforce and how services are delivered. In response to Government requirements a number of council services were suspended, but the majority of council services continue to be delivered with staff working remotely. The Council has supported significant investment in IT over the late few years which enabled a transition to remote, agile working to be successful with minimal disruption to services.

Staff unable to work remotely have been redeployed to support this crisis response. Agency staff employed across suspended services have also been redeployed to support new initiatives, including the Food Distribution Hub and the Stay Safe Be Kind helpline, a dedicated helpline for residents affected by the pandemic.

For those front-line staff, where it has not been possible for them to work remotely, new safe ways of working have been introduced, including social distancing and the use of PPE where appropriate.

The Council has and continues to closely monitor the sickness levels of staff. Whilst sickness level have reduced during the pandemic, the Council has seen an increase in the number of staff self-isolating due to Covid-19. The Council has sought to manage this where possible to continue to provide key services. This has been through overtime, temporary staff or redeployment of staff to key services.

Supporting our supply chains

A key priority of the Council's response has been to mitigate pressures and ensure market stability and continuation of services across the vital care sector. Providers across the health and social care are experiencing major challenges including direct increases to operating costs and in some cases a reduction in income as a result of hospital stays and decreased utilisation due to government measures and controls. The Council, under the emergency decision powers has provided additional funding to care providers. In addition, emergency PPE has been provided where appropriate.

In addition, in order to support the cashflow of suppliers to the Council, a decision was made to move to immediate payment terms for all approved expenditure and to move to daily payment runs.

Reserves, Financial Performance and Financial Position

The Council has played a proactive, leading role in responding to Covid-19. New initiatives, as set out above, have been implemented and will continue to require significant financial support. As the situation evolves and restrictions continue to ease, some of the new initiatives will cease entirely, ease or will transition into different services which could place financial pressures on the Council.

Income streams have been adversely affected from the loss of fees and charges for services, such as car parking, events and leisure services.

In addition, the delivery of a number of planned Budget Reduction and Income Generation targets are at risk because resources that would ordinarily have been focussed on transformation programmes have been redirected to enable the Council to respond to the crisis.

The Council anticipates a significant reduction in Council Tax and Business Rates Income collected during 2020-2021. The reduction in income through the Collection Fund will impact the Medium-Term Financial Plan in 2021-2022.

The Council has received two un-ringfenced grants, totalling £16.7 million, from Government to help address the pressures facing us in our response to the pandemic. Whilst these grants will cover the immediate cost pressures identified until the end of July, they will not be sufficient to cover the estimated cost pressures for the whole of 2020-2021.

In March 2020, the Council approved the general fund Capital programme totalling £368.4 million. Given the unprecedented circumstances, there have understandably been delays on some capital schemes due to Covid-19. The Council is currently assessing the potential implications of Covid-19 on its wider capital programme in terms of delivery timescales and increases in costs.

The Council will continue to lobby government to be fully reimbursed for all cost pressures arising from Covid-19. However, if the grant funding is not sufficient then, the challenge for the Council in 2020-2021 will be to review the use of reserves and possibly to identify alternative ways of reducing costs in year in order to mitigate the cost pressures.

The outturn position for 2019-2020 has enabled the Council to create reserves to support these costs during 2020-2021 if required. This includes a Recovery Reserve which will be used to support the Councils transition from an emergency ‘response’ to a planned ‘reset and recovery’. The Council will also continue to identify efficiencies in order to mitigate against any pressures in 2020-2021 and future years.

The 2020-2021 budget and Medium-Term Strategy will be revisited during 2020-2021 to determine any action required and inform budget reduction.

The financial implications of Covid-19 along with the delay in Government’s Comprehensive Spending, Fair Funding and Business Rates Retention reviews all add significant uncertainty on the future resources and spending requirements for the Council.

Cash flow management

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

In March 2020, the Section 151 Officer, under delegation, approval a temporary change to the Treasury Management strategy which limited the amount of funds that could be held in the Council's bank account overnight.

Major Risks to the Authority

In response to Covid-19, the Council is having to make a number of decisions which have significant financial implications in order to support its residents, as well as complying with Government's requirements and suspending services that are a source of income for the Council. As mentioned above a number of Budget Reduction and Income Generation targets are at risk of full delivery in 2020-2021 as the Council responds to the pandemic. Government has awarded emergency funding to Councils to support pressures faced by local authorities. The Council will continue to lobby Government for the funds required to be fully reimbursed for all its costs. However, if adequate funds are not provided then there is likely to be an overspend in 2020-2021 which would require the use of reserves or reductions in expenditure elsewhere to offset the pressures.

The economic downturn resulting from Covid-19 has also had an immediate and significant detrimental impact on the Council's housing company, WV Living. Before the pandemic, WV Living was building hundreds of new and affordable homes for city residents, kick-starting the housing market. However, as a result of Covid-19 and the virtual freeze in the housing market over the last couple of months, it is anticipated that WV Living will only sell a small number of houses in the short-term, therefore, a limited amount of income will be generated over the coming weeks and possibly months. However, many of the costs of the business are still having to be paid, including payments to contractors and loan repayments to the Council.

The Government permitted the housing market to 'reopen' on 13 May and WV Living are maximising the opportunity to start selling again and the sales and marketing strategy is under constant review having regard for housing market conditions. In June, the Council's Cabinet will consider a report on the financial position of WV Living.

Plans for Recovery

Whilst the council has been responding to the unprecedented crisis cause by the pandemic, it has also been planning for recovery. A City Recovery Co-ordinating Group has been established to drive the transition from emergency response to 'reset and recovery' of services over the immediate and medium term.

Along with discharging the local authority's statutory responsibilities, our strategic recovery planning will consider whether there will be 'new normals' post Covid-19. It is anticipated that there will be longer-term implications for the Council's operating model, as the scale post Covid-19 changes place new expectations and demand on service delivery. The Council's recovery planning will consider both the short-term operational transition of services from lockdown, alongside a longer-term strategic approach to shape future service delivery.

The overarching principle is to 'deliver public value: Everything that we must support and empower communities in our city. The Council is considering the following areas:

- **Right spatial level**: A collaborative regional approach, but one that can be mirrored at a local level to ensure a consistent framework
- **Build on our strengths**: Utilise and build on the city's assets and opportunities, including existing groups, and planned major events and infrastructure
- **Reshape and reset**: We should not be limited by an aim of going back to 'how it was'. Our focus will be on the opportunity to reform, re-imagine and re-invest in order to 'reset' the norm.
- **Long-term focus**: Programmes, projects and activity to address long-term impact and need, and ensure a focus beyond the short-term interventions of an emergency response
- **Interdependency**: Recognising the interconnected facets that will contribute to the city's overall recovery, and that none of those should be tackled in isolation.

The Council has identified a three-step approach to Recovery

- Step 1 Impact Assessment: Understanding the impact across four areas; services, employees, community and economy
- Step 2 Recommendations: Refreshing priorities and planning services for the future
- Step 3 New City Priorities: Reshaping our Council Plan and financial strategies to reflect the new priorities.

Housing Revenue Account

Financial Position 2019-2020

The outturn position for the year was an operating surplus of £19.9 million, compared to a budgeted surplus of £20.4 million. This position is net of a revaluation adjustment of £56.9 million included in the income and expenditure statement but not in the HRA balance. £19.9 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 higher than budgeted expenditure on Supervision and Management and lower than budgeted interest charged.

	Budget 2019-2020 £m	Outturn 2019-2020 £m	Variance Over/(Under) £m
Income	(95.7)	(95.6)	0.1
Expenditure	65.5	66.2	0.6
Net Cost of Services	**(30.2)**	**(29.4)**	**0.7**
Net Cost of Borrowing and Investments	9.8	9.6	(0.2)
Surplus for the Year	**(20.4)**	**(19.9)**	**0.5**
Allocation of Surplus for the Year			
Provision for Redemption of Debt	20.4	19.9	(0.5)
Transfer to/(from) Reserves	-	-	-
Total	**-**	**-**	**0.0**

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 2020. The HRA is expected to have sufficient resources to fund £2.0 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 £147.4 million for new build programmes over the next five years.

In terms of 2020-2021, the plan includes an average rent increase of 2.7% in line with the requirements of the Rent Standard 2020. The table below shows the approved budget for 2020-2021, along with forecasts for the next two years.

	Budget 2020-2021 £m	Forecast 2021-2022 £m	Forecast 2022-2023 £m
Income			
Gross Rents – Dwellings	(89.8)	(92.5)	(95.5)
Gross Rents - Non-Dwellings	(0.5)	(0.6)	(0.6)
Charges to Tenants for Services and Facilities	(6.2)	(6.3)	(6.5)
Total Income	**(96.5)**	**(99.4)**	**(102.6)**
Expenditure			
Management and Maintenance	46.8	46.7	46.6
Depreciation of Long-Term Assets	18.3	18.6	19.0
Net Financing Costs	18.6	18.7	18.6
Provision for Bad Debts	2.0	2.0	2.0
Total Expenditure	**85.7**	**86.0**	**86.2**
Balance	**(10.8)**	**(13.4)**	**(16.4)**

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 Decent Homes Stock Condition Improvements, New Build Programme, City Learning Quarter, i54 Western Extension, Wolverhampton Interchange Phase 2 and Other Housing Stock Condition Improvements.

Financial position 2019-2020

Capital expenditure by the Council during 2019-2020 totalled £156.4 million, as set out in the following table. This was £19.2 million under budget primarily due to reprofiling of project costs and cost reductions. Many capital projects span multiple financial years and the Council's Cabinet will consider a detailed report on the full capital programme, including the outturn for 2019-2020 in July.

Expenditure	Approved budget £m	Outturn £m	Variation Over/(Under) £m
General Fund			
Finance	29.2	28.8	(0.4)
Education and Skills	25.4	20.6	(4.8)
Regeneration	24.3	23.9	(0.4)
City Environment	13.7	10.5	(3.2)
Land and Property Investment Fund	6.9	6.7	(0.2)
City Assets and Housing	6.5	4.6	(1.9)
Strategy	5.6	2.7	(2.9)
Public Health	0.3	0.2	(0.1)

Children's Services	0.1	0.1	-
Total General Fund	**112.0**	**98.1**	**(13.9)**
Housing Revenue Account	**63.6**	**58.3**	**(5.3)**
Total expenditure	**175.6**	**156.4**	**(19.2)**

The Medium-Term Capital Programme was approved by Full Council in March 2020, pre Covid-19 and is summarised below:

	2020-2021 £m	2021-2022 £m	2022-2023 £m	2023-2024 £m	2024-2025 £m	TOTAL £m
Forecast Expenditure	251.2	139.4	99.3	96.4	68.7	655.0

The following table lists some of the main projects in 2020-2021:

Project	Forecast Expenditure 2020-2021 £m
City Learning Quarter	31.9
i54 Western Extension	21.8
Wolverhampton Interchange Phase 2	20.6
WV Living Loans	14.2

Black Country Growth Deal	13.7
Corporate Contingency	10.0
Secondary School Expansion Programme	7.0
Operational Maintenance	5.9
Primary Expansion Programme	5.5
Highway Capital Maintenance	5.2
Corporate Initiatives	5.0
City Centre	4.0
Local Full Fibre Network	3.9
Fleet Services	3.7
Schools Modernisation, Suitability and Condition	2.6
ICT	2.4
Bilston Urban Village	1.6
Maintenance of Highway Structures	1.3
Highway Improvements & Active Travel	1.3
Parks Strategy & Open Spaces	1.1
Development of Cultural Estate	0.9
Growth Hub Grants	0.8
Transportation Strategy & Development	0.8
Corporate Asset Management	0.8
City Development	0.5
Sports Investment Strategy	0.4
Leisure Centres	0.3
Waste	0.1
	167.3
Housing Private Sector	**4.2**

Housing Revenue Account	
Decent Homes Stock Condition	37.0
New Build Programme	23.1
Other Stock Condition Improvements	13.7
Estate Remodelling	2.5
Service and Other Stock Condition Improvements	2.4
Adaptations for People with Disabilities	1.0
	79.7
Grand Total	**251.2**

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

Source of Funding	**Forecast Expenditure 2020-2021 £m**
Borrowing	126.8
Grants and Contributions	48.9
Reserve Funds	18.0
Capital Receipts	49.3
Capital Expenditure Financed from the Revenue Account	8.2
Total	**251.2**

The Capital Programme was prepared pre Covid-19, and at the time of reporting to Full Council, the impact of the pandemic was unknown. Whilst there was minimal impact on the capital programme in 2019-2020, there is likely to impact on 2020-2021 and future years, including delays in projects and increased costs due to new ways of working so to comply with government requirements. The impact on the capital programme is currently be assessed. The capital programme makes a significant contribution to the shaping of the City and on the economy of the City and therefore will contribute to the Council's plans for reset and recovery from Covid-19.

SECTION 2 – STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Director of Finance's Responsibilities

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

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

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

The Director of Finance has also:

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

Certification of the Director of Finance

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Council as at 31 March 2020 and its income and expenditure for the year ended on the same date.

Claire Nye

Director of Finance

Date: 22.6.20

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

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SECTION 4 – THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (Council only)

2018-2019					2019-2020		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
138.1	(69.4)	68.7	Adult Services		151.2	(78.1)	73.1
250.8	(157.4)	93.4	Children's Services and Education		246.2	(160.4)	85.8
29.9	(25.7)	4.2	Public Health & Wellbeing		30.7	(24.5)	6.2
73.2	(23.1)	50.1	City Environment		75.7	(25.0)	50.7
27.6	(12.1)	15.5	City Assets & Housing		25.2	(14.1)	11.1
34.1	(9.6)	24.5	Regeneration		42.3	(9.5)	32.8
102.1	(98.0)	4.1	Finance		87.4	(81.7)	5.7
6.8	(1.1)	5.7	Governance		6.4	(1.8)	4.6
4.8	(2.0)	2.8	Strategy		3.3	(2.1)	1.2
1.3	(0.1)	1.2	Chief Executive		1.4	(0.1)	1.3
2.7	(0.1)	2.6	Deputy Chief Executive		4.7	(0.1)	4.6
11.6	(15.4)	(3.8)	Corporate Accounts		(1.0)	(14.4)	(15.4)
1.8	(4.2)	(2.4)	Corporate Resources		3.5	(15.6)	(12.1)
68.5	(98.0)	(29.5)	Housing Revenue Account		11.6	(98.0)	(86.4)
753.3	**(516.2)**	**237.0**	**Net Cost of Services**		**688.6**	**(525.4)**	**163.2**
67.4	(15.5)	51.9	Other operating expenditure	3	34.8	(21.2)	13.6
54.5	(2.2)	52.3	Financing and investment income and expenditure	4	51.9	(3.7)	48.2
-	(263.7)	(263.7)	Taxation and non-specific grant income and expenditure	5	-	(268.8)	(268.8)
875.2	**(797.6)**	**77.6**	**Deficit on Provision of Services**		**775.3**	**(819.1)**	**(43.8)**

		5.9	Gain/(loss) on Revaluation of Non-Current Assets				1.3
		(47.8)	Re-measurement of the net defined benefit liability				(18.9)
		-	Surplus or deficit on revaluation of available for sale financial assets				-
		(0.1)	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				9.2
		(42.0)	**Other Comprehensive Income and Expenditure**				**(8.3)**
		35.6	**Total Comprehensive Income and Expenditure**				**(52.2)**

Comprehensive Income and Expenditure Statement (Group)

2018-2019 Gross Expenditure £m	2018-2019 Gross Income £m	2018-2019 Net Expenditure £m		Note	2019-2020 Gross Expenditure £m	2019-2020 Gross Income £m	2019-2020 Net Expenditure £m
138.1	(69.4)	68.7	Adult Services		151.2	(78.1)	73.1
250.6	(157.4)	93.0	Children's Services and Education		246.2	(160.4)	85.8
29.9	(25.7)	4.2	Public Health & Wellbeing		30.7	(24.5)	6.2
73.2	(23.1)	50.1	City Environment		75.7	(25.0)	50.7
27.6	(12.1)	15.5	City Assets & Housing		25.2	(14.1)	11.1
34.1	(9.6)	24.5	Regeneration		42.3	(9.5)	32.8
102.1	(98.0)	4.1	Finance		87.4	(81.7)	5.7
6.8	(1.1)	5.7	Governance		6.4	(1.8)	4.6
4.8	(2.0)	2.8	Strategy		3.3	(2.1)	1.2
1.3	(0.1)	1.2	Chief Executive		1.4	(0.1)	1.3
2.7	(0.1)	2.6	Deputy Chief Executive		4.7	(0.1)	4.6
11.6	(15.4)	(3.8)	Corporate Accounts		(1.0)	(14.4)	(15.4)
1.8	(4.2)	(2.4)	Corporate Resources		3.5	(15.6)	(12.1)
70.5	(95.7)	(25.2)	Housing Revenue Account		18.8	(99.3)	(80.5)
755.6	**(513.9)**	**241.6**	**Net Cost of Services**		**695.8**	**(526.7)**	**169.1**
67.4	(15.5)	51.9	Other operating expenditure	3	34.8	(21.2)	13.6
55.7	(2.3)	53.5	Financing and investment income and expenditure	4	54.1	(3.7)	50.4
-	(263.7)	(263.7)	Taxation and non-specific grant income and expenditure	5	-	(269.2)	(269.2)
878.7	**(795.4)**	**83.3**	**Deficit on Provision of Services**		**784.7**	**(820.8)**	**(36.1)**
		5.9	Gain/(loss) on Revaluation of Non-Current Assets				1.3

		(51.1)	Re-measurement of the net defined benefit liability				(28.5)
		-	Surplus or deficit on revaluation of available for sale financial assets				-
		(0.1)	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				9.2
		(45.3)	**Other Comprehensive Income and Expenditure**				**(18.0)**
		38.0	**Total Comprehensive Income and Expenditure**				**(54.1)**

Balance Sheets

31 March 2019 Council £m	31 March 2019 Group £m		Note	31 March 2020 Council £m	31 March 2020 Group £m
1,387.8	*1,387.8*	Property, Plant & Equipment	8	1,447.8	*1,447.8*
11.6	*11.6*	Heritage Assets	8	11.6	*11.6*
34.3	*34.3*	Investment Property	8	35.0	*35.3*
5.3	*5.3*	Intangible Assets	8	5.2	*5.2*
-	-	Assets Held for Sale	8	-	-
24.7	*24.7*	Long-term Investments		15.5	*15.5*
1.3	*1.3*	Long-term Debtors		1.3	*1.3*
0.1	*0.1*	Long-term Loans to External Bodies		-	-
1,465.1	***1,465.1***	**Long-term Assets**		**1,516.4**	***1,516.7***
25.3	*25.3*	Short-Term Investments		30.4	*30.4*
0.5	*8.2*	Inventories		0.4	*26.4*
80.8	*74.9*	Short-Term Debtors	6A	110.6	*82.0*
2.8	*14.8*	Cash and Cash Equivalents		1.9	*11.3*
109.4	***123.2***	**Current Assets**		**143.3**	***150.1***
(13.3)	*(13.3)*	Short-Term Borrowing		(17.8)	*(17.8)*
(81.9)	*(84.4)*	Short-Term Creditors	6C	(104.6)	*(103.9)*
(9.5)	*(9.5)*	Provisions	7A	(10.2)	*(10.2)*
(104.7)	***(107.2)***	**Current Liabilities**		**(132.6)**	***(131.9)***
(738.4)	*(738.4)*	Long-Term Borrowing		(725.8)	*(725.8)*
(594.6)	*(634.5)*	Net Pension Liability	9	(614.7)	*(648.9)*

(101.3)	*(101.3)*	Other Long-Term Liabilities		(99.4)	*(99.4)*
(5.4)	*(5.4)*	Grant Receipts in Advance – Capital		(5.0)	*(5.0)*
(1,439.7)	***(1,479.6)***	**Long-term Liabilities**		**(1,444.9)**	***(1,479.1)***
30.1	***1.5***	**Net Assets**		**82.2**	***55.8***
(89.6)	***(61.0)***	**Usable Reserves**	13A	**(101.3)**	***(74.9)***
59.5	***59.5***	**Unusable Reserves**	13A	**19.1**	***19.1***
(30.1)	***(1.5)***	**Total Reserves**		**(82.2)**	***(55.8)***

The notes, Housing Revenue Account Statements and Collection Fund Statement on pages 159 to 165 form part of these financial statements.

Movement in Reserves Statement 2019-2020

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

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	TOTAL (Council)	Reserves of the Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(9.9)	(58.7)	**(68.6)**	(7.0)	(0.8)	(8.9)	(4.4)	**(89.7)**	59.5	**(30.2)**	28.7	***(1.5)***
Surplus/(Deficit) on Provision of Services	34.8	-	**34.8**	(78.5)	-	-	-	**(43.7)**	-	**(43.7)**	7.6	***(36.1)***
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	-	-	**-**	(8.3)	**(8.3)**	(9.7)	***(18.0)***
Total Comprehensive Income and Expenditure	34.8	-	**34.8**	(78.5)	-	-	-	**(43.7)**	(8.3)	**(52.0)**	(2.0)	***(54.0)***
Net Decrease/(Increase) before Transfers & other Movements	34.8	-	**34.8**	(78.5)	-	-	-	**(43.7)**	(8.3)	**(52.0)**	(2.0)	***(54.0)***
Adjustments between Accounting Basis & Funding Basis under Regulations	(43.8)	-	**(43.8)**	78.6	(0.4)	(1.4)	(0.8)	**32.2**	(32.1)	**0.1**	-	***0.1***
Transfers to/from Earmarked Reserves	6.0	(6.0)	**-**	-	-	-	-	**-**	-	**-**	-	**-**
(Increase)/decrease for the Year	(3.0)	(6.0)	**(9.0)**	0.1	(0.4)	(1.4)	(0.8)	**(11.5)**	(40.4)	**(51.9)**	(2.0)	***(53.9)***
Balance Carried Forward	**(13.0)**	**(64.6)**	**(77.6)**	**(6.9)**	**(1.1)**	**(10.4)**	**(5.2)**	**(101.2)**	**19.1**	**(82.1)**	**26.7**	**(55.4)**

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	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	Reserves of the Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	(10.0)	(55.8)	**(65.8)**	(7.0)	(4.2)	(0.4)	(3.4)	**(80.8)**	15.0	**(65.8)**	27.0	***(38.8)***
											(0.8)	***(0.8)***
As Restated	**(10.0)**	**(55.8)**	**(65.8)**	**(7.0)**	**(4.2)**	**(0.4)**	**(3.4)**	**(80.8)**	**15.0**	**(65.8)**	**26.2**	***(39.6)***
Surplus/(Deficit) on Provision of Services	99.0	-	**99.0**	(21.5)	-	-	-	**77.5**	-	**77.5**	5.8	***83.3***
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	-	-	**-**	(42.0)	**(42.0)**	(3.3)	***(45.3)***
Total Comprehensive Income and Expenditure	99.0	-	**99.0**	(21.5)	-	-	-	**77.5**	(42.0)	**35.5**	2.5	***38.0***
Net Decrease/(Increase) before Transfers & Other Movements	99.0	-	**99.0**	(21.5)	-	-	-	**77.5**	(42.0)	**35.5**	2.5	***38.0***
Adjustments between Accounting Basis & Funding Basis under Regulations	(101.8)	-	**(101.8)**	21.5	(4.7)	(0.4)	(1.0)	**(86.4)**	86.4	**-**	-	**-**
Transfers to/from Earmarked Reserves	2.9	(2.9)	**-**	-	-	-	-	**-**	-	**-**	-	**-**
(Increase)/decrease for the Year	0.1	(2.9)	**(2.8)**	-	(4.7)	(0.4)	(1.0)	**(8.9)**	44.4	**35.5**	2.5	***38.0***
Balance Carried Forward	**(9.9)**	**(58.7)**	**(68.6)**	**(7.0)**	**(8.9)**	**(0.8)**	**(4.4)**	**(89.6)**	**59.5**	**(30.1)**	**28.7**	***(1.5)***

Cash Flow Statement

2018-2019 Council £m	2018-2019 Group £m		Note	2019-2020 Council £m	2019-2020 Group £m
		Operating Activities			
77.4	*83.4*	Net deficit on the provision of services		(43.7)	*(35.7)*
(122.0)	*(125.9)*	Adjustment for non-cash movements	14A	(63.7)	*(69.1)*
52.7	*52.7*	Adjustment for items that are investing and financing activities	14B	63.9	*63.9*
8.1	***10.2***	**Net cash flows from operating activities**	14C	**(43.5)**	***(40.9)***
		Investing Activities			
89.6	*89.6*	Purchase of property, plant and equipment, investment property and intangible assets		92.9	*92.9*
476.0	*476.0*	Purchase of short-term and long-term investments		437.0	*437.0*
(15.5)	*(15.5)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(21.2)	*(21.2)*
(458.2)	*(458.2)*	Receipts from sale of short-term and long-term investments		(431.9)	*(431.9)*
(0.6)	*(0.6)*	Other receipts from investing activities		0.4	*0.4*
(37.2)	*(37.2)*	Capital grants received		(42.7)	*(42.7)*
54.1	***54.1***	**Net cash flows from investing activities**		**34.5**	***34.5***
		Financing Activities			
(79.4)	*(79.4)*	Cash receipts of short-term and long-term borrowing		-	-
5.8	*5.8*	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		1.9	*1.9*
-	-	Cash receipts from Called Up Share Capital		-	-
10.8	*10.8*	Repayments of short-and long-term borrowing		8.0	*8.0*
(62.8)	***(62.8)***	**Net cash flows from total financing activities**		**9.9**	***9.9***
(0.6)	***1.5***	**Net (increase) or decrease in cash and cash equivalents**		**0.9**	***3.5***
		Cash and Cash Equivalents at the Start 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***
		Cash and Cash Equivalents at the End of the Year			
0.9	*0.9*	Cash held by the Council		0.7	*0.7*
1.9	*13.9*	Bank current accounts		1.2	*10.6*
2.8	***14.8***			**1.9**	***11.3***

Note 1A Prior Period Restatement of Service Expenditure and Income 2018-2019

In 2019-2020 a senior management internal restructure resulted in a number of services being reclassified. 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 2018-19	Movement											
		Strategic Director People	Adult Services	Children and Young People	Public Health & Wellbeing	Managing Director	Governance	Corporate Services	Corporate Accounts	Corporate Resources	Director of Education	Strategic Director Place	Regeneration
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Closing balances		4.6	66.5	57.9	(0.6)	3.6	1.3	9.2	(4.1)	(2.4)	39.6	0.7	16.9
Strategic Director People	4.6	(4.5)	2.1		-								
Adult Services	66.5				-								
Children and Young People	57.9			(57.9)							(0.2)		
Public Health & Wellbeing	(0.6)												
Managing Director	3.6					(3.6)							
Governance	1.3						(0.1)						
Corporate Services	9.2				4.8			(9.2)					
Corporate Accounts	(4.1)								0.3			(0.3)	
Corporate Resources	(2.4)												
Director of Education	39.6										(39.6)		2.2
Strategic Director Place	0.7											(0.4)	0.1
Regeneration	16.9												(1.3)

Commercial Services	13.5							-					
City Housing	3.9												
City Environment	44.5												
Land Property Investment Fund	6.6												6.6
Public Service Reform	4.8						4.4						
Chief Executive	-												
Deputy Chief Executive	-												
Finance	-												
City Economy	-												
City Assets and Housing	-												
Children's Services, Education and Skills	-												
Housing Revenue Account	(29.5)												
Net Cost of Services 2018-2019 as restated in the Comprehensive Income and Expenditure Statement 2019-2020	**237.0**	**0.1**	**68.6**	**-**	**4.2**	**-**	**5.6**	**-**	**(3.8)**	**(2.4)**	**(0.2)**	**-**	**24.5**

Net Cost of Services	Movement											
	Commercial Services	City Housing	City Environment	Land Property Investment Fund	Public Service Reform	Chief Executive	Deputy Chief Executive	Finance	City Economy	City Assets & Housing	Children's Services and Education	Strategy
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Closing balances	13.5	3.9	44.5	6.6	4.8	-	-	-	-	-	-	-
Strategic Director People				-		-	0.3	-	-	-	2.1	
Adult Services				-		-	-	-	-	-		
Children and Young People											57.8	
Public Health & Wellbeing												
Managing Director						1.2	1.2					1.2
Governance							0.1					
Corporate Services							0.1	4.1		0.1		
Corporate Accounts												
Corporate Resources												
Director of Education			4.3								33.1	
Strategic Director Place			0.2									
Regeneration			0.9									0.2
Commercial Services	(13.5)		(0.3)				1.0			11.3		1.4
City Housing		(4.0)								4.0		
City Environment			0.4		(0.4)							
Land Property Investment Fund				(6.6)								
Public Service Reform					(4.4)							

Chief Executive								-				
Deputy Chief Executive												
Finance												
City Economy												
City Assets and Housing												
Children's Services, Education and Skills												
Housing Revenue Account												
Net Cost of Services 2018-2019 as restated in the Comprehensive Income and Expenditure Statement 2019-2020	**-**	**(0.1)**	**50.0**	**-**	**-**	**1.2**	**2.7**	**4.1**	**-**	**15.4**	**93.0**	**2.8**

Note 1B - Expenditure and Funding Analysis

2018-2019					2019-2020		
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
65.9	2.8	68.7	Adult Services		63.5	9.6	73.1
53.3	39.7	93.0	Children's Services and Education		57.2	28.6	85.8
1.1	3.1	4.2	Public Health & Wellbeing		1.0	5.2	6.2
30.3	19.8	50.1	City Environment		22.8	27.9	50.7
10.2	5.3	15.5	City Assets & Housing		9.4	1.7	11.1
7.0	17.5	24.5	Regeneration		6.7	26.0	32.7
11.9	(7.8)	4.1	Finance		12.7	(7.0)	5.7
6.2	(0.5)	5.7	Governance		5.9	(1.3)	4.6
6.5	(3.7)	2.8	Strategy		6.5	(5.4)	1.1
1.1	0.1	1.2	Chief Executive		1.2	0.2	1.4
3.1	(0.5)	2.6	Deputy Chief Executive		4.9	(0.3)	4.6
32.5	(36.3)	(3.8)	Corporate Accounts		43.1	(58.5)	(15.4)
(229.1)	226.7	(2.4)	Corporate Resources		(234.9)	222.8	(12.1)
-	(29.5)	(29.5)	Housing Revenue Account		-	(86.3)	(86.3)
0.0	**236.7**	**237.0**	**Net Cost of Services**		**-**	**163.2**	**163.2**
-	(159.5)	**(159.5)**	**Other Income and Expenditure**		**-**	**(207.0)**	**(207.0)**
0.0	**77.5**	**77.5**	**Surplus or Deficit**		**-**	**(43.8)**	**(43.8)**

The Expenditure and Funding Analysis notes have been restated in 2018-2019 to reflect the prior period restatement outlined in Note 1A.

Note 1C – Note to the Expenditure and Funding Analysis 2019-2020

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 1E)	Total Adjustments Between Funding and Accounting Basis
	£m	£m	£m	£m
Adult Services	0.6	0.4	8.6	**9.6**
Children's Services and Education	20.7	1.8	6.1	**28.6**
Public Health & Wellbeing	1.8	0.1	3.3	**5.2**
City Environment	24.9	0.3	2.7	**27.9**
City Assets & Housing	10.5	0.1	(8.9)	**1.7**
Regeneration	21.4	0.1	4.5	**26.0**
Finance	-	0.1	(7.1)	**(7.0)**
Governance	-	0.1	(1.4)	**(1.3)**
Strategy	1.1	-	(6.5)	**(5.4)**
Chief Executive	-	-	0.2	**0.2**
Deputy Chief Executive	1.4	0.1	(1.8)	**(0.3)**
Corporate Accounts	(2.2)	(2.0)	(54.3)	**(58.5)**
Corporate Resources	-	-	222.8	**222.8**
Housing Revenue Account	-	-	(86.3)	**(86.3)**
Net Cost of Services	**80.2**	**1.1**	**81.9**	**163.2**
Other Income and Expenditure	**-**	**-**	**(207.0)**	**(207.0)**
Total	**80.2**	**1.1**	**(125.1)**	**(43.8)**

Note 1D – 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 1F)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Adult Services	1.4	0.6	0.7	**2.8**
Children's Services and Education	29.9	2.3	7.6	**39.7**
Public Health & Wellbeing	2.3	-	0.7	**3.1**
City Environment	18.0	0.6	1.1	**19.8**
City Assets & Housing	12.9	0.3	(8.0)	**5.3**
Regeneration	13.0	0.3	4.2	**17.5**
Finance	-	0.4	(8.2)	**(7.8)**
Governance	-	0.1	(0.6)	**(0.5)**
Strategy	1.9	0.1	(5.7)	**(3.7)**
Chief Executive	-	-	0.1	**0.1**
Deputy Chief Executive	1.0	0.1	(1.6)	**(0.5)**
Corporate Accounts	4.7	5.1	(46.1)	**(36.3)**
Corporate Resources	-	-	226.7	**226.7**
Housing Revenue Account	-	-	(29.5)	**(29.5)**
Net Cost of Services	**85.1**	**10.1**	**141.4**	**236.7**
Other income and Expenditure	-	-	(159.4)	(159.4)
Total	**85.1**	**10.1**	**(18.0)**	**77.3**

Note 1E – Other Differences Analysis 2019-2020

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
Adult Services	3.8	0.2	-	-	-	-	4.6	8.6
Children's Services and Education	(1.7)	-	-	-	-	-	7.8	6.1
Public Health & Wellbeing	1.0	-	-	-	-	-	2.3	3.3
City Environment	-		0.3				2.4	2.7
City Assets & Housing	-	(0.2)	-				(8.7)	(8.9)
Regeneration	0.5	(0.1)					4.1	4.5
Finance	(1.0)	0.1	-	-	-	-	(6.2)	(7.1)
Governance	-	-	-	-	-	-	(1.4)	(1.4)
Strategy	(0.3)	-	-	-	-	-	(6.2)	(6.5)
Chief Executive	-	-	-	-	-	-	0.2	0.2
Deputy Chief Executive	0.1	-	-	-	-	-	(1.9)	(1.8)
Corporate Resources	-	(9.2)	-	-	-	232.0	-	222.8
Corporate Accounts	(16.3)	-	-	-	-	-	(38.0)	(54.3)
Housing Revenue Account	(78.5)	-	-	(9.6)	1.7	-	0.1	(86.3)
Net Cost of Services	**(92.4)**	**(9.2)**	**0.3**	**(9.6)**	**1.7**	**232.0**	**(40.9)**	**81.9**

Note 1F – 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
Adult Services	3.7	0.6	-	-	-	-	(3.5)	**0.7**
Children's Services and Education	(0.5)	-	-	-	-	-	8.0	**7.6**
Public Health & Wellbeing	0.8	(0.9)	-	-	-	-	0.8	**0.7**
City Environment	0.4	-	(0.4)	-	-	-	1.2	**1.1**
City Assets & Housing	(0.3)	(0.1)	-	-	-	-	(7.6)	**(8.0)**
Regeneration	0.1	-	-	-	-	-	4.1	**4.2**
Finance	2.1	(0.4)	-	-	-	-	(9.9)	**(8.2)**
Governance	-	0.3	-	-	-	-	(1.0)	**(0.6)**
Strategy	-	0.1	-	-	-	-	(5.8)	**(5.7)**
Chief Executive	-	-	-	-	-	-	0.1	**0.1**
Deputy Chief Executive	-	-	-	-	-	-	(1.6)	**(1.6)**
Corporate Accounts	(6.2)	-	-	24.6	6.9	1.4	(72.8)	**(46.1)**
Corporate Resources	-	(1.3)	-	-	-	(129.3)	357.3	**226.7**
Housing Revenue Account	-	-	-	-	1.0	-	(30.5)	**(29.5)**
Net Cost of Services	**0.1**	**(1.6)**	**(0.4)**	**24.6**	**7.9**	**(127.9)**	**238.7**	**141.4**

Note 1G Expenditure and Income Analysed by Nature

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

2018-2019 £m		2019-2020 £m
	Expenditure	
227.1	Employee benefits expenses*	233.8
482.5	Other service expenses	413.0
48.1	Depreciation, amortisation and impairment	44.6
54.8	Loss on disposal of non-current assets	22.3
52.4	Interest payments	51.2
10.3	Levies	10.4
875.2		**775.3**
	Income	
(516.2)	Fees and charges and other service income	(525.8)
(170.0)	Income from Council tax and Business Rates	(174.3)
(93.7)	Government grants and contributions	(94.6)
(15.5)	Gain on disposal of non-current assets	(21.2)
(2.2)	Interest and investment income	(3.2)
(797.6)		**(819.1)**
77.6	**Surplus/Deficit on Provision of Services**	**(43.8)**

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

Note 1I Prior Period Adjustments

None

Note 2 Income and Expenditure

2A Acquired and Discontinued Operations

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

2B Trading Operations

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

2018-2019			2019-2020	
Turnover	Deficit/ (Surplus)	Trading Operation	Turnover	Deficit/ (Surplus)
£m	£m		£m	£m
(1.6)	(0.1)	Markets	(2.0)	0.4
(5.1)	0.4	Cleaning of Buildings	(5.6)	0.2
(6.3)	0.2	Schools and Welfare Catering	(4.2)	0.5
(0.3)	0.1	Civic Centre and Other Catering	(0.3)	0.1
(13.3)	**0.6**	**Total**	**(12.1)**	**1.2**

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 who incur the expenditure and then receive a contribution from CCG according to a funding formula. Contributions are summarised in the following table.

2018-2019				2019-2020		
Council Contribution £m	CCG Contribution £m	Total Expenditure £m	Scheme	Council Contribution £m	CCG Contribution £m	Total Expenditure £m
2.4	1.5	3.9	Child Placements with External Agencies	2.8	1.4	4.2

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 the CCG and the Council establish a pooled fund for this purpose. The BCF is made up of CCG funding as well as local government grants, including the Improved Better Care Fund (BCF), which was first announced in the 2015 Spending Review and is a direct grant which must be pooled into the local BCF plan. Revenue grants received through the Better Care Fund and Improved Better Care Fund are included within the Council's CIES.

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

2018-2019 £m	Better Care Fund	2019-2020 £m
	Expenditure	
52.2	Adult Community Services	56.4
2.9	Dementia	3.9
10.9	Mental Health & CAMHS	14.5
66.0	**Total Expenditure**	**74.8**
	Gross Funding	
36.5	Wolverhampton Clinical Commissioning Group	45.1
28.4	City of Wolverhampton Council	29.5
64.9	**Total Funding**	**74.6**

2018-2019 £m	Better Care Fund	2019-2020 £m
1.1	**Net Over Spend**	**0.2**
	Allocation of Over/(Under) Spend	
0.8	Wolverhampton Clinical Commissioning Group	0.1
0.3	City of Wolverhampton Council	0.1
1.1	**Total Allocation**	**0.2**

2D Councillors' Allowances and Expenses

The Council paid £929,000 in Councillors' allowances during 2019-2020 (2018-2019: £923,000).

2E Senior Officers' Remuneration

The following table sets out remuneration disclosures for Senior Officers (with reference to notes where applicable).

Post Title		Salary, Fees and Allowances	Contractor Costs	Expenses Allowances	Exit Package	Employers' Pension Contribution	TOTAL REMUNERATION
		£	£	£	£	£	£
Chief Executive (Head of Paid Service) [1]	**2019-2020**	**156,282**	**-**	**-**	**-**	**-**	**156,282**
	2018-2019	148,007	-	-	-	11,681	159,688
Deputy Chief Executive [2]	**2019-2020**	**136,384**	**-**	**-**	**-**	**41,114**	**177,498**
	2018-2019	131,995	-	-	-	37,780	169,775
Director of Pensions [3]	**2019-2020**	**129,835**	**-**	**-**	**-**	**41,898**	**171,733**
	2018-2019	114,455	-	-	-	34,531	148,986
Director of Finance (Section 151 Officer) [4]	**2019-2020**	**108,426**	**-**	**-**	**-**	**34,989**	**143,415**
	2018-2019	104,050	-	-	-	31,683	135,733
Director of Governance (Monitoring Officer) [5]	**2019-2020**	**22,817**	**-**	**-**	**-**	**4,353**	**27,170**
	2018-2019	111,022	-	-	-	-	111,022
Director of Education [6]	**2019-2020**	**67,007**	**-**	**-**	**-**	**24,727**	**91,734**
	2018-2019	114,360	-	-	-	34,823	149,183
Director of Adult Services	**2019-2020**	**111,940**	**-**	**-**	**-**	**36,123**	**148,063**
	2018-2019	107,537	-	-	-	32,745	140,282
Director of Children's Services	**2019-2020**	**111,940**	**-**	**-**	**-**	**36,123**	**148,063**
	2018-2019	107,537	-	-	-	32,745	140,282
Director of Public Health	**2019-2020**	**111,940**	**-**	**-**	**-**	**36,123**	**148,063**
	2018-2019	107,246	-	-	-	32,657	139,903
Director of Regeneration [7]	**2019-2020**	**108,426**	**-**	**-**	**-**	**34,989**	**143,415**
	2018-2019	67,968	79,463	-	-	20,696	168,127
Director of City Environment	**2019-2020**	**104,910**	**-**	**-**	**-**	**33,855**	**138,765**

	2018-2019	92,027	-	-	-	28,022	120,049
Director of City Housing [8]	**2019-2020**	**95,866**	**-**	**-**	**-**	**30,936**	**126,802**
	2018-2019	100,295	-	-	-	30,540	130,835
Director of Communications and External Relations [9]	**2019-2020**	**95,800**	**-**	**-**	**-**	**30,915**	**126,715**
	2018-2019	77,476	-	-	-	23,591	101,067
Director of Black Country Transport [10]	**2019-2020**	**104,910**	**-**	**-**	**-**	**33,855**	**138,765**
	2018-2019	95,015	-	-	-	28,932	123,947
Director of Strategy [11]	**2019-2020**	**79,328**	**-**	**-**	**-**	**25,599**	**104,927**
	2018-2019	-	-	-	-	-	-
Assistant Director of Investments and Finance [3]	**2019-2020**	**115,401**	**-**	**-**	**-**	**37,240**	**152,641**
	2018-2019	100,280	-	-	-	30,255	130,535
Chief Accountant	**2019-2020**	**70,692**	**-**	**-**	**-**	**22,812**	**93,504**
	2018-2019	64,333	-	-	-	19,590	83,923
Head of Legal Services (Deputy Monitoring Officer) [12]	**2019-2020**	**71,737**	**-**	**-**	**-**	**23,296**	**93,033**
	2018-2019	63,854	-	-	-	19,444	83,298
Strategic Director of Place [13]	**2019-2020**	**-**	**-**	**-**	**-**	**-**	**-**
	2018-2019	41,448	88,725	-	-	-	130,173

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.

2019-2020					
	Number of Employees				
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50,000 - £54,999	36	1	82	119	7
£55,000 - £59,999	20	-	26	46	2
£60,000 - £64,999	17	2	12	31	-
£65,000 - £69,999	13	1	13	27	1
£70,000 - £74,999	16	1	10	27	-
£75,000 - £79,999	6	-	-	6	-
£80,000 - £84,999	3	-	1	4	-
£85,000 - £89,999	2	-	-	2	-
£90,000 - £94,999	1	-	-	1	-
£95,000 - £99,999	1	-	-	1	-
£100,000 - £104,999	-	-	-	-	-
£105,000 - £109,999	1	-	-	1	-
£110,000 - £114,999	-	-	1	1	1
£115,000 - £119,999	-	-	1	1	1
Total	**116**	**5**	**146**	**267**	**12**

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)
£50,000 - £54,999	29	3	75	107	4
£55,000 - £59,999	26	-	26	52	4
£60,000 - £64,999	9	2	27	38	4
£65,000 - £69,999	24	1	10	35	1
£70,000 - £74,999	8	-	2	10	1
£75,000 - £79,999	4	-	2	6	1
£80,000 - £84,999	4	-	-	4	-
£85,000 - £89,999	1	-	-	1	-
£90,000 - £94,999	1	-	-	1	-
£95,000 - £99,999	1	-	1	2	-
£100,000 - £104,999	-	-	1	1	1
£105,000 - £109,999	1	-	-	1	-
Total	**108**	**6**	**144**	**258**	**16**

Note 1: The Managing Director was redesignated Chief Executive with effect from 1 September 2019. 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 2019 and March 2020 pay costs of £6,810, included in the table against the Chief Executive, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund. This is for the Chief Executive's work as Chief Executive of the West Midlands Pension Fund.

Note 2: The Deputy Managing Director was redesignated Deputy Chief Executive with effect from 1 September 2019. The Strategic Director of People assumed the role of Deputy Managing Director from 1 October 2018 with no changes to remuneration. The post holder used the title of Strategic Director of People or Deputy Managing Director as necessary depending on the circumstances and the audience.

Note 3: The pay costs of these officers were fully funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council. Following a Senior Management Restructure at the West Midlands Pension Fund the posts of these officers were regraded effective April 2019.

Note 4: Between April 2019 and March 2020 pay costs of £6,010, included in the table against the Director of Finance, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund.

Note 5: The Director of Governance post became vacant on 30 April 2019 and had an annualised salary of £111,940 for 2019-2020. The current Director of Governance took up post on 10 February 2020 and had an annualised salary of £95,800 for 2019-2020.

Note 6: The Director of Education post became vacant on 30 October 2019 and had an annualised salary of £115,401 for 2019-2020. The post was held vacant pending the completion of the service review.

Note 7: 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 8: The Director of City Housing post became vacant on 28 February 2020 and had an annualised salary of £104,910 for 2019-2020. The post remains vacant.

Note 9: The Director of Communications and External Relations post was redesignated from the Head of Communications post with effect from 1 April 2020.

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

Note 11: The Director of Strategy post was redesignated from the Head of Strategy post and the Head of Strategy post holder was assimilated into the role of Director of Strategy with effect from 6 November 2020 and had an annualised salary of £95,800 for 2019-2020.

Note 12: The Head of Legal Services post holder was appointed to the post of Chief Legal Officer and Monitoring Officer on an interim basis during 2019-2020 until 9 February 2020 when the current Director of Governance was appointed. The post of Head of Legal Services had an annualised salary of £65,338 for 2019-2020.

Note 13: The Strategic Director of Place was held by two individuals during 2018-2019. The last 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.

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.

2018-2019							2019-2020					
Compulsory		Other		Total		Value of Individual Package	Compulsory		Other		Total	
Number	£m	Number	£m	Number	£m		Number	£m	Number	£m	Number	£m
-	-	1.0	0.2	1.0	0.2	£200,001 to £250,000	-	-	-	-	-	-
-	-	1.0	0.2	1.0	0.2	£150,001 to £200,000	-	-	3.0	0.5	3.0	0.5
2.0	0.3	2.0	0.2	4.0	0.5	£100,001 to £150,000	3.0	0.3	4.0	0.5	7.0	0.8
-	-	2.0	0.2	2.0	0.2	£80,001 to £100,000	1.0	0.1	2.0	0.2	3.0	0.3
2.0	0.1	5.0	0.4	7.0	0.5	£60,001 to £80,000	3.0	0.2	2.0	0.1	5.0	0.3
2.0	0.1	10.0	0.5	12.0	0.6	£40,001 to £60,000	6.0	0.3	4.0	0.2	10.0	0.5
4.0	0.1	22.0	0.6	26.0	0.7	£20,001 to £40,000	9.0	0.2	14.0	0.4	23.0	0.6
22.0	0.1	76.0	0.7	98.0	0.8	Less than £20,000	55.0	0.4	54.0	0.5	109.0	0.9
32.0	**0.7**	**119.0**	**3.0**	**151.0**	**3.7**	**Total**	**77.0**	**1.5**	**83.0**	**2.4**	**160.0**	**3.9**

2G Amounts Payable to the Auditors

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

2018-2019 Restated £m	Description	2019-2020 £m
0.158	External Audit (Council)	0.170
0.023	Certification of Grant Claims and Returns	0.021
0.047	Additional Work (*)	0.051
0.228	**Total**	**0.242**

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

- WV Living Audit Fee £22,500 (£20,000 2018-2019)
- Wolverhampton Homes Audit Fee £28,285 (£27,000 2018-2019)

2H Grants

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

2018-2019 £m		2019-2020 £m
	Credited to Net Cost of Services	
(65.1)	Dedicated Schools Grant - Schools Block	(64.1)
(43.5)	Mandatory Rent Allowance	(37.3)
(43.7)	Mandatory Rent Rebates Subsidy	(36.9)
(28.9)	Dedicated Schools Grant - High Needs Block	(31.0)
(20.8)	Public Health Grant	(20.2)
(18.2)	Dedicated Schools Block - Early Years Block	(18.0)
(9.2)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(8.5)	Pupil Premium	(8.4)
(2.0)	Dedicated Schools Grant - Central Services Block	(2.0)
-	WMCA AEB Funding (Adult Education)	(1.9)
(2.0)	Housing & Council Tax Benefit Administration	(1.7)
-	Teachers' Pension Employer Contributions Grant	(1.7)
(2.3)	HeadStart Wolverhampton	(1.6)
(1.8)	6th Form Funding	(1.4)

(3.6)	Further Education	(1.3)
(1.5)	Universal Infant Free School Meals	(1.2)
(1.0)	Independent Living Fund Grant	(0.9)
	Teachers Pay Grant	(0.9)
	Leisure PFI	(0.8)
(1.4)	Impact ESF	(0.8)
(1.0)	Discretionary Rent Allowances	(0.8)
	Flexible Homelessness Support Grant	(0.8)
(1.8)	Troubled Families Grant	(0.7)
(0.8)	Primary PE and Sport Premium	(0.7)
(0.2)	Syrian Resettlement	(0.6)
(0.4)	YOT - Main Grant	(0.5)
(0.4)	Asylum Seekers	(0.5)
	Early Outcomes Fund	(0.3)
(0.3)	FSM Supplementary	(0.3)
(0.1)	CMF - Rough Sleeping Initiative	(0.3)
	General Election	(0.3)
	Levy Account Surplus Grant	(0.3)
(0.4)	Schools Music Service	(0.4)
	AIM for GOLD	(0.4)
(0.1)	16-18 Bursary Fund	(0.1)
(1.4)	Winter Pressures Grant	(1.4)
(9.5)	Other Grants	(14.1)
(269.9)	**Total Credited to Net Cost of Services**	**(263.8)**
	Credited to Taxation and Non-Specific Grant Income	
	Non-Ring-Fenced Government Grants	
(34.3)	Local Business Rates Top Up Grant	(26.2)

(6.5)	DCLG – Improved Better Care Fund	(11.0)
(8.2)	Business Rates Autumn Statement Compensation	(10.7)
(0.9)	DCLG – Social Care Grant (Adults and Childrens)	(2.3)
(2.7)	New Homes Bonus (including adjustment grant)	(2.1)
(3.9)	DCLG – Additional Improved Better Care Fund	(1.9)
(56.5)	**Total of Non-Ring-Fenced Government Grants**	**(54.2)**
	Capital Grants and Contributions	
(6.6)	Land Property Investment Fund	(6.7)
(0.2)	Local Growth Fund i54 Western Extension	(4.5)
(3.3)	Disabled Facilities Grant	(3.1)
(6.7)	Schools Basic Needs Grant	(1.9)
-	S31 Transport Highway Maintenance Fund	(1.8)
-	S31 Transport Integrated Transport Block	(1.4)
(2.1)	Schools Condition Allocation	(1.2)
(0.6)	Devolved Formula Funding	(1.0)
(1.4)	Local Growth Fund - Access to Growth	(0.9)
(1.1)	Business Rates Reconciliation Payment	(0.7)
(0.3)	SEND Special Provision Capital Fund	(0.5)
(0.7)	ERDF Black Country Gold	(0.1)
(4.5)	Section 31 Grant - Department of Transport	-
(1.2)	Homes England Development Grant	-
(0.4)	ERDF Blue Network	-
(0.3)	Care and Support specialised Housing (CASSH) II	-
(0.3)	ERDF Bilston Public Open Space	-
(0.2)	Prevention of Repossession Grant	-
(0.1)	HM Challenge Fund (Network Renewal)	-
(7.3)	Other Grants and Contributions	(18.9)

(37.3)	**Total of Capital Grants and Contributions**	(42.7)
(363.6)	**Total Grants Credited to the CIES**	(362.1)

2l 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.

	2018-2019				2019-2020	
Central Expenditure	Individual Schools Budget	Total		Central Expenditure	Individual Schools Budget	Total
£m	£m	£m		£m	£m	£m
(13.5)	(224.8)	(238.3)	Final DSG for the year before academy recoupment	(12.9)	(234.5)	(247.4)
	122.6	122.6	Academy figure recouped	-	132.3	132.3
(13.5)	**(102.2)**	**(115.7)**	**Total DSG after academy recoupment for the year**	**(12.9)**	**(102.2)**	**(115.1)**
1.8	(1.8)	-	Brought forward from previous year	(0.6)	(2.8)	(3.4)
-	-	-	Carry-forward to following year agreed in advance	-	-	-
(11.7)	**(104.0)**	**(115.7)**	**Agreed initial budgeted distribution in the year**	**(13.5)**	**(105.0)**	**(118.5)**
(11.7)	**(104.0)**	**(115.7)**	**Final budgeted distribution for the year**	**(13.5)**	**(105.0)**	**(118.5)**
11.1	-	11.1	Less actual central expenditure	12.9	-	12.9

-	101.2	101.2	Less actual ISB deployed to schools	-	103.5	103.5
(0.6)	**(2.8)**	**(3.4)**	**(Under) Overspend carried forward to following year**	**(0.6)**	**(1.5)**	**(2.1)**

Note 2J Exceptional Items

None

Note 2K Events after the Reporting Period

None

Note 3 Other Operating Expenditure

2018-2019 Gross Expenditure £m	2018-2019 Gross Income £m	2018-2019 Net Expenditure £m		2019-2020 Gross Expenditure £m	2019-2020 Gross Income £m	2019-2020 Net Expenditure £m
10.3	-	10.3	Levies	10.4	-	10.4
2.2	-	2.2	Payments to the Housing Capital Receipts Pool	2.2	-	2.2
54.8	(15.5)	39.3	Losses/(gains) on the Disposal of Non-Current Assets	22.2	(21.2)	1.0
67.3	**(15.5)**	**51.8**		**34.8**	**(21.2)**	**13.6**

Note 4 Financing and Investment Income and Expenditure

2018-2019 Gross Expenditure £m	2018-2019 Gross Income £m	2018-2019 Net Expenditure £m		2019-2020 Gross Expenditure £m	2019-2020 Gross Income £m	2019-2020 Net Expenditure £m
0.4	-	0.4	External Training Organisations	0.7	-	0.7
37.0	-	37.0	Interest Payable	37.2	-	37.2
15.4	-	15.4	Net Interest Expense-Pensions	14.0	-	14.0
-	(0.9)	(0.9)	Interest Receivable	-	(1.9)	(1.9)
1.8	-	1.8	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	-	(0.5)	(0.5)
	(1.3)	(1.3)	Other Investment Income	-	(1.3)	(1.3)
54.5	**(2.2)**	**52.3**	**Total**	**51.9**	**(3.7)**	**48.2**

Note 5 Taxation and Non-Specific Grant Income and Expenditure

2018-2019 Gross Expenditure £m	2018-2019 Gross Income £m	2018-2019 Net Expenditure £m		2019-2020 Gross Expenditure £m	2019-2020 Gross Income £m	2019-2020 Net Expenditure £m
-	(72.8)	(72.8)	National Non-Domestic Rates	-	(72.9)	(72.9)
-	(97.2)	(97.2)	Council tax	-	(101.4)	(101.4)
-	(56.5)	(56.5)	Non ring-fenced Revenue Grants Receivable	-	(55.6)	(55.6)
-	(37.2)	(37.2)	Capital Grants Receivable	-	(38.9)	(38.9)
-	**(263.7)**	**(263.7)**	**Taxation and Non-Specific Grant Income and Expenditure**	**-**	**(268.8)**	**(268.8)**

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 2019		Type of Organisation	31 March 2020	
Council £m	***Group £m***		**Council £m**	***Group £m***
6.6	*6.6*	Central Government Bodies	9.3	*9.3*
11.0	*11.0*	Other Local Authorities	7.6	*7.6*
7.2	*7.2*	NHS Bodies	8.4	*8.4*
56.0	*50.1*	Bodies External to General Government	85.3	*56.7*
80.8	***74.9***	**Total**	**110.6**	***82.0***

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 March 2019 Council £m	Type of Organisation	31 March 2020 Council £m
4.3	Less than one year	4.8
1.4	1-2 years	1.3
-	2-6 years	-
-	More than 6 years	-
5.7	**Total**	**6.1**

Non-Domestic Rates

31 March 2019 Council £m	Type of Organisation	31 March 2020 Council £m
0.4	Less than one year	0.7
-	1-2 years	-
-	2-6 years	-
-	More than 6 years	-
0.4	**Total**	**0.7**

6C Current Payables

31 March 2019		Type of Organisation	31 March 2020	
Council £m	*Group £m*		Council £m	*Group £m*
(31.7)	*(33.3)*	Central Government Bodies	(49.9)	*(52.1)*
(1.6)	*(1.6)*	Other Local Authorities	(3.1)	*(3.1)*
(0.2)	*(0.2)*	NHS Bodies	(1.7)	*(1.7)*
(48.4)	*(49.3)*	Bodies External to General Government	(49.9)	*(47.0)*
(81.9)	***(84.4)***	**Total**	**(104.6)**	***(103.9)***

Note 7 Provisions, Contingent Liabilities and Guarantees - 7A Provisions

Balance at 31 March 2019 £m	Provision Name	Provision Details	Amounts Used in 2019-2020 £m	Contribution to/from Provisions 2019-2020 £m	Balance at 31 March 2020 £m
(1.2)	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.		0.8	(0.3)
(2.3)	Insurance	The Council self-insures risks to property and assets up to a total aggregate limit of £1.0 million and its liability exposures up to a limit of £250,000 on any one occurrence above which limits the external insurance cover operates. The insurance provision of £2.3 million is in respect of the outstanding claims under the self-insurance programme covering the current and past years.			(2.3)
(0.3)	Termination Benefits	During 2019-2020, the Council continued to accept applications for voluntary redundancy. As a result of this initiative, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at the end of the year.	0.3	(0.4)	(0.4)
(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.	-	-	-
-	Housing Revenue Account	There are three separate provisions: for legal disrepair claims, for tenant management organisation expenditure and for rent bonds.	-	-	-
(5.4)	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 2020.	0.9	(2.0)	(6.6)
(0.1)	Court Costs	Court costs relating to a case have now been settled and a provision is no longer required.	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)
-	BCLEP EZ provision for Wolverhampton (North)	Provision for the retention and distribution of the uplift in business rates for City of Wolverhampton Enterprise Zone sites in the Black country area.	-	(0.5)	(0.5)
(9.5)		**Total**	**(2.2)**	**(2.8)**	**(10.2)**

7B Contingent Liabilities

At 31 March 2020, 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 2020 is £3.1 million (31 March 2019: £4.1 million).

• A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £300,000 (31 March 2019: £1.1 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 2020 is estimated at £487,000 (31 March 2019: £180,000).

• During 2019-2020, 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 2019-2020 for which a provision of £386,000 (31 March 2019: £344,000) has been raised. There are, however, a number of applications for voluntary redundancy in progress which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.

• 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.

• 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.

• The Council pays a unitary charge as part of the Leisure PFI. As part of the contract, the Council is required to pay for any loss of income from paying customers during the Covid-19 period of closure. Discussions are on-going, but an initial estimate is £35,000 to £50,000 per month. When the centre reopens reduced income is also expected (due to an expected slow take up of business). There are also likely to be additional costs such as social distancing measures (e.g. screens, etc.). Potential costs for this aspect cannot be reliably estimated at this stage.

7C Contingent Assets

None

7D Guarantees

The Council has provided guarantees to twenty-three organisations at the point they were admitted to West Midlands Pension Fund, to fund any potential pension liability. As at the last triennial valuation (31st March 2019) none of these organisations had a pension liability in excess of £100,000 (which the Council considers to be material for these purposes).

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 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.

7E Financial Guarantee Contract

The Council has provided a guarantee to the City of Wolverhampton College in respect of bank loans. In accordance with IFRS9, the fair value of the guarantee has been estimated by considering the probability of the guarantee being called and the likely amount payable under the guarantee. As a result, a provision of £0.2 million has been made.

Note 8 Non-Current Assets

Non-Current Assets 2019-2020

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Property Plant and Equipment Subtotal	Investment Properties	Intangible Assets	Heritage Assets	Assets Held for Sale	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Value												
At 31 March 2019												
- As previously reported	751.4	464.0	91.8	315.1	16.6	18.1	**1,657.0**	36.0	15.0	11.6	-	**1,719.6**
- Prior year adjustment	-	-	-	-	-	-	**-**	-	-	-	-	**-**
- As restated	**751.4**	**464.0**	**91.8**	**315.1**	**16.6**	**18.1**	**1,657.0**	**36.0**	**15.0**	**11.6**	**-**	**1,719.6**
Additions	58.4	19.5	4.6	7.0	0.7	-	**90.2**	1.1	1.6	-	-	**92.9**
Disposals	(9.9)	(3.6)	-	-	(0.9)	(7.1)	**(21.5)**	(0.9)	-	-	-	**(22.4)**
Revaluations / Fair Value Gains/(Losses)							**-**					**-**
- Recognised in revaluation reserve	-	(6.5)	-	-	0.2	(1.4)	**(7.7)**	0.5	-	-	-	**(7.2)**
- Recognised in surplus/(deficit) on provision of services	56.4	(26.3)	-	-	-	(0.8)	**29.3**	-	-	-	-	**29.3**
Impairments	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Other Changes - Gross Value	-	4.7	-	-	(4.0)	(0.7)	**-**	-	-	-	-	**-**
Gross Value as at 31 March 2020	**856.3**	**451.8**	**96.4**	**322.1**	**12.6**	**8.1**	**1,747.3**	**36.7**	**16.6**	**11.6**	**-**	**1,812.2**
Accumulated Depreciation/Impairment												
At 31 March 2019												
- As previously reported	-	9.4	77.9	179.1	0.8	1.6	**268.8**	1.7	9.7	-	-	**280.2**
- Prior year adjustments	-	-	-	-	-	-	**-**	-	-	-	-	**-**

- As restated												
Disposals	-	(0.2)	-	-	-	-	**(0.2)**	-	-	-	-	**(0.2)**
Depreciation/amortisation	17.9	10.4	3.7	10.8	-	0.1	**42.9**	-	1.8	-	-	**44.7**
Depreciation writeback on revaluation												
- Recognised in the Revaluation Reserve	-	(6.4)	-	-	-	(0.1)	**(6.5)**	-	-	-	-	**(6.5)**
- Recognised in the Surplus/Deficit on the Provision of Services	-	(5.7)	-	-	-	-	**(5.7)**	-	-	-	-	**(5.7)**
Other Changes	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Accumulated Depreciation/Impairment at 31 March 2020	**17.9**	**7.5**	**81.6**	**189.9**	**0.8**	**1.6**	**299.3**	**1.7**	**11.5**	**-**	**-**	**312.5**
Net Book Value As at 31 March 2020	**838.4**	**444.3**	**14.8**	**132.2**	**11.8**	**6.5**	**1,448.0**	**35.0**	**5.1**	**11.6**	**-**	**1,499.7**
Net Book Value As at 31 March 2019	**751.4**	**454.6**	**13.9**	**136.0**	**15.8**	**16.5**	**1,388.2**	**34.3**	**5.3**	**11.6**	**-**	**1,439.4**

Non-Current Assets 2018-2019

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Property Plant and Equipment Subtotal	Investment Properties	Intangible Assets	Heritage Assets	Assets Held for Sale	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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**

Asset Disposals

The total net book value of assets disposed of in year was £22.4 million (2018-2019: £55.8 million). No assets were derecognised in respect of schools that have converted to Academies in 2019-2020 (2018-2019: £41.2 million).

Depreciation/Amortisation

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

Council Dwellings	Up to 30 years
Infrastructure assets	1-49 years
Surplus assets	1-49 years
Other buildings	1-57 years

Plant and equipment	1-45 years
Vehicles	1-7 years
Intangible assets	1-5 years

Revaluations

The Council has all property, plant and equipment assets required to be valued at current value and with a current Net Book value in excess of £1.0 million valued annually and carries out a rolling programme that ensures the remainder are revalued at least every five years. The Council seeks assurance for the assets not valued that there is no material change to their value. These valuations are accurate as of 31 March 2020. The valuations were carried out by external valuers. The housing stock valuation was carried out by the John Lang Lasalle while the other valuations were carried out by Bruton Knowles, registered RICS valuers, using the guidance and methodology set out in the following paragraphs.

The following statement shows the value of assets that have been revalued in the financial years 2015-2016 to 2019-2020.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Property Plant and Equipment Subtotal	Investment Properties	Intangible Assets	Heritage Assets	Assets Held for Sale	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Carried at Historical Costs			**14.8**	**132.2**	**11.8**	**0.4**	**159.2**		**5.1**	**11.6**		**175.9**
Valued at fair or nominal value as at:			-	-	-		**-**					-
31st March 2015		1.6	-	-	-	0.0	**1.6**	-				1.6
31st March 2016		0.8	-	-	-	0.1	**0.9**	-				0.9
31st March 2017		10.7	-	-	-	0.1	**10.8**	0.0				10.8
31st March 2018		11.1	-	-	-	-	**11.1**	-				11.1
Valued @ 31st March 2019	838.4	420.2	-	-		5.9	**1,264.5**	35.0	-	-		1,299.5
Total Cost or Valuation	**838.4**	**444.3**	**14.8**	**132.2**	**11.8**	**6.5**	**1,448.0**	**35.0**	**5.1**	**11.6**	**-**	**1,499.7**

Council Dwellings are valued every 5 years via a beacon valuation. A sample of beacons are revalued each year by the District Valuation Office and the portfolio is adjusted for the market forces.

In addition, a desktop review is carried out by the council's external valuers Brunton Knowles of the remaining assets not revalued in 2019-2020 to test for any material movement in market value.

Legislation and Guidance

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

Basis of Valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2019-2020, infrastructure, community assets, and assets under construction are valued at depreciated historical cost. All other classes of asset are measured at current value. For vehicles, plant, furniture and equipment current value is determined by depreciated historical cost due to the short useful life of these assets. The current value of Council dwellings is measured using existing use value (social housing). For all other asset classes, where there is no market-based evidence of current value, the Council estimates current value using the depreciated replacement cost approach. The following table describes the measurement basis used to determine the gross carrying value of each of the Council's classes of non-current assets.

Asset Class	Measurement Base
Council Dwellings	Current value based on existing use value (social housing) (EUV-SH).
Other Land and Buildings	Current value based on existing use value (EUV) or depreciated replacement cost (DRC) using the "instant build" approach if EUV cannot be determined.
Vehicles, Plant, Furniture and Equipment	Current value based on depreciated historical cost due to the short useful life of the asset.
Infrastructure Assets	Depreciated historical cost.
Community Assets	Depreciated historical cost and valuation.
Surplus Assets	Fair value estimated at highest and best use from a market participant's perspective using level 2 inputs.
Assets Under Construction	Depreciated historical cost.
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.

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 2020, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019-2020 and future years with an estimated total value of £39.6 million (31 March 2019: £60 million). The major commitments are: i9 (£12.9 million), Heath Town Regeneration (£10.2 million), Interchange (£3.2 million) and Civic and Wulfrun Halls (£2.2 million).

Investment Properties

During the year, the Council had £3.8 million of income receivable from investment properties (2018-2019: £3.6 million) and spent £595,000 on managing and maintaining those properties (2018-2019: £674,000). 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

There was no Impairments to non-current assets in 2019-2020.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £926.2 million at 31 March 2020 (31 March 2019: £893.4 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.

2018-2019 £m		2019-2020 £m
876.5	**Opening Capital Financing Requirement**	**893.4**
	Capital Investment	
86.7	Property, Plant and Equipment	90.2
0.9	Investment Properties	1.1
2.0	Intangible Assets	1.6
22.8	Revenue Expenditure Funded from Capital under Statute	37.0
7.0	WV Living Loans	26.6
	Sources of Finance	
(10.8)	Capital Receipts	(25.7)
(36.2)	Government Grants and other Contributions	(38.0)
-	Sums Set Aside from Revenue:	-
(18.9)	Direct Revenue Contributions	(19.7)
(36.6)	MRP/Loans Fund Principal	(40.3)

893.4	**Closing Capital Financing Requirement**	**926.2**
	Explanation of Movements in Year	
16.8	Increase in underlying need to borrow (unsupported by government financial assistance)	32.7
-	Assets acquired under finance leases	-
0.1	Assets acquired under PFI contracts	0.1
16.9	**Increase/(decrease) in Capital Financing Requirement**	**32.8**

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 £7.0 million which was a contribution rate of 16.48% from April 2019 to August 2019 and 23.68% from September 2019 to March 2020 (2018-2019: £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.

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:

2018-2019				2019-2020		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
£m	£m	£m		£m	£m	£m
			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT			
			Cost of Services:			
(37.3)	-	(6.2)	- Current Service Cost	(40.9)	-	(6.8)
-	-	-	- Past Service Costs	-	-	(0.9)
(9.6)	-	(2.3)	- Settlements and Curtailments	(2.3)	-	(0.1)
(0.5)	-	(0.1)	- Administration Expenses	(0.7)	-	(0.1)
			Financing and Investment Income and Expenditure:			
(14.0)	(1.3)	(0.9)	- Net Interest Cost	(12.9)	(1.1)	(0.9)
(61.4)	**(1.3)**	**(9.5)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(56.8)**	**(1.1)**	**(8.8)**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
46.5	1.3	3.3	- Remeasurements (Liabilities and Assets)	19.2	(0.4)	10.6
(14.9)	**-**	**(6.2)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(37.6)**	**(1.5)**	**1.8**
			MOVEMENT IN RESERVES STATEMENT			
(61.4)	(1.3)	-	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(56.8)	(1.1)	-
			Actual amount charged against the General Fund Balance for pensions in the year:			
56.6	-	3.9	- Employer's contributions payable to scheme	4.1	-	3.9
-	4.3	-	- Retirement benefits payable to pensioners	-	4.3	-
(4.8)	**3.0**	**3.9**	**Total Movement in Reserves**	**(52.7)**	**3.2**	**3.9**

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:

2018-2019		Assets	2019-2020	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
1,061.1	**153.0**	**Opening balance at 1 April**	**1,129.5**	**160.6**
27.4	3.9	Interest Income	26.6	3.9
12.7	1.8	Remeasurement Gain/(Loss)	(20.6)	(3.8)
56.6	3.9	Employer contributions	4.1	3.9
6.8	1.2	Contributions by scheme participants	7.0	1.2
(51.3)	(3.0)	Benefits paid	(52.8)	(4.0)
16.6	-	Settlements	0.4	-
(0.4)	(0.1)	Admin Expenses	(0.7)	(0.1)
1,129.5	**160.6**	**Closing balance at 31 March**	**1,093.5**	**161.7**

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 £45.7 million (2018-2019: Gain £40.1 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 £656.3 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, because:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme's actuary;

- Finance is only required to be raised to cover discretionary benefits when the pensions are paid.
- The Council works with the West Midlands Pension Fund to ensure that employer contributions are at a rate which is affordable, given current economic pressures which are being experienced by many local authorities. The Council has agreed a strategy with the Fund and its actuaries whereby the Future Services Contribution is determined based upon a percentage of the monthly payroll payment and the Past Service Deficit totalling £21.2 million (based on the 2019 triennial valuation) will be recovered over the period from 2020-2021 to 2022-2023.
- The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 are £29.4 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2021 are £1.9 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.

2018-2019					2019-2020			
Council			Subsidiary		Council			Subsidiary
Funded: LGPS	Unfunded: LGPS	Unfunded: Teachers	Funded: LGPS	Liabilities	Funded: LGPS	Unfunded: LGPS	Unfunded: Teachers	Funded: LGPS
£m	£m	£m	£m		£m	£m	£m	
(1,622.6)	**(21.7)**	**(57.4)**	**(190.6)**	**Opening balance at 1 April**	**(1,651.3)**	**(19.7)**	**(53.1)**	**(200.6)**
(37.3)	-	-	(6.2)	Current service cost	(40.9)	-	-	(6.8)
(41.1)	(0.4)	(1.3)	(4.8)	Interest cost	(39.2)	(0.4)	(1.1)	(4.8)
(6.8)	-	-	(1.2)	Contributions - participants	(7.0)	-	-	(1.2)
33.3	0.5	1.3	1.5	Remeasurement Gain/(Loss)	43.4	(3.6)	(0.4)	21.1
49.4	1.9	4.3	3.0	Benefits paid	50.9	1.9	4.3	4.0
(11.4)	-	-	(2.1)	Past service costs	-	-	-	-
(1.9)	-	-	(0.2)	Curtailments	(2.5)	-	-	(0.1)
(12.9)	-	-		Settlements	(0.3)	-	-	-
(1,651.3)	**(19.7)**	**(53.1)**	**(200.6)**	**Closing balance at 31 March**	**(1,646.9)**	**(21.8)**	**(50.3)**	**(188.3)**

2018-2019 LGPS Council £m	2018-2019 LGPS Subsidiary £m	Asset Category	2019-2020 LGPS Council £m	2019-2020 LGPS Subsidiary £m
667.6	95.0	Equities	622.5	92.0
108.5	15.4	Government Bonds	127.1	18.8
43.5	6.2	Other Bonds	45.7	6.8
95.9	13.6	Property	97.3	14.4
35.8	5.1	Cash/Liquidity	39.2	5.8
178.2	25.3	Other	161.7	23.9
1,129.5	**160.6**	**Total**	**1,093.5**	**161.7**

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 2019. The principal assumptions used by the actuary are set out in the following table.

2018-2019				2019-2020		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
			Mortality assumptions:			
			Longevity at 65 for current pensioners (years):			
20.9	20.9	20.9	- Men	21.9	21.9	21.9
23.2	23.2	23.2	- Women	24.1	24.1	24.1
			Longevity at 65 for future pensioners (years):			
22.6	n/a	22.6	- Men	23.8	n/a	23.8
25	n/a	25	- Women	26.0	n/a	26.0
2.4	2.5	2.4	Rate of inflation	1.9	1.9	1.9
3.9	n/a	3.9	Rate of increase in salaries	2.9	n/a	2.9
2.4	2.5	2.4	Rate of increase in pensions	1.9	1.9	1.9
2.4	2.2	2.4	Rate for discounting scheme liabilities	2.4	2.3	2.4

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2019			31 March 2020	
Local Government Pension Scheme £m	Discretionary Pension Scheme £m		Local Government Pension Scheme £m	Discretionary Pension Scheme £m
		Estimated Liabilities in Scheme		
(1,671.0)	(53.1)	City of Wolverhampton Council	(1,668.7)	(50.3)
(200.5)	-	Wolverhampton Homes Limited	(195.9)	-
(1,871.5)	**(53.1)**	**Total Liabilities**	**(1,864.6)**	**(50.3)**
		Estimated Assets in Scheme		
1,129.5	-	City of Wolverhampton Council	1,093.5	-
160.6	-	Wolverhampton Homes Limited	161.7	-
1,290.1	**-**	**Total Assets**	**1,255.2**	**-**
(581.4)	**(53.1)**	**Net Liabilities**	**(609.4)**	**(50.3)**

Impact on the Council's Future Cash Flows

The Council's arrangements with the West Midlands Pension Fund was subject to a triennial review in 2019 and covered pension payments for the period from 2020-2021 to 2022-2023; the agreed payments have been built into the budget and the authority's medium-term financial plans. In previous years, the Council has made annual advance payments of pension contributions to the Fund, in order to reduce the total costs; the Council will continue to explore options to accelerate contribution payments to secure additional savings. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 are £29.4 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2021 are £1.9 million.

Note 10 Financial Instruments

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

31 March 2019 Long-Term £m	31 March 2019 Current £m		31 March 2020 Long-Term £m	31 March 2020 Current £m
		Financial Assets Held at FVOCI		
24.7	-	Equity instruments – Birmingham Airport and WV Living Shareholding	15.5	-
24.7	**-**	**Total Financial Assets Held at FVOCI**	**15.5**	**-**
		Financial Assets Held at Amortised Cost		
1.3	-	Finance Leases	1.3	-
-	25.3	Investments	-	30.4
-	2.8	Cash and Cash Equivalents	-	2.0
-	53.2	Current Receivables	-	65.5
1.3	**81.3**	**Total Financial Assets Held at Amortised Cost**	**1.3**	**97.9**
		Financial Liabilities Held at Amortised Cost		
(738.4)	(13.3)	Borrowings	(725.8)	(17.8)
-	(72.2)	Current Payables	-	(76.7)
(12.5)	-	Debt arising from the County Council Reorganisation	(11.2)	-
(5.4)	-	Grant Receipts in Advance - Capital	(5.0)	-
(756.3)	**(85.5)**	**Total Financial Liabilities Held at Amortised Cost**	**(742.0)**	**(94.5)**
		Other Financial Liabilities		
(88.8)	(4.1)	PFIs	(88.2)	(0.2)
-	(5.5)	Current Payables	-	(21.9)
-	(9.4)	Provisions	-	(8.6)
(88.8)	**(19.0)**	**Total Other Financial Liabilities**	**(88.2)**	**(30.7)**

		Other Financial Assets		
-	(27.6)	Current Receivables		37.8
-	**(27.6)**	**Total Other Financial Assets**	**-**	**37.8**

10A Financial Assets Held at Amortised Cost - Investments

As at 31 March 2020, the Council was holding £28.3 million in money market funds and £2.1 million in a deposit account. The fair value of these investments is valued by calculating the net present value of cash flows that are expected to take place over the remaining life of the investments.

10B Lender Option Borrower Option loans (LOBOs)

The Council held the below LOBOs as at 31 March 2020

Date raised	Lender	Original Principal £m	Rate %	Maturity date	Step up details	Next Two Step-up Dates
Loans with No Step-Ups Remaining						
23/05/2002	Commerzbank AG	4.0	4.95	23/05/2066		
24/01/2003	Dexia Credit Local	5.0	4.26	26/07/2066		
30/01/2003	Dexia Credit Local	5.0	4.29	29/01/2066		
04/07/2003	Just Retirement Ltd	3.0	4.40	04/07/2066		
30/06/2004	Danske Bank	5.0	4.63	30/06/2066		
01/12/2004	Danske	5.0	4.81	01/12/2066		
08/10/2004	Commerzbank AG	7.0	4.60	10/04/2066		

Loans Still Subject to Step-Ups						
31/05/2006	Commerzbank AG	7.0	3.60	31/05/2066	31 May 2009 and each period of 5 years thereafter	31/05/2019 31/05/2024
31/07/2006	Commerzbank AG	7.0	3.60	31/07/2066	31 July 2010 and each period of 5 years thereafter	31/07/2020 31/07/2025
Loans Converted to Fixed Rate with effect from 30 June 2016						
30/03/2004	Barclays Bank	2.3	4.58	30/03/2066		
30/04/2004	Barclays Bank	2.5	4.58	28/04/2066		
31/08/2004	Barclays Bank	5.0	4.58	28/02/2066		
29/10/2004	Barclays Bank	5.0	4.58	28/04/2066		
13/10/2004	Barclays Bank	7.0	4.58	13/04/2066		
03/12/2004	Barclays Bank	2.0	4.39	05/06/2066		
23/05/2005	Barclays Bank	5.0	4.78	23/05/2066		
15/06/2005	Barclays Bank	5.0	4.78	15/06/2066		
04/07/2005	Barclays Bank	5.0	4.78	04/07/2066		
15/08/2005	Barclays Bank	5.0	4.39	15/02/2066		
15/09/2005	Barclays Bank	5.0	4.39	15/03/2066		

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

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

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

10C Leases and Lease-Type Arrangements

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

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.

2018-2019					2019-2020			
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
-	**1.0**	**-**	**3.5**	**Payable/receivable in the year**	**-**	**1.3**	**-**	**3.3**
-	1.1	-	3.3	Due within one year	-	1.0	-	3.1
-	1.8	-	11.4	Due in one to five years	-	1.4	-	10.6
-	-	5.9	21.7	Due after five years	-	0.8	5.9	13.2
-	**2.9**	**5.9**	**36.4**	**Total due in future years**	**-**	**3.2**	**5.9**	**26.9**

The figures included in Note 10C have been restated for 2018-2019, following the work undertaken in preparation of the new accounting standard yet to be adopted IFRS 16.

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

31 March 2019 £m		31 March 2020 £m
0.1	Vehicles, Plant, Furniture and Equipment	-

10D 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 a decrease of £9.2 million in the shareholding of the Council.

(Previously the shares were categorised as Level 2 in the Council's accounts as some of the inputs used to determine the valuation were observable. However, because some of the inputs are unobservable (i.e. a calculation of an earnings multiple using non-quoted information), these override the observable inputs and Level 3 should be used.)

No Active Market (Valuation)

	Input Level in Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	31 March 2019 £m	31 March 2020 £m
Birmingham Airport Holdings Ltd				
Ordinary Shares	Level 3	Earning based valuation	22.3	13.0
Preference Shares			1.5	1.5
Total			**23.8**	**14.5**

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

2019-2020	Unquoted Shares	Other	Total
	£m	£m	£m
Opening balance at 1 April	23.8	-	23.8
Transfers into Level 3	-	-	-
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	(9.3)	-	(9.3)
Additions	-	-	-
Disposals	-	-	-
Closing Balance 31 March	**14.5**	**-**	**14.5**

Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income

2019-2020	Fair value	Change in fair value during 2019-2020	Dividends received during 2019-2020
	£m	£m	£m
Birmingham Airport Holdings Ltd	14.5	(9.3)	1.4

10E Expected Credit Loss Provision

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

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

2018-2019 £m		2019-2020 £m
25.2	**Allowance for Expected Credit Losses Brought Forward**	**25.9**
(4.3)	Amounts Written-off During the Year	(2.8)
5.0	Increase in Allowance During the Year	6.7
25.9	**Allowance for Expected Credit Losses Carried Forward**	**29.8**

10F 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 £55.2 million. Over the remaining life of the project the commitments are:

	Payment for Services	Interest	Capital Expenditure/Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	0.5	1.1	0.3	**1.9**
Payable within two to five years	2.7	4.0	0.8	**7.5**
Payable within six to ten years	3.5	4.9	1.5	**9.9**
Payable within eleven to fifteen years	2.7	4.5	3.4	**10.6**
Payable within sixteen to twenty years	1.1	1.2	1.5	**3.8**
Total	**10.5**	**15.7**	**7.5**	**33.7**

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:

The currently liability for the Bentley Bridge PFI in 2019-2020 was £0.3m.

	Property, Plant and Equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2019	**10.4**	**(7.9)**	**2.5**
Depreciation/Revaluation	(0.3)	-	**(0.3)**
Capital Expenditure/Principal Redemption	-	0.3	**0.3**
Balance at 31 March 2020	**10.1**	**(7.6)**	**2.5**

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 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 £149.3 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services	Interest	Capital Expenditure/Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	5.7	0.4	1.6	**7.7**
Payable within two to five years	-	-	-	**-**
Total	**5.7**	**0.4**	**1.6**	**7.7**

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:

	Property, Plant and Equipment	Deferred Income	Liability	Total
	£m	£m	£m	£m
Balance at 31 March 2019	**3.3**	**(0.7)**	**(3.0)**	**(0.4)**
Depreciation/Revaluation	(0.3)	0.3	-	**-**
Capital Expenditure/Principal Redemption	-	-	1.5	**1.5**
Balance at 31 March 2020	**3.0**	**(0.4)**	**(1.5)**	**1.1**

	Property, Plant and Equipment	Deferred Income	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)**

The currently liability for the Waste Disposal PFI in 2019-2020 was £1.6m.

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 £199.1 million. Over the remaining life of the contract the estimated payments are:

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:

	Payment for Services	Interest	Capital Expenditure/Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	2.1	4.5	1.0	7.6
Payable within two to five years	9.2	16.8	4.5	30.5
Payable within six to ten years	12.3	17.6	9.7	39.6
Payable within eleven to fifteen years	16.3	10.0	13.8	40.1
Payable within sixteen to twenty years	8.6	2.2	10.2	21.0
Total	**48.5**	**51.1**	**39.2**	**138.8**

The currently liability for Highfields and Penn Fields PFI in 2019-2020 was £1.0m.

	Property, Plant and Equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2019	**12.1**	**(40.3)**	**(28.2)**
Depreciation	(4.3)	-	**(4.3)**
Capital Expenditure/Principal Redemption	-	1.0	**1.0**
Balance at 31 March 2020	**7.8**	**(39.3)**	**(31.5)**

	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)**

During 2015-2016 Highfields School converted to an academy and entered a 125-year lease with the Council. This lease has been recognised as a finance lease and, accordingly, the Highfields School has been derecognised as an asset of the Council. The remaining carrying asset value relates to Penn Fields Special School which has not converted to an academy. The terms of the PFI contract and level of unitary payment remains unchanged, however, during 2019-2020 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:

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

	Payment for Services	Interest	Capital Expenditure/Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	1.7	2.8	1.4	**5.9**
Payable within two to five years	7.1	10.5	6.3	**23.9**
Payable within six to ten years	10.4	11.4	9.2	**31.0**
Payable within eleven to fifteen years	13.4	8.8	10.4	**32.6**
Payable within sixteen to twenty years	18.7	5.8	10.0	**34.5**
Payable within twenty-one to twenty-five years	1.6	0.4	1.0	**3.0**
Total	**52.9**	**39.7**	**38.3**	**130.9**

The currently liability for St Matthias and Heath Park PFI in 2019-2020 was £1.4m.

	Property, Plant and Equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2019	**12.7**	**(39.6)**	**(26.9)**
Depreciation	(0.8)	-	**(0.8)**
Capital Expenditure/Principal Redemption	-	1.3	**1.3**
Balance at 31 March 2020	**11.9**	**(38.3)**	**(26.4)**

	Property, Plant and Equipment	Liability	Total
	£m	£m	£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)**

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 2019-2020 the Council received a contribution of £1.3 million from Heath Park Academy representing the balance of the unitary payment not funded by capital grants from Central Government.

10G Financial Liabilities at Amortised Cost

The table below shows the carrying values and fair values of loans held by the Council at the year end.

31 March 2019					31 March 2020			
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
(738.4)	(13.3)	(964.7)	(13.4)	Borrowings	(725.8)	(17.8)	(914.7)	(17.8)
(12.5)	-	(12.5)	-	Debts Arising from the County Council Reorganisation	(11.2)	-	(11.2)	-
(92.9)	-	(92.9)	-	PFIs	(88.4)	-	(88.4)	-

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.

10H Debt Arising from the West Midlands County Council Reorganisation

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

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

2018-2019					2019-2020			
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
-	-	37.0	**37.0**	Interest Expense	-	-	37.2	**37.2**
(0.9)	-	-	**(0.9)**	Interest Income	(1.9)	-	-	**(1.9)**
-	(0.1)	-	**(0.1)**	Gain or Loss on Valuation of Unquoted Equity Investment	-	9.3	-	**9.3**
(0.9)	**(0.1)**	**36.9**	**35.9**	**Net (Income)/Expense**	**(1.9)**	**9.3**	**37.2**	**44.6**

10J Reconciliation of Liabilities Arising from Financing Activities

	31 March 2019	Financing Cash Flows	Non-Cash Changes		31 March 2020
			Acquisition	Other Non-Cash Changes	
	£m	£m	£m	£m	£m
Long-Term Borrowings	(738.4)	12.6	-	-	(725.8)
Short-Term Borrowings	(13.3)	(4.5)	-	-	(17.8)
On Balance Sheet PFI Liabilities	(90.6)	4.1	-	-	(86.5)
Total Liabilities from Financing Activities	**(842.3)**	**12.2**	**-**	**-**	**(830.1)**

	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)**

10K Risks Arising from Financial Instruments

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

• Treasury Management Strategy

• Annual Investment Strategy

• Prudential and Treasury Management Indicators

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

Amounts Arising from Expected Credit Losses

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

	Short-Term Investments - Loans	Short-Term Investments - Loans	Financial Guarantee	Trade Receivables and Lease Receivables	Total
	12 Month Expected Credit Losses	Lifetime Expected Credit Losses (Credit Impaired)	Lifetime Expected Credit Losses (Not Credit Impaired)	Lifetime Expected Credit Losses (Simplified Approach)	
	£m	£m	£m	£m	£m
Opening balance as at 1 April 2019	**0.3**	**0.1**	**0.2**	**8.1**	**8.7**
Transfers:					
- Individual financial assets transferred to 12-month expected credit losses	-	-	-	-	-
- Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-
- Individual financial assets transferred to lifetime expected credit losses credit impaired	-	-	-	-	-
New financial assets originated or purchased	1.0	-	-	0.4	1.4
Amounts written-off	-	-	-	0.1	0.1
Financial assets that have been derecognised	-	-	-	-	-
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Other changes	-	-	-	-	-

Closing Balance as at 31 March 2020	**1.3**	**0.1**	**0.2**	**8.6**	**10.2**

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 2020 was £142.5 million (31 March 2019: £110.0 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 2019-2020 or 2018-2019.

Liquidity Risk Management

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

Analysis of External Borrowing Financial Liabilities by Maturity Date

2018-2019 £m	Time until Repayment	2019-2020 £m
8.0	Payable next year	12.5
29.8	Payable within two to five years	17.3
52.4	Payable within six to ten years	61.3
80.9	Payable within eleven to fifteen years	82.0
51.0	Payable within sixteen to twenty years	61.0
73.3	Payable within twenty-one to twenty-five years	77.3
69.5	Payable within twenty-six to thirty years	45.5
107.6	Payable within thirty-one to thirty-five years	127.6
61.6	Payable within thirty-six to forty years	41.6
78.0	Payable within forty-one to forty-five years	78.0
128.8	Payable within forty-six to fifty years	128.8
-	Payable within fifty-one to sixty years	-
740.9	**Total**	**732.9**

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 2019-2020, the Council's interest payable would have increased by £7.4 million, and its interest receivable would have increased by £359,000, 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.

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 £13.0 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.

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 2019-2020 (£39.5 million in 2018-2019). 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 £48.1 million in 2019-2020 (2018-2019: £47.0 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £6.7 million (2018-2019: £6.5 million). At the year end, Wolverhampton Homes Limited owed the Council £3.6 million (2018-2019: £3.3 million), and the Council owed Wolverhampton Homes Limited £7.9 million (2017-2018: £2.7 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 £9.4 million (2018-2019: £9.1 million) while payments by Yoo Recruit Ltd to the Council totalled £129,259 (2018-2019: £124,820).

At 31 March 2020, the amount owing to Yoo Recruit Ltd, included in current payables, was £622,725 (2018-2019: £538,439) while an amount, included in current receivables, of £126,529 (2018-2019: £113,864) was owed to the Council.

WV Living was formed as a wholly-owned subsidiary of the Council in 2016-2017. During 2019-2020 the company has incurred expenditure of £29.4 million, of which £1.4 million was borrowing costs (2018-2019: £8.4 million) and has stock assets of £26.0 million as at 31 March 2020 (£7.7 million at 31 March 2019). £0.9 million of expenditure relates to transactions with the Council (2018-2019: £0.7 million). Turnover in 2019-2020 was £8.7 million (2018-2019: £2.5 million), £2.2 million of this being transactions with the Council (2018-2019: £0.2 million). At the year-end WV Living owed the Council £27.5 million of which £26.5 million was loan financing and £1.0 million for services provided. (2018-2019: £7.4 million of which £7.0 million was loan financing and £0.4 million for services provided). The Council owed WV Living £0.8 million (2018-2019: £0 million). 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 in 2019-2020 and also in 2018-2019, for comparison.

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

The Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £1.539m in 2019-2020 (2018-2019: £1.699m). The amount outstanding in respect of these services at 31 March 2020 was £0.477m (2018-2019: £0.202m).

The Pension Fund was invoiced £2.496 million in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2019-2020 (2018-2019: £2.071 million). The amount outstanding in respect of these services at 31 March 2020 was £0.950 million (2018-2019: £0.370 million). Invoicing frequency changed from monthly to quarterly beginning with the quarter ended 31 March 2020 hence the larger amount outstanding at the end of 2019-2020.

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 2019-2020 totalled £147,469 (2018-2019: £81,798) and the reimbursement of associated utilities and maintenance charges for 2019-2020 totalled £30,695 (2018-2019: £8,021). In addition, West Midlands Pension Fund provided graphic design services to LGPS Central Limited for fees of £8,988 (2018-2019: £11,770).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2020 were £442,700 (2018-2019: £483,646).

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

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.

2018-2019 £m	Grant	2019-2020 £m
(19.1)	DSG Early Years Block	(16.8)
(29.0)	DSG High Needs Block	(30.9)
(65.6)	DSG Schools Block	(64.0)
(44.9)	Mandatory Rent Allowance	(34.1)
(46.1)	Mandatory Rent Rebates Subsidy	(36.3)
(34.3)	Top Up Grant	(26.2)
(20.8)	Public Health Grant	(20.2)
-	Business Rates Relief S31 Grant 2020-2021	(11.9)
-	COVID-19 Emergency Funding	(9.4)
(9.2)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(8.5)	Pupil Premium	(8.4)
(2.2)	Schools Basic Needs Grant	(1.9)
(3.9)	Additional Improved Better Care Fund	(1.9)
(8.2)	Business Rates Autumn Statement Compensation	(10.7)

(2.7)	New Homes Bonus	(2.1)
(0.2)	Section 31 - Department for Transport	-
(1.8)	Section 31 - Transport Highway Maintenance Fund	(1.8)
(0.4)	Section 31 - Transport Highway Maintenance Incentive Fund	(0.4)
(1.1)	Section 31 - Transport Pot Hole Action Fund	(0.1)
(1.2)	Section 31 - Transport Integrated Transport Block	(1.4)
-	SEND Special Provision Capital Fund	(1.2)
-	Teachers' Pension Employer Contributions Grant	(1.7)
(1.0)	AIM ERDF	-
(1.0)	Devolved Formula Funding	(0.4)
(1.2)	Homes England Development Grant	-
(1.1)	Business Rates Reconciliation Payment	(0.7)
(2.0)	DSG Central Services Block	(2.0)
(1.4)	SBRR Threshold Changes Grant linked to 2017-18 Revaluation	-
(2.3)	Head Start Wolverhampton	(1.4)
(1.2)	Levy Account Surplus Grant	(1.2)
(1.2)	Managing Short Trips - LGF	-
(3.0)	EFA FE +19	(1.1)
(3.3)	Disabled Facilities Grant	(3.1)
(1.8)	6th Form Funding	(1.4)
(2.0)	Housing & Council Tax Benefit Administration	(1.7)
(1.5)	Universal Infant Free School Meals	(1.2)
(0.9)	Troubled Families Grant	(1.5)
(0.9)	Adult Social Care Grant	(3.7)
(1.0)	Independent Living Fund Grant	(0.9)
(6.5)	Improved Better Care Fund	(11.0)
(1.0)	Discretionary Rent Allowances	(0.8)
(1.4)	Schools Condition Allocation (SCA)	(1.3)

(2.4)	Access to Growth - LGF	(1.3)
(1.4)	Winter Pressures Grant 2018-19	-
(3.5)	Interchange - LGF	-
(10.7)	Other Grants (each less than £1.0 million)	(13.1)
(352.9)	**Total**	**(338.4)**

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.

2018-2019			2019-2020	
Expenditure £m	Income £m	Entity and Nature of Relationship	Expenditure £m	Income £m
-	(1.3)	**Birmingham Airport Holdings Ltd** - The Council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. In 2019-2020 the Council received a preference dividend of £93,000, ordinary dividends of £1,238,000 and rental income of £67,000.	-	(1.4)
0.7	(0.3)	**ConnectEd Partnership Ltd** - 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.	0.5	(0.3)
0.5	(2.0)	**i54** - The Council is party to a joint arrangement with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	4.7	(7.3)
13.8	(0.1)	**Inspired Spaces Wolverhampton Ltd** - The Council is a 10% shareholder in this company.	13.9	(1.1)
		Entities in which Members/Senior Officers Have Declared an Interest and other Government Bodies:		
0.8	-	Amethyst Academies Trust	-	-

0.1	(0.3)	Base 25	-	-
0.2	-	Bilston Business Improvement District (BID)	0.2	-
0.2	-	Birmingham City Council	0.4	-
0.4	-	Black Country Consortium Ltd	0.3	(0.1)
0.4	-	Black Country Partnership NHS Foundation Trust	0.2	-
1.4	-	Bushbury Hill EMB Ltd	1.6	(0.4)
0.1	(0.2)	Central Learning Partnership Trust - Woden Primary School	0.2	(0.1)
0.6	(0.1)	City of Wolverhampton College	0.6	(0.1)
-	-	Croydon London Borough Council	0.2	-
1.1	-	Dovecotes Pendeford TMO	1.1	(0.1)
0.1	-	Dudley Group NHS Foundation Trust	0.1	-
0.9	(1.9)	Dudley Metropolitan Borough Council	1.3	(2.0)
0.1	(0.1)	Edward the Elder Academy	-	-
-	-	Her Majesty's Courts & Tribunals Service (HMCTS)	0.2	-
2.0	-	Hilton Main Construction Ltd	1.9	-
-	-	Home Office	-	(0.1)
-	-	Leeds City Council	0.1	-
-	-	Manor Multi Academy Trust T/A East Park Academy	0.4	(0.1)
-	-	Midcounties Co-op Ltd	0.4	-
0.4	-	New Park Village TMC	0.2	-
-	-	NHS England West Midlands	-	(0.2)
-	(0.1)	NHS Sandwell & West Birmingham CCG	-	-
-	(0.4)	NHS Stafford and Surrounds CCG	-	(0.1)
-	-	NHS South Worcestershire CCG	-	(0.1)
-	-	NHS Walsall CCG	-	(0.1)
37.5	(51.9)	NHS Wolverhampton CCG	46.2	(61.2)
-	-	Northern House PRU	0.4	-
0.1	(0.1)	Perry Hall Multi-Academy Trust - Woodthorne Primary School	0.1	(0.1)

-	-	Peterborough City Council	0.1	-
8.8	(0.4)	Royal Wolverhampton Hospitals NHS Trust	9.6	(0.2)
0.4	(0.1)	Sandwell Metropolitan Borough Council	0.5	(1.3)
0.5	(0.1)	Shropshire Unitary Authority	1.0	(0.1)
-	-	Smestow School Academy	0.1	(0.2)
-	(0.2)	Solihull Metropolitan Borough Council	-	(0.3)
0.4	-	Springfield Horseshoe Co-op/Burton Rd	0.2	-
-	-	St Bartholomew´s CE Multi Academy Trust	0.4	(0.1)
0.7	(0.5)	Staffordshire County Council	0.4	(0.4)
-	-	Telford & Wrekin Council	0.1	(0.1)
0.1	-	Tettenhall College	-	-
0.2	-	The Way Wolverhampton Youth Zone	0.3	-
-	-	University Hospital Birmingham NHS FT	0.1	-
0.1	-	Walsall Healthcare NHS Trust	0.2	-
0.3	(1.7)	Walsall Metropolitan Borough Council	0.3	(0.9)
-	-	Wednesfield High School Academy	-	(0.3)
0.9	(6.1)	West Midlands Combined Authority	1.3	(11.4)
3.9	-	West Midlands Fire Service	3.9	-
0.2	(0.1)	West Midlands Growth Company Ltd	0.3	-
10.3	-	West Midlands Integrated Transport Authority	10.3	-
4.7	(0.9)	West Midlands Pension Fund	4.1	(1.5)
8.1	-	West Midlands Police Service	9.8	(0.1)
0.4	-	Wolverhampton Bid Company Ltd	0.5	-
0.1	-	Worcestershire County Council	0.1	(0.1)
101.50	**(68.9)**		**118.8**	**(91.9)**

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.

2018-2019				2019-2020		
Income £000	Expenditure £000	Fund Value at 31 March 2019 £000	Fund Name and Purpose	Income £000	Expenditure £000	Fund Value at 31 March 2020 £000
-	-	(43)	**Springfield Reading Room -** in its capacity as trustee, the Council is authorised to apply income in various ways	(1)	-	(44)
(1)	-	(30)	**Greenway Benefaction - established** for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley	-	-	(30)
-	-	(17)	**Butler Bequest Music in the Parks - to** provide music in the parks	-	-	(17)
(52)	55	(29)	**Mayoral Registered Charity -** funds raised by the Mayor for their chosen local charities	(1)	30	-
-	-	(13)	**Monica Lloyd -** to provide assistance with further education	(1)	-	(14)
(1)	-	(27)	**Other smaller funds**	-	-	(27)
(54)	**55**	**(159)**	**Total**	**(3)**	**30**	**(132)**

Note 13 Reserves

13A Detailed Analysis of Movement in Reserves Statement:

2019-2020 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance £m	General Fund Earmarked Reserves £m	Total General Fund Balance £m	HRA Balance £m	Major Repairs Reserve £m	Usable Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m
Balance Brought Forward	**(10.0)**	**(58.6)**	**(68.6)**	**(7.0)**	**(0.7)**	**(8.9)**	**(4.4)**	**(89.6)**
	-	-	-	-	-	-	-	-
As restated	**(10.0)**	**(58.6)**	**(68.6)**	**(7.0)**	**(0.7)**	**(8.9)**	**(4.4)**	**(89.6)**
Surplus or Deficit on Provision of Services	**34.8**	**-**	**34.8**	**(78.5)**	**-**	**-**	**-**	**(43.7)**
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**34.8**	**-**	**34.8**	**(78.5)**	**-**	**-**	**-**	**(43.7)**
Net Increase/Decrease before Transfers & Other Movements	**24.8**	**(58.6)**	**(33.8)**	**(85.5)**	**(0.7)**	**(8.9)**	**(4.4)**	**(133.3)**

Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment and revaluation of non-current assets	(48.2)	-	**(48.2)**	57.0	(18.3)	-	-	**(9.5)**
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	0.7	-	**0.7**	-	-	-	-	**0.7**
Revenue Expenditure Funded from Capital under Statute	(34.8)	-	**(34.8)**	-	-	-	-	**(34.8)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(12.3)	-	**(12.3)**	(10.0)	-	-	-	**(22.3)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	9.6	-	**9.6**	11.7	-	(21.3)	-	**-**
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	**-**	-	-	-	-	**-**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(2.1)	-	**(2.1)**	-	-	-	-	**(2.1)**
Net Charges made for retirement benefits in accordance with IAS 19	(58.1)	-	**(58.1)**	-	-	-	-	**(58.1)**
Capital Expenditure charged in the year to the General Fund	1.8	-	**1.8**	-	-	-	-	**1.8**
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.2)	-	**(2.2)**	-	-	2.2	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	43.8	-	**43.8**	-	-	-	-	**43.8**
Transfers of HRA Balance	-	-	**-**	-	-	-	-	**-**
Capital grants and contributions unapplied credited to CIES	38.9	-	**38.9**	-	-	-	(38.9)	**-**
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	**-**	-	-	-	38.1	**38.1**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.9)	-	**(0.9)**	-	-	-	-	**(0.9)**
Capital Expenditure Financed from Usable Capital Receipts	-	-	**-**	-	-	25.7	-	**25.7**
Other income that cannot be credited to the General Fund	0.3	-	**0.3**	-	-	-	-	**0.3**
Revenue provision for the repayment of debt	21.7	-	**21.7**	19.9	-	-	-	**41.6**
Transfer of HRA Settlement Receipts to UCR	-	-	**-**	-	-	-	-	**-**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	**-**	-	17.9	-	-	**17.9**
Capitalisation under Section 16(2)(b) directive	(2.2)	-	**(2.2)**	-	-	-	-	**(2.2)**
Loan receipts transferred to Capital Adjustment Account	-	-	**-**	-	-	(8.0)	-	**(8.0)**
Adjustments between Accounting Basis & Funding Basis under Regulations	**(43.8)**	**-**	**(43.8)**	**78.6**	**(0.4)**	**(1.4)**	**(0.8)**	**32.1**

Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	6.0	(6.0)	-	-	-	-	-	-
Balance Carried Forward	**(13.0)**	**(64.6)**	**(77.6)**	**(6.9)**	**(1.1)**	**(10.4)**	**(5.2)**	**(74.2)**

2019-2020 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)	*Reserves of Subsidiaries*	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*	*£m*
Balance Brought Forward	**3.1**	**(17.3)**	**(393.2)**	**(1.0)**	**5.3**	**619.1**	**(156.6)**	**59.6**	**(30.2)**	***28.7***	***(1.5)***
	-	-	-	-	-	-	-	-	-	-	-
As restated	**3.1**	**(17.3)**	**(393.2)**	**(1.0)**	**5.3**	**619.1**	**(156.6)**	**59.6**	**(30.2)**	***28.7***	***(1.5)***
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43.7)**	***7.6***	***(36.1)***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	1.3	**1.3**	**1.3**	-	***1.3***
Gains on Available-for-Sale Financial Assets	-	9.2	-	-	-	-	-	**9.2**	**9.2**	-	***9.2***
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(18.9)	-	**(18.9)**	**(18.9)**	*(9.7)*	***(28.6)***
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**-**	**9.2**	**-**	**-**	**-**	**(18.9)**	**1.3**	**(8.3)**	**(52.1)**	***(2.1)***	***(54.2)***
Net Increase/Decrease before Transfers & Other Movements	**3.1**	**(8.1)**	**(393.2)**	**(1.0)**	**5.3**	**600.2**	**(155.3)**	**51.1**	**(82.2)**	**26.6**	***(55.6)***
Adjustments between Accounting Basis & Funding Basis under Regulations											

Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	6.8	-	-	-	2.7	**9.5**	**-**	-	**-**
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	-	-	(0.8)	-	-	-	-	**(0.8)**	**-**	-	**-**
Revenue Expenditure Funded from Capital under Statute	-	-	34.8	-	-	-	-	**34.8**	**-**	-	**-**
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	13.2	-	-	-	9.1	**22.3**	**(0.1)**	-	***(0.1)***
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	**-**	**(0.0)**	-	***(0.0)***
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	-	-	-	2.1	-	-	-	**2.1**	**-**	-	**-**
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	58.1	-	**58.1**	**-**	-	**-**
Capital Expenditure charged in the year to the General Fund	-	-	(1.8)	-	-	-	-	**(1.8)**	**-**	-	**-**
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	-	-	-	-	-	(43.8)	-	**(43.8)**	**-**	-	**-**
Transfers of HRA Balance	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(38.1)	-	-	-	-	**(38.1)**	**-**	-	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.9	-	-	-	-	-	-	**0.9**	**-**	-	**-**
Capital Expenditure Financed from Usable Capital Receipts	-	-	(25.7)	-	-	-	-	**(25.7)**	**-**	-	**-**
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	**(0.3)**	**-**	-	**-**
Revenue provision for the repayment of debt	-	-	(41.6)	-	-	-	-	**(41.6)**	**-**	-	**-**
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	**-**	**-**	-	**-**

Use of Major Repairs Allowance to Finance Capital Spend	-	-	(17.9)	-	-	-	-	**(17.9)**	**-**	-	**-**
Capitalisation under Section 16(2)(b) directive	-	-	2.2	-	-	-	-	**2.2**	**-**	-	**-**
Loan receipts transferred to Capital Adjustment Account	-	-	8.0	-	-	-	-	**8.0**	**-**	-	**-**
Adjustments between Accounting Basis & Funding Basis under Regulations	**0.9**	**-**	**(61.1)**	**2.1**	**-**	**14.3**	**11.8**	**(32.1)**	**(0.1)**	**-**	***(0.1)***
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	**-**	**-**	-	**-**
											-
Balance Carried Forward	**4.0**	**(8.0)**	**(458.1)**	**1.1**	**5.3**	**614.5**	**(143.5)**	**19.1**	**(82.2)**	**26.6**	***(55.6)***

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

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Balance	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward	**(10.0)**	**(55.8)**	**(65.8)**	**(7.0)**	**(0.4)**	**(4.2)**	**(3.4)**	**(80.8)**
As restated	**(10.0)**	**(55.8)**	**(65.8)**	**(7.0)**	**(0.4)**	**(4.2)**	**(3.4)**	**(80.8)**
			-					
Surplus or Deficit on Provision of Services	**99.0**	**-**	**99.0**	**(21.5)**	**-**	**-**	**-**	**77.5**
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**99.0**	**-**	**99.0**	**(21.5)**	**-**	**-**	**-**	**77.5**
Net Increase/Decrease before Transfers & Other Movements	**99.0**	**-**	**99.0**	**(21.5)**	**-**	**-**	**-**	**77.5**
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment and revaluation of non-current assets	(63.9)	-	**(63.9)**	-	(17.9)	-	-	**(81.8)**

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	(0.3)	-	**(0.3)**	(1.2)	-	-	-	**(1.5)**
Revenue Expenditure Funded from Capital under Statute	(19.1)	-	**(19.1)**	-	-	-	-	**(19.1)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(45.1)	-	**(45.1)**	(10.0)	-	-	-	**(55.1)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	3.5	-	**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**	-	-	-	-	**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)**	-	-	-	-	**(1.4)**
Net Charges made for retirement benefits in accordance with IAS 19	(62.8)	-	**(62.8)**	-	-	-	-	**(62.8)**
Capital Expenditure charged in the year to the General Fund	1.4	-	**1.4**	-	-	-	-	**1.4**
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.2)	-	**(2.2)**	-	-	2.2	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	36.6	-	**36.6**	-	-	-	-	**36.6**
Transfers of HRA Balance	-	-	**-**	-	-	-	-	**-**
Capital grants and contributions unapplied credited to CIES	37.2	-	**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**	-	-	-	-	**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**	-	-	-	-	**0.4**
Revenue provision for the repayment of debt	17.2	-	**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)**	-	-	-	-	**(3.7)**
Loan receipts transferred to Capital Adjustment Account		-	**-**	-	-	(2.2)	-	**(2.2)**
Adjustments between Accounting Basis & Funding Basis under Regulations	**(101.8)**	**-**	**(101.8)**	**21.5**	**(0.4)**	**(4.7)**	**(1.0)**	**(86.4)**
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)**	**(68.6)**	**(7.0)**	**(0.7)**	**(8.9)**	**(4.4)**	**(89.6)**

2018-2019 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)	*Reserves of Subsidiaries*	*TOTAL (Group)*
	£m	£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)**	***27.0***	***(38.7)***
	-	-	-	-	-	-	-	-	-	***(0.8)***	***(0.8)***
As restated	**3.6**	**(17.2)**	**(438.0)**	**(2.4)**	**5.3**	**640.7**	**(177.0)**	**15.0**	**(65.7)**	***26.2***	***(39.5)***
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**77.5**	***5.8***	***83.3***
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)**	*(3.3)*	***(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)**	**35.6**	**2.5**	***38.1***

Net Increase/Decrease before Transfers & Other Movements	**-**	**(0.1)**	**-**	**-**	**-**	**(47.8)**	**5.9**	**(41.9)**	**35.6**	***2.5***	***38.1***
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	78.8	-	-	-	3.2	**82.0**	**-**	-	**-**
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	-	-	1.5	-	-	-	-	**1.5**	**-**	-	**-**
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)	-	-	-	-	-	-	-	**-**	**-**	-	**-**
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	-	-	-	-	-	62.8	-	**62.8**	**-**	-	**-**
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	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	**-**	**-**	-	**-**
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	-	-	(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**	**-**	-	**-**
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**	**-**	**26.2**	**14.5**	**86.4**	**-**	**-**	**-**
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Balance Carried Forward	**3.1**	**(17.3)**	**(393.2)**	**(1.0)**	**5.3**	**619.1**	**(156.6)**	**59.6**	**(30.2)**	**28.7**	**(1.5)**

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 (£5.4 million), the Budget Contingency Reserve (£3.6 million), the Job Evaluation Reserve (£1.0 million) and the Budget Strategy Reserve (£7.6 million).

Capital	
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capital Grants Unapplied Account	The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Unusable Reserves

Revaluation Reserve	The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The reserve only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

	as it falls due from Council Tax and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Short-Term Accumulating Compensated Absences Account	The Short-term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement not yet used at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

13C Movement in Specific Earmarked Reserves

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

Balance at 31 March 2018 £m	Transfers Out £m	Transfers To £m	Balance at 31 March 2019 £m		Balance at 31 March 2019 £m	Transfers Out £m	Transfers To £m	Balance at 31 March 2020 £m
				Specific Earmarked Reserves				
(6.1)	0.4	(0.8)	(6.5)	Efficiency Reserve (Corporate)	(6.5)	1.1	-	(5.4)
(3.4)	0.6	(0.2)	(3.0)	Budget Contingency Reserve (Corporate)	(3.0)	3.8	(4.4)	(3.6)
(1.7)	-	-	(1.7)	Job Evaluation Reserve (Corporate)	(1.7)	0.7	-	(1.0)
(9.1)	-	-	(9.1)	Budget Strategy Reserve (Corporate)	(9.1)	1.5	-	(7.6)
				Other Earmarked Reserves				
(1.3)	-	(3.7)	(5.0)	Adult Services	(5.0)	4.3	(0.5)	(1.2)
(0.2)	-	(0.1)	(0.3)	Children's Services	(0.3)	-	(0.9)	(1.2)
(0.3)	0.1	(0.1)	(0.3)	City Assets and Housing	(0.3)	-	-	(0.3)
(3.1)	0.9	(1.0)	(3.2)	City Environment	(3.2)	1.1	(2.0)	(4.1)
(23.1)	7.8	(3.7)	(19.0)	Corporate	(19.0)	5.6	(16.1)	(29.5)
-	-	(2.2)	(2.2)	Finance	(2.2)	-	-	(2.2)
(0.5)	0.4	(1.2)	(1.3)	Public Health	(1.3)	0.7	-	(0.6)
(1.8)	0.2	(0.4)	(2.0)	Regeneration	(2.0)	0.2	-	(1.8)
(5.1)	3.7	(3.6)	(5.0)	Schools	(5.0)	1.3	(2.4)	(6.1)

(55.7)	**14.1**	**(17.0)**	**(58.6)**	**Total Earmarked Reserve**	**(58.6)**	**20.3**	**(26.3)**	**(64.6)**

Note 14 Notes to the Cash Flow Statement

14A Adjustment for Non-Cash Movements

2018-2019 Council £m	2018-2019 *Group £m*		2019-2020 Council £m	2019-2020 *Group £m*
0.2	*5.6*	(Decrease)/Increase in Inventories	(0.1)	*18.0*
14.2	*9.3*	(Decrease)/Increase in Current Receivables	29.8	*33.3*
(1.6)	*(0.1)*	Decrease/(Increase) in Current Payables	(22.7)	*(45.7)*
(48.1)	*(48.1)*	Depreciation, Amortisation and Impairment of Non-Current Assets	(44.3)	*(44.3)*
(35.1)	*(35.1)*	Revaluations of Non-Current Assets	35.5	*35.5*
(55.1)	*(55.1)*	Net Book Value on Disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	(22.2)	*(22.2)*
(62.8)	*(72.5)*	Net Charges made for retirement benefits in accordance with IAS 19	(58.1)	*(66.0)*
61.1	*65.0*	Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	19.1	*23.0*
5.2	*5.2*	Net Movement in Provisions	(0.6)	*(0.6)*
-	-	Non-Current Borrowing revaluation amounts	-	-
(122.0)	***(125.9)***		**(63.6)**	***(69.0)***

14B Adjustment for Items that are Investing and Financing Activities

2018-2019 Council £m	2018-2019 *Group £m*		2019-2020 Council £m	2019-2020 *Group £m*
15.5	*15.5*	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	*21.2*	*21.2*
37.2	*37.2*	Capital grants received	*42.7*	*42.7*
52.7	***52.7***		**63.9**	***63.9***

14C Net Cash Flows from Operating Activities

The cash flows from operating activities include the following items:

2018-2019			2019-2020	
Council £m	*Group £m*		Council £m	*Group £m*
37.0	*37.4*	Interest paid	37.2	*38.6*
(0.9)	*(0.9)*	Interest received	(1.9)	*(9.3)*
(1.3)	*(1.3)*	Dividends received	(1.3)	*(1.3)*
34.8	***35.2***		**34.0**	***28.0***

Note 15 Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-2020 financial year and its position at 31 March 2020. 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 2019-2020 and the Service Reporting Code of Practice 2019-2020, 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 noncurrent assets and financial instruments.

2. Group Accounts

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

3. Recognition of Income and Expenditure

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

- Revenue from the contracts with service recipients whether for the provision of goods or services is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Manual Accruals are only processed for amounts of £10,000 or more except where the expenditure is by schools or funded directly from external grants.

The above is in accordance with IFRS 15 'Revenue from Contracts with Customers' which became effective this financial year, superseding IAS 18 'Revenue'. IFRS 15 applies to all contracts with customers (apart from some exceptions which fall under the scope of other accounting standards e.g. leases, financial instruments, insurance contracts). The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The key difference between IFRS 15 and IAS 18 is that whereas IAS 18 focused on risks and rewards of ownership, IFRS 15 focuses on the satisfaction of performance obligations; IFRS 15 provides a standardised five-step model to recognise all types of revenue earned from customer contracts, whereas IAS 18 considers different recognition criteria for different types of income received. In transitioning from IAS 18 to IFRS 15, the Council has considered all of its revenue streams (including any potential staged receipts and receipts spanning financial years) across the group, however the Council does not believe there are any revenue streams that are materially impacted by IFRS 15.

4. Accounting for Council Tax

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Authority's General Fund or paid out from the Collection Fund to the

major preceptors. The amount credited to the General Fund under statute is an Authority's precept or demand for the year, plus or minus the Authority's share of the surplus/deficit on the Collection Fund for the previous year.

- The Council Tax income included in the Comprehensive Income and Expenditure Statement is the 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.

5. 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.

6. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

7. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

8. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

9. Charges to Revenue for Non-Current Assets

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

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

- Amortisation of intangible assets attributable to the service.

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

10. Employee Benefits

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

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

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

Post-Employment Benefits - Employees of the Council are members of 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:

- 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.

11. 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 2020, 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.

12. Financial Instruments

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

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

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

Financial Assets - Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are two main classes of financial assets measured at;

- Amortised costs
- Fair Value through Other Comprehensive Income (FVOCI)

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans the Council has made, the amount presented in the Balance Sheet is most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in other comprehensive income and expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the financial asset is derecognised. The fair value measurements of the financial assets are based on the following techniques:

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

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

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

When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from reserves to Surplus or Deficit on the Provision of Services as a reclassification adjustment.

Under accounting standard IFRS 9 'Financial Instruments', all assets previously held within the Available for Sale Financial Instruments reserve have been elected as Fair Value through Other Comprehensive Income. As a result of this all balances held within the reserve have been transferred into the newly created Financial Instruments Revaluation Reserve, shown in note 13D.

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.

14. Intangible Assets

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

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

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

15. Interests in Companies and Other Entities

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

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

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

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

16. Inventories

Inventories 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.

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.

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

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

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

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

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

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

The write-off value of disposals is not a charge against Council Tax, as the cost of non-current asset is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received.

21. Property, Plant and Equipment

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

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

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

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

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

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

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value;
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end. Assets with a Net Book value over £1 million are valued annually and other assets at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

Depreciation is calculated on the following bases:

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

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

Disposals and Non-Current Assets Held for Sale

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is required to be credited to the Capital Receipts reserve and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow (the capital financing requirement)). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

22. Private Finance 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.

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

25. Revenue Expenditure Funded from Capital under Statute

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

26. Value Added Tax

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

27. Pension Fund Accounts

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

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

28. Heritage Assets

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

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

29. Pension Guarantees

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

30. Pooled Budgets

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

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

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

None

Note 15B Critical Judgements Made When Applying the Accounting Policies

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

Group Accounts

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

WV Living was formed as a wholly-owned subsidiary of the Council in 2016-2017. As the impact on the group accounts are considered by the Council, to be material they have been consolidated in the Group Accounts. During 2019-2020 the company has incurred expenditure of £29.4 million, of which £1.4 million was borrowing costs (2018-2019: £8.4 million) and has stock assets of £26.0 million as at 31 March 2020 (£7.7 million at 31 March 2019). £0.9 million of expenditure relates to transactions with the Council (2018-2019: £0.7 million). Turnover in 2019-2020 was £8.7 million (2018-2019: £2.5 million), £2.2 million of this being transactions with the Council (2018-2019: £0.2 million).

Yoo Recruit Ltd was formed as a wholly-owned subsidiary of the Council in 2013-2014. The turnover of this company for 2019-2020 was approximately £10.1 million, of which £9.4 million was derived from the Council, with a net income after tax of £19,193. 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 not be material, they have not been consolidated in the Group Accounts.

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

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

Private Finance Initiative (PFI) Contracts

The Council provides services, via private sector partners, under a PFI or PFI-type 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 20152016. 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.

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 school on a case by case basis and considered the extent to which the Council has control over the school in respect to the employment of staff, governance arrangements, maintenance of the land and buildings and admissions, in order to assign them to one of the categories below.

Academy Schools – Academies are entirely separate entities to the Council and therefore the Council has no control over the operation of the school. Land and buildings are transferred to the academies through a standard 125-year lease. It is anticipated that these arrangements will continue and, therefore, substantially all associated risks and rewards of ownership are transferred. For Academy Schools the assets and liabilities are not consolidated into the City Council's balance sheet and the non-current assets are derecognised.

Voluntary Aided Schools – A separate trustee has substantial influence and control over the voluntary aided school. A Governing Body is appointed by the Trustee to manage the school's operation and maintenance. In Wolverhampton, the relevant trustees are The Archdiocese of Birmingham and the Diocese of Lichfield. Since the Council does not have substantial control over these schools the related assets are not consolidated in the balance sheet.

Voluntary Controlled Schools – It is determined that the Council has substantial control over these schools since the Council determines the admission criteria and maintains the land and buildings. The assets relating to Voluntary Controlled Schools are, therefore, consolidated in the balance sheet of the Council.

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 2020 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 £32.8 million	*Decrease of £36.9 million*
Rate of Inflation 0.1% p.a. higher	Increase of £31.0 million	*Increase of £34.7 million*
Rate of increase in salaries 0.1% p.a. higher	Increase of £2.6 million	*Increase of £3.3 million*
Life expectancy of scheme members 1 year higher	Increase of £76.9 million	*Increase of £84.1 million*

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 RICS registered valuers. The housing stock is valued by JLL and the remaining assets by Bruton Knowles.

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.

1% fluctuation in council dwellings and other land and buildings values would amount to a £12.8m movement in Property Plant and Equipment balance shown on the Balance Sheet.

Material valuation uncertainty due to Novel Coronavirus (Covid–19)

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. As at the valuation date, our valuers consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base judgement. Their valuations are therefore reported on the basis of “material valuation uncertainty”’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to these

valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, the Council will be keeping the valuation of the portfolio under frequent review.

Arrears

At 31 March 2020, the Council had a receivables balance, before the expected credit loss allowance, of £82.3 million. An allowance has been made against these receivables based on the age of the debt outstanding, historical collection rates and consideration of future collection rates. Given the current economic climate surrounding Covid-19, the Council undertook extra in-depth analysis, both at category level (e.g. trade debtors, care, housing benefits) and at individual debtor level, to ensure a prudent allowance was reached. As a result, the expected credit loss allowance for 2019-20 is £29.8 million (2018-2019: £25.9 million) – no special provision for Covid-19 has been applied to the Council's general allowance, due to insufficient data with which to make a reasonable estimate of any potential impact, however a 10% allowance has been applied to the Collection Fund allowance, as this is considered to be the area most likely to be affected.

Given the uncertainty and insufficient data, 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

Accounting changes that are introduced by the 2020-2021 code are:

- **Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures**
  Clarifies that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- **Annual Improvements to IFRS Standards 2015–2017 Cycle**
  Makes amendments to the following standards:
  - IFRS 3 and IFRS 11 – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - IAS 12 – The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax

consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

  - IAS 23 – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

- **Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement**

  The amendments are:

  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
  - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The council will review these during 2020-2021 and implement any necessary changes.

Note 15E Deferral of the Implementation of IFRS 16 – Leases

The IASB published IFRS 16 *Leases* in January 2016 with an effective date of 1 January 2019. The new standard requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. In light of Covid-19 pressures, the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 for one year. This will mean the effective date for implementation is now 1 April 2021. The Council has already undertaken extensive work in preparation for this change and estimates that assets and liabilities on the balance sheet will increase by c.£2.8 million. There will also be a c.£24,000 increase on the CIES as rent expenses are replaced with depreciation and interest expense.

Housing Revenue Account Income and Expenditure Statement

2018-2019 £m		Note	2019-2020 £m
(88.8)	Gross Rents - Dwellings		(88.8)
(0.8)	Gross Rents - Non-Dwellings		(0.6)
(5.8)	Charges to Tenants for Services and Facilities		(6.3)
-	Contributions		-
(95.4)	**Total Income**		**(95.6)**
25.4	Repairs and Maintenance		25.4
19.3	Supervision and Management		20.0
0.3	Rents, Rates and Taxes		0.4
1.4	Increase in Allowance for Bad Debts		1.3
-	Contribution to Capital Financing		0.5
17.9	Depreciation of Property, Plant and Equipment	H1	18.3
1.2	Revaluation/impairment of Property, Plant and Equipment	H2	(56.9)
65.5	**Total Expenditure**		**9.0**
(29.9)	**Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement**		**(86.6)**
0.2	HRA Share of Corporate and Democratic Core		0.2
(29.7)	**Net Cost of HRA Services**		**(86.4)**
-	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		-
(2.0)	(Gain) on Sale of Property, Plant and Equipment		(1.7)
-	(Gain) on the Fair Value of Investment Assets		-
10.3	Interest Payable		9.7
(0.1)	Interest and Investment Income		(0.1)
(21.5)	**(Surplus)/Deficit for the Year**		**(78.5)**

Movement on the Housing Revenue Account Balance Statement

2018-2019 £m		Note	2019-2020 £m
(7.0)	**Opening HRA Balance**		**(7.0)**
	(Increase)/Decrease in the HRA balance for the year analysed between:		
(21.5)	- (Surplus)/Deficit for the year on the Income and Expenditure Account		(78.5)
21.5	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	H3	78.5
-	**(Increase)/Decrease in the HRA balance for the year**		**-**
(7.0)	**Closing HRA Balance**		**(7.0)**

Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2018-2019 £m		2019-2020 £m
17.5	Council Dwellings	17.9
0.4	Other Land and Buildings	0.4
-	Vehicles, Plant, Furniture and Equipment	-
17.9	**Total Depreciation Charge for the Year**	**18.3**

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

Note H2 – Revaluation

2018-2019 £m		2019-2020 £m
1.5	Council Dwellings	56.9
(0.2)	Other Land and Buildings	-
1.3	**Total Revaluation/Impairment Charge for the Year**	**56.9**

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

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

2018-2019 £m		Note	2019-2020 £m
21.5	**Net additional amount required to be debited or credited to the HRA Balance**		**78.5**
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
12.0	Net Gain on Sale of Property, Plant and Equipment		11.7
(1.2)	Impairment/revaluation of Property, Plant and Equipment	H2	56.9
-	Capital Expenditure Funded by the HRA		(0.1)
(10.0)	Net Gain / (Loss) on the Fair Value of Investment Assets		(9.9)
0.8	**Sub Total**		**58.6**

	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
-	HRA Share of Contribution to Pension Reserve	H4	-
-	Adjustment for Premiums and Discounts		-
20.7	Amount Set Aside for the Repayment of Debt		19.9
-	Transfer to/(from) Earmarked Reserves		-
20.7	**Sub Total**		**19.9**
21.5	**Total**		**78.5**

Note H4 – Contribution to the Pension Reserve

Retirement benefits are offered to employees by the Council as part of the terms and conditions of employment. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments. This commitment needs to be disclosed at the time that employees earn their future entitlement. The pension reserve reflects the projected shortfall in the amount which may need to be provided in the future to current employees of the Housing Revenue Account. Further details on this may be found in Note 9 to the Core Financial Statements.

Note H5 – Housing Stock

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

31 March 2019		31 March 2020
4,827	Low Rise Flats	4,843
2,882	Medium Rise Flats	2,881
2,109	High Rise Flats	2,115
12,177	Houses and Bungalows	12,087
21,995	**Total Dwellings Owned by the Council**	**21,926**
14	Homeless Dwellings (Leased)	14
22,009		**21,940**

Note H6 – Housing Revenue Account Property, Plant and Equipment

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

31 March 2019 £m		31 March 2020 £m
751.5	Council Dwellings	838.4
11.8	Other Land and Buildings	15.2
-	Vehicles, Plant, Furniture and Equipment	-
-	Intangible Assets	-
763.3	**Total Property, Plant and Equipment**	**853.6**

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2020 (at 1 April 2016 prices) amounted to £2,056.6 million (31 March 2019: £1,858.9 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.

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.

2018-2019 £m		2019-2020 £m
	Sources of Funding	
(19.2)	Borrowing	(27.4)
(4.5)	Usable Capital Receipts	(12.1)
(17.5)	Major Repairs Reserve	(17.9)
(1.6)	Government and EU Grants	(0.1)
-	Financed from revenue account	(0.5)
-	Other Contributions	(0.3)
(42.8)	**Total Capital Expenditure**	**(58.3)**

Capital receipts generated during 2019-2020 from the disposal of HRA assets are detailed in the following table.

2018-2019 £m		2019-2020 £m
(11.6)	Sale of Council Houses (including Right-to-Buy)	(11.0)
(0.4)	Sale of Other Land and Buildings	(0.6)
-	Repaid Discounts	(0.1)
(12.0)	**Total Capital Receipts**	**(11.7)**

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

2018-2019 £m		2019-2020 £m
2.2	Paid over to Government	2.2
(14.2)	Available to Finance Capital Expenditure	(13.9)
(12.0)	**Total Capital Receipts**	**(11.7)**

Note H9 – Rent Arrears

During 2019-2020, 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 2018-2019. The comparative total figures are shown in the following table.

31 March 2019 £m		31 March 2020 £m
1.8	Current Tenants	2.4
0.8	Former Tenants	1.3
2.6	**Total Arrears**	**3.7**

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

2018-2019 £m		2019-2020 £m
1.9	**Allowance for Bad and Doubtful Debts Brought Forward**	**2.4**
(0.9)	Amounts Written Off during the Year	(0.5)
1.4	Increase in Allowance Charged to the HRA during the Year	1.3
2.4	**Allowance for Bad and Doubtful Debts Carried Forward**	**3.2**

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.

2018-2019 £m		2019-2020 £m
(0.2)	**Balance Brought Forward**	**(0.2)**
(17.5)	Transfer of MRA from the Capital Adjustment Account	(17.9)
17.5	Capital Expenditure on Land and Property in the HRA	17.9
(0.2)	**Balance Carried Forward**	**(0.2)**

The Collection Fund Statement

2018-2019 £m		Note	2019-2020 £m
	Deficit/(Surplus) Brought 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)**
	Income		
(111.6)	Council Tax	C1	(119.5)
(72.2)	Non-Domestic Rates	C2	(74.7)
0.1	Transition Protection Payments - NDR		(0.1)
(183.7)	**Total Income**		**(194.3)**
	Expenditure		
	Precepts and Demands		
97.0	City of Wolverhampton Council		103.5
8.1	West Midlands Police and Crime Commissioner		9.7
3.7	West Midlands Fire and Rescue Authority		3.9
108.8			**117.1**
	Non-Domestic Rates		
-	Central Government		-
0.7	West Midlands Fire and Rescue Authority		0.7
72.9	City of Wolverhampton Council		72.9
0.3	Cost of Collection Allowance		0.3
73.9			**73.9**
	Distribution of Council Tax Surplus/ (Payment of Deficit)		
0.8	City of Wolverhampton Council		1.0

0.1	West Midlands Police and Crime Commissioner		0.1
-	West Midlands Fire and Rescue Authority		-
0.9			**1.1**
	Distribution of Business Rates Surplus/(Payment of Deficit)		
1.0	City of Wolverhampton Council		(1.1)
(2.7)	Central Government		-
-	West Midlands Fire and Rescue Authority		-
(1.7)			**(1.1)**
	Allowance for Bad and Doubtful Debts		
1.7	Council Tax		3.1
1.1	Non-Domestic Rates		1.2
2.8			**4.3**
(1.9)	Provision for appeals		1.1
182.8	**Total Expenditure**		**196.4**
(0.9)	**Deficit/(Surplus) for the Year**		**2.1**
	Deficit/(Surplus) Carried Forward		
(0.9)	City of Wolverhampton Council		1.1
(0.1)	West Midlands Police and Crime Commissioner		-
-	West Midlands Fire and Rescue Authority		-
0.3	Central Government		0.3
(0.7)			**1.4**

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	88.07	5/9	48.93	762.59	1,016.78
A	34,866.59	6/9	23,244.39	915.10	1,220.14
B	18,822.27	7/9	14,639.54	1,067.62	1,423.50
C	14,233.76	8/9	12,652.23	1,220.14	1,626.85
D	6,121.01	9/9	6,121.01	1,372.66	1,830.21
E	2,754.94	11/9	3,367.15	1,677.69	2,236.92
F	1,551.34	13/9	2,240.83	1,982.72	2,643.63
G	907.84	15/9	1,513.07	2,287.76	3,050.35
H	84.65	18/9	169.29	2,745.31	3,660.42
	79,430.47		**63,996.44**		

Note C2 – Non-Domestic Rates

The Council collects National Non-Domestic Rates (NNDR) 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.

The total non-domestic rateable value was £196.2 million as at 31 March 2020 (£194.8 million as at 31 March 2019). The national multipliers for 2019-2020 were 49.1p for qualifying small businesses, and the standard multiplier was 50.4p for all other businesses (48.0p and 49.3p respectively in 2018-2019).

West Midlands Pension Fund Statement

Fund Account

2018-2019 £m		Note	2019-2020 £m
	Contributions & Benefits		
(272.7)	Contributions Receivable	**P8**	(353.2)
(43.5)	Transfers In	**P9**	(31.2)
(14.5)	Other Income	**P10**	(14.3)
(330.7)	**Total Contributions & Other Income**		**(398.7)**
589.7	Benefits Payable	**P11**	637.8
37.3	Payments To & On Account of Leavers	**P12**	40.0
4.4	Other Payments		0.9
631.4	**Total Benefits & Other Expenditure**		**678.7**
300.7	**Net additions/(withdrawals) from dealings with members**		**280.0**
87.4	**Management Expenses**	**P13**	**91.5**
	Transfer in of WMITA Fund at market value		**(491.7)**
	Returns on Investments		
237.9	Investment Income	**P14**	(178.2)
(0.7)	Taxes on Income		-
445.2	Changes in Value of Investments	**P16**	745.1
-	Revaluation of bulk annuity insurance buy-in contract		(20.7)
(682.4)	**Net Return on Investments**		**546.2**
(294.3)	**Net (Increase)/Decrease in the Fund During the Year**		**426.0**
(15,419.8)	**Net Assets of the Fund at the Beginning of the Year**		**(15,714.1)**
(15,714.1)	**Net Assets of the Fund at the End of the Year**		**(15,288.1)**

Net Asset Statement

2018-2019 £m		Note	2019-2020 £m
	Investment Assets (at Market Value)	**P15**	
339.8	Bonds		494.0
40.0	UK Equities		28.9
1,301.3	Overseas Equities		1,408.8
11,481.8	Pooled Investment Vehicles		10,869.9
980.7	Property		965.1
20.7	Derivatives - Futures		11.7
1.0	Derivatives - Forward Foreign Exchange		-
690.6	Foreign Currency Holdings		582.5
821.8	Cash Deposits		569.6
51.8	Other Investment Assets		75.8
0.5	Outstanding Dividend Entitlement & Recoverable With-Holding Tax		7.0
15,730.0	**Investment Assets**		**15,013.3**
	Investment Liabilities (at Market Value)	**P15**	
(2.8)	Derivatives - Forward Foreign Exchange		(76.8)
(152.1)	Other Investment Liabilities		-
(154.9)	**Investment Liabilities**		**(76.8)**
15,575.1	**Net Investment Assets**		**14,936.5**
-	**Bulk annuity insurance buy-in contract**	**P17**	**229.4**
113.7	**Long-Term Debtors**	**P19**	**14.5**
47.3	**Current Assets**	**P20**	**132.4**
(22.0)	**Current Liabilities**	**P21**	**(24.7)**
15,714.1	**Net Assets of the Fund at the End of the Year**		**15,288.1**

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

The notes form part of these financial statements.

Notes to the Pension Fund Statements

Note P1 – General

The description in this note is a high-level summary of the Fund's activities and more detail is available in the Fund's Annual Report which can be found on its website.

West Midlands Pension Fund is part of the Local Government Pension Scheme and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region together with employees of scheduled and admitted bodies. At 31 March 2020, the Fund had 704 participating employers and 333,934 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 2019 No		31 March 2020 No
121,035	Active Members	117,950
95,991	Pensioner Members	104,045
106,769	Deferred Members	111,939
323,795	**Total**	**333,934**

In 2019-2020, following the enactment of UK Statutory Instrument 2019 No. 1351 ("the Local Government Pension Scheme (West Midlands Integrated Transport Authority Pension Fund and West Midlands Pension Fund Merger) Regulations 2019, all the assets and liabilities of the former West Midlands Integrated Transport Authority Pension Fund (WMITA) transferred to West Midlands Pension Fund. For any person for whom the appropriate Administering Authority had been, or would have been, the West Midlands Combined Authority, the appropriate

Administering Authority became Wolverhampton City Council. The regulations effecting this change came into full legal force on 8 November 2019 but with retrospective effect in a legal and accounting sense from 1 April 2019 (the "merger date" cited in the legislation).

The Fund's membership numbers at 31 March 2020 as reported above include the following as a result of the merger with the WMITA Fund: active members 272, pensioner members 4,044 and deferred members 580.

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 2019-2020. Membership of the Committee and Board can be found on the City of Wolverhampton Council website: http://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1

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

(i) The Local Government Pension Scheme Regulations 2013 (as amended)
(ii) 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 2020. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2019-2020 contribution rates was conducted at 31 March 2016. Employer contribution rates during 2019-2020 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 LGPS 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 (WMPF) and the West Midlands Integrated Transport Authority Pension Fund (now merged with WMPF), received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional investment asset pool went live on 1 April 2018.

As at 31 March 2020, WMPF had assets of £5,318m managed in LGPSC sub-funds comprising £5,217m managed through Authorised Contractual Scheme (ACS) sub-funds and a further £101m managed through a Scottish Limited Liability Partnership vehicle.

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

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

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019-2020 financial year and its financial position as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020 (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.

As disclosed above, during 2019-2020 all assets and liabilities of the former West Midlands Integrated Transport Authority Pension Fund transferred to the West Midlands Pension Fund and transactions occurring after that date (on an accruals basis) are attributable to WMPF. The relevant assets and liabilities have been treated in these accounts as having been transferred at the values applicable on the "merger date" 1 April 2019. The Fund Account for 2019-2020 therefore includes:

- a transfer (shown separately) of the total market value of WMITA as at 1 April 2019 including accrued income and expenses at that date.
- all income and expense transactions related to the former WMITA Pension Fund since 1 April 2019 shown on a consolidated basis.

The transfer value of the WMITA Fund shown in these accounts is based on the Net Assets Statement in the audited accounts of the WMITA Fund for the year to 31 March 2019. The audit was performed by Grant Thornton LLP and their audit report was signed in July 2019.

The accounts have been prepared on a going concern basis.

Note P3 - Statement of Accounting Policies

A. Fund Account

In the Fund Account, income and expenditure are accounted for in the year in which they accrue by the creation of payables and receivables at the year-end where necessary. 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 & 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 2020, 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. Investment income arising from the underlying investments of pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the relevant unit price and reported within 'Change in Market Value'.

iv) Property-Related Income

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

v) Changes in the Value of Investments

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

vi) Stock Lending Income

Stock lending income is accounted for on a cash basis.

E. Taxation

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

F. Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2020. 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 2020, cost is still 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 & 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 2020. 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 2020.

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 2020.

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.

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 Assurance Company Limited and, following its assumption of the former Equitable Life business on 1 January 2020, Utmost Life and Pensions as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount

held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note P22).

The AVC arrangements pertaining to the former WMITA Fund have transferred to West Midlands Pension Fund under the merger. These arrangements with Prudential Assurance Company Limited and Utmost Life and Pensions Limited operate on the same basis as described above and will continue to be provided within the West Midlands Pension Fund.

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 2020 was £1,203.3 million (£1,010.4 million at 31 March 2019).

Bulk annuity insurance buy-in contract

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

The bulk annuity insurance buy-in contract is included in the Net Assets Statement as an asset and is valued at year end by the Actuary.

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 for Year Ended 31 March 2020	Approx % Increase in Liabilities	Approx Monetary Value £m
0.5% per annum decrease in discount rate	11%	2,481.9
1-year increase in member life expectancy	4%	993.5
0.5% per annum increase in salary increase rate	1%	227.0
0.5% per annum increase in CPI inflation	10%	2,253.6

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 £3,469.4m at 31 March 2020 (£3,401.1m at 31 March 2019). 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 general, the Fund applies a maximum deficit recovery period of 20 years. The aim is to achieve 100% solvency over the period and to provide stability in employer contribution rates.

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the report dated 31 March 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:

Future Service Rate (1% of Pay) Plus Lump Sum (£)	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
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

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 Minimum Pension)	2.4% per annum	2.6% per annum

The assets were assessed at market value.

The latest triennial actuarial valuation of the Fund was completed at 31 March 2019 and this was conducted by the Fund's Actuaries, Barnett Waddingham. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020. The 31 March 2019 Actuarial Valuation report can be found on the Fund's website.

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

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

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

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.40% per annum	2.35% per annum
Rate of pay increases	3.90% per annum	2.90% per annum
Rate of increases in pensions in payment (in excess of Minimum Pension)	2.40% per annum	1.90% per annum

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £22,591.3 million. The effect of the changes in actuarial assumptions between 31 March 2019 and 31 March 2020 as described above is to reduce the liabilities by £2,428.9 million. Adding interest over the year increases the liabilities by a further £536.5 million and allowing for net benefits accrued/paid over the period increases the liabilities by £187.8 million which includes any increase arising as a result of early retirements/augmentations. There is an increase of £1,003.5 million as a result of allowing for actual experience or outcomes which, where different in hindsight, to that assumed previously and, a change in mortality rates assumptions increases liabilities by a further £658.3 million. The merger with the WMITA Fund adds £543.3 million to liabilities.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £23,091.8 million.

Note P7 – Taxation

1. Value Added Tax (VAT)

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

2. Taxation of Overseas Investment Income

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

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

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

Note P8 - Contributions Receivable

Contributions Receivable by Type

2018-2019 £m		2019-2020 £m
	From Employers	
105.3	Contributions	170.3
40.2	Past Service Deficit	42.6
-	Augmented Membership	-
24.2	Additional Cost of Early Retirement	19.2
169.7		**232.1**
	From Members	
102.3	Basic Contributions	120.5
0.7	Additional Contributions	0.6
103.0		121.1
272.7	**Total Contributions**	**353.2**

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 2017-2018. The lump sums paid by the seven councils and accounted for in 2017-2018 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 2018-2019 and 2019-2020 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

2018-2019 £m		2019-2020 £m
54.8	Administering Authority	9.1
190.0	Scheme Employers	300.4
27.9	Admitted Employers	43.7
272.7	**Total**	**353.2**

Note P9 – Transfers In

2018-2019 £m		2018-2019 £m
14.9	Group Transfers	-
28.6	Individual Transfers	31.2
43.5	**Total**	**31.2**

Analysis of transfer value from West Midlands Integrated Transport Authority Pension Fund

	1 April 2019 £m
Investments transferred in specie	263.5
Bulk annuity insurance buy-in contract	224.5
Cash deposits	3.9
Current assets	0.6
Current liabilities	(0.8)
Total	**491.7**

Note P10 – Other Income

2018-2019 £m		2019-2020 £m
	Benefits Recharged to Employers	
(7.7)	Compensatory Added Years	(7.4)
(6.8)	Pensions Increases	(6.9)
(14.5)	**Total**	**(14.3)**

Note P11 – Benefits Payable

Benefits Payable by Type

2018-2019 £m		2019-2020 £m
	Pensions	
434.7	Retirement Pensions	485.9
29.2	Widows' Pensions	30.0
1.0	Children's Pensions	1.0
5.5	Widowers' Pensions	6.1
0.2	Ex-Spouses' Pensions	0.2
0.2	Equivalent Pension Benefits	0.2
0.3	Co-Habiting Partners' Pensions	0.5
471.1	**Total Pensions**	**523.9**
	Lump Sum Benefits	
106.0	Retirement Allowances	100.0
12.6	Death Grants	13.9
118.6	**Total Lump Sum Benefits**	**113.9**
589.7	**Total Benefits Payable**	**637.8**

Benefits Payable by Type of Employer

2018-2019 £m		2019-2020 £m
49.8	Administering Authority	51.5
490.6	Other Scheduled Employers	507.2
49.3	Admitted Employers	79.1
589.7	**Total Benefits Payable**	**637.8**

Note P12 – Payments to and on Account of Leavers

2018-2019 £m		2019-2020 £m
32.7	Individual Transfers	37.6
1.9	Refunds of Contributions	2.4
0.1	State Scheme Pensions	-
2.6	Bulk Pension Transfer Increases	-
37.3	**Total**	**40.0**

Note P13 – Management Expenses

2018-2019 £m	2018-2019 £m		2019-2020 £m	2019-2020 £m
	5.1	Administrative Costs		6.0
	79.9	Investment Management Expenses, comprising:		82.6
47.5		- Management Fees	52.1	
13.0		- Performance Related Fees	12.0	
15.2		- Transactions Costs	14.2	
0.4		- Custody Fees	0.3	
3.8		- LGPS Central Limited	4.0	
	2.4	Oversight & Governance Costs		2.9
	-			-
	87.4	**Total Management Costs**		**91.5**

Included in administrative costs of £6.0m above are external audit fees of £72,930 (2018-2019: £50,438). The charge for 2019-2020 comprises the current year audit fee of £62,886 plus £6,574 and £8,000 invoiced by Grant Thornton respectively for additional audit and IAS19 assurance work required in 2018-2019 less a refund of £4,530 received via the Public Sector Audit Appointments agency.

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £12.0 million in 2019-2020 (2018-2019: £13 million).

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

Note P14 – Investment Income

2018-2019 £m		2019-2020 £m
	Dividends & Interest	
	Bonds	
7.5	UK Private Sector - Quoted	7.1
	Equities	
9.2	UK Private Sector - Quoted	0.9
51.9	Overseas	39.9
	Pooled Investment Vehicles	
103.1	UK Private Sector - Quoted	74.1
7.0	Overseas Equities	6.8
5.2	Interest on Cash Deposits	9.4
0.9	Stocklending	0.7
0.5	Other Investment Income	2.1
185.3	**Total Dividends & Interest**	**141.0**
62.5	Property Management Income	47.4
(9.9)	Property Management Expenses	(10.2)
52.6	**Total Property Management**	**37.2**
237.9	**Total Investment Income**	**178.2**

Stock Lending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £384.3m (2019: £215.8m) in exchange for which the custodian held collateral worth £416m (2019: £238.6m) representing 108% of stock lent (2019: 111%). 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.

Note P15 – Net Investment Assets

2018-2019 £m		2019-2020 £m
	Bonds	
187.9	UK Companies - Segregated (External)	186.6
151.9	Overseas Sovereign - Index Linked	307.4
339.8		**494.0**
	UK Equities	
38.0	Quoted	26.9
2.0	Unquoted	2.0
40.0		**28.9**
	Overseas Equities	
27.5	Quoted	61.9
1,273.8	Quoted - Segregated (External)	1,346.9
1,301.3		**1,408.8**
	Pooled Investment Vehicles	
	Managed Funds	
584.8	UK Fixed Interest	632.5
1,112.3	Other Fixed Interest	1,051.4
920.6	UK Quoted, Index Linked	971.0

1,244.1	UK Quoted Equities (Pooled Assets)	856.0
4,723.9	Overseas Quoted Equities (Pooled Assets)	4,425.9
818.5	Infrastructure	772.8
1,010.4	Private Equity	1,203.3
530.4	UK Absolute Returns	464.9
61.0	Overseas Absolute Returns	63.3
-	Multi Asset Credit	45.3
60.0	UK Property	79.7
167.5	Overseas Property	156.0
	Unit Trusts	
162.8	UK Quoted Equities	147.7
85.3	Overseas Equities	-
0.2	Overseas Property	0.1
11,481.8		**10,869.9**
	Property	
934.2	UK Freehold	918.9
46.5	UK Leasehold*	46.2
980.7		**965.1**
	Derivative Contracts	
20.7	Futures	11.7
1.0	Forward Currency Contracts	-
21.7		**11.7**
	Foreign Currency Holdings	
0.5	Australian Dollars	0.4
0.6	Canadian Dollars	0.6
1.0	Czech Koruna	1.3
0.5	Danish Kroner	0.5
208.8	Euro	113.3
239.4	Hong Kong Dollars	135.7
0.5	Hungarian Forints	0.6

5.4	Japanese Yen	5.9
-	Mexican Peso	1.9
0.5	New Zealand Dollars	0.5
0.5	Norwegian Kroner	0.4
0.5	Polish Zloty	0.5
0.8	Singapore Dollars	1.3
2.9	Swedish Kroner	2.9
3.1	Swiss Francs	5.2
0.6	Turkish Lira	1.0
225.0	United States Dollars	310.5
690.6		**582.5**
	Cash Deposits	
488.0	UK	456.7
333.8	US	112.9
821.8		**569.6**
	Other Investments	
51.8	Broker Balances	75.8
0.5	Outstanding Dividend Entitlement & Recoverable Withholding Tax	7.0
52.3		**82.8**
15,730.0	**Total Investment Assets**	**15,013.3**
	Investment Liabilities	
	Derivative Contracts	
(2.8)	Forward Currency Contracts	(76.8)
(2.8)		**(76.8)**
	Other Liabilities	
(152.1)	Amount Payable for Purchases	-
(152.1)		**-**
(154.9)	**Total Investment Liabilities**	**(76.8)**

15,575.1	**Net Investment Assets**	**14,936.5**

* 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.

1 April 2019			31 March 2019	
Market Value £m	% of Total Market Value %		Market Value £m	% of Total Market Value %
		Security		
3,649.8	23.5	LGPS Central Global Ex UK Passive Equity Fund	1,835.1	12.3
-	-	LGPS Central All World Equity Climate Multi Factor Fund	1,382.4	9.3
1,244.1	8.0	LGPS Central Global UK Passive Equity Fund	850.9	5.7
791.2	5.1	LGPS Central Global Equity Active Multi-Manager Fund	715.3	4.8
920.6	5.9	Legal & General - All Stocks Index Linked Gilts Fund	940.5	6.3

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.

1 April 2019			31 March 2020	
Market Value £m	% of Total Market Value %		Market Value £m	% of Total Market Value %
Investments Managed by LGPS Central Limited Regional Asset Pool				
4,723.9	30.4	Authorised Contractual Schemes (ACS) – global equities	4,366.3	29.2
1,244.1	8.0	Authorised Contractual Schemes (ACS) – UK equities	850.9	5.7
-	-	Scottish Limited Liability partnership – private equity	101.3	0.7
4,723.9	**30.4**		**5,318.5**	**35.6**
Investments Managed Outside of LGPS Central Limited Regional Asset Pool				
2,579.3	16.6	In-House	2,142.9	14.3
162.8	1.0	Managers - UK Quoted	152.9	1.0
1,273.8	8.2	Managers - Emerging Markets	1,042.1	7.0
85.3	0.5	Managers - Global Equities	364.4	2.4
2,805.6	18.2	Managers - Fixed Interest	3,148.9	21.1
227.7	1.5	Managers - Indirect Property	235.7	1.6
818.5	5.3	Managers - Infrastructure Funds	772.8	5.2
591.4	3.8	Managers - Absolute Return	573.5	3.8
1,010.4	6.5	Managers - Private Equity	1,102.0	7.4
9,554.8	**61.6**		**9,535.2**	**63.8**
52.3			82.8	
15,575.1			**14,936.5**	

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 2018-2019, 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 retained exposure to these Futures during 2019-2020 as the implementation of the mandate progresses. 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. From time to time, the Fund may use futures (typically gilt or equity futures) to gain tactical market exposure. The Fund will also 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. The neutral hedge ratio is considered to be 50% based on the strategic weight of each region but actual hedge ratios applied will vary from time to time with a rebalancing taking place on a monthly basis to reflect changing market values.

c) Open Forward Currency Contracts

Settlement	Currency Bought Bought	Local Value m	Currency Sold	Local Value m	Asset Value £m	Liability Value £m
One to six months	GBP	622.2	EUR	720.2	-	(16.1)
One to six months	GBP	1,070.6	USD	1,404.6	-	(60.7)
Open Forward Currency Contracts at 31 March 2020						**(76.8)**
Net Forward Currency Contracts at 31 March 2020						**(76.8)**

Prior Year Comparative

Open Forward Currency Contracts at 31 March 2019	**1.0**	**(2.8)**

Net Forward Currency Contracts at 31 March 2019 **(2.8)**

d) Open Exchange Traded Futures Contracts

Type	Expires	Economic Exposure £m	Market Value 31 March 2019 £m	Economic Exposure £m	Market Value 31 March 2020 £m
Assets					
UK Equity	Under One Year	59.9	1.1	71.3	6.6
Overseas Equity	Under One Year	730.4	19.3	469.2	2.6
UK Bond	Under One Year	150.0	0.3	158.3	2.5
Total Assets			**20.7**		**11.7**

Note P16 – Investment Market Value Movements Analysis

	Value as at 31 March 2019 £m	Transfer of assets From WMITA fund £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Investment management Fees deducted at source £m	Change in market value £m	Value as at 31 March 2020 £m
Bonds	339.8	-	99.6	-	-	54.6	494.0
UK Equities	40.0	-	-	(11.5)	-	0.4	28.9
Overseas Equities	1,301.3	-	353.3	(0.4)	-	(245.4)	1,408.8
Pooled Investment Vehicles	11,481.8	263.5	8,413.8	(8,684.6)	(66.9)	(537.7)	10,869.9
Property	980.7	-	18.5	(1.9)	-	(32.2)	965.1
	14,143.6	**263.5**	**8,885.2**	**(8,698.4)**	**(66.9)**	**(760.8)**	**13,766.7**
Derivative Contracts	-	-					
Futures	20.7	-	141.4	(200.7)	-	50.3	11.7
Forward Foreign Exchange	(1.8)	-	282.5	(322.4)	-	(35.1)	(76.8)
	14,162.5	**263.5**	**9,309.1**	**(9,221.5)**	**(66.9)**	**(745.1)**	**13,701.6**
Broker Balances	51.8	-					75.8
Outstanding Dividend Entitlement & Recoverable Withholding Tax	0.5	-					7.0
Amounts Payable for Purchases of Investments	(152.1)	-					-
Foreign Currency	690.6	-					582.5
Cash Deposits	821.8	3.9					569.6
Total Investments	**15,575.1**	**267.4**	**-**	**-**	**-**	**-**	**14,936.5**

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

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £19.7 million (2018-2019: £15.2 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

For 2019-2020, the disclosure in note 16 has been changed to be consistent with the CIPFA Code. Sales are now stated at market value. This is a change from previous years when note 16 reported sales at book value and impacts the disclosure of comparative change in market value which is shown in these accounts as £445.2m. In the Fund's accounts for the year to 31 March 2019, this figure was reported separately as £2,002.2m realised profits on disposals less £1,557m decrease in market values.

1 April 2019 £m		31 March 2020 £m
15.2	Pooled Investment Vehicles	14.2
15.2		**14.2**

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 2018-2019 is set out below:

	Value as at 31 March 2018 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Investment Management Fees Deducted at Source £m	Change in Market Value £m	Value as at 31 March 2019 £m
Bonds	188.5	151.3	-	-	-	339.8
UK Equities	1,494.2	0.2	(1,451.7)	(0.8)	(1.9)	40.0
Overseas Equities	6,343.5	13.9	(4,551.6)	(2.1)	(502.4)	1,301.3
Pooled Investment Vehicles	5,351.9	7,820.1	(2,489.6)	(59.3)	858.7	11,481.8

Property	862.8	120.5	(25.5)	-	22.9	980.7
	14,240.9	**8,106.0**	**(8,518.4)**	**(62.2)**	**377.3**	**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**	**(8,831.0)**	**(62.2)**	**445.2**	**14,162.5**
Broker Balances	0.4					51.8
Outstanding Dividend Entitlement & Recoverable Withholding 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**

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:

2018-2019 £m		2019-2020 £m
862.8	**Opening Balance**	980.7
120.5	Additions	18.5
(25.5)	Disposals	(1.9)
22.9	Net Change in Market Value	(32.2)
980.7	**Closing Balance**	**965.1**

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 2019 £000		31 March 2020 £000
40,056	Within One Year	43,025
142,444	Between One & Five Years	156,653
164,249	Later than Five Years	174,138
346,749	**Total Future Lease Payments Due Under Existing Contracts**	**373,816**

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

Note P17 – Fair Value Basis of Valuation

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

Asset Type	Valuation Level	Basis of Valuation	Observable & Unobservable Inputs	Key Sensitivity
Market Quoted Investments	1	Published bid market price ruling on 31 March 2020	Not applicable	Not applicable
Quoted Bonds	1	Market bid price based on current yields	Not applicable	Not applicable
Futures	1	Published exchange prices at 31 March 2020	Not applicable	Not applicable
Unquoted Bonds	2	Average of broker prices	Evaluated price feeds	Not applicable
Pooled Investment Vehicles – Unit Trusts and Property Funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not applicable
Forward Foreign Exchange Derivatives	2	Market forward exchange rates at 31 March 2020.	Exchange rate risk	Not applicable
Freehold & 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 & Absolute Return/Diversified Growth Funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Bulk annuity insurance buy-in	3	Provided by the Fund's Actuary based on a roll-forward of the value placed on the buy-in as part of the WMITA Fund 2019 triennial actuarial valuation, allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 0.43% with reference to the 11-year point of the Bank of England nominal gilt yield curve, consistent with the 2019 valuation of the WMITA Fund.	Adjustments to discount rate and life expectancy.

Sensitivity of 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 2020.

Level 3 Assets	Valuation Range	Valuation at 31 March 2020	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold & Leasehold Property	11.7	965.1	1,078.0	852.2
Private Equity	26.2	1,203.3	1,518.6	888.0
Infrastructure	13.8	772.8	879.4	666.2
Absolute Return/Diversified Growth	12.8	528.2	595.8	460.6
Total		**3,469.4**	**4,071.8**	**2,867.0**

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

Changes in assumptions – year ended 31 March 2020	Adjustment	Valuation at 31 March 2020	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+) 0.5%	229.4	240.8	218.5
Adjustment to life expectancy assumptions	(+/-) 1 year	229.4	244.5	215.2

17 i) Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

The values of the 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.

Value at 31 March 2020	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 & Loss	6,705.0	3,604.0	2,504.3	12,813.3
Non-Financial Assets at Fair Value through Profit & Loss	-	-	965.1	965.1
Financial Liabilities at Fair Value through Profit and Loss	-	(76.8)	-	(76.8)
Bulk annuity insurance buy-in at fair value through profit and loss			229.4	229.4
Net Financial Assets	**6,705.0**	**3,527.2**	**3,698.8**	**13,931.0**

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 & Loss	7,576.0	3,188.2	2,420.4	13,184.6
Non-Financial Assets at Fair Value through Profit & 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**

Note 17 ii) Reconciliation of Fair Value Measurements Within Level 3

Period 2018-2019	Market value at 01 April 2019 £000	Transfer of assets from WMITA Fund £000	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 at 31 March 2020 £000
Freehold & Leasehold Property	980.7	-	-	18.5	(2.3)	(29.5)	(2.3)	965.1
Private Equity	1,010.4	-	-	229.1	(174.0)	62.0	75.8	1,203.3
Infrastructure	818.5	-	-	28.1	(93.3)	(25.1)	44.6	772.8
Absolute Return/Diversified Growth	591.5	95.2	-	176.0	314.7	(610.4)	(38.8)	528.2
Total	**3,401.1**	**95.2**	**-**	**451.7**	**45.1**	**(603.0)**	**79.3**	**3,469.4**

Bulk annuity insurance buy-in contract

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

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

	31 March 2020 £m
Bulk annuity insurance buy-in contract value transferred in 1 April 2019	**224.5**
Actuarial revaluation of insurance contract:	
Interest on buy-in	2.8
Change in demographic assumptions	5.2
Change in actuarial assumptions	18.1
Actuarial experience	(5.4)

	20.7
Level pensions paid by insurer	(15.8)
Closing market value	**229.4**

The change in demographic assumptions results from updating mortality assumptions to be in line with those adopted for the WMITA Fund 2019 triennial funding valuation. The change in actuarial assumptions arises from the reduction in the discount rate from 1.3% at 31 March 2019 to 0.43% at 31 March 2020.

Note P18 – Investment Capital Commitments

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

31 March 2019 £m		31 March 2020 £m
814.6	Non-Publicly Quoted Equities & Infrastructure	1,146.6
103.9	Property	85.4
918.5	**Total**	**1,232.0**

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

Note P19 – Long Term Debtors

31 March 2019 £m		31 March 2020 £m
82.6	Private Equity Consolidation Proceeds	-
28.9	Early Retirement Costs	11.6
2.2	Reimbursement of Lifetime Tax Allowances	2.9
113.7	**Total**	**14.5**

During 2018-2019, the Fund contracted to sell 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 was therefore reported as long-term debtors in 2018-2019 but is included in Current Assets - Other Receivables for 2019-2020.

The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £11.6m is due after the following financial year (2018-2019: £28.9m). The instalments due in 2020-2021 are reported in Current Assets.

Note P20 – Current Assets

31 March 2019 £m		31 March 2020 £m
	Receivables & Prepayments	
	Contributions Receivable	
11.8	- Employers' Future Service	12.8
4.7	- Employers' Past Service Deficit	6.0
9.6	- Members	10.5
19.0	Other Receivables	103.1
45.1	**Total Receivables & Prepayments**	**132.4**
2.2	Cash	-
47.3	**Total Current Assets**	**132.4**

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 was 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 final payment of £3.26m was received into the Fund's bank account on 17 April 2020.

Note P21 – Current Liabilities

31 March 2019 £m		31 March 2020 £m
	Payables & Receipts in Advance	
(5.9)	Pensions & Lump Sum Benefits	(3.7)
	Receipts in advance	(5.2)
(16.1)	Other Payables	(15.8)
(22.0)	**Total**	**(24.7)**

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 2019 Utmost Life £m	31 March 2019 Prudential £m		31 March 2020 Utmost Life £m	31 March 2020 Prudential £m
1.8	**37.8**	**Opening Value of the Fund**	**1.6**	**37.6**
		WMITA Fund AVC balances consolidated following merger	0.1	0.6
-	5.9	Income	0.3	6.0
(0.3)	(7.6)	Expenditure	(0.1)	(5.6)
0.1	1.5	Change in Market Value	(0.1)	(1.0)
1.6	**37.6**	**Closing Value of the Fund**	**1.8**	**37.6**

The Fund had originally appointed Prudential Assurance Company Limited and Equitable Life Assurance Society as AVC providers. On 1 January 2020, the business of Equitable Life including all member AVC policies was transferred to Utmost Life and Pensions.

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 2019 £m		31 March 2020 £m
	Financial Assets	
327.6	Fair Value through Profit & Loss	(677.8)
	Financial Liabilities	
94.7	Fair Value through Profit & Loss	(35.1)
422.3	**Total**	**(712.9)**

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.

31 March 2019				31 March 2020		
Fair Value through Profit & Loss £m	Assets at Amortised Cost £m	Financial Liabilities at Amortised Cost £m		Fair Value through Profit & Loss £m	Assets at Amortised Cost £m	Financial Liabilities at Amortised Cost £m
			Financial Assets			
339.8	-	-	Bonds	494.0	-	-
40.0	-	-	UK Equities	28.9	-	-
1,301.3	-	-	Overseas Equities	1,408.8	-	-
11,481.8	-	-	Pooled Investment Vehicles	10,869.9	-	-

21.7	-	-	Derivative Contracts	11.7	-	-
-	-	-	Bulk annuity insurance buy-in	229.4		
-	1,514.6	-	Cash	-	1,152.1	-
-	166.0	-	Other Investment Balances	-	82.8	-
-	45.1	-	Debtors	-	146.9	-
13,184.6	**1,725.7**	**-**		**13,042.7**	**1,381.8**	**-**
			Financial Liabilities			
(2.8)			Derivative Contracts	(76.8)	-	-
		(152.1)	Other Investment Balances	-	-	-
		(22.0)	Creditors	-	-	(24.7)
13,181.8	**1,725.7**	**(174.1)**		**12,965.9**	**1,381.8**	**(24.7)**
	14,773.4				**14,323.0**	

Note P25 – The Nature and Extent of Risks Arising from Financial Instruments

Risk management

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

Investment risk - the possibility that the Fund will not receive the expected returns.

Credit risk - the possibility that the other parties might fail to pay amounts due to the Fund.

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

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

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

Investment Risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to liabilities through the triennial actuarial valuation followed by an appropriate asset allocation. During the year, the Fund targeted 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

In deciding to affect 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 2020 totalled £569.6 million in respect of temporary loans and treasury management instruments (31 March 2019: £821.8 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 2020 is shown overleaf:

Summary	Long Term Fitch Rating*	31 March 2019 £m	31 March 2020 £m
Money Market Funds			
HSBC Sterling Liquidity Fund	Aaa-mf	157.4	191.1
HSBC USD Liquidity Fund Class H	Aaa-mf	333.8	112.9
LGIM Liquidity Fund	AAAmmf	111.0	132.8
Insight Liquidity Fund	AAAmmf	0.9	26.9
Invesco Liquidity Fund	AAAmmf	-	2.9
Bank Deposit Accounts			
Nat West Corporate Cash Manager Account	A+	129.9	-
CBRE Client Account West Midlands Met Authority		15.7	13.1
HSBC Global Active	AA-	73.1	89.9
Total		**821.8**	**569.6**

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 2020, £384.3 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 2019: £215.8 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £416.0 million, giving a margin of 8.2% (2018-2019, £238.6 million, margin of 10.6%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stock lending amounted to £0.7 million during the year (2018-2019: £0.9 million) and is detailed in note 14 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.

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 2019-2020 reporting period:

Market Risk – Other Price Risk

Asset Type	Value at 31 March 2020 £m	% Change	Value on Increase £m	Value on Decrease £m
UK Equities	1,027.5	18.7%	1,219.6	835.4
Global Equities (Excluding UK)	5,775.1	16.5%	6,728.0	4,822.2
Property	235.7	11.7%	263.3	208.1
Fixed Interest*	3,103.9	5.5%	3,274.6	2,933.2
Private Equity	1,203.3	26.2%	1,518.6	888.0
Alternatives**	1,210.8	11.2%	1,346.4	1,075.2
Total Fund (see note below)	**12,556.3**		**14,350.5**	**10,762.1**

*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 (£438m) and infrastructure (£772.8m)

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 £13,874.7 million and the total value on decrease is £11,237.9 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Asset Type	Value at 31 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 (Excluding 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)

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 2020 and 31 March 2019:

Asset Type	Value at 31 March 2020 £m	% Change	Value on Increase £m	Value on Decrease £m
Global Equities (Excluding UK)	5,775.1	10.0%	6,352.6	5,197.6
Private Equity	1,203.3	10.0%	1,323.6	1,083.0
Fixed Interest	3,103.9	10.0%	3,414.3	2,793.5
Alternatives	1,210.8	10.0%	1,331.9	1,089.7
Property Funds	156.0	10.0%	171.6	140.4
Liquid Assets	758.9	10.0%	834.8	683.0
Total	**12,208.0**		**13,428.8**	**10,987.2**

Asset Type	Value at 31 March 2019 £m	% Change	Value on Increase £m	Value on Decrease £m
Global Equities (Excluding 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**

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 2020 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	Carrying Amount at 31 March 2020 £m	Change in Year in the Net Assets Available to Pay Benefits	
		+100BPS £m	-100BPS £m
Index-Linked Gilts	940.5	(201.0)	201.0
Gilts	189.9	(24.4)	24.4
Corporate Bonds	614.7	(55.5)	55.5
Gilt Future*	2.5	(0.2)	0.2
US TIPS	307.5	(37.3)	37.3
Total	**2,055.1**	**(318.4)**	**318.4**

Asset Type	Carrying Amount at 31 March 2019 £m	Change in Year in the Net Assets Available to Pay Benefits +100BPS £m	-100BPS £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**

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	24	645
£100 - £500	4	591
Over £500	0	0
Total	**28**	**1,236**

Write-Off Analysis		
Individual Value	**Number**	**Total £**
Less than £100	5	282
£100 - £500	62	10,513
Over £500	11	85,486
Total	**78**	**96,281**

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 £9.1 million were receivable from the City of Wolverhampton Council for 2019-2020 (2018-2019: £64.1 million - having paid £5.5m on account in January 2018, City of Wolverhampton Council paid the balance of its 2018-2019 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

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

Pensioner: Councillors Inston, Jaspal, Page and Tildesley

Active: Councillor Hevican

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

There are eight employing bodies of the Fund in which a member of the Committee has declared an interest for 2019-2020. Contributions from each of these employers are set out below.

Contributions Receivable 2018-2019 £000		Contributions Receivable 2019-2020 £000
-	Birmingham City University	10,412
175	Birmingham Museums Trust	147
64,100	City of Wolverhampton Council	9,106
-	Heath Park Academy – Central Learning Partnership Trust	82
21	Kingswood Trust	18

-	Sandwell MBC	35,354
-	University of Wolverhampton	12,616
218	Wolverhampton Girls High School	-
4,890	Wolverhampton Homes	5,017

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 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 £1.539m in 2019-2020 (2018-2019: £1.699m). The amount outstanding in respect of these services at 31 March 2020 was £0.477m (2018-2019: £0.202m).

The Pension Fund was invoiced £2.496m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2019-2020 (2018-2019: £2.071m). The amount outstanding in respect of these services at 31 March 2020 was £0.950m (2018-2019: £0.370m). Invoicing frequency changed from monthly to quarterly beginning with the quarter ended 31 March 2020 hence the larger amount outstanding at the end of 2019-2020.

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 2018-2019 totalled £147,469 (2018-2019: £81,798) and the reimbursement of associated utilities and maintenance charges for 2018-2019 totalled £30,695 (2018-2019: £8,021). In addition, West Midlands Pension Fund provided graphic design services to LGPS Central Limited for fees of £8,988 (2018-2019: £11,770).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2020 were £442,700 (2018-2019: £483,646).

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 2017-2018 and these are both balances at this year-end.

Key Management Personnel

The Fund's current senior management comprises seven 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 and, since November 2019, the Head of Investments. The total salary paid to the senior management team in 2019-2020 was £538,000 (2018-2019: £458,000). In addition to this, employer's pension contributions of £171,000 (2018-2019: £138,000) were met from the Fund in respect of these individuals.

Note P28 – Events after the Reporting Date

Investment markets experienced sharp falls in the last few weeks of the financial year due to the impact of Coronavirus and the lockdown of economies around the world. Whilst valuations from many of the Fund's level 3 investments had been received in time for the year end accounts, a number remained outstanding and may see diminution in value when reporting in the quarter to the end of June 2020.

The Fund has not made any adjustments in these accounts to try to reflect potential changes to market values of level 3 investments where they have not been available for year end.

The long-term effects of the Coronavirus pandemic on the wider economy and the Fund's investments is difficult to assess at this time given the level of government support that has been provided to help both companies and individuals cope with the crisis. The Fund remains alert to the potential challenges continuing to arise from the pandemic and to such a sharp economic downturn and is working closely with its advisers and managers in the management of its portfolios with the focus remaining on achieving the Fund's long-term objectives. It should be noted that post year-end, investment markets have made significant recoveries pushing valuations on level 1 investment markets back up to previous highs.

The "McCloud" Court Judgement is likely to have significant ramifications for all public service pension schemes. When reforms were introduced in 2014 and 2015, protections were put in place for older scheme members. The Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them also. The Government has since confirmed that there will be changes to all public sector schemes to remove this age discrimination. The remedy and how it will be applied within the LGPS may not be confirmed for some time pending primary legislation for public sector schemes. There is therefore some uncertainty over the costs of any potential changes that might be required and these cannot at this time be calculated and included within the accounts.

Annual Governance Statement 2019-2020

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 will be revised in 2020-2021 in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

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

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.

The Purpose of the Governance Framework

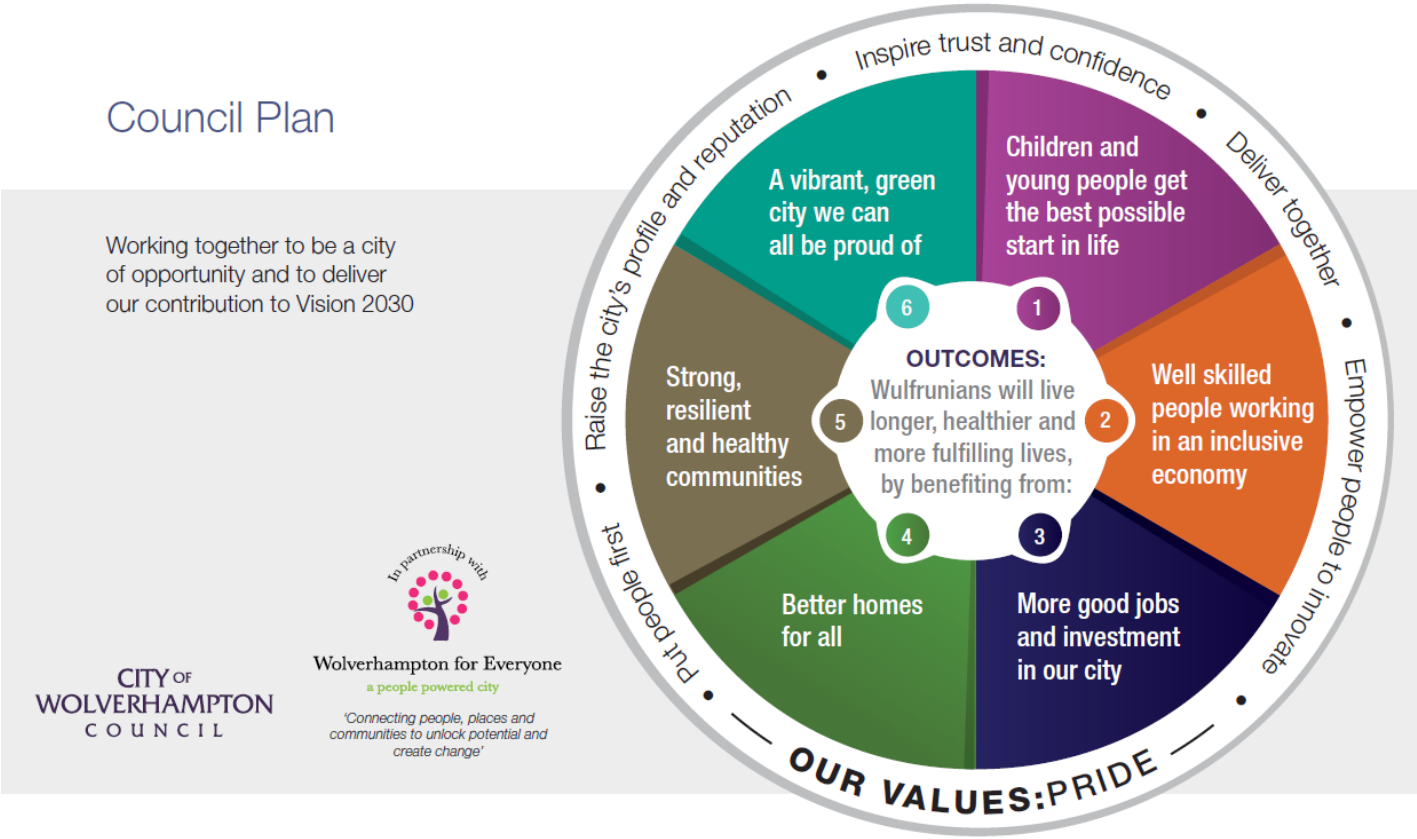
The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives and 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 2020 and up to the date of approval of the annual report and statement of accounts.

In April 2019 The City of Wolverhampton Council approved a new Council Plan for 2019-2024. The plan builds on the Council's transformation journey with a focus on delivering the following improved outcomes for the City:



A full copy of the Council Plan can be found here.

These outcomes 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
• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	• Delivery and communication of an agreed corporate plan • Quality services are delivered efficiently and effectively • Clearly defined roles and functions • Management of risk • Effectiveness of internal controls • Compliance with laws, regulation, internal policies and procedures • Value for money and efficient management of resources • High standards of conduct and behaviour • Public accountability • Published information is accurate and reliable • Implementation of previous governance issues	• The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Council, Cabinet and Committees • Audit and Risk Committee • Scrutiny function • Standards Committee • Internal and External Audit • Strategic Executive Board • Directors Assurance Framework • 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 Procedure Rules	• External Audit Report to Those Charged with Governance (ISA 260) Report – unqualified opinion • Annual Internal Audit Report - unqualified opinion • Annual Audit and Risk Committee Report to Council • Annual Statement of Accounts • Local Government Ombudsman Report • Scrutiny reviews • Annual Governance Statement – including the follow up of previous year issues	• Savings Targets • Procurement, Contract Management and Monitoring • Strategic Asset Plan • Civic Halls • GDPR • Constitution Review

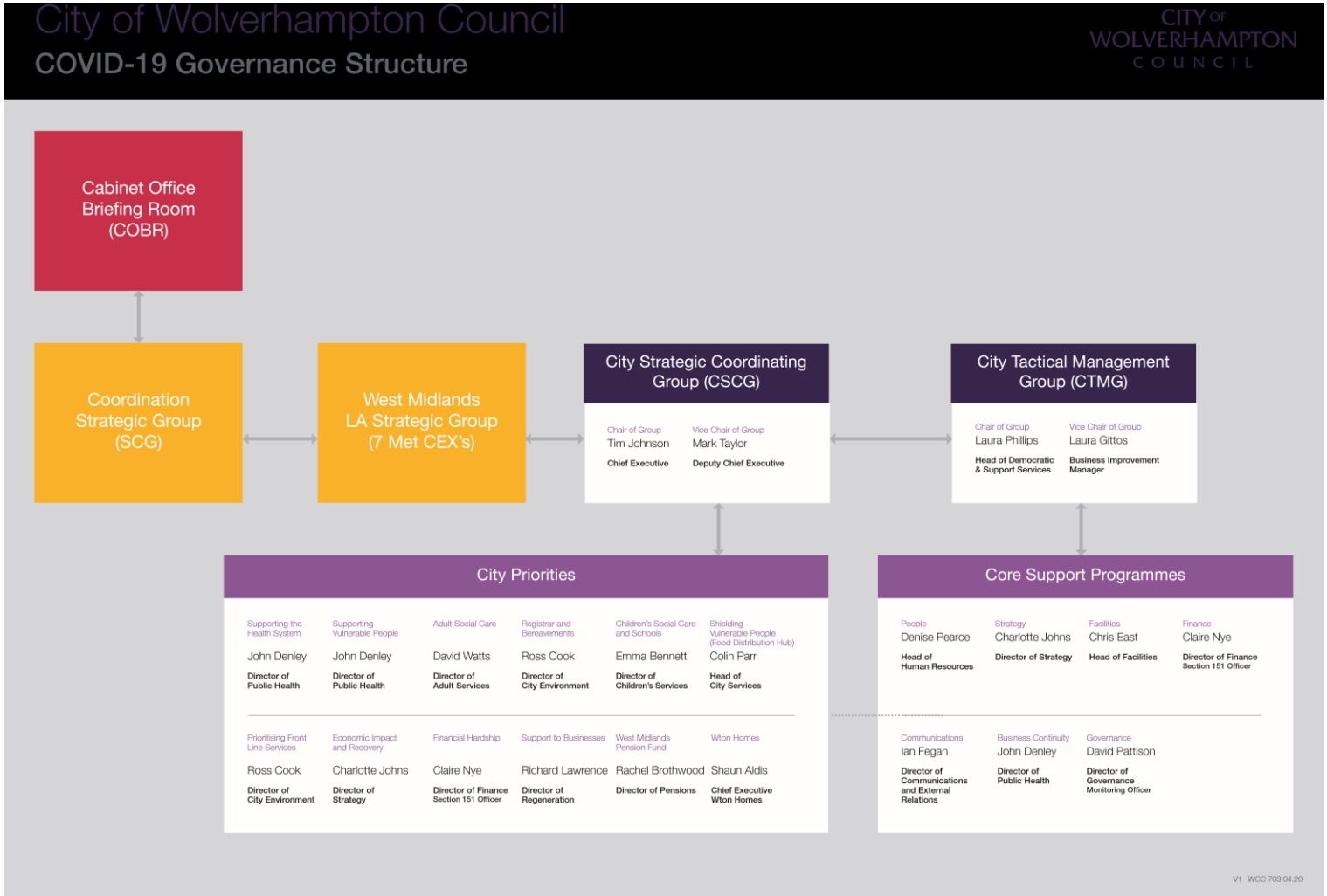
- modern.gov (the council's committee management information system)

Covid-19 Considerations

As with all other local authorities the Council has had to adapt the ways in which it has worked to address Covid-19 not only in terms of ensuring that the City's vulnerable residents have been supported alongside its businesses but also in its governance arrangements.

The Council's approach to governance during Covid-19 has been very clearly set out and shared with Councillors, the key aspects include:

- A new officer structure to deal with Covid -19 - this has allowed for focus to be applied to key work streams coming out of the pandemic and is displayed below.



A new approach to decision making – following the introduction of full lockdown in March 2020 the Council has instigated a decision-making approach that ensured that the focus has been on protecting the vulnerable and supporting businesses.

All decisions that would have been made by Committees or Council were made using this process, set out in the emergency powers provisions in the constitution, until the provisions in the Coronavirus Act 2020 on remote meetings were enacted. Since the provisions on remote meetings were enacted a significant number of remote meetings have taken place using those powers and these have been filmed and made available on the Council's website. Those decisions that would normally be made by Council continue, at this time, to be made using the urgent decision process.

All decisions going through the emergency powers process have to be made by the Leader, 2 Cabinet Members and the Chair and Vice-Chair of Scrutiny Board and have been shared with Councillors through a daily update sent to all Councillors and published through the Council's website.

As part of this approach the Council has extended the Municipal year to a date to be confirmed in the Autumn, once the public health position is clearer and office holders will remain in post until Annual Council has taken place in the Autumn.

These decisions have included:

- Supplementary budget estimates as a result of Covid-19 including the use of funding from Government.
- The establishment of a Food Distribution Hub to ensure that the most vulnerable were kept fed and supported during the pandemic.
- The provision of accommodation for rough sleepers thereby ensuring that all rough sleepers were able to have a roof over their head and importantly additional support to help them move forward.
- Decisions on the support and protection for the most vulnerable adults and children.
- Business support grants for those businesses particularly affected by Covid-19.

This approach has ensured that decisions have been made rapidly with Councillor involvement from both political groups and have been shared across all Councillors.

- All decisions made have been tracked and recorded on detailed spreadsheets with records of whether they need to be made through the urgent decision process or through delegated powers – this has included the following:

  - Clear records being kept of the financial pressures as a result of Covid-19 including loss of income, additional spend.
  - Clear evidence-based approach to explain why decisions have been made, using performance data including for example detailed records of the levels of Personal Protective Equipment (PPE) held by the Council and distributed to Care Homes in the City.

- Communication implications of any approach taken and the need to ensure that the message is received by all communities.

- A Covid-19 risk register has been produced interfacing with the Council's strategic risk register to ensure that the Council has been aware of and taken account of the key Covid-19 risks in an ever-changing situation.

At all times the approach of the Council has been informed and shaped by advice from the Director of Public Health and key partners to ensure that the Council as had the most effective response possible to the pandemic. As part of the governance process key areas of concern have been able to be fed up through the mechanisms set out in the Governance Structure to a regional and national level. The same approach is now being taken as we consider the Council's approach to recovery.

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 2019-2020

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

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

- Maintained the focus of the Committee on the Council's risk management arrangements, 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.

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".

Internal Audit – Covid-19

Towards the end of the year, and in response to Covid-19 the internal audit team were redeployed to either the food distribution hub or to work on the small business grant team, set up in order to process and distribute the grant payments under the scheme introduced by the Government. As a result of this, a number of audits that were underway at the time of the outbreak, had to be put on hold and therefore were unable to feed into this opinion. Therefore, while internal audit needed to caveat their opinion with this, they did believe that they had managed to complete sufficient work pre-outbreak, in order to support their opinion and to inform this statement and felt able to place a level of assurance upon an existing strong control framework with regards to financial systems.

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.

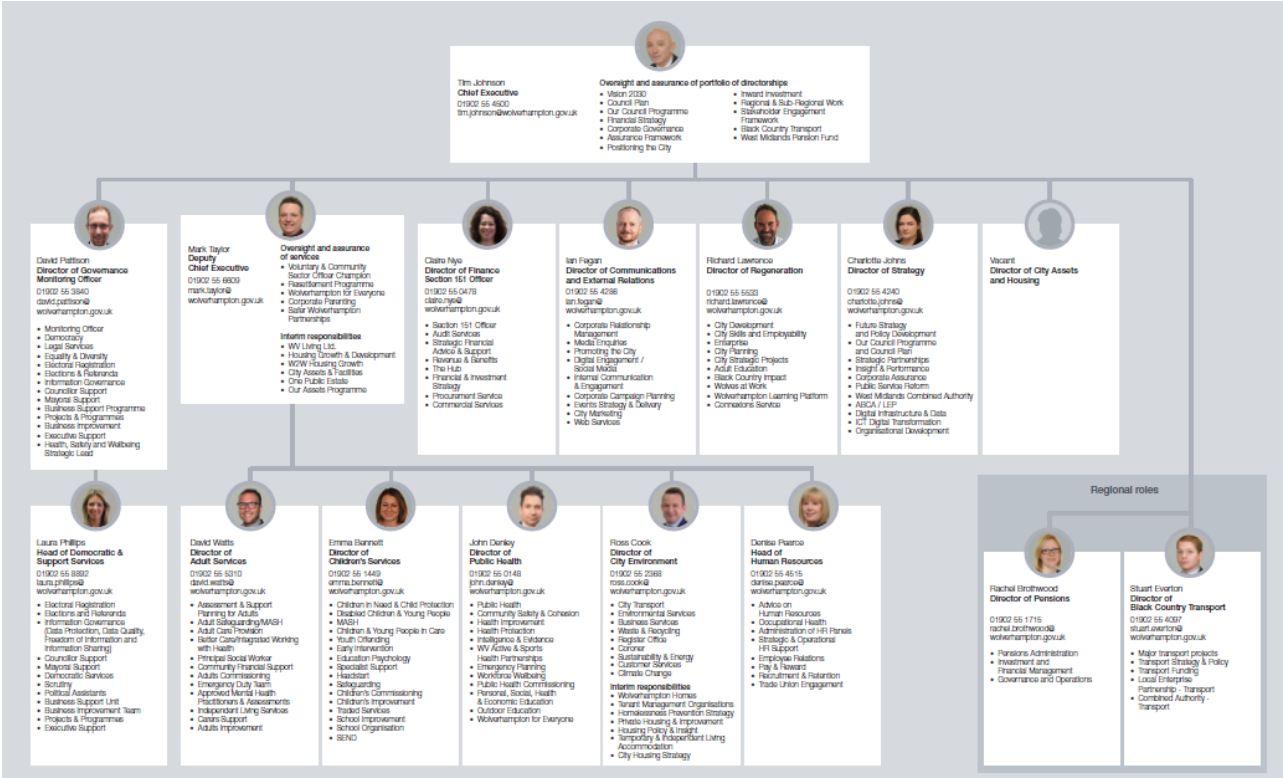
Key changes to the governance framework during the year

The Council appointed a new Director of Governance and he started in post in February 2020, he will be working through the approach to decision making in the Council, and the Council's constitution, to seek to modernise the approaches and the constitution to ensure that they provide an effective, efficient and transparent approach to decision making, building on the positive experiences in terms of decision making during Covid-19.

Work had been commenced on reviewing the approach to policy formulation and scrutiny and proposals were taken to the Council's Governance Committee in March 2020, however these were put on hold as a result of the Covid-19 pandemic. The intention was to seek to reinvigorate the

role of scrutiny and ensure that there was greater involvement of backbenchers in policy formulation at a formative stage. The review of the constitution and the approaches to decision making, policy formulation and scrutiny will be carried out during the year 2020-2021 and will involve the relevant Committees and ultimately any changes to the constitution will require Council approval.

A number of governance changes were put in place in response to Covid-19 and these have been addressed in more detail in the Covid-19 update included above.



West Midlands Pension Fund

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

Wolverhampton Homes

The Council’s internal auditors also provide the internal audit service for Wolverhampton Homes. They were able to provide reasonable assurance that the Company had adequate and effective governance, risk management and internal control processes, and this was reported through their Audit and Business Assurance Committee.

Progress on the Governance Issues from 2018-2019

The table below describes the governance issues identified during 2018-2019 and the progress made against these during 2019-2020. While a number of issues have been carried forward to 2020-2021, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2018-2019 - Key areas for Improvement	In-year update provided as at September 2019	End of year update
Savings Targets 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. 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 Government's allocation of funding to the Council would have significant detrimental impact and further increase the budget deficit forecast of the medium-term.	In October 2019 Cabinet received an update on the projected deficit and Medium-Term Financial Plan. The report reflected the Spending Round 2019 announced on 4 September 2019 which set out the Government's spending plans for 2020-2021 only. Having taken into account the forecast changes to corporate resources and emerging pressures, it was anticipated that the projected remaining budget deficit for 2020-2021 will be in the region of £3.9 million, rising to £20 million over the medium-term period to 2023-2024. It was noted that the Government announced that additional grant funding totalling £1 billion will be made available to local authorities in 2020-2021 for adults and children's social care, to support the rising demand on the social care system. The Local Government Finance Settlement 2020-2021 technical consultation, issued by the Ministry of Housing, Communities and Local Government (MHCLG), provides the proposed formula for the distribution of the grant and indicative local authority allocations of the additional unringfenced grant funding. It was anticipated that the additional adult and children's social care grant will be sufficient to meet the projected remaining budget deficit in 2020-2021 and therefore enable the Council to set a balanced budget in that year.	In March 2020 the Council approved a balanced budget for 2020-2021 without the use of general reserves. It is estimated that further savings of £15.5 million are required in 2021-2022 rising to £20.2 million in 2022-2023. It is 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. Due to Covid-19, government have announced that the Review of Relative Needs and Resource will not be undertaken this year. It is understood that a spending review will take place, but we would anticipate that this will be for one year only. 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 2020. Due to Covid-19 it has not been possible to progress this work. Further we have identified that budget reductions and income generation proposals built into the budget for 2020-2021 may not be deliverable at this stage. The council is providing information to MHCLG and seeking funding to mitigate the impact of Covid-19 both for 2020-2021 and the medium term.
Procurement, Contract Management and Monitoring This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.	A watching brief will be maintained on any changes to public contract regulations and any further new legislation, enacted through the Brexit negotiations.	A watching brief continues to be maintained on any changes to public contract regulations and any further new legislation, enacted through the Brexit negotiations.
Corporate Landlord 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.	Our Assets Council Plan – First Review: The Asset Management Review commenced in June 2019 as part of the 'Our Asset' Council Plan programme. The initial findings from this Phase 1 Review were reported to SEB on 12 November 2019. The Our Assets programme will be reported to Our Council Scrutiny in 2019-2020 Q4 for review.	Following the SEB Report on 12 November 2019, the first phase of the capital investment programme has been developed and is due for approval week commencing 11 May 2020. To determine this programme a thorough asset challenge was undertaken to ensure investment would only be made in buildings that are to be retained in the medium term or where buildings required urgent compliance works to remain operational.

	Audits have been completed on Corporate Buildings with improvement plans now in place and being progressed. Where appropriate, these actions will be reported to the Audit and Risk Committee in Q4 of 2019-2020. Asset Management Plan: The Strategic Asset Plan (SAP) 2018-2023 continues to be reviewed on an annual basis. An updated Action Plan was submitted to Our Council Scrutiny in September 2019. The updated Action Plan is to be incorporated into the SAP and reported to SEB in February 2020 prior to being updated on the Council's website.	The Our Assets Programme is progressing well with the creation of an Our Space programme which focusses on asset rationalisation, utilisation of the Civic Centre, investment/refurbishment into Civic Centre and partnership working/collaboration with Public Sector partners. The updated Action Plan has been uploaded onto the Council's website (alongside the original Strategic Asset Plan). A further review of the Strategic Asset Plan and action plan is due in September 2020 which will take into account the Our Space programme. Due to Covid-19 the asset portfolio is likely to change as new ways of working/agile working is implemented. Asset Management data continues to be validated and the Assets Service will shortly be considering the best way to house this data. The Corporate Property Database will need to be reprocured during 2021 and the team will firstly explore if an in-house system can be developed to accommodate all of the asset information and KPIs.
Civic Halls 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.	A new contractor has now been selected and the team are in the process of working through the early stages of engagement with them. Mobilisation works have begun, and design work is ongoing. A new Operating Model has been proposed and the procurement process for a new operator has commenced.	The site works had been suspended on the project for 12 weeks due to Health & Safety issues related to the Covid threat. The design work has continued at pace whilst the site was closed, the Stage 4 detail design is close to completion.

Liaison with Planning and Historic England needs to be finalised so that the final phase can be undertaken in the determined timeframe.	The management of the Shaylor administration process is continuing with some activities being complete at the point at which Willmott Dixon take control of the site.	The project team have continued to work in collaboration with Willmott Dixon to review and interrogate their construction cost plan. The project is still currently in the Pre-Construction Services Delivery Agreement stage (PCSDA), which will come to a completion on 31st June 2020. The construction cost plans issued by Willmott Dixon have been continually scrutinised and interrogated by the team since December 2019. We continue to work towards a finalised cost, as part of the construction contract which is currently being drafted by Legal and F&G. The programme Board will continue to ensure that the Civic Halls project is kept to budget and timeline with close supervision and ensuring that the contract entered into is robust and that it is met and followed.
General Data Protection Regulations 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.	The Council continues to make progress in embedding the GDPR requirements, and this will be picked up by the new Director of Governance when they join the Council in February.	Data protection compliance activities have formed part of core business activities and are being aligned with the statutory the Data Protection Officer (DPO) reporting framework. GDPR activities form part of the overall work plan for Information Governance; DPIA assessments are embedded for large scale processing; a robust information incident management process continues to be in place; employee training and awareness

		continues through mandatory e-modules and demand led targeted training sessions. Regular reporting on performance regarding GDPR is taking place including reporting to the relevant Cabinet member. The performance during the year has been positive with no significant breaches taking place. Work continues to ensure that the Council remains compliant particularly with the challenges presented in Information Governance terms of agile working.
Combined Authority 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.	The Council continues to play an active part in the West Midlands Combined Authority, including the dialogue with the new government on the future of devolution and opportunities to maximise the benefits of future policy and investment decisions for the City of Wolverhampton. The Leader continues to have responsibility for the Economic and Innovation portfolio at the Combined Authority, working across the region on matters such as the implementation of the Local Industrial Strategy.	The council continues to play an active part in regional working including the West Midlands Combined Authority. This has been particularly key in the response to Covid-19, ensuring that the benefits of working collaboratively are capitalised on. For example, developing regional approaches to issues where appropriate. The Leader continues to have responsibility for the economic and innovation portfolio at the Combined Authority and has worked across the region in shaping the immediate economic recovery priorities.
Tenant Management Organisations We will need to monitor and help complete the implementation of the recommendations arising	A programme of audits of each TMO was completed by internal audit during 2018-2019. These provided limited assurance that TMO's were operating in accordance with their management agreement(s) and	A programme of support is still on offer to the agents. Audit reviews were completed, and new template forms were issued to the managing agents for them to work on. A

from the recent audit reviews and as included in the Improvement Plans for the four TMOs.	identified non-implementation of recommendations made in previous audit reports. Since publication of the TMO audit reports in 2018 additional support has been provided to the four 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 actioned and completed. An enhanced programme to support TMOs during 2019-2020 was approved by SEB in May 2019. The programme covers 17 areas of support which 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. TMO modular management agreements were reviewed and new management agreements were agreed and implemented for each TMO with effect from 1 April 2019. Resources within the Housing Strategy Team have been increased to provide support and focus on TMOs ensuring compliance with these agreements. New improved Key Performance Indicator's (KPI's) have been introduced. Performance is being reported to the Cabinet (Performance) Panel on a quarterly basis in a new report format. A Housing KPI dashboard was also developed. The Director for City Assets and Housing attended the Audit and Risk Committee meeting in July 2019 and	programme of support timetable was also developed, but dates will be reviewed in light of Covid-19 and an additional audit sheet was developed to cover Health and Safety. New KPI's have been agreed and a new report developed with end of year reports being produced to look at the overall performance of the managing agents. Housing dashboards are also updated. Governance training is to be arranged with the support of the National Federation of tenants, but again this has been delayed due to Covid-19. However, it will resume when services return to normal. Contracts have been reviewed to identify information needed from TMOs on a yearly basis, including looking at liability insurances and to help ensure compliance. Audit outcomes will be reported in the quarterly reports and also at the end of year, where they will be RAG rated accordingly which will provide additional assurance to the Council. A useful contacts page has been developed and shared and other processes are being reviewed in developing best practice policy guide and auditing guide. Management agreements are signed. Support for services in the Council has been sought and obtained from HR, Procurement, Equalities and Information Governance and Communications. Areas identified have included reviewing and updating privacy

	presented a report detailing the considerable progress made in responding to the TMO Audits carried out in 2018. She also briefed the Committee on the resources deployed to deliver the enhanced workplan for 2019-2020, which is providing additional support for the TMO's from a number of departments. This programme is providing the Council with a greater level of assurance. A further update report will be presented to Audit and Risk Committee in Autumn 2020.	policies, websites in regard to terminology and signposting and support form ASB teams. A Procurement SLA has been drawn up and is with them for review. Training has been provided in regard to Section 11 claims, with Asbestos request process reviewed and will be implemented shortly. An introduction to Managing Agents was developed and shared with the team. Monthly catch up meetings have been in place with Chief officers for them to communicate any issues and request support from the Council. We are working with Health and Safety to identify trends and to then work with TMOs to help promote fire awareness with tenants.
Residential Site Management Agreement Consultation to take place with residents and Site Management Agent (Gypsy and Traveller Council) in order to finalise the service level agreement.	The Council has drafted heads of terms for the lease. As part of a scheduled maintenance visit, the Council made a number of recommendations to ensure the site is safe and well maintained. For the lease to be granted works need to be completed by both the Site Manager and the Council, including: • A legionella risk assessment • An asbestos management survey • A fire risk assessment • Fire safety improvement including action notices, points, means of raising alarm.	The lease for the management of the site was finalised with the Council approving the lease and the lease arrangement with the current site manager. Under the instruction of Housing Strategy, Corporate Landlord have commissioned the necessary safety assessments of the site which are being undertaken as access is made available to the site by the site manager. In addition, completion of the works has been delayed by the Covid 19 outbreak and will

	• Electrical repairs maintenance and an electrical service certificate. Works were due to be completed in December 2019. The District Valuer Service reviewed the fee that is paid to the Council to manage the site and has recommended a fee as part of the updated lease. Approval from Procurement is currently being considered. As such, the lease is due to signed before the end of the financial year.	continue on the basis of Government Guidelines for remaining safe within the workplace whilst maintaining the safety of this community. The lease will be granted once all works are completed by both the Site Manager and the Council. The Site Manager continues to pay the fee to the Council, with alternative arrangements for payment provided due to closure of offices caused by the Covid 19 outbreak.

Action Plan for the Significant Governance Issues identified during 2019-2020 which will need addressing in 2020-2021

Based on the Council's established risk management approach, the following issues have been assessed as being key for the purpose of the 2019-2020 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2019-2020 - Key areas and actions for implementation	Responsibility and expected implementation date
Savings Targets In March 2020 the Council approved a balanced budget for 2020-2021 without the use of general reserves. It is estimated that further savings of £15.5 million are required in 2021-2022 rising to £20.2 million in 2022-2023. It is 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	Director of Finance March 2021

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. Due to Covid-19, government have announced that the Review of Relative Needs and Resource will not be undertaken this year. It is understood that a spending review will take place, but we would anticipate that this will be for one year only. 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 2020. Due to Covid-19 it has not been possible to progress this work. Further we have identified that budget reductions and income generation proposals built into the budget for 2020-2021 may not be deliverable at this stage. The Council must continue to provide information to MHCLG and seek funding to mitigate the impact of Covid-19 both for 2020-2021 and the medium term. The Council must also continue to look at budget reduction proposals to mitigate the impact of Covid-19 and to address the medium-term deficit.	
Procurement, Contract Management and Monitoring This will remain ongoing due to the changes to regulation and legislation, particularly in the light of our exit from the EU.	Director of Finance March 2021
Strategic Asset Plan Review and Update the Strategic Asset Plan and Action Plan taking into account the Our Space programme proposals. This programme includes asset rationalisation of the portfolio determining future direction of travel for each asset e.g. retain, dispose or reuse (i.e. community asset transfer, public sector partnering). The programme will identify and ensure that only those land and property assets required for operational or strategic purposes are to be retained and that a clear plan for their development and operation is in place (including future investment requirements). This will result in a more cost-efficient property estate delivering running cost efficiencies, reduction in carbon emissions and potential for achieving capital receipts. Consideration will also be given as to how new income can be generated from property assets whilst protecting the existing income.	Head of Assets December 2020

Civic Halls Delivery of the Civic Halls in accordance with any set budget and in line with the set timeline will be closely monitored by the Council throughout and the Council will ensure that the contracts in place are complied with.	Director of Regeneration March 2021
GDPR This is an ongoing issue in terms of ensuring compliance with GDPR through regular training and continuing to provide transparent reporting of the levels of compliance with GDPR.	Director of Governance – March 2021
Constitution review Review and modernise the Council's constitution and decision-making processes – this includes reviewing the Council's Code of Conduct and ensuring that the constitution is easy to understand, easy to access and supports appropriate and effective decision making, building on the positive approach to decision making that has taken place during the Covid-19 pandemic. This also includes ensuring that there is an effective approach to policy development and scrutiny within the Council.	Director of Governance – December 2020

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 2020-2021.

Certification

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

Ian Brookfield, Leader of the Council

Date:

Tim Johnson, Chief Executive

Date:

Glossary

Academy

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

Accruals (Accrual Accounting)

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

See Receivables, Payables

Actuarial/Actuary

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

Arm's Length Management Organisation

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

Amortisation

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

See Depreciation

Asset

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

See Non-Current Asset

Bad Debt Provision

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

Budget

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

Business Rates or National Non-Domestic Rates (NNDR)

Businesses across the country have to pay business rates. The government decides how much they should pay, and Local Authorities collect the money. In Wolverhampton, the amount collected is shared on the following basis:

• City of Wolverhampton Council 99%

• West Midlands Fire and Rescue Authority 1%

Capital Adjustment Account

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

See Capital Financing Requirement

Capital Expenditure

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

See Deferred Charge, Property, Plant and Equipment

Capital Financing Requirement

An amount calculated as Non-Current Assets less the balances on the Capital Adjustment Account.

See Minimum Revenue Provision

Capital Programme

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

Capital Receipt

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

See Statement of Recommended Practice, Code of Practice

Code of Practice on Local Authority Accounting

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

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

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

Corporate and Democratic Core

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

Council Tax

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

Current Asset

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

Dedicated Schools Grant

Schools are funded separately from other Council services. The Council 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).

Defined Contribution Scheme

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

De Minimis

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

See Capital Expenditure

Depreciation

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

See Impairment

Disclosure

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

See Code of Practice

Discount

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

See Premium

Dividend

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

Earmarked Reserve

A sum set aside for a specific purpose.

See Usable and Unusable Reserves

Events after the Reporting Period

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

Exceptional Items

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

Existing Use Value (Social Housing)

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

See Vacant Possession Value

Fair Value

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

Fees and Charges

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

Finance Lease

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

See Operating Lease

Financial Instrument

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

Financial Year

This runs from 1 April to 31 March.

General Fund

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

Going Concern

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

Government Grants

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

Heritage Assets

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

Housing Revenue Account (HRA)

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

Impairment

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

See Property, Plant and Equipment

Income and Expenditure Account/Statement

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

Infrastructure Assets

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

Intangible Assets

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

International Accounting Standards (IAS)

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

See International Financial Reporting Standards

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

Levy

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

Liabilities

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

See Accruals, Payables

Major Repairs Reserve

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

Materiality

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

Provision for the Redemption of Debt (MRP)

A minimum amount determined according to a formula approved by the Council, which must be charged to the revenue account, for debt redemption or for the discharge of other credit liabilities.

See Capital Financing Requirement

National Non-Domestic Rates (NNDR)

Rates which are levied on business properties and collected by the Council and accounted for on an agency basis. These funds are then distributed between the General Fund and other public bodies.

Net Book Value

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

See Property Plant and Equipment

Net Current Replacement Cost

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

Net Realisable Value

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

Net Worth

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

Non-Current Asset

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

Obsolescence

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

See Impairment

Operational & Non-Operational Assets

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

See Property Plant and Equipment

Operating Leases

Leases other than a finance lease.

See Finance Leases

Payables

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

See Accruals, Receivables

Precept

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

Premium

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

See Discount

Prior Year Adjustments

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

Private Finance Initiative (PFI)

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

Property, Plant and Equipment

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

See Capital Expenditure

Provisions

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

Prudence

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

Receipts in Advance

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

Receivables

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

See Accruals, Payables

Related Party

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

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

Retirement Benefits

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

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

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

Ring-Fenced

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

Service Reporting Code of Practice (SERCOP)

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

See Income and Expenditure Account/Statement

Trust Fund

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

Usable Reserves

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

Unusable Reserves

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

Useful life

The period over which the Council will derive benefits from the use of an asset.

Vacant Possession Value

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

See Existing Use Value (Social Housing)

Work in Progress

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

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Grant Thornton

Appendix 2

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector

June 2020

Contents

Introduction

Local authorities across the country are now working in an environment that is completely different to the one they were in just months ago as the Covid-19 pandemic continues to impact their daily operations. In such uncertain times, now more than ever communities will be looking towards local authorities to do what they do best, providing essential local public services and particularly care and support to the most vulnerable members of our society.

The virus and measures taken to contain it have undoubtedly impacted financial and economic activity and the effects will not be contained to the 2019/20 and 2020/21 financial years but will be felt for a considerable time. This has several ramifications that local authorities will need to carefully consider in preparing and finalising their 2019/20 Narrative Report, financial statements and Annual Governance Statement.

For the year end 31 March 2020, effects of Covid-19 will need to be taken into account in measuring assets and liabilities at the balance sheet date. There may also be additional, non-adjusting, post balance sheet events relating to the ongoing pandemic that require disclosure in 2019/20 financial statements. For those local authorities yet to conclude their financial statements for years prior to 2019/20, the emergence of new information about Covid-19 and its impact is a non-adjusting post balance sheet event requiring disclosure in those financial statements.

The aim of this report is to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, we have identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. We have also included a number of useful links to other resources.

Executive summary

As a nation we are likely to feel the societal and financial consequences of the Covid-19 pandemic, and the measures to contain and mitigate its effects, for years, and possibly decades, to come.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way. Grant Thornton's 'Financial Foresight' model, developed in collaboration with CIPFA, can help local authorities bring together future spend forecasts with future income streams and combine this with placed based data to reflect the impact of local demographic and economic changes. Narrative reports, as presented in local authorities' statements of accounts, provide an important platform to communicate key information relating to the external environment, risks and opportunities, financial outlook and plans for dealing with potential budget shortfalls. Within the report we explore key considerations for local authority Narrative reports arising from the pandemic.

Local authorities hold a wide range of statutory and non-statutory receivables, including Council Tax and Non-domestic rate debtor balances, trade receivables, loans receivable and bank balances. Measures taken to control Covid-19 are leading to heavy economic losses and this has and will continue to affect collection rates, as some individuals and businesses experience financial effects of the pandemic. In preparing financial statements authorities will need to consider the recoverability of debt and the potential need to recognise impairments.

The uncertainties created by the pandemic have also significantly increased volatility and uncertainty in markets. In this environment it is important to maintain regular dialogue with management experts where they have roles in relation to asset valuations used in the preparation of accounts. This applies not only to non-current operational and non-operational property assets held by authorities, but also to investment properties, financial assets and many assets held by pension funds. Additional disclosures in financial statements in relation to major sources of estimation uncertainty may prove to be necessary.

We hope that you find our report insightful and helpful in preparing your accounts in this new reality.

Operational challenges and the related financial reporting/regulatory impact

Operational challenge	Related financial reporting/regulatory impact
Increase in demand from service recipients both in the short and long-term	– This is clearly a significant challenge for the majority of local authorities. Ten years of austerity has severely stretched finances across the sector, leaving many with depleted reserves as they seek to manage the delicate balancing of demand-led pressures and available resources. The challenges associated with Covid-19 are unprecedented in modern times and as well as increasing demand for a wide range of services including adult social care, children's social care, services for the homeless, public health and support for the vulnerable it resulted in immediate pressures on local authority cash flows. The pandemic has heightened uncertainty and will continue to impact into the longer term. Local authorities want to support service recipients as best as they can, however it is essential to consider long-term financial sustainability and ensure that reserves are not depleted to levels that put authorities in danger of insolvency. Priorities need to be established, and kept under review, and strategies will need to be re-worked to ensure that funds are being used as efficiently and effectively as possible. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way. In extreme circumstances some local authorities may be considering issuing notices under s114 of the Local Government Finance Act 1988. A s114 notice can have serious operational implications, including bringing a halt to all non-statutory expenditure, potentially hindering the response to the pandemic. The Ministry of Housing Communities and Local Government (MHCLG) has urged any local authorities with serious concerns about its financial sustainability to approach the department in the first instance. Local authorities are required to publish a narrative report with the financial statements, providing information on the authority (including any group interests), its main objectives and strategies and the principal risks it faces. The impact of the pandemic will need to be taken into account in drafting the 2019/20 report and further commentary on the issues which may need to be addressed is included on page 13 of this report.

Operational challenge	Related financial reporting/regulatory impact
Reduction in key sources of income	– At the same time as responding to new challenges in providing vital public services, local authorities are also faced with a significant squeeze on several of their sources of income. Income from fees and charges, rental income, returns on investments including interest and dividends have all been affected to a greater or lesser degree, with significant uncertainty over the timing and extent to which these sources of income will return to pre-Covid-19 levels. Measures taken to control the pandemic are leading to heavy economic losses and most large economies will see unprecedented falls in economic output. Increasing levels of unemployment and reducing tax revenues associated with global recession will affect collection rates for Council Tax and Non-domestic rates as individuals and businesses experience the financial effects of the pandemic, resulting in further pressure on authorities' cash flows and finances. In preparing 2019/20 financial statements, authorities will need to take into account the potential for impairment of statutory Council Tax and Non-domestic rate debtor balances. Assessment of impairment needs to take place for both individually significant debtors, and also collectively for balances that are not individually significant. Observable data indicating a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments, should be taken into account. Recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions. Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions. IFRS 9 *Financial Instruments* is adopted by the Code of Practice on Local Authority Accounting ('the Code') and includes a three-stage impairment model which is applicable to financial assets including trade receivables, loan receivables, deposits and other debtors. IFRS 9 requires that forward-looking information (including macro-economic information) is considered both when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses. The Covid-19 pandemic is likely to have caused significant deterioration in the credit quality of some businesses – this clearly varies from sector to sector with, for example, the hotel industry more severely affected than say the grocery sector. Authorities should re-assess expected credit losses in light of the pandemic, as the probability of losses occurring is likely to have increased.

Operational challenge	Related financial reporting/regulatory impact
Closure of local authority offices, premises and facilities	– The Code requires that where assets, including Council dwellings and operational land and buildings, are revalued to 'current value' the revaluations shall be sufficiently regular to ensure that carrying amounts do not differ materially from current value at the end of the reporting period. Surplus assets and investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period. We note a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Our expectation is that authorities will assess the impact of such comments, taking account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty. Where such comments are included in management's experts' reports, and appropriate disclosure is correspondingly included within financial statements, auditors are likely to consider the need to include an 'emphasis of matter' paragraph within their audit report. An emphasis of matter paragraph is not a qualification or modification of the auditor's report. It is used to draw the reader's attention to a matter that has been appropriately presented or disclosed in the financial statements and which, in the auditor's judgement, is of such importance that it is fundamental to the users' understanding of the financial statements. **Onerous leases and other onerous contracts** – It is uncertain as to when the lockdown restrictions may be lifted and when local authority premises can feasibly re-open, due to availability of staff and ability to implement required social distancing measures. Where premises are not owned but are being rented, authorities will need to consider the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received and whether an onerous lease provision is required. This is equally applicable to other contracts the authority might have where, especially due to the pandemic, the unavoidable costs of meeting their obligations under the contract exceed the economic benefits expected to be received under it. See section 8.2 of the Code for further detail. **Inventories** – Authorities will need to consider whether at the reporting date the value of any stock needs to be written down, particularly for items which may not be used within their shelf-lives or other conditions which might make them unusable or mean they have a reduced value when lockdown restrictions are eased.

Operational challenge	Related financial reporting/regulatory impact
Pausing significant projects	– In applying the Code, authorities capitalise directly attributable costs of items of property, plant and equipment as an asset on the Balance Sheet if and only if it is probable that future economic benefits or service potential associated with the item will flow to the authority and the cost can be measured reliably. Costs relating to schemes that are discontinued or abortive costs should be excluded from capitalisation. An authority will capitalise expenditure while it is reasonably assured that operative property, plant and equipment will eventually be constructed or acquired. This expenditure could remain on the balance sheet even while work on a scheme is suspended, provided that the outcome of the expenditure to date can be mothballed and there is sufficient certainty that the scheme will be reactivated within a reasonable timescale. Where an authority is not reasonably assured that a scheme will proceed, costs should be written off within service expenditure in the comprehensive income and expenditure statement. **Grant income** – For any grants received or due to be received, local authorities may need to re-assess whether they can fulfill the performance measures or requirements of the grants, particularly where the activities have had to be adapted to the current circumstances and resources re-allocated. These might include achieving certain levels of output or using the grant within a specified time period, which may no longer be possible. The Code adapts IAS 20. Grants and contributions are required to be recognised as income, except where an authority has not complied with any attached conditions. If funding bodies make changes to the conditions set out in existing agreements then authorities will need to re-assess the recognition of grants in the financial statements.
	– The Code requires local authorities, that can only be discontinued under statutory prescription, to prepare their financial statements on a going concern basis. The international financial reporting framework on which the Code is based still requires disclosure of material uncertainties related to events or conditions that may cast significant doubt upon entities ability to continue as a going concern. In view of the Covid-19 pandemic, and pressures on local authority finances, consideration of this requirement will come into sharper focus in audits of 2019/20 financial statements and further commentary on the issues which may need to be addressed is included on page 14 of this report

Government support schemes – considering the accounting implications

The government has announced a variety of packages to support local authorities, businesses and individuals following the outbreak of Covid-19. In recognition of the essential role that councils have to play in the nation's response to the pandemic, MHCLG announced £1.6 billion of initial emergency funding to the sector on 20 March 2020 and a further £1.6 billion on 18 April 2020.

Councils also have a key role to play in distributing coronavirus grants to small and medium sized businesses. By 17 May 2020 the sector had distributed over £9.5 billion of grant funded by the Department for Business, Energy and Industrial Strategy (BEIS) via nearly 800,000 grant payments.

Note, the government support provided is changing regularly and the details of entitlement and how any claims will be settled are still being developed.

Government scheme	Accounting considerations
Covid-19 emergency funding for local government	

Government scheme	Accounting considerations
Expanded Retail Discount – 100% business rates relief	

Significant financial reporting issues to consider

Covid-19 is likely to have a significant impact on a number of other areas:

Narrative report

Additional disclosure is likely to be required around Covid-19 in most areas of the narrative report, with particular consideration given to providing information on:

- the external environment and significant changes to services and key objectives
- any significant changes to governance arrangements as a result of lockdown controls, cross-referencing to the Annual Governance Statement where appropriate
- risks and opportunities, this could include key risks and uncertainties in relation to future service provision, including financial risks, risks arising from the financial performance of subsidiaries and investments in other entities, risk mitigation measures, the acceleration of digital access to services
- the outlook for the authority including factors that may affect future cash flows, details of known future budget pressures or changes in resources and the authority's plans for dealing with any shortfalls.

Whilst it isn't possible to predict the ultimate extent and duration of the pandemic, or its wider impact on the economy, stakeholders will to look to authorities to use best endeavors to explain the specific known impacts on their organisation to date, as well as the anticipated future impacts under different scenarios. The specific areas affected by uncertainty are discussed below in more detail, however we would expect that many authorities will have to reconsider their strategies and outlook going forward given the significant impacts of Covid-19. Further, measures to contain the pandemic have likely put pressure on governance processes and on elected members in discharging their responsibilities.

Accordingly, apart from the specific aspects of the narrative report detailed below, we would expect the report to include detailed and specific explanations of the current impact of Covid-19, how the authority has responded and the resilience of the organisation in the face of longer-term uncertainty.

Going concern

Local authorities can only be discontinued under statutory prescription and as such should continue to prepare their financial statements on a going concern basis. In preparing their financial statements authorities are required to disclose material uncertainties related to events or conditions that may cast significant doubt upon their ability to continue as a going concern. In view of the Covid-19 pandemic and pressures on local authority finances, consideration of this requirement will come into sharper focus in audits of 2019/20 financial statements.

Going concern and any associated material uncertainties will need significant consideration and may have an impact on the audit report, narrative reporting and accounting policy disclosures in the accounts.

Some key areas to consider around going concern are:

- **Forecasting** – Forecasts will need to be revisited in light of the current circumstances and a variety of sensitivities and stress testing performed. Authorities should ensure that cash forecasts cover a period up to at least 12 months after the date of approval of the audited financial statements, and base these on cash flows. If any government support schemes are included in forecasts these should only be included up to the point that the government have committed to date.
- **Material uncertainties** – Although expected to be unusual in a local government context, paragraph 25 of IAS 1 requires that when management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern these shall be disclosed within the financial statements.

Significant judgements and estimation uncertainty

Many areas of the financial statements involve management's judgements and assumptions as of the reporting date. Disclosures of significant judgements and areas of material estimation uncertainty should be focused, sufficiently detailed and up to date to reflect the current situation and any changes in underlying assumptions and sources of estimation uncertainty.

Careful consideration should be given to areas where management has made assumptions and taken judgements which are highly sensitive and have a material impact on amounts recognised and disclosed in the statements.

Valuation of investment property

The Code requires investment property to be measured at fair value, reflecting market conditions at the end of the reporting period. As with operational and surplus property valuations, investment property valuations are being impacted by current market uncertainty created by the Covid-19 pandemic. This has led RICs to instruct all of its member firms to consider including additional disclosure within valuation reports where valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Where this is the case valuers advise that less certainty and a higher degree of caution should be attached to valuations than would normally be the case.

Where such disclosure is included in management's experts' reports, and appropriate disclosure is correspondingly included within financial statements, auditors are likely to consider the inclusion of an 'emphasis of matter' paragraph within their audit report. An emphasis of matter paragraph is not a qualification or modification of the auditor's report and is used where a matter is appropriately presented or disclosed in the financial statements that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial statements.

Management's experts' reports may also include additional caveats or limitations beyond the material uncertainty mentioned above. For example, the expert may not have been able to physically attend a property when forming their valuation. This limitation will be carefully considered by the auditor to determine whether the scope limitation stops the expert being able to produce an appropriate valuation. If appropriate valuations are unable to be produced auditors will need to consider whether modification of their audit reports is necessary.

Impairment

There are many areas of the financial statements which will need to be assessed for impairment considering the financial impact of the pandemic. At each reporting date, management must assess whether there is any indication that an asset may be impaired.

To put this into context for the local authority sector we have highlighted some key areas below where impairment assessments may be necessary in the current climate.

rebuttable presumption that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, although it is not necessary to wait 30 days before determining that there has been significant increase in credit risk.

Authorities are required to measure expected credit losses on financial assets in a way that reflects unbiased, probability-weighted amounts determined by evaluating a range of possible outcomes, the time value of money and information available at the reporting date about past events, current conditions and forecasts of future economic conditions. Authorities need not identify every possible scenario but need to assess the possibility credit losses do or do not occur.

Employee benefits such as holiday pay accruals, sick pay and termination costs

Authorities will need to consider whether additional provisions and disclosures are necessary due to employee layoffs and other employee related items as a result of Covid-19.

Sick pay – Sick pay is likely to increase during this period and authorities should recognise a liability for sick pay in the period in which employees are off, even if it is not paid until a later period.

Termination costs – Under IAS 19 authorities should recognise a liability and expense for termination benefits at the earlier of when it can no longer withdraw the offer of those benefits and when it recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Any plans communicated after the reporting date should be treated as a non-adjusting post-balance sheet event in line with paragraph 3.8.2.13 of the Code.

Investments

Financial markets across the world have been very volatile due to the current uncertainty surrounding the economic impact of the pandemic. Where investments at measured at fair value, based on a quoted price in an active market for an identical asset (i.e. 'Level 1' in the fair value hierarchy) then, whilst such fair values might change materially within the next financial year, disclosure of the risk of material change is not required.

Where, however, investments (including financial assets and investment property) are measured using valuation techniques involving observable inputs other than quoted prices or unobservable inputs (i.e. at 'Level 2' or 'Level 3' of the fair value hierarchy as defined in section 2.10 of the Code and IFRS 13), and there is a significant risk of material adjustment to the carrying amount of the investment within the next financial year, then the estimation uncertainty disclosure requirements of 3.4.2.90 of the Code will apply.

The possibility of assets needing to be measured using unobservable inputs as a result of the pandemic should also be taken into account. Where measurement does move from 'Level 2' to 'Level 3' then authorities should note the additional disclosure requirements set out in section 2.10.4 of the Code.

Increased volatility and uncertainty will also have an impact on the valuation of defined benefit pension schemes as discussed below.

Pensions

Movements in the value of investments will affect the valuation of defined benefit pension schemes overall and in some cases, authorities may see a noticeable change in their defined benefit pension position. Some actuarial methodologies may also traditionally use forecast investment valuations to determine an estimate for the year end fund asset position. Given the volatility of the financial markets, the possibility of significant change in asset valuations as at the year-end should be considered and the fair value of plan assets updated where there has been a material movement compared to the forecast position. Using any estimated asset valuations increases the likelihood of a significant misstatement in the overall defined benefit pension scheme position at the year end.

Post balance sheet events

For 2019/20 financial statements, the existence of Covid-19 was recognised during the financial year and some of its impacts and actions taken by the Government were known by the reporting date of 31 March 2020, Covid-19 is an adjusting event and the effects of the pandemic must be taken into account in measuring assets and liabilities wherever relevant, based on facts and circumstances at year-end. However, new information about the likely severity and duration of the effects of Covid-19 will continue to emerge. Careful analysis and judgement, with reference to Section 3.8 of the Code and IAS 10, will be required to determine whether this information is 'adjusting' on the basis that it provides new evidence about the year-end situation, or is a non-adjusting event that should be disclosed.

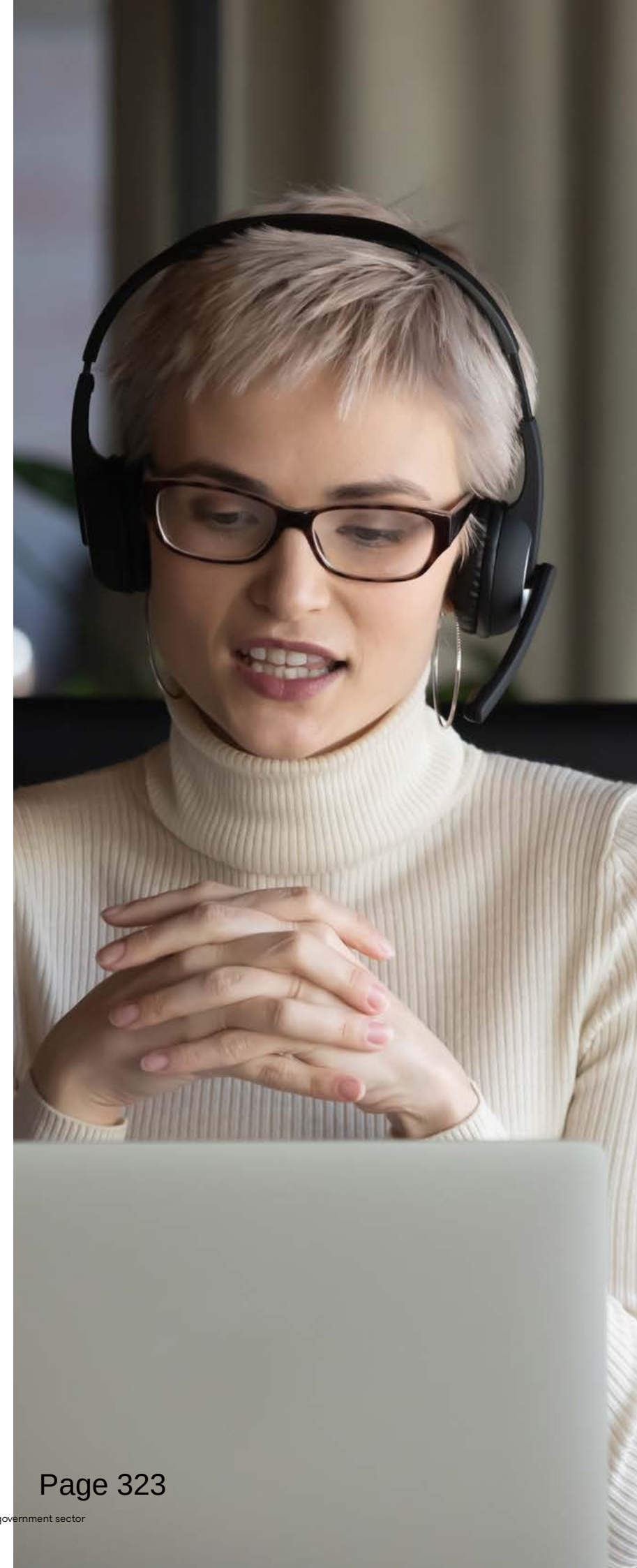
For those local authorities yet to conclude their financial statements for years prior to 2019/20, the emergence of new information about Covid-19 and its impact is a non-adjusting post balance sheet event requiring disclosure in those financial statements. The outbreak of the virus, its identification as Covid-19 by the WHO and actions subsequently taken by the Government do not provide additional evidence about the conditions that existed at the reporting date. Therefore, for 2018/19 (or earlier) financial statements the emergence of Covid-19 and its impact is a non-adjusting event. In line with section 3.8.3.2 of the Code, disclosure is still required for non-adjusting events regarding the nature of the event and estimate of the financial effect if possible.

We would encourage all authorities to consider all these points when preparing their financial statements.

Deferral of IFRS 16 Leases

At its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation of IFRS 16 Leases to the 2021/22 financial year, with an effective date of 1 April 2021. This decision aligns with the proposals across the public sector.

Although the implementation of IFRS 16 has been delayed to 1 April 2021, in our view authorities still need to include disclosure in their 2019/20 statements to comply with the requirement at 3.3.4.3 of the Code and the underlying requirement of IAS 8 paragraphs 30 and 31. As a minimum, we would expect authorities to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, we would expect the financial statements to state this.



Other sector issues and practicalities to consider

Cyber security

- **Procurement fraud** – companies claiming to sell personal protective equipment and then not delivering the goods
- **Phishing emails** – with links leading to fake website which can cause viruses or steal personal details or passwords
- **Mandate/CEO fraud** – these involve official looking emails requesting changes to bank details for either suppliers/employees; and
- **Unsolicited goods/services/financial support** – these goods are never delivered and often require advanced fee payment.

As the majority of staff will be working on-line it is of utmost importance that local authorities make all employees aware of the type of cyber-crimes that are prevalent, to be particularly vigilant, and to maintain strong internal controls.

Impact on audit work/ external scrutiny process

- **Audit approach** – Planned audit approaches are likely to change due to logistical issues as well as a heightened risk in several areas of the financial statements, resulting in additional testing being required. Social distancing will have a significant impact on how auditors obtain the evidence they require as well as how they communicate. You will see an increase in use of technology as may see more substantive testing, particularly if the operation of internal controls has been affected. Auditors and local authorities will need to work together to identify what alternative measures are possible in the current environment without reducing the quality of audit evidence.

  The amount of audit work and length of audits are therefore likely to increase due to the impact on financial reporting and additional scrutiny over key estimates and significant judgments made by management should be anticipated.

- **Audit reports** – Due to the uncertainties arising from the pandemic there is a greater likelihood of audit reports containing emphasis of matter paragraphs and potentially being modified or qualified. Where the auditor anticipates a potential modification they will communicate the circumstances to officers and those charged with governance.

- **Audit Committee and other significant meetings** – Audit Committee meetings may be impacted if physical meetings are still prohibited or advised against at the time of concluding audits. Audit committees will need to discuss with their auditors how best to communicate, holding virtual meetings where possible. Annual and other significant meetings may also have to be held virtually, postponed or cancelled.

- **Accounts preparation and audit timetable** – MHCLG laid the Accounts and Audit Regulations (Coronavirus) (Amendment) Regulations 2020 before Parliament in April 2020. The effect of the Regulations is to extend the timetable for local authorities to prepare their draft 2019/20 statement of accounts to 31 August 2020, with the period for the exercise of public rights to commence on or before 1 September 2020. The Regulations also extend the deadline for the publication of statements of accounts, together with any certificate or opinion of the local auditor, to 30 November 2020. Local auditors will already have liaised with local authorities over the anticipated timetable for the preparation and audit of the 2019/20 financial statements.

- **Inspection of documents** – Section 26 of the Local Audit and Accountability Act 2014 gives any interested person the right to inspect the accounting records for the financial year and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records. The Accounts and Audit Regulations 2015 prescribe that these rights may only be exercised in a single 30 working day period, with the responsible financial officer required to advise the relevant period via publication of a statement including publication on the authority's website. In light of the pandemic and with social distancing measures in place, authorities will need to consider how they will allow the public the opportunity to exercise their rights in relation to the accounts. Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, authorities may wish to include public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

  The National Audit Office is currently reviewing its publication 'Local authority accounts – a guide to your rights' and updates will be made to take account of the changes announced in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

Engagement with experts

In uncertain times, it is particularly important to maintain regular dialogue with management experts where they have roles in relation to the preparation of accounts. Some examples include:

- **Valuation experts** – These should be contacted as soon as possible to establish how they will apply the most accurate valuation method, in light of the current uncertainty and with social distancing measures in place. RICS have issued some advice[1] to its members on that matter, including highlighting the possibility that some valuations may need to be issued with 'material valuation uncertainty' declarations.
- **Actuaries** – Discussions with actuaries, engaged to support with defined benefit pension schemes, should be held regarding updates to the assumptions used and timing of their report, in order to obtain the most accurate valuation possible.

1 https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus/

Further resources and guidance

The amount of information and constant updates can be overwhelming and therefore we have included some key websites for guidance on both the operational and financial aspects that are being updated regularly so that you have these to hand.

[2], which covers a number of topics including: navigating government support, cyber security, contingency planning, impact on businesses and option to join weekly webinars which provide practical steps to dealing with the impact of the pandemic.

[3] on the financial reporting implications of Covid-19 covering some key areas including the impact on the narrative report, events after the reporting period and impact on Property Plant and Equipment, Investment Property and Financial Instruments.

[4] to public rights in relation to the accounts, taking into account the impact of the pandemic.

[5] This is relevant for both authorities and auditors.

[6]

Ministry of Housing Communities and Local Government

[7]

Please note that this is a constantly evolving situation and therefore information included within this report may change over time.

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2 https://www.grantthornton.co.uk/en/insights/responding-to-coronavirus-covid-19/
3 https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements
4 https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/
5 https://www.frc.org.uk/about-the-frc/covid-19/
6 https://www.local.gov.uk/our-support/coronavirus-information-councils
7 https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government

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