CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** 26 July 2021

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

Venue Council Chamber

Membership

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

Labour

Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Craig Collingswood
Cllr Clare Simm

Independent Member

Mr Mike Ager

Conservative

Cllr Andrew McNeil

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

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

DECISION ITEMS

5 **Internal Audit Annual Report 2020-2021** (Pages 9 - 28)
[To receive the internal audit annual report 2020 -2021.]

6 **CIPFA Audit Committee Update** (Pages 29 - 30)
[To receive a CIPFA audit committee update.]

7 **Strategic Risk Register Update** (Pages 31 - 50)
[To receive an update on the strategic risk register.]

8 **Counter Fraud Update** (Pages 51 - 62)
[To receive a counter fraud update.]

9 **Draft Statement of Accounts** (Pages 63 - 336)
[To receive an update on the draft statement of accounts.]

10 **Payment Transparency** (Pages 337 - 338)
[To receive a payment transparency update.]

CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** Minutes - 21 June 2021 Agenda Item No: 3

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 Clare Simm
Mike Ager

Conservative
Cllr Andrew McNeil

Employees

Tom Davies	Assistant Director - Investment Strategy
Rachel Brothwood	Director of Pensions
Darshan Singh	Head of Finance
David Pattison	Director of Governance
Claire Nye	Director of Finance
Peter Farrow	Head of Audit
Alison Shannon	Chief Accountant
Jaswinder Kaur	Democratic Services Manager
Fabrica Hastings	Democratic Services Officer
Mark Wilkes	Audit Business Partner

In attendance

Jon Roberts	Grant Thornton
Nicola Coombe	Grant Thornton

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence**
There were no apologies for absence.

2 **Declaration of interests**
Councillor Clare Simm and Councillor Craig Collingswood declared an interest as members of the West Midlands Pension Fund Committee.

3 **Minutes of the previous meetings**
That the minutes of the previous meeting held on 8 March 2021 be approved as a correct record.

4 **Matters arising**

There were no matters arising.

5 **Accounting Estimates for the West Midlands Pension Fund**

Rachel Brothwood, Director of Pensions, Darshan Singh, Head of Finance and Tom Davies, Assistant Director – Investment Strategy, provided a presentation on the key accounting estimates for the West Midlands Pension Fund, that would be included within the Council's financial statements this year.

The West Midlands Pension Fund's annual Statement of Accounts for 2020-2021 are prepared and the audit arranged in conjunction with Grant Thornton. The Fund's Accounts are prepared under the same guidance applicable to the City of Wolverhampton Council, 'The Code of Practice on Local Authority Accounting in the United Kingdom for 2020-2021'.

The Committee were advised that the Fund faces complexities when valuing some of the Fund's assets and liabilities at year end and the key areas where the Fund's valuation measurements, are based on estimation techniques in the absence of independently verifiable and objective pricing sources are valuation of level 3 investments, calculation of pension liabilities and estimation of accruals.

Where applicable, the Fund employs external experts to obtain accurate estimates when independent pricing is unavailable. For example, a Royal Institute of Chartered Surveyors – specialist firm, would assess the value of direct property holdings held by the Fund and the calculation of the pension liabilities is performed by a qualified Actuary in a professional Actuarial firm.

For other 'Level 3' assets such as Private Equity holdings, the valuation at year end is often estimated from the last valuation report received during the year rolled forward to end of March based on cash flows to and from the Fund's assets.

In response to a question on the Fund's local investments within the region, the Director of Pensions confirmed these included harder to value assets such as Direct Property holdings and loans to local SME and projects, noting there was both regional focus and initiatives undertaken to enhance value within the portfolio, for example through developing enhanced environmental credentials on some assets, which would be reflected in valuations over time.

The Committee were advised that internal oversight processes include scenario stress tests to assess long-term economic circumstances, based on individual assets.

Resolved:

1. That the presentation provided by the West Midlands Pension Fund on key accounting estimates be noted

6 **Assessment of Going Concern Status**

Alison Shannon, Chief Accountant, presented the Assessment of the Going Concern Status. The Committee were advised that the Council is required to compile its statement of accounts in accordance with the CIPFA Code of Practice on Local

Authority Accounting. In accordance with this code, the Council's Statement of Accounts is prepared assuming it will continue to operate in the foreseeable future.

The Committee were advised that the main factors identified within the assessment of going concern status consisted of;

Current financial position;
Projected financial position;
Governance arrangements;
Control environment in which the Council operates.

The Council's Going Concern Assessment showed in Appendix 1 outlined the Council's current financial position, which was a positive outturn position for 2020-2021 with a net contribution to the general fund of £651,000, as presented to Cabinet on 16 June 2021. The Committee were advised that the Council were able to set a balanced budget for 2021-2022 without the need to use general fund reserves but is faced with a projected budget deficit of £25.4 million from 2022-2023 rising to £29.5 million from 2023-2024.

Claire Nye, the Director of Finance reported that for the period reported, the Council is confident that it remained a going concern but requires a longer- term funding strategy from Government in order to develop a longer-term sustainable plan.

The Chair commended the audit team on the positive work done during the pandemic to support the public and businesses.

It was agreed that Director of Finance, would provide Councillor Andrew McNeil with further details regarding the increase on the general fund and reserves.

Resolved:

1. That the Assessment of Going Concern Status be noted.
2. That it be agreed that Director of Finance, would provide Councillor Andrew McNeil with further details regarding the increase of the general funds and would provide more detail.

7 **Review of Compliance with the CIPFA Financial Management Code**

Claire Nye, Director of Finance, presented the report on the review of Compliance with the CIPFA Financial Management Code.

The new Financial Code 2019, introduced by CIPFA, places increasing focus on the management of the Council's finances. The Committee were advised that the Council is required to demonstrate that it is working towards this code and will be fully compliant by 2022. The Committee were presented with the first literation of the self-assessment on the Council's performance against the Code. The Committee were advised that the new Financial Management Code is a useful tool that demonstrates good practice and assurance across the Council's financial management.

The Committee were advised that the assessment demonstrates our compliance with the code. The Council has good financial management, very clear lines of reporting, transparent decision making and good budget monitoring. Budget managers are responsible for reporting on their budget monitoring with support and challenge from Finance, therefore promoting ownership across the authority and a one Council approach.

The code however highlights a few areas which could improve our performance and where work is already underway.

One area was value for money, whilst the Council does deliver on value for money, we could be demonstrated in more detail. The Council will be looking to increase the use of benchmarking and making this more visible along with embedding the performance framework approved by Cabinet in March, around Relighting Our City, and strengthening the link between performance and finance.

Medium Term financial planning is another area which could be strengthened. The Council assesses its resilience over the medium term, and provides robust forecasts on demand and risk, however, currently we do not have a balanced budget over the medium term. Whilst this is in part due to the uncertainty around Government funding, it is also around how the Council best operates within a changing environment.
The Committee were advised the final area was around enhancing our work around options appraisals. There is good project management framework in place, but work was underway to see how this can be more agile and flexible, to ensure that responses are actioned more quickly when required.

The Committee asked if this document would be shared externally. The Director of Finance advised that was being presented to Committee so to be transparent and that the Auditors would have access to this and may use it as part of their assessment.

Further detail regarding the elements of the waterfall-based approach would be bought to a future meeting.

Resolved:

1. That the Council's Review of Compliance with the CIPFA Financial Management Code be noted.

8 **Annual Governance Statement**

David Pattison, Director of Governance, presented the report on the Annual Governance Statement.

The City of Wolverhampton Council was responsible for producing the Annual Governance statement 2020-2021, to ensure that governance arrangements, Council functions and management of risk was in line with the Local Government Act 1999.

The Committee were advised that this financial year, the Council had demonstrated that it was within budget, practiced good governance and decision making.

The Committee were advised that the Council's Constitution had been updated and presented during the Annual General Council on 19 May 2021.
The Council's governance arrangements were adapted, and the emergency action powers was updated, to ensure streamlined decision making, relating to budget and other matters as a response to the pandemic.

The Committee were advised that David Pattison would provide members with a 6 - monthly update regarding the Annual Governance Statement.

Resolved:

1. That the contents of the Council's Annual Governance Statement for 2020-2021 be noted.

9 **Grant Thornton 2019 - 2020 Annual Audit Letter**

Jon Roberts, External Auditor – Grant Thornton, presented the report on the Grant Thornton 2019 – 2020 Annual Audit Letter.

The Annual Audit Letter provided by Grant Thornton outlined the key findings from the work carried out at the Council for the previous financial year, ending 31 March 2020.

The Committee were advised that any fee variants identified within the report resulted from more work undertaken by Grant Thornton. The Committee were advised that statutory audit fee is determined and agreed by (Public Sector Audit Appointments) PSAA, which has now been finalised.

The Governments lockdown restrictions imposed as a response to the pandemic forced the 2019-2020 audit to be completed using technology rather than face to face. The Committee were advised that remote working had had some positive advantages and future audits would probably be undertaken using be a hybrid approach.

The Committee were advised that the recommendation on the Annual Governance Statement (AGS) asked for more emphasis to be included for the wider group – the committee had received this year's AGS at this meeting.

A recommendation on the Councils scrutiny and challenge of the external valuer's report was also included. The Committee were advised that the challenge and processes have been significantly enhanced for the 2020-2021 financial year.

It was agreed that Alison Shannon, Chief Accountant, would provide Councillor Andrew McNeil, with the presentation from the valuers which was presented at a previous Audit and Risk Committee.

It was agreed that David Pattison, Director of Governance, would follow up with Councillor Jonathan Yardley, outside of the meeting regarding his query on value engineering risk associated with the Civic Halls.

Resolved:

1. That the Annual Audit Letter provided by Grant Thornton, be noted.
2. That it be agreed that David Pattison, Director of Governance, would follow up with Councillor Jonathan Yardley, outside of the meeting regarding his query on value engineering risk associated with the Civic Halls.
3. That it be agreed that Alison Shannon, Chief Accountant, would provide Councillor Andrew McNeil, with the presentation from the valuers which was presented at a previous Audit and Risk Committee.

10 **Grant Thornton 2020 - 2021 Audit Plan**

Jon Roberts, External Auditor – Grant Thornton, presented the report on Grant Thornton 2020 - 2021 Audit Plan for noting.

The Audit Plan for the year ended 31 March 2021 within Appendix 1, outlined the planned scope of external audit work that covered areas of risk, materiality and value for money arrangements.

The new approach to value for money was reassessed with the National Audit Office, to produce a new code of audit practice. The Annual Audit Letter would be replaced with an Auditors Annual Report, which would not require the Council to qualify/unqualify. Grant Thornton would continue to report on benchmarking and best practices and would provide commentary/ observations, regarding three areas of the City of Wolverhampton Council including;

Governance;
Financial sustainability;
Arrangements for improving economy efficiency and effectiveness.

Resolved:

1. That the Audit Plan 2020 - 2021 from the Council's external auditors, Grant Thornton, be noted.

Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

26 July 2021

Report title	Annual Internal Audit Report 2020-2021	
Accountable director	Claire Nye, Director of Finance	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The contents of the Annual Internal Audit Report and the overall opinion that "based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes".

1.0 Purpose

1.1 The purpose of this report is to provide the Audit and Risk Committee with an annual internal audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

2.0 Background

2.1 This report gives a brief description of the role of Internal Audit, the control environment within which it operates, its compliance with the Public Sector Internal Audit Standards and a summary of the work carried out during the year to 31 March 2021.

3.0 Progress, options, discussion, etc.

3.1 Quarterly internal audit update reports will continue to be presented to the Committee throughout the year.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. [GE/13072021/G]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. [TC16072021/I]

6.0 Equalities implications

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

7.0 All other implications

7.1 There are no other implications arising from the recommendations in this report.

8.0 Schedule of background papers

8.1 There is no schedule of background papers.

Internal Audit Annual Report 2020-2021

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

1. *Introduction*

Our internal audit work for the period from 1 April 2020 to 31 March 2021 was carried out in accordance with the approved Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Council's governance, risk management and control processes. In this way our annual report provides one element of the evidence that underpins the Annual Governance Statement the Council is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the council may rely, could include:

- The work of the External Auditors (Grant Thornton)
- The result of any quality accreditation
- The outcome of any visits by Her Majesty's Revenues and Customs (HMRC)
- Other pieces of consultancy or third party work designed to alert the Council to areas of improvement
- Other external review agencies (i.e. Ofsted, the Information Commissioner's Office)

As stated above, the framework of assurance comprises a variety of sources and not only the Council's internal audit service. However, Internal Audit holds a unique role within a local authority as the main independent source of assurance on all internal controls. Internal Audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the Council's risks and its overall whole control environment but also all sources of assurance where appropriate.

In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. Also, consideration of the Council's ethics and activities, and information technology governance is implicit in all internal audit activity.

The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

Executive Summary

As the providers of internal audit to the Council, we are required to provide the Chief Executive and Section 151 Officer with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Chief Executive and Section 151 Officer is reasonable assurance that there are no major weaknesses in the council's governance, risk management and control processes. We have taken into account:

- All audits undertaken for the year ended 31 March 2021.
- Any follow-up action taken in respect of audits from previous periods.

- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The Council's Strategic Risk Register as presented regularly to the Audit and Risk Committee.

Internal Audit Opinion

We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out above, our opinion is as follows:

Based on the work undertaken during the year - taking into account the Covid-19 statement below, 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, we can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes.

In reaching our opinion, the following factors were taken into particular consideration:

- We have had unfettered access to all records and employees during 2020-2021.
- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance, identified as a result of our audit work performed in year are detailed later in this report.
- While stand-alone reviews of governance and risk management are not undertaken, consideration of both these issues are implicit in all internal audit work. Similarly, assurance is gained from the regular review of the Council's Strategic Risk Register as presented at each meeting of the Audit and Risk Committee, and through the 'calling-in' of certain risks by the committee for a more detailed review.
- The below statement on the impact of Covid-19 on the audit plan.

Covid-19 Statement

A report was presented to the Audit and Risk Committee in June 2020 informing the Committee that the UK Public Sector Internal Audit Standards Advisory Board had produced guidance to support audit functions during Covid-19. This stated that all internal audit teams in organisations affected by Covid-19 would need to reassess their work plans and staff priorities.

This also set out that for public sector internal auditors there was an additional responsibility as all staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there was a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation. As a result very few internal audit teams would be operating under 'business as usual' conditions. At the very least they would be doing the majority of work remotely, and staff in many teams were likely to be taking on different roles to support their organisation and the public interest.

At the Council a significant proportion of the audit resources during 2020-2021 was temporarily redeployed to other areas of the Council's business in order to provide support in a number of critical areas including:

- The food distribution hub
- Helping to administer the wide range of business support grants provided by Central Government – including reviewing and assessing applications, payment uploads, reconciliations, monthly returns and introducing a pre and post assurance framework
- Undertaking supplier due diligence checks with Procurement regarding the supply of personal protective equipment (PPE)
- Sense checking other Covid-19 related support and grant package returns

The committee were informed that in order in order to reflect the in-year change in risk profile for the Council and to facilitate the shift in resources, a consultation exercise had been undertaken with the senior management team and the internal audit plan revisited to ensure that the audit resource is focussed in the most effective manner. As a result of that exercise, it was agreed with the senior management team and later the Audit and Risk Committee that a number of audit reviews that initially featured in the 2020-2021 audit plan, would be put back until 2021-2022, where they will again fall into the assessment of assurance needs exercise.

While not fundamental to the overall opinion, we also gave a **'limited assurance'** rating as a result of our internal audit work in the following areas:

• Procurement Compliance Review
• Professional Conversation Process

Further details on each of these limited assurance reports were presented to the Audit and Risk Committee during the year, and are included later in this report.

Governance issues arising from the Annual Governance Statement

The Council recognises that the identification, evaluation and monitoring of risks is a key aspect in the governance of the organisation. The following matters represent the most significant current governance issues that are subject to attention in order to ensure that good practice is embedded:

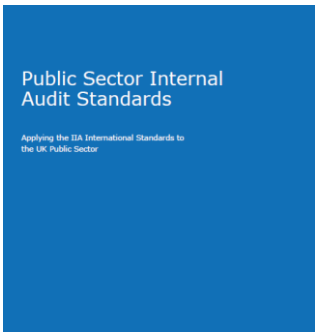
• Savings targets
• Procurement
• Contract Monitoring
• Strategic Asset Plan
• Civic Halls
• Constitution Review

Further details on each of these can be found in the 2020-2021Annual Governance Statement that was presented to the Committee on 21 June.

Key risks the Council faces

The key risks the Council faces in delivering its outcomes are captured in a Strategic Risk Register which is updated as and when the risk profile of the Council changes, and is reported to the Audit and Risk Committee on a regular basis. During the year, and in response to the pandemic, an additional Covid-19 Risk Register was also produced, and again reported to the committee.

Compliance with the Public Sector Internal Audit Standards



The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the internal audit charter approved by the Audit and Risk Committee. The quality assurance and improvement programme and last self-assessment identified no major non-conformances with these standards.

Summary of work completed

A detailed written report and action plan is prepared and issued for every review where appropriate. The responsible officer will be asked to respond to the report by completing and returning an action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Year on year comparison

A total of 24 pieces of audit work have been completed during the year in which an audit opinion has been given. A summary of the audit opinions given, along with a comparison over previous years, is set out below:

Opinion	2020-2021	2019-2020	2018-2019
Substantial	15	9	18
Satisfactory	7	18	23
Limited	2	4	6

Direction of travel

As can been seen the number of limited levels of assurance has reduced when compared to the previous two years (albeit it against a reduced number of audits in 2020-2021 as a result of Covid-19 and as referred to elsewhere in this report).

2 *Summary of audit reviews completed*

The following audit reviews were completed during the 2020-2021 financial year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2019/20 audits carried forward in 2020/21 as a result of Covid-19 and which feed into the 2020/21 audit opinion							
Fixed Assets	High	-	1	-	1	1	Satisfactory
City North Gateway M54 Junction 2 Project Management	Medium	-	-	-	-	-	N/A - advisory
Accounts Receivable	High	-	1	1	2	2	Satisfactory
Main Accounting (General Ledger and Budgetary Control)	High	-	-	5	5	5	Substantial
Fixed Assets	High	-	-	-	-	-	Substantial
Local Taxes (Council Tax and NNDR)	High	-	-	1	1	1	Substantial
Housing Rents	High	-	-	-	-	-	Substantial
Housing Benefits	High	-	-	-	-	-	Substantial
Accounts Payable	High	-	-	1	1	1	Substantial
2020/21 Audits							
Senior Officer Emoluments	High	-	-	-	-	-	N/A
Sundry Debtors - Bad Debt Due Diligence	High	-	-	-	-	-	N/A
Licensing - Private Taxi Hire	Medium	-	2	-	2	2	Satisfactory
Blue Badges Grant Certification	Medium	-	-	-	-	-	N/A
Mayor's Charity Trust Independent Examination	-	-	-	-	-	-	N/A
Transport Grant Certifications	Medium	-	-	-	-	-	N/A

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Eclipse System - Project Governance Review	Medium	-	-	-	-	-	N/A
SEND Safer Recruitment and Single Central Record	Medium	-	-	-	-	-	N/A - advisory
Garden Waste Service	Medium	-	1	-	1	1	Satisfactory
Procurement Compliance Review	Medium	2	3	1	6	6	Limited
Children's Residential Homes – Compliance with Working Time Legislation	Medium	4	1	2	7	7	N/A - Consultancy
Professional Conversation Process	Medium	3	2	1	6	6	Limited
Children's No Recourse to Public Funds (NRPF) and Section 17 Payments	Medium	-	2	-	2	2	Satisfactory
ConnectEd – Council's Supervisory Role	Medium	-	2	3	5	5	Satisfactory
2020/21 Troubled Families Grant Claim	High	-	-	-	-	-	Substantial
2020/21 Key Financial System Reviews:							
Main Accounting System (General Ledger and Budgetary Control)	High	-	1	-	1	1	Substantial
Payroll	High	-	-	1	1	1	Substantial
Accounts Receivable	High	-	1	2	3	3	Satisfactory
Accounts Payable	High	-	-	-	-	-	Substantial
Fixed Assets	High	-	-	-	-	-	Substantial
Treasury Management	High	-	-	2	2	2	Substantial
Housing Benefits	High	-	-	3	3	3	Substantial
Local Taxes (Council Tax and NNDR)	High	-	-	3	3	3	Substantial
Housing Rents	High	-	-	-	-	-	Substantial

Key:

AAN - Assessment of assurance need.

N/A - Consultancy type assignments where an opinion on the control environment is not the main focus of a review.

3 On-going assurance work where reports are not issued

It is a requirement of the Internal Audit Charter that Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement. Therefore, should any reviews be conducted on the below, then they will be led by another member of the audit team.

Project/Programme	In the original audit plan?	Audit Service's Role
Information Governance	Yes	A member of the team sits on the Council's Information Governance Board in the capacity of providing advice and support.
Pay Strategy	Yes	A member of the team sits on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.
Project Assurance Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that all of the Council's projects and programmes, recorded through the Verto system, are reviewed and scrutinised.
Delivering Independent Travel Programme	Yes	A member of the team sits on the Programme Board as Independent Programme Lead. During the lifecycle of the programme on-going advice is provided on the governance, risk management and, programme and project management arrangements.
Schools Fire Safety Working Group	Yes	A member of the team sits on the Board in the capacity of providing advice and support.
Business Support Programme	Yes	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.

Project/Programme	In the original audit plan?	Audit Service's Role
City Learning Quarter Programme	Yes	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.
Agresso Board	Yes	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.
Children's Transformation Board	Yes	A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues. This also includes advice and support on the implementation of the new Eclipse management information system.
Transform Adult Social Care Programme	Yes	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Transport Asset Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that business cases submitted by business areas for vehicles and equipment replacement are reviewed and assessed prior to approval, as well as addressing future Council Fleet requirements and climate targets for a cleaner environment and reduction in carbon emissions, and future use of electric / hybrid vehicles.
HR Improvement Programme	Yes	The purpose of this programme is to review current Human Resource systems, processes and procedures to drive out efficient service improvements. A member of the team sits on the Board to provide support and assurance around changes proposed in order to ensure risks are managed and controls are not compromised.
Civic Halls Operational Board	Yes	A member of the team is a representative on this group. The purpose of the board is to oversee the operational delivery of the Civic Halls full refurbishment.

Project/Programme	In the original audit plan?	Audit Service's Role
Infrastructure for Growth Board	Yes	The purpose of this group is to oversee the strategy of regeneration projects across the city to ensure there is a co-ordinated joined up approach. A member of the team is present on this board to provide support and assurance around governance.
NHS Social Care Digital Programme	New	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Our Assets Board	New	The purpose of this Board is to provide a strategic overview of how the Council manages its current assets. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Local Fibre Network Programme Board	New	The purpose of this Board is to oversee the implementation and roll-out of a new fibre network across the city, which will enable superfast broadband. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Art Gallery Improvements Scheme Board	New	The purpose of this Board is to provide a strategic overview of the building improvements to the City's Art Gallery. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Adult Eclipse Project Board	New	A member of the team will attend the Board to provide support and assurance on project management arrangements for the new Eclipse management information system and any specific audit issues.

4 *Counter Fraud Activities*

The Audit Service's team investigate all allegations of suspected fraudulent activity, during the year. Details of these will be presented to the Audit and Risk Committee in a separate report, along with details of initiatives put in place in order to both raise awareness of, and tackle fraud across the Council.

5 *Key issues arising from our work completed during the year*

No significant issues were identified during the first quarter of the year.

We brought the following matters to the attention of the Committee in December 2020, in our quarter 2 update report

Eclipse System - Project Governance Review

The existing care management and financial system, CareFirst, has been used in Children's and Adults Services since 2008 and had become somewhat outdated and did not interface well with other systems. In May 2017 Cabinet (Resources) Panel gave approval to enter into a contract with OLM Systems Ltd to implement the Eclipse Care system for a total cost of £2.9 million. A project was established to work in partnership with the external supplier (OLM) to deliver a cloud hosted integrated system, that supported the work of both Adult's and Children's Services. A Programme Board was established which was responsible for driving the programme forward and delivering the project outcomes and benefits.

Our audit provided a health check review of the programme's project management and governance arrangements to ensure they were being delivered in accordance with the Council's approved methodology. Where the review identified areas for action, these were reported back to the Board to be addressed.

We brought the following matters to the attention of the Committee in March 2021, in our quarter 3 report

Procurement Compliance Review
Following issues raised by the Head of Procurement, we reviewed a sample of contracts to ensure they were conducted in accordance with the Council's Contract Procedure Rules. A limited assurance rating was awarded due to the lack of evidencing of various stages of the process resulting in poor audit trails.

While there was nothing to suggest contracts had been awarded incorrectly or that procurement legislation had not been followed, records such as conflict of interest forms (completed by officers involved in each procurement exercise) and contract award forms were not always being completed and held on file. Similarly the Accord Contracts Register was not being completed each time a procurement exercise commenced, there were three different systems maintained for the storage of procurement exercise documentation – again reducing the clarity of the audit trail, and there was scope for improving the internal checks carried out both during and at the end of each procurement exercise.

The contents of the report were discussed and agreed with the Head of Procurement, and an action plan has been put in place to address the issues identified.

Children's Residential Homes – Compliance with Working Time Legislation
This was a consultancy review that was requested in year. The scope of the review was to analyse the working hours (contractual hours and additional hours) to ensure staff located at children's residential homes were complying with working time legislation. The review identified some issues around the monitoring of time as staff were working between sites. Following the findings of the report a new system has been put in place to monitor employee's time across both sites, and shift rotas have been revisited to ensure working time legislation is not compromised.

There was one limited assurance report issued during the final quarter of the year (quarter 4), which relates to the following:

Professional Conversations Process
The Professional Conversations process was introduced in September 2020 to replace the previous employee performance appraisal scheme. Under the new process there is a requirement that all employees receive at least four professional conversations over a rolling 12-month period with their manager. There is also a requirement that the conversation is documented, and copies kept locally by both the manager and employee. Professional Conversations are a mandatory process that both managers and employees are expected to undertake. As there is no longer a requirement to record the completion of conversations centrally on Agresso, Audit Services were requested to undertake periodic reviews to monitor compliance with this new process. Our first review noted that:

- 75% of employees, who had received a Professional Conversation, found the new process was an improvement on the previous performance appraisal scheme.
- 90% of employees stated their overall conversation had been positive and supportive.
- Managers who had carried out a Professional Conversation said that they found the process positive.

However, while acknowledging that the new process had been introduced during the Covid-19 pandemic and where a significant number of employees were working from home, we did identify the following issues:

- Large number of employees who had yet to receive a professional conversation.
- Employees were not always aware of the new professional conversation process.
- The guidance documentation on the Council's intranet pages still referenced to the previous appraisal process.
- As service areas have the flexibility to create their own forms, this had led to inconsistencies in the process and core elements not always being discussed during the conversations.
- Low uptake in the attendance of Professional Conversation online training.

In order to further embed the new process, it was agreed to use the leadership teams to reinforce the importance of the new process, undertake a new communications campaign, update the intranet site to ensure all policies, guidance, and supporting documentation was easily accessible to managers and employees, keep a watching eye on the templates being used to ensure they cover the core elements of the process and that consideration be given to making the Professional Conversation training mandatory. A follow up review is now underway and an update will be provided at the next Audit and Risk Committee meeting.

Key Financial Systems

A review of all the key financial systems has been completed as part of this year's audit plan. For each review the core controls in terms of the meeting the objectives for each system were reviewed and tested. No significant issues were identified in any of the reviews. As part of each review we also looked at changes in controls in response to Covid-19. The main change was replacing wet signatures with email approvals.

Follow up of previous recommendations

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee.

At the time this report was produced the following two audits were in process of being completed, and will therefore be reported as part of the quarter one update report for 2021-2022:

- IR35 Compliance Review
- Adult Education External Funding

6 *Audit and assurance effectiveness measures*

Our performance against the following Audit and Assurance effectiveness measures, that were prepared around the successful delivery of the audit service, is as follows:

Audit Plan measures	
Audit reports identifying suggested areas for action, issued to auditees within two weeks of completion of fieldwork.	Approximately 80% of audit reports were issued within two weeks of the completion of audit fieldwork.
Number of audits where time taken to complete assignment is more than 10% longer than planned.	Approximately 55% of reviews took 10% longer than anticipated, with the others completed either on target or under. In most cases, this was as a result of the audit team working from home and adapting to completing all of the 2020-2021 audits remotely, alongside other unforeseen issues that can arise which take time to resolve. However, we will continue to seek to improve on the time taken in completing such reviews.
Delivery of at least 80% of the audit plan, and an opinion which provides suitable assurance on the overall governance, risk management and control environment.	As referred to elsewhere in this report, as a result of Covid-19n the audit plan was subject to revision during the course of the year. The changes to the plan were highlighted to the Audit and Risk Committee at its meeting in December 2020. While over 80% of the revised plan was delivered, obviously the originally intended pre-Covid audit plan was not.
Risk Based Audit Plan produced and available to the Council in advance of the year.	The Audit Plan was approved by the Audit and Risk Committee prior to the commencement of the new plan year.
Recommendations measures	
90% of recommendations accepted by Council management.	All recommendations made in the year were accepted by Council management.
Number of key recommendations followed up, implemented by the council by the target date.	The majority of previous key recommendations followed up had been implemented within the agreed date. Where not, these are reported back to the Audit and Risk Committee throughout the year.
Relationships measure	

Positive feedback from completed client satisfaction surveys and other sources.	No negative feedback was received during the year. However, we are looking to re-introduce a more formal way of obtaining and analysing feedback during the year.
External Audit measure	
External Audit use the work of internal audit to help inform their own work.	No issues have been raised by the External Auditors on the work of Internal Audit.

7 *Key Partnerships and Audit Resourcing*

Audit Services have recently recruited two apprentices under the National Apprenticeship Programme, and they will also be studying towards obtaining the Chartered Institute of Internal Audit qualification. We have also commenced a recruitment exercise for a temporary post in order to backfill a post for an officer working on secondment for the West Midlands Pension Fund. We are also to undertake a benchmarking exercise with our near-neighbours regarding the size and composition of the audit team, taking into account that we also provide the internal audit service for:

- West Midlands Pension Fund
- West Midlands Combined Authority
- Wolverhampton Homes
- WV Living

Each of these have their own Audit Committee, or equivalent, which we report directly to.

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Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

26 July 2021

Report title	CIPFA Audit Committee Update	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update which has a focus on the annual governance statement, Local auditors and internal audit working together and a regular briefing on current issues.

1.0 Purpose

1.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) issue regular briefings for audit committee members in public sector bodies. Their aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

2.0 Background

2.1 The latest edition of these briefings has a focus on the annual governance statement, Local auditors and internal audit working together and a regular briefing on current issues.

3.0 Progress, options, discussion

3.1 Further CIPFA updates will be brought before the Audit and Risk Committee, as and when they are published.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. [GE/13072021/R]

5.0 Legal implications

5.1 There are no direct legal implications arising from the recommendation in this report. [TC/16072021/J]

6.0 Equalities implications

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

7.0 All other implications

7.1 There are no other implications arising from the recommendations in this report.

8.0 Schedule of background papers

8.1 CIPFA Audit Committee Update
This document contains some information which is copyrighted and cannot be made readily available. However, to comply with the spirit of the Freedom of Information Act, should you require details of the report it may be possible to give you access to certain information. If you wish to do that, please contact the accountable employee as detailed above.

Agenda Item No: 7

CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** 26 July 2021

Report title	Strategic Risk Register Update	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 550417 Peter.Farrow@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	8 and 15 July 2021

Recommendations for noting:

The Audit and Risk Committee are asked to note:

1. The latest summary of the Council's Strategic Risk Register, as at Appendix A.

2. The Council's Risk Management framework which has been reviewed and updated, as at appendix B.

1.0 Purpose

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

2.0 Background

2.1 The Council is no different to any organisation and will always face risks in achieving its objectives and priorities. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.

2.2 The Strategic and Covid-19 risk registers were last presented to Committee in March 2021. Since that time the two risk registers have been reviewed and combined to reflect that a number of risks that had arisen originally due to the Covid-19 pandemic now need to be considered as part of the Council's overall strategic risk profile on an ongoing basis.

2.3 A single strategic risk register has now been created, updated in conjunction with risk owners and is attached for the Committee at appendix A. All risks have been aligned to the Council's Relighting Our City's priorities to demonstrate which priority would be impacted if risks are not mitigated effectively.

2.4 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the Council's corporate priorities. Other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.

2.5 A summary of the strategic risk register is included at Appendix A of this report which sets out the status of the risks as at July 2021. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.

2.6 Alongside the risk register review the Council's Risk Management Framework has also been reviewed and refreshed and is attached for the Committee at Appendix B.

3.0 Progress, options, discussion

3.1 The strategic risk register will be updated as required, and presented at approximately quarterly intervals to the Committee. The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. As stated above, other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.

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 summaries. 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/13072021/Z]

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. [TC/16072021/K]

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 All other implications

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

8.0 Schedule of background papers

Appendix A – Strategic Risk Register
Appendix B – Risk Management Framework

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Risk Management Framework

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

Introduction

Risk Management is the process of identifying risks which impact on the achievement of the Council's objectives, evaluating their likelihood and potential consequences / impacts and determining the most effective methods of controlling or responding to them.

As a Council, we are committed to actively managing risk, this framework sets out the Council's approach to risk management and aims to help us achieve the objectives outlined within the Relighting Our City Plan. The framework will be reviewed on an annual basis to take into account environmental changes, changes in the Council's risk appetite and to ensure compliance with best practise.

Aims and Objectives

This strategy sets out how the Council plan to manage risk and demonstrates our commitment to making risk management an essential part of our daily work. It aims to explain what risk management is and what members and employees at all levels are expected to do. Risk Management does not seek to prevent the Council from developing new ideas and different ways of working which make services more effective, it aims to help us achieve this in a more considered way.

Risk Management is all about;

- Helping protect our assets and resources.
- Helping us to be more confident so that we can achieve our aims and objectives.
- Helping us to make informed decisions about opportunities.
- Boosts the confidence our communities have in what we can do.

This framework aims to;

- Encourage us to maintain a system to identify, assess, prioritise and manage risks facing the council (at all levels – from strategic to operational, including our work with partners and on individual projects).
- Eliminate or reduce risk to an acceptable level.
- Demonstrate how well we are managing our risks through the maintenance and communication of risk registers.
- Make sure we consider and record risks whenever we make decisions.
- Identify who does what to manage risks.
- Promote good running of the council and therefore contribute to our Annual Governance Statement (included within our Annual Statement of Accounts).

Risk Appetite

The amount of risk we take as a Council to achieve our objectives is known as our risk appetite. Defining our risk appetite gives us overall guidance when we make decisions. As a council, we seek to deliver better outcomes for residents and businesses in the City of Wolverhampton by producing solid and sustainable plans that can be held accountable for delivering. We challenge ourselves to evaluate the level of risk within these plans and only go ahead with them after doing so.

This means we look at our risk appetite for each decision. In some areas we may take more risk in order to support new ways of working, in others we may take less risk (to make sure we comply with the law or maintain public confidence).

In all circumstances, though:

- We would never do anything to financially threaten our ability to continue as a going concern.
- We would always act within the law.

Despite this, there may be times when we are forced to take risks we wouldn't otherwise tolerate in order to follow Government directions or satisfy public expectations of better services.

Our risk appetite is monitored by the Senior Executive Board.

The Risk Management Process

We use a series of logical steps to manage risks.
The diagram below represents the cyclical nature of managing risk:

Each of these steps is explained in more detail on the following pages;

Identification of risks impacting on the achievement of our objectives

At the Council we use a number of methods for identifying risks, these include; holding risk workshops, horizon scanning and through the work of our internal auditors. Risks are also highlighted by Senior Managers and the Senior Executive Board.

We identify the core objectives for the Council and the risks associated with the achievement of these objectives. At the time this framework was prepared the Council had identified 5 strategic outcomes as part of it's five point 'Relight' recovery plan which is outlined in the diagram below.

The risks on the Council's strategic risk register have been linked to the Council's 5 strategic outcomes to show where they will impact if appropriate actions are not put in place to mitigate those risks.

Risk analysis and scoring

Once risks have been identified, they need to be rated to establish which risks pose the greatest threat. This is done by assessing both the likelihood, of the risk occurring and its potential impact. At Wolverhampton we have adopted a '5 by 5' risk matrix approach, rating the likelihood and impact of each risk from 1 – 5 using the criteria set out below;

Risk Scoring - Impact

Impact	Score	Descriptor
Low	1	Minimal loss, delay inconvenience or interruption. Can be easily and quickly remedied
Low / Medium	2	Minor loss, delay, inconvenience or interruption. Short to medium term effect.
Medium	3	Significant waste of time and resources. Impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover.
Medium / High	4	Major impact on costs and objectives. Serious impact on output / or quality. Medium to long-term effect and expensive to recover.
High	5	Critical impact on the achievement of objectives and overall performance. Critical impact on costs and / or reputation. Very difficult and possibly long-term to recover.

Risk Scoring – Likelihood

Impact	Score	Descriptor	
Low	1	Rare (0-5%)	This risk will only materialise in exceptional circumstances.
Low / Medium	2	Unlikely (5-25%)	The risk will probably not materialise.
Medium	3	Possible (25-60%)	The risk may materialise at some point.
Medium / High	4	Likely (60-80%)	The risk will probably materialise.
High	5	Almost certain (80%+)	The risk will materialise in most circumstances.

The Risk Matrix

The two ratings are then multiplied to give a final score for each risk. Scores can be plotted onto the risk matrix below to identify whether risks are Red, Amber or Green.

Likelihood					
	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Impact				

Risk control / assurance

This is where we analyse the risks to identify gaps/weaknesses in controls, we would expect to find gaps in red and amber risks. Then we can choose to manage the risk in one of the following ways:

- Stop the activity (**Terminate**) – sometimes this is the only way to cut risk to acceptable levels.
- Put more controls/ actions in place to reduce risk (**Treat**). We'll manage many risks in this way, identifying who's responsible for doing what and when they should do it by.
- Accept the risk and monitor it (**Tolerate**) - exposure to it may be acceptable without doing anything else. Even if this isn't the case, we may not be able to do much about some risks – or the costs of doing something may not be worth the potential benefit.
- Pass the risk to someone else (**Transfer**) – for example, to an insurer, contractor or partner. Some risks aren't (fully) transferable – things we must do by law or things which harm our reputation even if we've put a service out to a contractor.

Our tolerance of risk and the resources available to us will determine which of these options we take.

Risk reporting / monitoring

We use risk registers to monitor risks, these exist at different levels i.e. strategic, departmental and project (see the Risk Management Hierarchy below for more details). The format of risk registers can vary provided they record all necessary information i.e. (risk description, risk score, risk owner(s), controls / gaps in control).

We aim to review all risks regularly (at least quarterly in line with Audit and Risk Committee meetings). Risks can change over time and need to be monitored closely to make sure proper controls remain in place. The Senior Executive Board and the Audit and Risk Committee receive quarterly reports on the strategic risk register. This gives them assurance that we're reviewing risks and doing something to reduce them. Such reporting also provides a chance to identify and discuss new and developing areas of risk.

Directorate Leadership Teams should also discuss significant risks with relevant cabinet members and Heads of Service. Leadership Teams should make risk monitoring a regular part of their management meetings and integrate it into the way they manage.

Establishment and Review Registers of Risk

Risk registers are a vital tool to help us manage risk. Completing one is not in itself evidence that risks are being managed, but a register aims to:

- Help identify risks and evidence how we're dealing with them to cut the likelihood of loss and its impact if things go wrong.
- Show clear links between our priorities and the risks affecting them.
- Give us confidence because we know that procedures to deal with any risks that may arise are in place.
- Enable us to share information on risks.

We should continually review registers to make sure that people are doing what they are supposed to do within agreed timescales. Reviews will also show when risks are no longer relevant and, more importantly identify and assess any new risks.

The Assurance Map

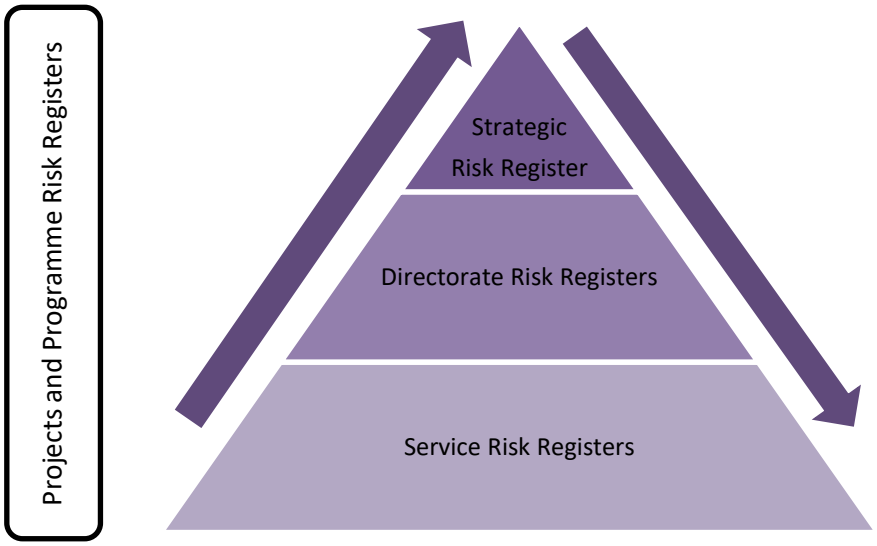
The Council also maintains a strategic assurance map in respect of risks on the strategic risk register. The assurance map follows the three lines of defence model (shown below), and details where the Council can gain assurance against its strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

The three lines of defence model:

First line	Second line	Third line
The first level of the control environment is the business operations which perform day to day risk management activity	Oversight functions such as Finance, HR and Risk Management set directions, define policy and provide assurance	Internal and external audit are the third line of defence, offering **independent** challenge to the levels of assurance provided by business operations and oversight functions

Risk Management Hierarchy

The diagram below shows how risk registers at various levels across the Council link to each other (so that risks can be cascaded down to lower levels and, more importantly, escalated up to higher levels);



Projects and Programme risks can apply at any level across the organisation, hence why the diagram shows these as relevant at each level.

Below are more details on the risk registers at each level:

- Strategic – Includes the most significant risks that could potentially impact on the achievement of the Council's corporate priorities. The Strategic risk register is maintained by Audit Services who liaise with risk owners to review and update risks. Details of the strategic risk register are reported to the Corporate Leadership Team and the Audit and Risk Committee on a quarterly basis.
- Directorate – Includes risks that could potentially impact on the achievement of directorate priorities. Directorate registers are maintained by each directorate in liaison with Audit Services and should be reviewed by Leadership Teams on at least a quarterly basis. Where necessary directorate risks can be escalated to the Strategic risk register.
- Service – Service risk registers may not be appropriate in all circumstances, risks can be included on directorate registers. Where they are maintained they are the responsibility of individual service areas and should be reviewed on at least a quarterly basis. Risks from service risk registers can be escalated to either directorate or the strategic risk register.
- Projects / Programme – include risks that could impact on the delivery of programme/project objectives. Project risks are maintained in Verto, the Council's project management system, risks are the responsibility of the project team and should be reviewed on a regular basis. Project and programme risks can apply at any level across the Council and where necessary should be included on the strategic risk register.

Roles and Responsibilities

A variety of teams and individuals within the Council have specific roles and responsibilities to make sure that risks are managed properly. These are detailed in the table below:

Role	Responsibility
Audit and Risk Committee	• Reviews the strategic risk register and assurance map quarterly. • Seeks assurance that we are managing our risks in line with this framework. • Ensures the Annual Governance Statement properly reflects the risks we face.
Senior Executive Board	• Help to identify and manage our biggest risks which impact on our strategic and directorate objectives. • Reviews the strategic risk register and assurance map quarterly. • Challenges (and holds accountable) specific officers responsible for taking action to manage risks.
Departmental Leadership Teams	• Help identify and manage risks which impact on our strategic and directorate objectives. • Reviews departmental risk registers on a quarterly basis and identifies risks that should be escalated to the Strategic Risk Register. • Challenges (and holds accountable) specific officers responsible for taking action to manage risks.
Project and Programme Boards / Teams	• Helps identify and manage the biggest risks to the programme/ project's objectives. • Obtains assurances that these risks are managed.
Audit Services (Risk Officer)	• Responsible for monitoring, updating and reporting on the Strategic Risk Register and assurance map. • Reports on risk to senior officers and members. • Helps identify risks.
Audit Services	• Provides independent assurance on the adequacy and effectiveness on the controls in place to manager risks.
Counter Fraud Officer	• Helps identify fraud related risk areas. • Co-ordinates and reports on our anti-fraud activities including investigation of suspected fraud and corruption.
All Employees	• Identify and manage risk in their job and report risks to their manager.

Further information and advice

For further information and advice on Risk Management and this risk management framework please contact;

Peter Farrow – Head of Audit Services ext: 4460 peter.farrow@wolverhampton.gov.uk

Hayley Reid – Senior Auditor (Risk) ext: 0417 hayley.reid@wolverhampton.gov.uk

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Risk Ref	Risk title and description	Relighting our city priority	Risk Score	Direction of Travel	Update position
1 04/21	**Impact on Residents Health and Wellbeing** There is a potential impact on the health and wellbeing of Wolverhampton residents due to inaction by the Council. **Risk Owner: John Denley** **Cabinet Member: Cllr J Jaspal**	Support People who need us most	12 Amber	↓	The Council published an outbreak control plan in June 2020 which was refreshed in March 2021 and sets out how, together, we will continue to protect and support our city from the virus and any future outbreaks. Work is ongoing to support two significant programmes associated with the pandemic: a lateral flow testing (LFT) programme and a vaccination programme. A local, more detailed risk register detailing operational risks and issues is being maintained within public health.
2 04/21	**Businesses Closing** Loss of businesses within the City, potentially impacting on regeneration and the achievement of the Council's 'Relight' recovery plan. **Risk Owner: Richard Lawrence** **Cabinet Member: Cllr S Simkins**	Grow our vital local businesses Stimulate vibrant high streets and communities	12 Amber	↓	Government restrictions have had a detrimental impact on businesses across the city, forcing them into either a full or partial closure for significant periods of time. The Council continue to administer business support grants provided by the Government to provide direct financial assistance to businesses across the City. Work by the Council to provide tailored support for businesses in the City in order to meet current business needs and allow them to open safely, in line with Government restrictions in ongoing.
3 04/21	**Safeguarding Children** Failure to safeguard the City's most vulnerable children. **Risk Owner: Emma Bennett** **Cabinet Member: Cllr B Momenabadi**	Support the people who need us most	12 Amber	↔	The Council continues to hold face to face visits and work face to face with vulnerable children and families as it has done throughout the pandemic, in line with its statutory role and responsibilities. Referrals to the MASH are in line with previous years and Wolverhampton's Safeguarding together partnership are holding monthly Covid-19 response meetings, monthly data continues to be submitted to the DfE and is being closely monitored. MASH24 was launched on 14 June 2021, the new arrangements support greater consistency of practice and response during the daytime, evening and at weekends.
4 04/21	**Safeguarding Adults** Failure to safeguard the City's most vulnerable adults. **Risk Owner: Emma Bennett** **Cabinet Member: Cllr L Leech**	Support the people who need us most	12 Amber	↔	Assessments and safeguarding enquiries continue to be undertaken with more face to face visits taking place and support is being provided to service providers as reopening is underway, safely, in accordance with Government guidelines. Lessons have been learnt from the first and second waves of the pandemic and improvements continue to be made.
5 04/21	**Reputation / Loss of Public Trust** There is a risk that the Council loses public trust and confidence by; • failing to respond to the needs of local people, especially vulnerable • failure to warn and inform the public leading to impact upon the health of residents and businesses. **Risk Owner: Ian Fegan** **Cabinet Member: Cllr I Brookfield**	Support the people who need us most	15 Red	↔	Comprehensive, targeted and regular communications with residents and other key stakeholders in Wolverhampton has played a key role in driving down infection rates and driving up vaccination rates in the City. Effective communications remain essential to keeping people safe, connecting them to life-saving covid-19 vaccines, ensuring compliance with regulations, changing behaviour to prevent the virus spreading and preparing residents for recovery and 'relight'. There has been a comprehensive assessment of levels of vulnerability and the Council's approach will continue to prioritise keeping the most vulnerable residents safe. Co-ordinating communications, working with partners at local, regional and national level continues to be absolutely vital to ensure clear and consistent messaging.
6 04/21	**Social Care Providers Adults** There is a risk that we may lose service providers and not be able to maintain adequate service provision. **Risk Owner: Emma Bennett** **Cabinet Member: Cllr L Leech**	Support the people who need us most	16 Red	↔	Risks are being mitigated due to a robust outbreak management process and robust vaccination plans for residents in care settings and those receiving home care. The Council have established an enhanced support to providers, the daily provider survey acts as an alert to trigger contact and support if providers report they are having issues. Commissioning are working with local recruitment agencies to ensure that they understand potential demand and how they can support local care homes whilst ensuring that necessary controls are in place. Mandatory vaccination guidance may increase the risk to provider sustainability due to staff refusing vaccination, this risk is currently being analysed and IMT has been reinstated to monitor progress.
7 04/21	**Employee Wellbeing** There is a potential impact on the health and wellbeing of the Council's staff due to unprecedented levels of service demand and changes to working practices. **Risk Owner: Laura Phillips** **Cabinet Member: Cllr P Brookfield**	Support the people who need us most	12 Amber	↔	Employee well-being continues to be a Council priority, a number of new initiatives have been launched to support the well-being of employees which include (but are not limited to); The Council's Our People Portal, adjustments to facilitate homeworking, provision for onsite working when there is a well-being need, access to mental health first aiders, access to face to face well-being checks and work-outs led by WV-Active, the introduction of Council wide wellbeing leads and the creation of wellbeing pledges.
8 4/21	**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: Cllr I Brookfield**	Stimulate vibrant high streets and communities	12 Amber	↔	Cabinet approved the WV Living Business Plan for 2021-2026 on 16 December 2021-2026. Subsequently, via an urgent decision on 17 December 2020 the Council approved investment of equity in WV Living to support the business plan and delivery of housing in Wolverhampton. The Board of Directors are now fully focused on securing the resources to successfully deliver the Business Plan, the work is closely monitored by the Shareholder Board. Financial monitoring indicates that the position of the company has improved. The company has also been able to reduce the level of lending from the council and therefore it is likely that the risk score will be reduced over the coming months.

Risk Ref	Risk title and description	Relighting our city priority	Risk Score	Direction of Travel	Update position
9 4/21	**Education Provision** There is a risk to the consistent provision of education to all children and young people in Wolverhampton due to Covid-19 outbreaks in schools, children and young people not regularly being in school and parents confidence that children are safe in schools due to the pandemic **Risk Owner: Emma Bennett** **Cabinet Member: Cllr Dr M Hardacre**	Create more opportunities for young people	12 Amber	↔	The Council continues to provide a programme of ongoing support to education providers. An education incident management team continues to meet regularly to monitor emerging Covid cases in schools and provide ongoing support to education settings in order to manage outbreaks. Communications to both education settings and to parents to ensure consistent messaging is ongoing. Significant progress has been made to identify the impact of Covid on learning and through this provide local assessments to help leaders to capture the impact and also understand current attainment and rates of progress for a range of pupil groups including Pupil Premium and SEND.
10 4/21	**City Wide Regeneration** There is a potential impact on the City if the Council do not take effective action to regenerate and repurpose. In addition, there are risks to ongoing Council managed and operated capital projects and programmes in terms of costs, timings and ensuring that original business cases continue to align with the Council's strategic aims. **Risk Owner: Richard Lawrence** **Cabinet Member: Cllr S Simkins**	Stimulate vibrant high streets and communities	12 Amber	↓	With regards to the Council's major capital projects; the strategic pipeline with funding having been secured from Towns Fund, Future High Street Fund, WMCA with further funding bids submitted as part of Levelling Up round 1 submission for CLQ. Regeneration Infrastructure Board (RIB) and Infrastructure for Growth Board (I4G) continue to consider the impacts of COVID-19 and the changes in longer term objectives. The Covid reporting protocol is ongoing and continues to identify and monitor and mitigate risks and issues directly related to Covid-19, Covid risk reports are produced on a regular basis and reviewed by Senior Management. The Council is pro-actively working with partners and stakeholders to mitigate risk and continue operations in accordance with Government guidelines.
11 4/21	**Recovery** If the Council's 'Relight' recovery planning is not robust the Council and the City will not recover swiftly resulting in an inability to fulfil key priorities and support residents and businesses effectively, resulting in significant financial and/or reputational damage. **Risk Owner: Charlotte Johns** **Cabinet Member: Cllr I Brookfield**	All	12 Amber	↔	Full Council approved the 'Relighting Our City' strategy on the 16 September 2020, the framework sets out five priority areas for recovery alongside three thematic cross cutting principles. The plan was developed after extensive engagement with our partners and communities, a mechanism is in place through a digital engagement platform to ensure we have an ongoing dialogue with communities around recovery in the coming months. Work to shape our future economic priorities with key partners across the city has also continued. 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.
12 4/21	**Rising Unemployment** The impact of Covid-19 on businesses and industries across the City will result in more unemployment. **Risk Owner: Richard Lawrence** **Cabinet Member: Cllr S Simkins**	Create more jobs and learning opportunities Support the people who need us most	20 Red	↔	The Council are continuing to monitor levels of unemployment across the city. Recent figures have identified that the city has moved from being 5th highest unemployment in the UK in October 2020 to 7th highest in March 2021. Young people (18 – 25) and the over 55s have been particularly affected. The council's Wolves at Work team, along with other providers, is due to start delivery in the city of Restart, the government's new welfare to work programme. The programme provides employment support to those who have been unemployed for 12 to 18 months (since the start of the pandemic), to help them into sustainable work. The Impact (youth employment support) and Connexions (careers service) will soon start delivery from the Youth Hub, within The Way building in the city centre.
13 4/21	**Information Governance** If the Council does not put in place appropriate policies, procedures and technologies to ensure the handling and protection of its data is undertaken in a secure manner and consistent with relevant legislation then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information. **Risk Owner: David Pattison** **Cabinet Member: Cllr P Brookfield**	Support the people who need us most	8 Amber	↓	The score of this risk has been reduced as new ways of working are becoming embedded. IG implications have now been included within key documentation such as Teams User Guides and working from home guidance has been reviewed and will be re-issued to staff to remind them of information governance requirements when working from home. The IG Team continue to work closely with the Projects and Programmes team to ensure that IG implications are taken into account across all work streams.
14 4/21	**MTFS** If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy including the impact of Covid-19 and, the effective management of the key MTFS programmes a then this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties. **Risk Owner: Claire Nye** **Cabinet Member: Cllr I Brookfield**	All / Our Council	20 Red	↔	On 17 February 2021 Cabinet received an update on the 2021-2022 Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024. It was reported that the impact of Covid-19 has had and will continue to have a significant financial impact on the 2020-2021 budget and the Medium-Term Financial Strategy. There are longer term implications for the Council's operating model, as the scale of the change post Covid-19 will place new expectations and demands on 2020-2021 and future years. It is anticipated that income streams will continue to be adversely affected in 2021-2022 and future years as a result of the pandemic, furthermore, the impact of Covid-19 and the Council's plan for Relighting Our City over the immediate and medium term will require financial investment. In recognition of this initial investment that will be required to support recovery work, Cabinet on 8 July 2020, approved a specific Recovery Reserve of £3 million.

Risk Ref	Risk title and description	Relighting our city priority	Risk Score	Direction of Travel	Update position
15 14/21	**Cyber Security** Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence. **Risk Owner: Charlotte Johns** **Cabinet Member: Cllr O Ahmed**	Support the people who need us most	Amber 8	↔	ICT continue to deploy security enhancements across the infrastructure to further improve security, key activity undertaken includes: • Implementation of multi factor authentication • Conditional policies which prevent access to the Council's network on personal devices unless it is via the internet. • Amending council's password policy to move to passphrases. • Implementation of Windows Defender Advance threat protection, User risk detection and mitigation. The council has also achieved external accreditation of its security, through achievement of Cyber Essentials Plus and PSN compliance.
16 14/21	**Civic Halls** There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope. **Risk Owner: Richard Lawrence** **Cabinet Member: Cllr S Simkins**	Stimulate vibrant high streets and communities	12 Amber	↔	In conjunction with professional advisors, rigorous examination of contracts and the works continue to take place to ensure compliance with the detailed contracts. In preparation for opening in 2022 and the recommencement of commercial events (subject to Covid restrictions and national guidance), on 17 February 2021, Cabinet approved the selection of a leading commercial operator following a full, competitive tender process. The preferred operator will enter into a long-term partnership with the council. The preferred operator will bring forward exciting and ambitious plans for the venue with bigger and better acts and events. Plans will also benefit local businesses, see new jobs created and raise the city's profile.
17 14/21	**Climate Change** Failure to achieve the Council's commitments in relation to Climate Change, including the pledge to make Council activities net-zero carbon by 2028 may result in significant reputational damage and a loss in public confidence. **Risk Owner: Ross Cook** **Cabinet Member: Cllr S Evans**	Stimulate vibrant high streets and communities Support the people who need us most	6 Amber	↔	The score of this risk remains unchanged, there has been no impact on the Council's Climate change strategy as a result of the Covid-19 pandemic.

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Agenda Item No: 8

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

26 July 2021

Report Title	Audit Services – Counter Fraud Update	
Accountable Director	Claire Nye	Finance
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The contents of the latest Audit Services Counter Fraud Update.

1.0 Purpose

1.1 The purpose of this report is to provide Members with an update on current counter fraud activities undertaken by Audit Services.

2.0 Background

2.1 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Ministry of Housing, Communities and Local Government.

3.0 Progress, options, discussion, etc.

3.1 At the last meeting of the Audit and Risk Committee in March 2021, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. [GE/14072021/V]

5.0 Legal implications

5.1 There are no direct legal implications arising from the recommendations in this report. [TC/16072021/L]

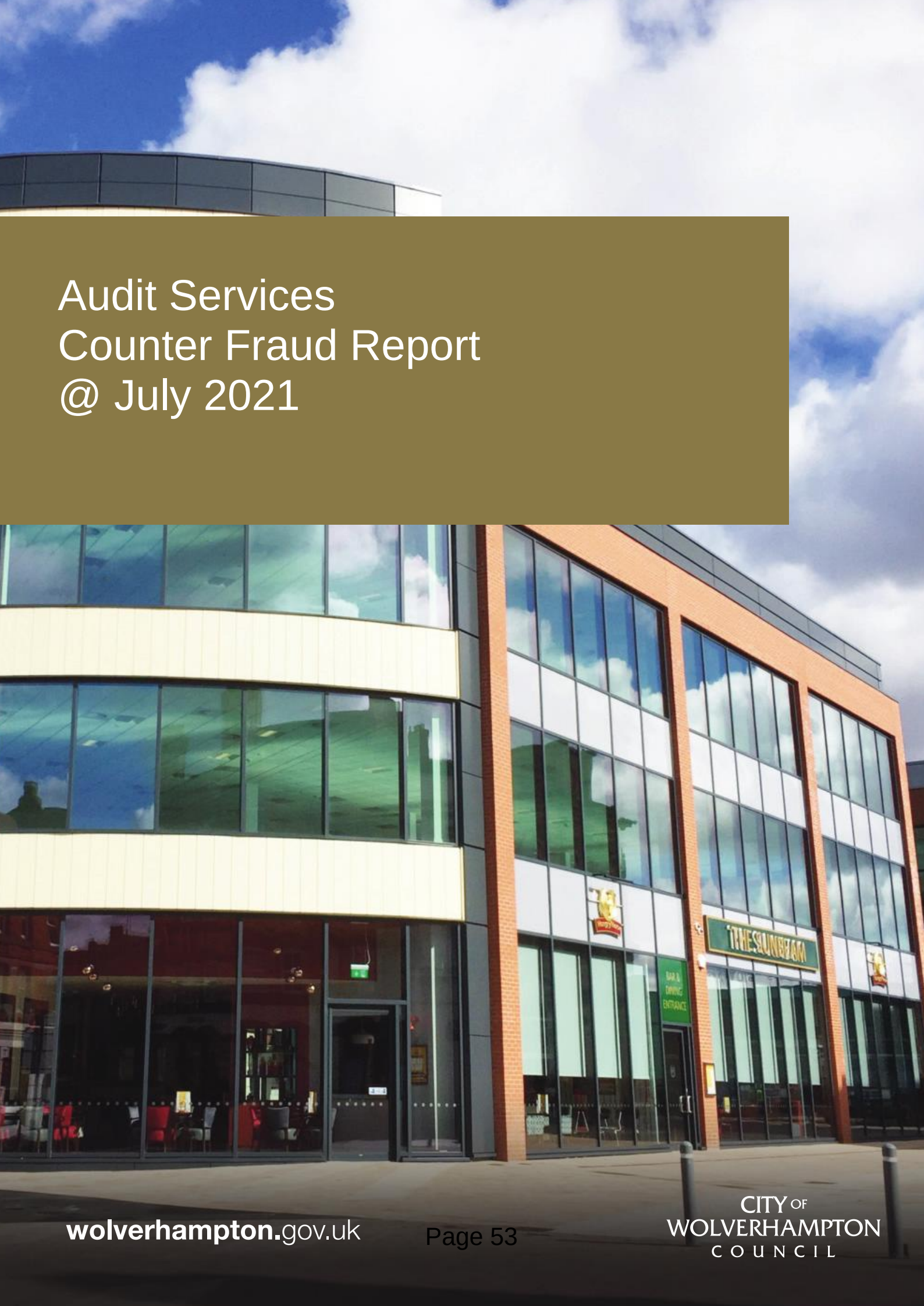
7.0 All other implications

7.1 There are no other implications arising from the recommendations in this report.

8.0 Schedule of background papers

8.1 There is no schedule of background papers.

Audit Services
Counter Fraud Report
@ July 2021



1 *Introduction*

The counter fraud agenda is one that continues to hold significant prominence from Central Government who are promoting a wide range of counter fraud activities. The purpose of this report is to bring the Audit and Risk Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit within Audit Services.

The Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within the Authority's Anti-Fraud and Corruption Policy, which states: "The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated, and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council."

2 *The Counter Fraud Team*

The Counter Fraud Team, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, implements the counter fraud plan and leads on the Cabinet Office's National Fraud Initiative (NFI) exercise.

The team also provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

During the Covid-19 Pandemic members of the Counter Fraud Team in conjunction with colleagues from Finance, Revenues and Benefits, and Audit have supported the due diligence activities undertaken before and after the award of the various support grants introduced by Central Government to ensure the risk of fraud is minimised.

3 *Counter Fraud Update*

Counter Fraud Plan

The latest status of progress against the counter fraud plan is shown at Appendix 1

Fraud Risk Register

The Counter Fraud Team maintains the Council's fraud risk register. The register is used to help identify areas for testing and to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2.

Covid-19 Business Support Grants

To support Local Authorities in the administration of these grants, the Department for Energy & Industrial Strategy (BEIS) Counter Fraud Function developed a toolkit that included a range of measures that could be used to reduce the risk of fraud and error in these schemes. Where appropriate these tools were used by the Council when assessing each application and prior to payment.

	Upfront low-friction controls										Post-event assurance				
	Existing data sets	Data specification	Claw back agreements	Fraud clause	Privacy notice	GOV.UK Verify	Spotlight	AppCheck	Account verification	Existing bank account data	GOV.UK Verify	National Fraud Initiative	Account verification	Spotlight	Data analytics
	To establish eligibility using existing data sets	To capture the data fields for upfront controls / and post-event assurance	In applications, disclaimers or contracts	In applications, disclaimers or contracts	In applications, disclaimers or contracts	To identify and verify the individual	To undertake due diligence on the applicant	To undertake due diligence on the applicant	To pay new bank accounts	To pay long standing bank accounts	To confirm the identity of the individual (post-payment)	To detect fraud (post-payment)	To confirm payees / trace funds	To undertake due diligence on the applicant	To detect fraud in residual risk areas (bespoke to each scheme)
Type of applicant:															
Individuals	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✗	✓
Businesses	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓	✓
Charities	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓	✓

While BEIS placed an emphasis on speed of payment the Council completed due diligence checks in accordance with the BEIS Counter Fraud toolkit. These checks were designed to reduce the risk of fraud and error in the grant schemes. BEIS also agreed to stand behind any erroneous grant payments subject to Local Authorities taking reasonable and practicable measures to minimise the risk of errors and/or fraud, avoid making payments to those not entitled and to take reasonable and practicable steps to recover any over-payments

Business Grants Paid April to September 2020

The total number of Small Business Grants, Retail, Leisure and Hospitality Grants and Discretionary Grants paid was:

Small Business Grants paid	3,255	£32,550,000
Retail, Hospitality and Leisure Grants paid	724	£12,620,000
Discretionary Grants paid	296	£2,275,000
Total number of grants paid	**4,275**	**£47,445,000**

Following a series of post payments checks on the above 4,275 grants, invoices were raised to recover payment for ineligibility, as follows:

Small Business Grants found to be ineligible and an invoice raised for recovery	20	£200,000
Retail, Hospitality and Leisure Grants found to be ineligible and an invoice raised for recovery	6	£120,000
Discretionary Grants	-	£0
Total grants where invoices were raised for recovery	**26**	**£320,000**

Of the above 26 invoices six grants have been fully repaid and a further eight part repaid totalling a recovery of £100,000. Recovery action for the remaining invoices is continuing and further progress will be reported to future meeting of this committee.

As a part of the grant post payment assurance process, BEIS has assessed the adequacy of the due diligence checks completed by the Council when awarding grants. This involved BEIS identifying 15 randomly selected grants, five from each of the Small Business, Retail, Leisure and Hospitality and Discretionary Grants and the Council providing detailed evidence of the checks completed in each case.

Business Grants Paid October 2020 onwards

Since October 2020 BEIS has introduced a series of additional local and national restrictions support grants designed to provide financial support to businesses and individuals affected by the ongoing Covid-19 measures. These grants are subject to similar due diligence checks to those applied to the previous rounds of grants and this process will remain a significant piece of work. As at mid July 2021 the following grants had been awarded.

Total number of grants paid (all types)	**10,281**	**£31,336,000**

To assist with managing the grants awarded since October 2020 the Council has used third party software to manage the application, checking and award process.

Following a series of post payments checks on the above 10,281 grants paid, invoices were raised to recover payment for ineligibility, as follows:

Total Local and National Restrictions Support Grants (all types)	**9**	**£37,200**

Of the above 9 invoices one grant has been fully repaid and a further one part repaid totalling a recovery of £4,200. Recovery action for the remaining invoices is continuing and further progress will be reported to future meeting of this committee.

Reporting Potentially Fraudulent Grants

The Council will continue to complete pre and post payment checks for all grants awarded and take recovery action where necessary. Further action may also be required due to fraudulent activity. It is anticipated that BEIS will provide the Council with further advice and guidance on any recovery or legal action required to be taken.

All grants where an invoice has been raised to recover the payment, plus several other applications where a payment was not made but potential fraud was suspected, have been reported to the National Anti-Fraud Network (NAFN). BEIS has appointed NAFN to collate details of all potentially fraudulent activity in relation to the Covid-19 Business Grants. The information is to be used by Crime Agencies to identify potential criminal activity and organised crime.

National Fraud Initiative Exercise 2020/21

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Where matches are identified, the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems. The NFI exercise also provides assurance to management that systems are working effectively where fraud and error is not present.

The latest NFI exercise commenced in January 2021 and a total of 10,021 matches have been released. Work is progressing to investigate the various categories of matches based on those deemed to be the highest risk. Over 1,000 matches have been processed and closed, this included almost 300 Blue Badges where the death of the holder had not previously been notified to the Council. These badges have now been cancelled. As further matches are processed details of the progress made will be brought before the Committee.

Counter Fraud Team - Tenancy Fraud

During the Covid-19 pandemic the Counter Fraud Team has continued to provide a Tenancy Fraud Service. Potential fraud referrals have been recorded and investigated where possible. Due to the restrictions imposed by the lockdown and social distancing measures it has not been possible to visit premises or to interview suspects. There is also a restriction on the ability to evict tenants from a property

As the Covid 19 restrictions are eased investigations into potential tenancy fraud are being progressed and the results will be reported to future meetings of this committee.

National Anti-Fraud Network Intelligence Notifications

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. Alerts which either involve suppliers used by the Council or are applicable to all Councils, are notified to appropriate sections of the Council. The most common alerts relate to Covid-19 Business Rates Relief Grant frauds, Bank Mandate fraud, Council Tax Refund fraud, cyber fraud including ransomware and email interception.

Midland Fraud Group

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in July 2021 discussions were held on:

- Post verification of Covid-19 grants
- Right to Buy applications
- Business Prosecutions and;
- Other cases of interest.

Appendix 1

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided Autumn 2019. Next round of training to be planned
	Develop on-line fraud training for staff.	To be refreshed Summer 2021
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Summer 2021
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Autumn 2021
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Latest exercise commenced January 2021
	Complete the annual CIPFA fraud survey.	CIPFA Survey last completed Aug 2020
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting July 2021 next meeting October 2021
	Attend external fraud seminars and courses.	Tackling Fraud Across the Public Sector – November 2020 Annual Counter Fraud and Forensic Accounting

Issue	Action	Timescale
		Conference June 2021 Midland Fraud Forum Conference July 2021
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	• New CIPFA Code of Practice	June 2015 (the last time required)
	• CIPFA Counter Fraud Tracker Survey	Annually
	• The former Department for Communities and Local Government – ten actions to tackle fraud against the Council.	On-going
	• Consideration of fraud resilience toolkit	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	The Council's Counter Fraud Team provide a tenancy fraud service to Wolverhampton Homes.
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; CIPFA's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established

Issue	Action	Timescale
investigated in accordance with best practice and professional standards.	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version will be presented to the Audit and Risk Committee in Autumn 2021
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Autumn 2021
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Autumn 2021
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	On-going
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

Appendix 2

Fraud Risk Register @ July 2021

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single person's discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple Councils.	Red
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	Red
Covid-19	The Council is open to fraud and misappropriation due to changes in legislation and the speed in which government support grants need to be processed.	Amber
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications use by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green

Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green

Agenda Item No: 9

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

26 July 2021

Report title	Draft Statement of Accounts 2020-2021	
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 Audit and Risk Committee is asked to note:

1. That the Director of Finance approved the Draft Statement of Accounts 2020-2021 on 21 June 2021, in accordance with the revised deadline of 31 July 2021.

2. That the 2020-2021 Draft Statement of Accounts is currently being audited by Grant Thornton UK LLP and is expected to continue through to the end of August 2021. Any material changes required as a result of the audit are expected to be reported to the Audit and Risk Committee in September 2021.

3. That formal approval by the Council and publication of the 2020-2021 Statement of Accounts is required by 30 September 2021.

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

1.0 Purpose

1.1 The draft Statement of Accounts for 2020-2021, 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 (Amendment) Regulations 2021) extended the deadline from 31 May 2021 to 31 July 2021, to reduce pressure on authorities.

2.2 A copy of the draft Statement of Accounts is attached at Appendix A and can also be found at http://www.wolverhampton.gov.uk/article/3050/Statement-of-Accounts. 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 2021. Following the audit, it is expected that they will report their findings to the Audit and Risk Committee in September. At the same time the final audited Statement of Accounts to be published by the Council will be presented to the Committee for approval.

2.3 The statutory deadline for publication of the audited Statement of Accounts is 30 September 2021 (also extended from 31 July 2021).

2.4 The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement is prepared in accordance with International Financial Reporting Standards (IFRS).

3.0 Financial Implications

3.1 The statement, and the forthcoming audit of those statements by the external auditors, is an important element of the accountability and transparency of the Council's finances.

[EB/16072021/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 2020-2021 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 (Amendment) Regulations 2021 require that the accounts are approved by 31 July 2021 and published by 30 September 2021.

[Legal Code: SZ/16072021/P]

5.0 Equalities implications

5.1 There are no equality implications arising from this report

6.0 All other Implications

6.1 There are no other implications arising from this report.

7.0 Schedule of background papers

7.1 There are no relevant preceding reports.

8.0 Appendices

8.1 Appendix A – Draft Statement of Accounts 2020-2021

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2020-2021

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 Movement in Reserves – this note analyses the changes in each of the Council's reserves from year to year

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

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

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

Section 6 contains statements for the Collection Fund. These show how much Council Tax was raised in Wolverhampton during the year, and how it was allocated between the Council, Fire and Police authorities. The Collection Fund also provides details of 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 £1.4 million (net) over the course of the year. Total provisions at 31 March 2021 stood at £11.6 million (2019-2020: £10.2 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 2020-2021, resulting in additions to non-current assets of £86.9 million, together with other capital expenditure of £32.7 million. The main additions were on council dwellings (£46.8 million), other land and buildings (£22.1 million) and infrastructure assets (£11.0 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 £218.2 million during 2020-2021, made up of an increase of £428.5 million in liabilities, countered by an increase of £210.3 million in assets. The main reasons for the net movement were losses of £198.5 million resulting from changes in actuarial assumptions, net interest payable of £15.5 million, and other expenditure of £4.2 million. Note 9 to the Financial Statements provides further information on employee pensions.

In practice, the value of the net pension's liability is not entirely meaningful, because pension payments will generally not need to be made for many years, and the Pension Fund plans over long timescales as a result. Furthermore, the amount the Council 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 2020-2021 the Council made an upfront payment of £41.9 million in respect of pension contributions, in order to reduce interest costs. The full £41.9 million payment was accounted for as a reduction in the Council's net pension liability in 2020-2021, however accounting regulations required that the actual amount due in relation to 2020-2021, of £30.4 million, was recognised as a cost in 2020-2021. This cost is shown as a cost within the Movement in Reserves Statement (Note 13A) and in the Employee Pensions note (Note 9) for 2020-2021.

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 2021, its total borrowing portfolio stood at £720.4 million, of which £616.6 million is owed to the Public Works Loan Board and £103.8 million to private sector lenders. The Council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA). Please note borrowings on the balance sheet are higher due to £5.3 million accrued interest and a £5.2 million difference between the LOBO principal cash value and amortised cost (under the Code of Practice).

Movement in Reserves

Due to the Covid-19 pandemic, there has been an extensive business rates relief scheme, meaning that the collection fund deficit is higher when compared to previous years. The Government have provided Section 31 grants to cover the cost of Covid-19 business rates reliefs. The usable reserve balance as at 31st March 2021 includes those Government grants received in relation to collection fund deficits that will be realised in 2021-2022. They do not represent additional spending power taken forward into 2021-2022.

Our Council Plan

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

Our shared vision is that Wolverhampton will be a place where people come from far and wide to work, shop, study and enjoy our vibrant city. We will transform the city with clear plans and strategies, backed by major public and private investment. And when we do this, we will retain all of those attributes that give our city its unique identify. Together, we will deliver a healthy, thriving and sustainable international 'smart city' – renowned for its booming economy and skilled workforce, rich diversity and a commitment to fairness and equality that ensures everyone has the chance to benefit from success.

It is in this context that the City of Wolverhampton Council's five-year Council Plan was developed in April 2019. The plan sets out how, by working together with partners, 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 based on 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.

Building on the foundations of the Council Plan, the response to the Covid-19 pandemic has seen the development of a specific city recovery plan called 'Relighting our City'. This plan is designed to help the city recover from the aftermath of the pandemic and the profound impact it has had on local residents and businesses. It has prioritised support for the city's most vulnerable people, support for vital local businesses, support for our children and young people, help for our communities and urban centres recover and crucially, generating more jobs and opportunities for local people.

The 'Relighting our City' recovery plan can be found on the Council's website.

The Medium-Term Financial Strategy 2020-2021 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 pandemic was not anticipated and the impact on both the finances and operating environment could not have been foreseen. The pandemic has significantly distorted the 2020-2021 budget and there will be a 'covid cost' beyond the short – medium term.

Financial Position 2020-2021

In March 2020, the Council approved a budget incorporating a budget reduction target of £5.5 million for 2020-2021. The following table provides a high-level comparison of the Council's General Fund outturn for 2020-2021 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 June 2021, analysing the outturn and year end reserves position in more detail. Further reports will be considered by Cabinet in July 2021 which will consider any impact on the budget for 2022-2023 and the medium term.

In response to the pandemic, the Government has awarded local authorities a number of one-off grants, including un-ringfenced general covid grants, compensation for loss of sales, fees and charges income and specific grants to help contain the outbreak. The Council has carefully managed the use of these grants, considering evidence when drawing up a response to the pandemic to ensure that the right response is delivered at the right level to support our residents and businesses. The position reported in the table below is after the cost of covid have been funded from these grants.

Despite all the uncertainty and distortion, the Council has once again managed its money well and delivered within budget. Overall, the Council has achieved a net contribution to the General Fund of £651,000 at the end of 2020-2021 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 2020-2021 to £13.7 million (representing approximately 5% of the 2021-2022 net budget). Note 13c provides a breakdown of the movement in specific earmarked reserves which total £121.4 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-19 and the Council's recovery plan, 'Relighting our City', will be discussed more fully later.

Service	2020-2021 Net Controllable Revised Budget £m	2020-2021 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Adult Services	68.2	69.2	1
Children's Services and Education	53.5	50.2	(3.3)
Public Health & Well Being	0.9	0.9	-
Regeneration	6.2	6.0	(0.2)
City Assets and Housing	9.7	9.3	(0.4)
City Environment	29.0	28.1	(0.9)
Finance	13.9	13.5	(0.4)
Governance	9.8	9.3	(0.5)
Strategy	8.6	7.0	(1.6)
Communications and External Relations	1.0	0.9	(0.1)
Chief Executive	0.2	0.2	-
Deputy Chief Executive	0.5	0.4	(0.1)
Corporate Accounts	46.7	52.3	5.6
Net Budget Requirement	**248.2**	**247.3**	**0.9**
Funding:			
Council Tax (including Adult Social Care Precept)	(108.8)	(108.8)	-
Enterprise Zone Business Rates	(2.7)	(2.2)	0.5
Top Up Grant	(26.6)	(26.6)	-
Business Rates (net of WMCA growth payment and Collection Fund deficit)	(73.8)	(73.8)	-
New Homes Bonus	(1.6)	(1.6)	-
Section 31 Grant - Business Rates Support	(11.7)	(11.9)	(0.2)
Improved Better Care Fund	(14.3)	(14.3)	-
Social Care Grants (Children's and Adults)	(8.7)	(8.7)	-
Total Corporate Resources	**248.2**	**247.9**	**0.3**
Net Budget (Surplus)/Deficit	**-**	**(0.6)**	**(0.6)**

Economic Conditions

The impact of both Covid-19 and Brexit are amongst the most significant economic events which are currently facing the UK.

In March 2020, Covid-19 was declared a global pandemic. The impact on both the local and national economy cannot be determined with any accuracy but is likely to have a significant impact on the economy, particularly as government financial assistance ends such as furlough and business grants and the country begins to recover from covid.

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

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

Social and Demographic Factors

The City of Wolverhampton is amongst the most densely populated local authority areas in England with 263,357 (2019 mid-year estimate) people living in its 26.8 square miles. The latest Indices of Deprivation (2019) indicated that Wolverhampton was less deprived than it was four years previously in 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 pandemic, and the depressed state of the local housing market, both of which increase demand for council services and the need for further investment in the city.

The Medium-Term Financial Strategy

Whilst the Council's financial planning process is driven by the annual statutory budget cycle, its horizons extend to the medium term. The medium-term financial strategy is a critical part of the Council's planning and performance framework and is kept under continuous review. The medium-term financial strategy, as approved by Full Council in March 2021 is summarised in the table below.

	2021-2022 £m	2022-2023 £m	2023-2024 £m
Net Expenditure Budget	**258.5**	**272.6**	**281.4**
General Funding	**(258.5)**	**(247.2)**	**(251.8)**
Cumulative Projected Deficit	**-**	**25.4**	**29.6**
Annual Projected Deficit	**-**	**25.4**	**4.2**

Whilst setting the 2021-2022 budget, the Council has considered the ongoing impact of the pandemic. In March 2021, the Council was able to set a balanced budget for 2021-2022 without the use of general reserves. However, as the table above shows, the Council forecast that after taking into account the forecast impact of the pandemic on the budget, it will need to save a further £25.4 million in 2022-2023, rising to around £29.6 million by 2023-2024. These budget reductions are in addition to £4.3 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.

As part of setting the 2021-2022 budget and updating the medium-term financial strategy, the ongoing impact of the pandemic has been considered. Due to the distortion of the budget it is difficult to confirm the exact costs directly associated with Covid-19. However, after taking into account the grants specifically for Covid-19, our current assumptions estimate that the net impact of the pandemic is in the region of £6.4 million in 2021-2022. In order to balance the budget, these cost pressures have been met from other efficiencies identified across the Council.

The costs of dealing with the pandemic extend beyond 2021-2022, it is not yet known how long the pandemic will go on for or what the level of future support required will be. There is considerable uncertainty on the cost of 'living with covid' and the additional demand which will continue to be placed on services such as social care, and public health and well-being. In addition, the economic costs of the pandemic will place additional pressures on the Council's income collected from fees and charges as well as council tax and business rates for years to come.

It is particularly challenging to 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.

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

- Promoting digital innovation
- Reducing demand
- Targeted service delivery
- Sustainable business models
- Prioritising capital investment
- Generating income
- Delivering efficiencies
- Maximising partnerships and external income

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 and decisively to the pandemic – playing a pivotal role in leading the city through an unprecedented national public health emergency. This included many vital, short-term policy initiatives to protect the city's most vulnerable residents – including support for care home residents and staff, support for the NHS response, support for city schools and young people and much needed help for struggling city businesses. In addition to these important short-term initiatives, some services had to be suspended in line with Government restrictions.

The Council immediately implemented an enhanced Covid-19 Governance Structure. The City Strategic Coordinating Group (CSCG) being the strategic driver having a holistic view of service delivery and pressure points and provided regular updates to the West Midlands LA Strategic Group. The City Tactical Management Group (CTMG) driving to deliver the actions requested by CSCG, acts as an escalation point for any issues that couldn't be resolved by the services and provided regular updates and assurance to CSCG.

As the situation evolved, so did the Council response and governance structure, moving from urgent crisis response to 'intervention and response'. The Council's governance structure transitioned from that detailed above to Strategic Gold Command Group, supported by a Recovery Co-ordination Group, Tactical Management Group and City Incident Management Team. Workstreams focusing on both the immediate response and longer-term recover have been established, which are:

- Intervention and Response Themes:
    - Supporting the Health System
    - Children's Social Care and Schools
    - Mortality
    - Prioritised Front-Line Services
    - Stimulate Vibrant High Streets and Communities
    - Support to Businesses
    - Adult Social Care
    - Financial Hardship
    - Supporting Vulnerable People
    - Supporting Our People
    - Governance
    - Strategic Stakeholder Management

Following the full lockdown in March 2020, decision making processes were streamlined to ensure that the focus was on protecting the vulnerable and supporting businesses.

The council clearly set out its response and at times used its emergency decision-making powers to ensure that urgent decisions could be made in a timely manner, such as responding the urgent Government announcements on awarding additional business grants.

The Council has played an active role in responding to the crisis, including the creation of a Food Distribution Hub that provided meals in food parcels to the city's most vulnerable residents self-isolating due to Covid-19. The Council procured additional Personal Protective Equipment (PPE) to enable key staff could continue to deliver services safely. Additional funding was agreed for Adult Social Care providers to ensure market sustainability, and the Council worked with a local hotel to set up 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 were funded during 2020-2021 from the Covid-19 grants received from Central Government.

Central Government announced that local authorities were to be responsible for the distribution of a number of grants throughout 2020-2021; including mandatory and discretionary business grants, self-isolation payments for individuals required to isolate, and grants to Adult Social Care providers. The council re-prioritised its workforce, re-deploying staff where required to ensure that these essential grants could be distributed in

a timely manner. Systems were continually reviewed and improved, streamlining wherever possible to ensure these grants reached businesses as quickly as possible. Each scheme adopted has been subject to audit and a reconciliation process that ensure that they meet the Governments requirements and satisfy the funding conditions. Using discretionary funding, the Council designed and approved grants schemes to support those businesses and individuals self-isolating put at financial hardship who fell outside the mandatory government grant schemes.

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

A Flexible and Committed Council Workforce

The pandemic 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 last few years which enabled a transition to remote, agile working to be successful with minimal disruption to services.

Following the announcement of the full lockdown in March 2020, staff unable to work remotely have been redeployed to support this crisis response. Agency staff employed across suspended services were also 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. Over the pandemic, the Council has seen an increase in Covid-19 related absence including self-isolation. The Council has sought to manage this where possible to continue to provide key services. This has been through overtime, use of temporary staff or by redeploying current staff to key services.

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

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 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. Some of the new initiatives implemented to support the City's residents and businesses may continue to require ongoing 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 will require continued financial support to ensure recovery.

Income streams have also been adversely affected during 2020-2021, particularly the loss of income from fees and charges for services, such as car parking, events and leisure services. The Council has received part compensation from Government on some income losses during 2020-2021 and will be compensated for losses in the first quarter of 2021-2022, however, income losses for some services is expected to be seen beyond the period of this compensation scheme.

In addition, in 2020-2021, a small number of planned Budget Reduction and Income Generation targets were not delivered because resources that would ordinarily have been focussed on transformation programmes were redirected to enable the Council to respond to the crisis. These were funded Emergency Covid grant.

The Council anticipates a significant reduction in Council Tax and Business Rates Income collected during 2021-2022 and over the medium term, which has been factored into the MTFS. The 2021-2022 Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 reported to Full Council in March 2021, reported that the whilst it was difficult to project the exact cost implications of the pandemic, the current assumptions, after taking into account grants specifically for Covid-19, estimated that the net impact of the pandemic on 2021-2022 was in the region of £6.4 million. This cost pressures had been met from other efficiencies identified across the Council.

The Council has received a number of grants during 2020-2021 from Government to help address the pressures facing us in our response to the pandemic; including £25.5 million of Covid-19 Emergency Grant and compensation grant for loss of sales, fees and charges income. In addition, a number of one-off grants have been awarded to support specific activities such as supporting rough sleepers, additional enforcement, support

for children and families, provision of emergency food and essential supplies for vulnerable groups and funding for test and trace and to help contain the outbreak. The Council has carefully managed the allocation of these grants; considering evidence when drawing up a response to the pandemic to ensure that the right response is delivered at the right level to support our residents and businesses. The Council reported to Cabinet in March 2021 that these grants were sufficient to meet the costs in 2020-2021, and that to ensure the Council could continue to deliver on our covid response and support our Relight priorities in 2021-2022, unspent grant would be carried forward to support the ongoing challenges the Council faces over the medium term.

In March 2021, the Council approved the general fund Capital programme totalling £316.4 million for the period of 2021-2022 to 2025-2026. The pandemic has understandably had an impact on the development of capital projects. Given the unprecedented circumstances, there has been delays on some capital schemes. In some instances, cost pressures have also been identified associated with 'social distancing' operating models, materials and how they are sourced. To ensure that these costs can be met, in June 2020, the Council approved budget provision for specific risks emerging from the Covid-19 global pandemic.

The outturn position for 2019-2020 enabled the Council to create a £3 million Recovery Reserve to support the Councils transition from an emergency 'response' to a recovery and deliver the priorities set in the Council's five-point recovery plan, 'Relighting our City'. The Council will also continue to identify efficiencies in order to mitigate against any pressures in 2021-2022 and future years.

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.

Due to the receipt of one-off covid Government grants received throughout 2020-2021, there has been no adverse impact on the council's cashflow. However, we will continue to monitor the impact that the pandemic may have on the council's cashflow going forward, including the loss of income across council tax, business rates and sales, fees and charges.

Major Risks to the Authority

The Council played a proactive, leading role in responding to the Covid-19 emergency. During 2020-2021, the Council made and continues to make a number of decisions which have significant financial implications in order to support its vulnerable residents, as well as complying with Government's requirements and suspending services that are a source of income for the Council.

Government has been awarded emergency funding to Councils to support pressures faced by local authorities, and whilst this funding is sufficient for 2020-2021, the Council will continue to lobby Government for the funds required to be fully reimbursed for all its costs for 2021-2022 and over the medium term. The costs of dealing with the pandemic extend beyond 2020-2021, it is not yet known how long the pandemic will go on for or what the level of future support required will be. There is considerable uncertainty on the cost of 'living with covid' and the additional demand which will continue to be placed on services such as social care and public health and well-being. In addition, the economic costs of the pandemic will place additional pressures on the Council's income collected from sales, fees and charges as well as council tax and business rates for years to come.

In Wolverhampton, as elsewhere across the country, the pandemic continues to affect the lives of our residents and businesses. A key priority of the Council's recovery plan is to support our vital local business as well as generate more jobs and learning opportunities for our residents. The level of support the Council is able to provide will be reliant the availability of resources.

As stated above, 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 Council will need to review the use of reserves, and possibly identify alternative ways of reducing costs to mitigate against any cost pressures over the medium term.

There also continues to be considerable uncertainty with regards to future funding streams for local authorities over the forthcoming Comprehensive Spending Review period. Due to the pandemic, Government have announced that the review of the Relative Needs and Resources will not be undertaken this year. It is understood that a spending review will take place, but we would anticipate that this will before one year only.

Plans for Recovery – Relighting our City

Alongside managing the emergency response to the pandemic, the Council has also undertaken extensive planning for recovery which was approved by Cabinet in September 2020.

The Council engaged with 2,500 people including residents, young people, the voluntary and community sector and other partners, employees, Councillors and businesses across the city. This engagement has shaped the Council's five-point recovery plan, 'Relighting our City'. Relighting our City sets out the priorities which will guide the Council's approach as the organisation and the city starts to transition from the response to

the recovery phase of the pandemic. The priorities with the associated key actions and activity form a framework for recovery. The five strategic priorities are:

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

Supporting the five strategic priorities are three cross cutting thematic areas:

- Climate focused: The recovery commitment is aligned to the Council's climate change strategy 'Future Generations' and our target to make the Council a net carbon zero by 2028
- Driven by digital: The City is at the forefront of digital infrastructure and innovation, and now more than ever we have seen the importance of digital skills and connectivity to social and economic participation for the City's residents
- Fair and inclusive: The Council will continue to tackle the inequalities in our communities which impact on the opportunities of local people

In March 2021, Cabinet received an update on the Relighting our City recovery plan, outlining what the Council, working alongside its partners had done against the priorities set by local people since the inception of the recovery commitment in September 2020. As well as reflecting on what had been achieved so far, the refreshed plan also provided an overview of future planned activity to support our communities and the local economy to recover from the impact of Covid-19.

A new performance framework has been developed to reflect how the Council is performing against city new and changing priorities, as articulated in Relighting our City. This performance framework will provide high-level city data on key priorities, benchmark city performance against national and regional data, highlight the impact of targeted interventions, inform strategic decision-making in relation to provision and encourage scrutiny of those strategic decisions.

Housing Revenue Account

Financial Position 2020-2021

The outturn position for the year was an operating surplus of £11.8 million, compared to a budgeted surplus of £10.8 million. This position is net of a revaluation adjustment of £0.7 million included in the income and expenditure statement but not in the HRA balance. £11.8 million of the surplus has been set aside by the council as provision for the redemption of debt.

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

	Budget 2020-2021 £m	Outturn 2020-2021 £m	Variance Over/(Under) £m
Income	(96.5)	(95.1)	1.4
Expenditure	67.0	67.4	0.4
Net Cost of Services	**(29.5)**	**(27.7)**	**1.8**
Net Cost of Borrowing and Investments	18.7	15.9	(2.8)
Surplus for the Year	**(10.8)**	**(11.8)**	**(1.0)**
Allocation of Surplus for the Year			
Provision for Redemption of Debt	10.8	11.8	1.0
Transfer to/(from) Reserves	-	-	-
Total	**-**	**-**	**-**

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

An updated HRA business plan was approved in January 2021. The HRA is expected to have sufficient resources to fund £2.2 billion of capital works over the next 30 years, as well as meeting its management and maintenance obligations over the same period. Capital expenditure includes an estate remodelling programme and £134 million for new build programmes over the next five years.

In terms of 2021-2022, the plan includes an average rent increase of 1.5% in line with the requirements of the Rent Standard 2021. The table below shows the approved budget for 2021-2022, along with forecasts for the next two years.

	Budget 2021-2022 £m	Forecast 2022-2023 £m	Forecast 2023-2024 £m
Income			
Gross Rents – Dwellings	(91.0)	(93.5)	(96.3)
Gross Rents - Non-Dwellings	(0.5)	(0.5)	(0.6)
Charges to Tenants for Services and Facilities	(6.3)	(6.4)	(6.5)
Total Income	**(97.8)**	**(100.4)**	**(103.4)**
Expenditure			
Management and Maintenance	47.7	48.5	49.3
Depreciation of Long-Term Assets	18.8	19.3	19.7
Net Financing Costs	16.2	15.5	16.5
Provision for Bad Debts	2.0	2.0	2.1
Total Expenditure	**84.7**	**85.3**	**87.6**
Balance	**(13.1)**	**(15.1)**	**(15.8)**

Capital Programme

Capital expenditure is investment in the Council's property, plant, equipment and other long-life assets. It can also include investment in assets owned by other people, in certain circumstances. Capital funding has seen a decline in recent years at a national level, but nonetheless the Council has been able to put together a capital programme that includes major projects such as Housing New Build Programme, Decent Homes Stock Condition Improvements, City Learning Quarter, Black Country Growth Deal, Wolverhampton Interchange Phase 2 and Other Stock Condition Improvements. The table below shows the Council's capital programme for the next five years, as approved by Full Council.

Financial position 2020-2021

The Capital Programme was prepared pre Covid-19, and at the time of reporting to Full Council in March 2020, the impact of the pandemic was unknown. The pandemic has understandably had an impact on the development of capital projects. Given the unprecedented circumstances, there has been delays on some capital schemes. In some instances, cost pressures have also been identified associated with 'social distancing' operating models, materials and how they are sourced. To ensure that these costs can be met, in June 2020, the Council approved budget provision for specific risks emerging from the Covid-19 global pandemic.

Capital expenditure by the Council during 2020-2021 totalled £119.6 million, as set out in the following table. This was £26.2 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 2020-2021 in July 2021.

Expenditure	Approved budget £m	Outturn £m	Variation Over/(Under) £m
General Fund			
Regeneration	29.7	23.5	(6.2)
Finance	29.7	20.4	(9.3)
City Environment	18.1	15.7	(2.4)
Education and Skills	6.8	4.7	(2.1)
City Assets and Housing	5.8	5.1	(0.7)
Strategy	5.8	3.1	(2.7)
Public Health	0.4	0.1	(0.3)
Land and Property Investment Fund	0.1	0.1	-
Total General Fund	**96.4**	**72.7**	**(23.7)**
Housing Revenue Account	**49.4**	**46.9**	**(2.5)**
Total Expenditure	**145.8**	**119.6**	**(26.2)**

The Medium-Term Capital Programme was approved by Full Council in March 2021, and is summarised below:

	2021-2022 £m	2022-2023 £m	2023-2024 £m	2024-2025 £m	2025-2026 £m	TOTAL £m
Forecast Expenditure	268.4	118.5	97.3	74.9	62.0	621.1

The following table lists some of the main projects in 2021-2022:

Project	Forecast Expenditure 2021-2022 £m
City Learning Quarter	31.3
Black Country Growth Deal	23.2
Wolverhampton Interchange Phase 2	17.9
Secondary School Expansion Programme	11.4
Corporate Contingency	11.3
Primary School Expansion Programme	10.2
WV Living Loans	10.0
i54 Western Extension	9.8
Future High Street Fund	5.6
Operational Maintenance	5.4
Corporate Initiatives	5.0
Fleet Services	5.0
ICT	4.9
Schools Modernisation, Suitability and Condition	3.7
Streets Grounds & Parks	2.2
Highway Capital Maintenance	2.2

Highway Improvements & Active Travel	1.5
Development of Cultural Estate	1.3
Bilston Urban Village	1.1
Bereavement Services	1.0
Corporate Asset Management	0.9
Growth Hub Grants	0.7
Energy Efficiency – Measures	0.6
Maintenance of Structures	0.5
Sports Investment Strategy	0.4
Southside	0.3
Queen Street Townscape Heritage	0.3
City Centre	0.2
Waste Commercial Services	0.2
Bowman's Harbour	0.1
	168.2
Housing Private Sector	**4.9**
Housing Revenue Account	
New Build Programme	37.1
Decent Homes Stock Condition	36.2
Other Stock Condition Improvements	13.0
Estate Remodelling	5.1
Service and Other Improvements to Public Realm	2.5
Adaptations for People with Disabilities	1.4
	95.3
Grand total	**268.4**

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

Forecast Expenditure 2021-2022	£m
Borrowing	145.9
Grants and Contributions	65.4
Capital Receipts	32.7
Reserve Funds	18.5
Capital Expenditure Financed from the Revenue Account	5.9
Total	**268.4**

SECTION 2 – STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities
The Council is required to:

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

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

(iii) Approve the Statement of Accounts.

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

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

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

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

(iii) Complied with the Code.

The Director of Finance has also:

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

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

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 2021 and its income and expenditure for the year ended on the same date.

Claire Nye
Director of Finance

Date: 21.6.21

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

Independent Auditors' report

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Comprehensive Income and Expenditure Statement (Council only)

Restated 2019-2020					2020-2021		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
152.4	(78.2)	74.2	Adult Services		165.6	(88.2)	77.4
254.6	(160.2)	94.4	Children's Services and Education		236.8	(169.5)	67.3
30.7	(24.5)	6.2	Public Health & Wellbeing		31.2	(30.1)	1.1
80.9	(25.1)	55.8	City Environment		79.3	(29.4)	49.9
26.0	(14.1)	11.9	City Assets & Housing		21.3	(14.7)	6.6
44.8	(9.5)	35.3	Regeneration		42.8	(11.5)	31.3
87.4	(81.7)	5.7	Finance		89.1	(81.4)	7.7
8.3	(1.8)	6.5	Governance		5.1	(2.2)	2.9
4.3	(2.2)	2.1	Strategy		3.7	(2.1)	1.6
0.1	-	0.1	Chief Executive		0.2	-	0.2
1.3	(0.1)	1.2	Communications and External Relations		-	(0.1)	(0.1)
1.8	-	1.8	Deputy Chief Executive		2.3	-	2.3
8.9	(14.4)	(5.5)	Corporate Accounts		4.8	(17.9)	(13.1)
3.5	(15.6)	(12.1)	Corporate Resources		3.9	(41.6)	(37.7)
91.2	(98.0)	(6.8)	Housing Revenue Account		67.7	(96.8)	(29.1)
796.2	**(525.4)**	**270.8**	**Net Cost of Services**		**753.8**	**(585.5)**	**168.3**

34.8	(21.2)	13.6	Other operating expenditure	3	34.8	(25.5)	9.3
53.0	(3.7)	49.3	Financing and investment income and expenditure	4	54.3	(2.2)	52.1
-	(268.8)	(268.8)	Taxation and non-specific grant income and expenditure	5	-	(226.2)	(226.2)
884.0	**(819.1)**	**64.9**	**Deficit/(Surplus) on Provision of Services**		**842.9**	**(839.4)**	**3.5**
		5.4	(Gain)/loss on Revaluation of Non-Current Assets				11.9
		(18.9)	Re-measurement of the net defined benefit liability				198.5
		-	Surplus or deficit on revaluation of available for sale financial assets				-
		9.2	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				0.6
		(4.3)	**Other Comprehensive Income and Expenditure**				**211.0**
		60.6	**Total Comprehensive Income and Expenditure**				**214.5**

* Note 1A provides the details of the restatement.

Comprehensive Income and Expenditure Statement (Group)

Restated 2019-2020 Gross Expenditure £m	Restated 2019-2020 Gross Income £m	Restated 2019-2020 Net Expenditure £m		Note	2020-2021 Gross Expenditure £m	2020-2021 Gross Income £m	2020-2021 Net Expenditure £m
152.4	(78.2)	74.2	Adult Services		165.6	(88.2)	77.4
254.6	(160.2)	94.4	Children's Services and Education		236.8	(169.5)	67.3
30.7	(24.5)	6.2	Public Health & Wellbeing		31.2	(30.1)	1.1
80.9	(25.1)	55.8	City Environment		79.3	(29.4)	49.9
26.0	(14.1)	11.9	City Assets & Housing		21.3	(14.7)	6.6
44.8	(9.5)	35.3	Regeneration		42.8	(11.5)	31.3
87.4	(81.7)	5.7	Finance		89.1	(81.4)	7.7
8.3	(1.8)	6.5	Governance		5.1	(2.2)	2.9
4.3	(2.2)	2.1	Strategy		3.7	(2.1)	1.6
0.1	-	0.1	Chief Executive		0.2	-	0.2
1.3	(0.1)	1.2	Communications and External Relations		-	(0.1)	(0.1)
1.8	-	1.8	Deputy Chief Executive		2.3	-	2.3
8.9	(14.4)	(5.5)	Corporate Accounts		4.8	(17.9)	(13.1)
3.5	(15.6)	(12.1)	Corporate Resources		3.9	(41.6)	(37.7)
98.4	(99.3)	(0.9)	Housing Revenue Account		79.0	(101.8)	(22.8)
803.4	**(526.7)**	**276.7**	**Net Cost of Services**		**765.1**	**(590.5)**	**174.6**
34.8	(21.2)	13.6	Other operating expenditure	3	38.1	(25.5)	12.6
55.2	(3.7)	51.5	Financing and investment income and expenditure	4	54.3	(2.2)	52.1
-	(269.2)	(269.2)	Taxation and non-specific grant income and expenditure	5	-	(226.2)	(226.2)
893.4	**(820.8)**	**72.6**	**Deficit/(Surplus) on Provision of Services**		**857.5**	**(844.4)**	**13.1**

		5.4	(Gain)/loss on Revaluation of Non-Current Assets				11.9
		(28.5)	Re-measurement of the net defined benefit liability				231.2
		9.2	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				0.6
		(13.9)	**Other Comprehensive Income and Expenditure**				**243.7**
		58.7	**Total Comprehensive Income and Expenditure**				**256.8**

* Note 1A provides the details of the restatement.

Balance Sheets

31 March 2020 Council £m	31 March 2020 Group £m		Note	31 March 2021 Council £m	31 March 2021 Group £m
1,421.7	*1,421.6*	Property, Plant & Equipment	8	1,430.8	*1,430.8*
11.6	*11.6*	Heritage Assets	8	11.6	*11.6*
33.9	*34.2*	Investment Property	8	31.2	*33.4*
5.2	*5.2*	Intangible Assets	8	3.5	*3.5*
1.6	*1.6*	Assets Held for Sale	8	3.9	*3.9*
15.5	*15.5*	Long-term Investments		21.8	*14.8*
1.3	*1.3*	Long-term Debtors		1.3	*1.3*
-	-	Long-term Loans to External Bodies		-	-
1,490.7	***1,491.0***	**Long-term Assets**		**1,504.1**	***1499.3***
30.4	*30.4*	Short-Term Investments		8.6	*8.6*
0.4	*26.4*	Inventories		0.6	*33.0*
110.7	*82.0*	Short-Term Debtors	6A	123.0	*94.3*
1.9	*11.3*	Cash and Cash Equivalents		2.0	*8.1*
143.4	***150.1***	**Current Assets**		**134.2**	***144.0***
(17.8)	*(17.8)*	Short-Term Borrowing		(5.3)	*(5.3)*
(108.8)	*(108.2)*	Short-Term Creditors	6C	(125.4)	*(121.0)*
(10.2)	*(10.2)*	Provisions	7A	(11.6)	*(11.6)*
(136.8)	***(136.2)***	**Current Liabilities**		**(142.3)**	***(137.9)***

(725.8)	*(725.8)*	Long-Term Borrowing		(725.8)	*(725.8)*
(624.6)	*(658.8)*	Net Pension Liability	9	(842.8)	*(913.7)*
(95.2)	*(95.2)*	Other Long-Term Liabilities		(90.5)	*(97.5)*
(5.0)	*(5.0)*	Grant Receipts in Advance – Capital		(4.8)	*(4.8)*
(1,450.6)	***(1,484.4)***	**Long-term Liabilities**		**(1,663.9)**	***(1,741.8)***
46.7	***20.2***	**Net Assets**		**(167.9)**	***(236.4)***
(101.3)	***(74.9)***	**Usable Reserves**	13A	**(160.8)**	***(92.3)***
54.6	***54.6***	**Unusable Reserves**	13A	**328.7**	***328.7***
(46.7)	***(20.3)***	**Total Reserves**		**167.9**	***236.4***

The notes, Housing Revenue Account Statements and Collection Fund Statement on pages 41 to 175 form part of these financial statements.

Movement in Reserves Statement 2020-2021

(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	(13.0)	(64.6)	**(77.6)**	(7.1)	(1.2)	(10.3)	(5.2)	**(101.4)**	54.8	**(46.6)**	26.6	***(20.0)***
Surplus/(Deficit) on Provision of Services	24.8	-	**24.8**	(20.7)	-	-	-	**4.1**	-	**4.1**	9.4	***13.5***
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	-	-	**-**	211.0	**211.0**	32.7	***243.7***
Total Comprehensive Income and Expenditure	24.8	-	**24.8**	(20.7)	-	-	-	**4.1**	211.0	**215.1**	42.1	***257.2***
Net Decrease/(Increase) before Transfers & other Movements	24.8	-	**24.8**	(20.7)	-	-	-	**4.1**	211.0	**215.1**	42.1	***257.2***
Adjustments between Accounting Basis & Funding Basis under Regulations	(81.6)	-	**(81.6)**	20.7	(0.5)	0.7	(2.3)	**(63.1)**	63.1	**-**	-	**-**
Transfers to/from Earmarked Reserves	56.2	(56.8)	**(0.6)**	-	-	-	-	**(0.6)**	-	**(0.6)**	-	***(0.6)***
(Increase)/decrease for the Year	(0.7)	(56.8)	**(57.5)**	-	(0.5)	0.7	(2.3)	**(59.6)**	274.1	**214.5**	42.1	***256.6***
Balance Carried Forward	**(13.7)**	**(121.4)**	**(135.1)**	**(7.1)**	**(1.7)**	**(9.6)**	**(7.5)**	**(161.0)**	**328.9**	**167.9**	**68.7**	***236.6***

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)**	59.6	**(30.1)**	28.7	***(1.4)***
Prior year adjustment									(77.2)	**(77.2)**	(77.2)	***(77.2)***
As Restated	(9.9)	(58.7)	**(68.6)**	(7.0)	(0.8)	(8.9)	(4.4)	**(89.7)**	(17.8)	**(107.5)**	28.7	***(78.7)***
Surplus/(Deficit) on Provision of Services	64.1	-	**64.1**	1.0	-	-	-	**65.1**	-	**65.1**	7.6	***72.8***
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	-	-	**-**	(4.3)	**(4.3)**	(9.7)	***(14.0)***
Total Comprehensive Income and Expenditure	64.1	-	**64.1**	1.0	-	-	-	**65.1**	(4.3)	**60.8**	(2.1)	***58.7***
Net Decrease/(Increase) before Transfers & other Movements	64.1	-	**64.1**	1.0	-	-	-	**65.1**	(4.3)	**60.8**	(2.1)	***58.7***
Adjustments between Accounting Basis & Funding Basis under Regulations	(73.2)	-	**(73.2)**	(0.9)	(0.4)	(1.4)	(0.8)	**(76.7)**	76.7	**-**	-	***(0.1)***
Transfers to/from Earmarked Reserves	6.0	(6.0)	**-**	-	-	-	-	**-**	-	**-**	-	**-**
(Increase)/decrease for the Year	(3.1)	(6.0)	**(9.0)**	0.1	(0.4)	(1.4)	(0.8)	**(11.7)**	72.4	**60.8**	(2.0)	***58.6***
Balance Carried Forward	**(13.0)**	**(64.6)**	**(77.6)**	**(7.1)**	**(1.2)**	**(10.3)**	**(5.2)**	**(101.4)**	**54.8**	**(46.6)**	**26.6**	***(20.4)***

Cash Flow Statement

2019-2020 Council £m	2019-2020 *Group £m*		Note	2020-2021 Council £m	2020-2021 *Group £m*
		Operating Activities			
64.9	*72.6*	Net deficit on the provision of services		3.5	*13.1*
(172.3)	*(177.4)*	Adjustment for non-cash movements	14A	(92.9)	*(94.2)*
63.9	*63.9*	Adjustment for items that are investing and financing activities	14B	50.2	*50.2*
(43.5)	***(40.9)***	**Net cash flows from operating activities**	14C	**(39.2)**	***(30.9)***
		Investing Activities			
92.9	*92.9*	Purchase of property, plant and equipment, investment property and intangible assets		87.1	*89.5*
437.0	*437.0*	Purchase of short-term and long-term investments		597.7	*590.7*
(21.2)	*(21.2)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(25.5)	*(25.8)*
(431.9)	*(431.9)*	Receipts from sale of short-term and long-term investments		(612.5)	*(612.5)*
0.4	*0.4*	Other receipts from investing activities		0.2	*0.2*
(42.7)	*(42.7)*	Capital grants received		(25.0)	*(25.1)*
34.5	***34.5***	**Net cash flows from investing activities**		**22.0**	***17.0***
		Financing Activities			
1.9	*1.9*	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		4.6	*4.6*
8.0	*8.0*	Repayments of short-and long-term borrowing		12.5	*12.5*
9.9	***9.9***	**Net cash flows from total financing activities**		**17.1**	***17.1***
0.9	***3.5***	**Net (increase) or decrease in cash and cash equivalents**		**(0.1)**	***3.2***
		Cash and Cash Equivalents at the Start 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***

		Cash and Cash Equivalents at the End of the Year			
0.7	*0.7*	Cash held by the Council		0.6	*0.6*
1.2	*10.6*	Bank current accounts		1.4	*7.5*
1.9	***11.3***			**2.0**	***8.1***

Note 1A Prior Period Restatement of Service Expenditure and Income 2019-2020

In 2020-2021 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 2019-2020	Movement							
		Adults	Children's Services and Education	Governance	Strategy	City Environment	Deputy Chief Executive	Chief Executive	Communications and External Relations
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Closing balances		**73.1**	**100.6**	**4.6**	**1.2**	**50.7**	**4.6**	**1.3**	**-**
Adult Services	73.1								
Children's Services and Education	100.6	1.1	(6.3)			5.2			
Public Health & Wellbeing	6.2								
City Environment	50.7								
City Assets & Housing	11.9								
Regeneration	35.3								
Finance	5.7								
Governance	4.6			(0.9)	0.9				
Strategy	1.2								
Chief Executive	1.3							(1.2)	1.2
Communications and External Relations	-								
Deputy Chief Executive	4.6			2.8			(2.8)		
Corporate Accounts	(5.5)								
Corporate Resources	(12.1)								
Housing Revenue Account	(6.8)								
Net Cost of Services 2019-2020 as Restated in the Comprehensive Income and Expenditure Statement 2020-2021	**270.8**	**74.2**	**94.3**	**6.5**	**2.1**	**55.9**	**1.8**	**0.1**	**1.2**

The main changes relate to:

Children's Services and Education

- Safeguarding moved to Adult Services
- Special Educational Needs -Transportation moved to the City Environment

Governance

- Organisation development moved to Strategy

Chief Executive

- Communications and External Relations moved to own directorate

Deputy Chief Executive

- Human Resources and Business Change moved to Governance

Note 1B - Expenditure and Funding Analysis

2019-2020				2020-2021		
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
63.5	10.7	74.2	Adult Services	69.2	8.2	77.4
57.2	37.2	94.4	Children's Services and Education	50.2	17.1	67.3
1.0	5.2	6.2	Public Health & Wellbeing	0.9	0.2	1.1
22.8	33.0	55.8	City Environment	28.1	21.8	49.9
9.4	2.5	11.9	City Assets & Housing	9.3	(2.7)	6.6
6.7	28.6	35.3	Regeneration	6.0	25.3	31.3
12.7	(7.0)	5.7	Finance	13.5	(5.8)	7.7
5.9	0.6	6.5	Governance	9.3	(6.4)	2.9
6.5	(4.4)	2.1	Strategy	7.0	(5.4)	1.6
1.2	(1.1)	0.1	Chief Executive	0.2	-	0.2
-	1.2	1.2	Communications & External Relations	0.9	(1.0)	(0.1)
4.9	(3.1)	1.8	Deputy Chief Executive	0.4	1.9	2.3
43.1	(48.6)	(5.5)	Corporate Accounts	52.9	(66.0)	(13.1)
(234.9)	222.8	(12.1)	Corporate Resources	(247.9)	210.2	(37.7)
-	(6.8)	(6.8)	Housing Revenue Account	-	(29.1)	(29.1)
-	**270.8**	**270.8**	**Net Cost of Services**	**-**	**168.3**	**168.3**
-	**(205.9)**	**(205.9)**	**Other Income and Expenditure**	**-**	**(164.8)**	**(164.8)**
-	**64.9**	**64.9**	**Surplus or Deficit**	**-**	**3.5**	**3.5**

Note 1C – Note to the Expenditure and Funding Analysis 2020-2021

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	1.5	6.1	8.2
Children's Services and Education	5.3	9.1	2.7	17.1
Public Health & Wellbeing	1.0	0.4	(1.2)	0.2
Communications & External Relations	-	0.1	(1.1)	(1.0)
City Environment	13.3	2.2	6.3	21.8
City Assets & Housing	5.4	0.8	(8.9)	(2.7)
Regeneration	21.0	0.8	3.5	25.3
Finance	-	1.0	(6.8)	(5.8)
Governance	-	0.9	(7.3)	(6.4)
Strategy	2.7	0.5	(8.6)	(5.4)
Chief Executive	-	-	-	-
Deputy Chief Executive	1.9	-	-	1.9
Corporate Accounts	-	-	(66.0)	(66.0)
Corporate Resources	-	-	210.2	210.2
Housing Revenue Account	(0.9)	-	(28.2)	(29.1)
Net Cost of Services	**50.3**	**17.3**	**100.7**	**168.3**
Other Income and Expenditure	**-**	**-**	**(164.8)**	**(164.8)**
Total	**50.3**	**17.3**	**(64.1)**	**3.5**

Note 1D – 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	9.7	**10.7**
Children's Services and Education	35.5	1.8	(0.1)	**37.2**
Public Health & Wellbeing	1.8	0.1	3.3	**5.2**
City Environment	24.9	0.3	7.8	**33.0**
City Assets & Housing	11.3	0.1	(8.9)	**2.5**
Regeneration	24.0	0.1	4.5	**28.6**
Finance	-	0.1	(7.1)	**(7.0)**
Governance	-	0.1	0.5	**0.6**
Strategy	1.1	-	(5.5)	**(4.4)**
Chief Executive	-	-	(1.1)	**(1.1)**
Communications & External Relations	-	-	1.2	**1.2**
Deputy Chief Executive	1.4	0.1	(4.6)	**(3.1)**
Corporate Accounts	(2.2)	7.9	(54.3)	**(48.6)**
Corporate Resources	-	-	222.8	**222.8**
Housing Revenue Account	-	-	(6.8)	**(6.8)**
Net Cost of Services	**98.4**	**11.0**	**161.4**	**270.8**
Other Income and Expenditure	**-**	**-**	**(205.9)**	**(205.9)**
Total	**98.4**	**11.0**	**(44.5)**	**64.9**

Note 1E – Other Differences Analysis 2020-2021

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	(0.9)	-	-	-	-	-	7.0	6.1
Children's Services and Education	(7.7)	-	-	-	-	-	10.4	2.7
Public Health & Wellbeing	(3.5)	(0.1)	-	-	-	-	2.4	(1.2)
Communications & External Relations	-	-	-	-	-	-	(1.1)	(1.1)
City Environment	0.3	-	0.3	-	-	-	5.7	6.3
City Assets & Housing	(0.3)	(0.1)	-	-	-	-	(8.5)	(8.9)
Regeneration	(0.7)	(0.2)	-	-	-	-	4.4	3.5
Finance	(0.6)	(0.2)	-	-	-	-	(6.0)	(6.8)
Governance	(1.1)	-	-	-	-	-	(6.2)	(7.3)
Strategy	-	-	-	-	-	-	(8.6)	(8.6)
Chief Executive	-	-	-	-	-	-	-	-
Deputy Chief Executive	-	-	-	-	-	-	-	-
Corporate Accounts	(6.2)	-		(17.5)	(10.4)	-	(31.9)	(66.0)
Corporate Resources	(34.6)	(1.5)			-	246.3	-	210.2
Housing Revenue Account	-	-	-	(10.1)	-	-	(18.1)	(28.2)
Net Cost of Services	**(55.3)**	**(2.1)**	**0.3**	**(27.6)**	**(10.4)**	**246.3**	**(50.5)**	**100.7**

Note 1F – 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	-	-	-	-	5.7	9.7
Children's Services and Education	(1.7)	-	-	-	-	-	1.6	(0.1)
Public Health & Wellbeing	1.0	-	-	-	-	-	2.3	3.3
City Environment	-	-	0.3	-	-	-	7.5	7.8
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	-	-	-	-	-	-	0.5	0.5
Strategy	(0.3)	-	-	-	-	-	(5.2)	(5.5)
Chief Executive	-	-	-	-	-	-	(1.1)	(1.1)
Communications & External Relations	-	-	-	-	-	-	1.2	1.2
Deputy Chief Executive	0.1	-	-	-	-	-	(4.7)	(4.6)
Corporate Resources	-	(9.2)	-	-	-	232.0	-	222.8
Corporate Accounts	(16.3)	-	-	-	-	-	(38.0)	(54.3)
Housing Revenue Account	1.0	-	-	(9.6)	1.7	-	0.1	(6.8)
Net Cost of Services	**(12.9)**	**(9.2)**	**0.3**	**(9.6)**	**1.7**	**232.0**	**(40.9)**	**161.4**

Note 1G Expenditure and Income Analysed by Nature

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

2019-2020 £m		2020-2021 £m
	Expenditure	
232.1	Employee benefits expenses*	248.2
420.0	Other service expenses	461.5
148.0	Depreciation, amortisation and impairment	44.8
22.3	Loss on disposal of non-current assets	25.7
51.2	Interest payments	52.3
10.4	Levies	10.4
884.0		**842.9**
	Income	
(262.2)	Fees and charges and other service income	(250.7)
(174.3)	Income from Council tax and Business Rates	(138.9)
(358.2)	Government grants and contributions	(422.1)
(21.2)	Gain on disposal of non-current assets	(25.5)
(3.2)	Interest and investment income	(2.2)
(819.1)		**(839.4)**
64.9	**(Surplus)/Deficit on Provision of Services**	**3.5**

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

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.

2019-2020			2020-2021	
Turnover	Deficit/ (Surplus)	Trading Operation	Turnover	Deficit/ (Surplus)
£m	£m		£m	£m
(2.0)	0.4	Markets	(1.0)	2.0
(5.6)	0.2	Cleaning of Buildings	(5.8)	0.2
(4.5)	0.5	Schools and Welfare Catering	(2.9)	0.4
(0.3)	0.1	Civic Centre and Other Catering	(0.2)	0.1
(12.4)	**1.2**	**Total**	**(9.9)**	**2.7**

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

2C Pooled Budgets

The Council takes part in two pooled budget schemes with 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.

2019-2020				2020-2021		
Council Contribution £m	CCG Contribution £m	Total Expenditure £m	Scheme	Council Contribution £m	CCG Contribution £m	Total Expenditure £m
2.8	1.4	4.2	Child Placements with External Agencies	3.3	1.6	4.9

The second scheme relates to a pooled budget arrangement with Wolverhampton Clinical Commissioning Group (CCG). This is a section 75 (NHS Act 2006) partnership agreement relating to the commissioning of health and social care services under the Better Care Fund (BCF). The BCF has been established by the Government and it is a requirement of the Fund that the CCG and the Council establish a pooled fund for this purpose. The BCF is made up of CCG funding as well as local government grants, including the Improved Better Care Fund (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 originally allocated according to the Section 75 agreement.

In order to allow the Council and the CCG to concentrate on the response to the Covid-19 pandemic, it was agreed that the usual risk share arrangements would not be applicable for 2020-2021 but will continue in 2021-2022.

2019-2020 £m	Better Care Fund	2020-2021 £m
	Expenditure	
56.4	Adult Community Services	55.7
3.9	Dementia	3.8
14.5	Mental Health & CAMHS	16.6
74.8	**Total Expenditure**	**76.1**
	Gross Funding	
45.1	Wolverhampton Clinical Commissioning Group	45.5
29.5	City of Wolverhampton Council	30.4
74.6	**Total Funding**	**75.9**

2019-2020 £m	Better Care Fund	2020-2021 £m
0.2	**Net Over Spend**	**0.2**
	Allocation of Over/(Under) Spend	
0.1	Wolverhampton Clinical Commissioning Group	0.1
0.1	City of Wolverhampton Council	0.1
0.2	**Total Allocation**	**0.2**

2D Councillors' Allowances and Expenses

The Council paid £922,000 in Councillors' allowances during 2020-2021 (2019-2020: £929,000).

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]	**2020-2021**	**163,170**	**-**	**-**	**-**	**-**	**163,170**
	2019-2020	156,282	-	-	-	-	156,282
Deputy Chief Executive [2]	**2020-2021**	**142,093**	**-**	**-**	**-**	**34,203**	**176,296**
	2019-2020	136,384	-	-	-	41,114	177,498
Director of Pensions [3]	**2020-2021**	**136,746**	**-**	**-**	**-**	**35,609**	**172,355**
	2019-2020	129,835	-	-	-	41,898	171,733
Director of Finance (Section 151 Officer) [4]	**2020-2021**	**115,018**	**-**	**-**	**-**	**29,951**	**144,969**
	2019-2020	108,426	-	-	-	34,989	143,415
Director of Governance (Monitoring Officer) [5]	**2020-2021**	**101,949**	**-**	**-**	**-**	**26,198**	**128,147**
	2019-2020	22,817	-	-	-	4,353	27,170
Director of Education [6]	**2020-2021**	**-**	**-**	**-**	**-**	**-**	**-**
	2019-2020	67,007	-	-	-	24,727	91,734
Director of Adult Services [7]	**2020-2021**	**74,996**	**-**	**-**	**-**	**19,984**	**94,980**
	2019-2020	111,940	-	-	-	36,123	148,063
Director of Children's Services and Adult Services [8]	**2020-2021**	**120,017**	**-**	**-**	**-**	**31,252**	**151,269**
Director of Children's Services	2019-2020	111,940	-	-	-	36,123	148,063
Director of Public Health	**2020-2021**	**118,575**	**-**	**-**	**-**	**30,877**	**149,452**
	2019-2020	111,940	-	-	-	36,123	148,063
Director of Regeneration	**2020-2021**	**115,018**	**-**	**-**	**-**	**29,262**	**144,280**
	2019-2020	108,426	-	-	-	34,989	143,415
Director of City Environment	**2020-2021**	**111,407**	**-**	**-**	**-**	**29,010**	**140,417**
	2019-2020	104,910	-	-	-	33,855	138,765

Director of City Assets and Housing [9]	**2020-2021**	**-**	**-**	**-**	**-**	**-**	**-**
Director of City Housing [9]	2019-2020	95,866	-	-	-	30,936	126,802
Director of Communications and External Relations	**2020-2021**	**103,904**	**-**	**-**	**-**	**27,057**	**130,961**
	2019-2020	95,800	-	-	-	30,915	126,715
Director of Black Country Transport [10]	**2020-2021**	**111,407**	**-**	**-**	**-**	**29,180**	**140,587**
	2019-2020	104,910	-	-	-	33,855	138,765
Director of Strategy [11]	**2020-2021**	**103,375**	**-**	**-**	**-**	**26,919**	**130,294**
	2019-2020	79,328	-	-	-	25,599	104,927
Assistant Director of Investments and Finance [3] & 12	**2020-2021**	**102,489**	**-**	**-**	**-**	**25,731**	**128,220**
	2019-2020	115,401	-	-	-	37,240	152,641
Chief Accountant (Deputy Section 151 Officer)	**2020-2021**	**75,176**	**-**	**-**	**-**	**19,576**	**94,752**
	2019-2020	70,692	-	-	-	22,812	93,504
Head of Legal Services (Deputy Monitoring Officer) [13]	**2020-2021**	**67,135**	**-**	**-**	**-**	**17,619**	**84,754**
	2019-2020	71,737	-	-	-	23,296	95,033
Deputy Director of People and Change [14]	**2020-2021**	**43,156**	**-**	**-**	**-**	**11,238**	**54,394**
	2019-2020	-	-	-	-	-	-
Deputy Director of Adult Services (Interim) [15]	**2020-2021**	**28,771**	**-**	**-**	**-**	**7,492**	**36,263**
	2019-2020	-	-	-	-	-	-
Deputy Director of Social Care [16]	**2020-2021**	**85,114**	**-**	**-**	**-**	**22,164**	**107,278**
	2019-2020	-	-	-	-	-	-
Deputy Director of Education [17]	**2020-2021**	**14,385**	**-**	**-**	**-**	**3,746**	**18,131**
	2019-2020	-	-	-	-	-	-
Assistant Director of Pensions [18]	**2020-2021**	**57,542**	**-**	**-**	**-**	**14,984**	**72,526**
	2019-2020	-	-	-	-	-	-
Assistant Director of Investment Strategy [19]	**2020-2021**	**57,420**	**-**	**-**	**-**	**14,952**	**72,373**
	2019-2020	-	-	-	-	-	-
Head of Finance (WMPF, Deputy Section 151 Officer) [20]	**2020-2021**	**35,047**	**-**	**-**	**-**	**9,126**	**44,174**
	2019-2020	-	-	-	-	-	-

Note 1: The Managing Director was re-designated Chief Executive with effect from 1 September 2019. Between April 2020 and March 2021 pay costs of £7,110, 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 re-designated Deputy Chief Executive with effect from 1 September 2019.

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 2020 and March 2021 pay costs of £6,160, 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 has been deleted after the completion of the service review.

Note 7: The Director of Adult Services post became vacant on 23 November 2020 and £1,748 relates to pay in lieu of leave that was reclaimed and had an annualised salary of £120,017 for 2020-2021. The post was held vacant pending the completion of the service review.

Note 8: Whilst the Council reviews existing structures, the Director of Children's Services post holder will be picking up senior leadership responsibility for Adult Services on a temporary basis from 1 November 2020. This includes being accountable for the statutory responsibilities of the vacant Director of Adult Services.

Note 9: 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 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 re-designated 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 2019 and had an annualised salary of £95,800 for 2019-2020.

Note 12: The Assistant Director of Investments and Finance post became vacant on 31 January 2021 and £3,677 relates to pay in lieu of leave and had an annualised salary of £118,575 for 2020-2021.

Note 13: 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 14: The post holder of Deputy Director of People and Change took up post on 1 October 2020 and had an annual salary of £86,313 for 2020-2021.

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

Note 16: The post holder of Deputy Director of Social Care took up post on 6 April 2020 and had an annual salary of £86,313 for 2020-2021.

Note 17: The post holder of Deputy Director of Education took up post on 1 February 2021 and had an annual salary of £86,313 for 2020-2021.

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

Note 19: Following a restructure at the WMPF, the Assistant Director of Investment Strategy post was created on 1 September 2020. The current post holder, with an annualised salary of £98,435 for 2020-2021, was appointed on 1 September 2020.

Note 20: Following a restructure at the WMPF, the Head of Finance post was created on 1 October 2020 and assumed the role of Deputy Section 151 Officer. The current post holder, with an annualised salary of £70,095 for 2020-2021, was appointed on 1 October 2020.

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

2020-2021 Number of Employees					
Remuneration Band	Schools	Pension Fund	Rest of Council	Total Number of Employees in Band	Employees Receiving Termination Packages (included in total)
£50,000 - £54,999	46	1	89	136	1
£55,000 - £59,999	23	1	25	49	2
£60,000 - £64,999	19	-	21	40	-
£65,000 - £69,999	14	3	15	32	2
£70,000 - £74,999	13	-	3	16	1
£75,000 - £79,999	14	-	2	16	-
£80,000 - £84,999	3	-	2	5	-
£85,000 - £89,999	-	-	2	2	2
£90,000 - £94,999	1	-	1	2	1
£95,000 - £99,999	-	-	-	-	-
£100,000 - £104,999	-	-	1	1	1
£105,000 - £109,999	2	-	-	2	-
Total	**135**	**5**	**161**	**301**	**10**

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**

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.

2019-2020							2020-2021					
Compulsory		Other		Total		Value of Individual Package	Compulsory		Other		Total	
Number	£m	Number	£m	Number	£m		Number	£m	Number	£m	Number	£m
-	-	-	-	-	-	£250,001 to £300,000	2.0	0.6	-	-	2.0	0.6
-	-	-	-	-	-	£200,001 to £250,000	1.0	0.2	-	-	1.0	0.2
-	-	3.0	0.5	3.0	0.5	£150,001 to £200,000	1.0	0.2	-	-	1.0	0.2
3.0	0.3	3.0	0.4	6.0	0.7	£100,001 to £150,000	-	-	2.0	0.3	2.0	0.3
1.0	0.1	2.0	0.2	3.0	0.3	£80,001 to £100,000	-	-	-	-	-	-
3.0	0.2	2.0	0.1	5.0	0.3	£60,001 to £80,000	-	-	3.0	0.2	3.0	0.2
6.0	0.3	4.0	0.2	10.0	0.5	£40,001 to £60,000	-	-	3.0	0.1	3.0	0.1
9.0	0.2	14.0	0.4	23.0	0.6	£20,001 to £40,000	2.0	0.1	11.0	0.3	13.0	0.4
55.0	0.4	55.0	0.5	110.0	0.9	Less than £20,000	25.0	0.1	33.0	0.2	58.0	0.3
77.0	**1.5**	**83.0**	**2.3**	**160.0**	**3.8**	**Total**	**31.0**	**1.2**	**52.0**	**1.1**	**83.0**	**2.3**

2G Amounts Payable to the Auditors

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

2019-2020 Restated £m	Description	2020-2021 £m
0.170	External Audit (Council)	0.216
0.021	Certification of Grant Claims and Returns	0.023
0.051	Additional Work (*)	0.051
0.242	**Total**	**0.290**

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

- WV Living Audit Fee £22,500 (£22,500 2019-2020)
- Wolverhampton Homes Audit Fee £28,680 (£28,285 2019-2020)

2H Grants

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

2019-2020 £m		2020-2021 £m
	Credited to Net Cost of Services	
(64.1)	Dedicated Schools Grant - Schools Block	(66.4)
(31.0)	Dedicated Schools Grant - High Needs Block	(36.2)
(37.3)	Mandatory Rent Allowance	(34.7)
(36.9)	Mandatory Rent Rebates Subsidy	(33.6)
(20.2)	Public Health Grant	(21.0)
(18.0)	Dedicated Schools Block - Early Years Block	(17.9)
-	Business Rates Relief S31 Grant	(11.9)
(9.2)	LA Private Finance Initiative Revenue Schools (PFI)	(9.2)
(8.4)	Pupil Premium	(8.5)
(1.7)	Teachers' Pension Employer Contributions Grant	(3.2)
(1.9)	WMCA AEB Funding (Adult Education)	(2.9)
(2.0)	Dedicated Schools Grant - Central Services Block	(1.9)
(1.7)	Housing & Council Tax Benefit Administration	(1.8)
(1.6)	HeadStart Wolverhampton	(1.2)
(1.4)	6th Form Funding	(1.2)
(1.2)	Universal Infant Free School Meals	(1.2)
(0.9)	Teachers Pay Grant	(1.0)
(0.9)	Independent Living Fund Grant	(0.9)
(0.8)	Discretionary Rent Allowances	(0.9)
(0.8)	Leisure PFI	(0.8)
(0.6)	Syrian Resettlement	(0.8)
(0.8)	Impact ESF	(0.7)

(0.7)	Primary PE and Sport Premium	(0.7)
-	Learning Disability and Autism Community Discharge Grant	(0.7)
(0.7)	Business Rates Reconciliation Payment	(0.7)
(0.5)	YOT - Main Grant	(0.5)
(0.5)	Asylum Seekers	(0.5)
(0.3)	FSM Supplementary	(0.5)
-	Transport Additional Services Provision Grant	(0.5)
(0.4)	Schools Music Service	(0.4)
(0.4)	AIM for GOLD	(0.4)
(0.3)	CMF - Rough Sleeping Initiative	(0.4)
(0.1)	AEB Additional Growth Funding	(0.4)
(0.8)	Flexible Homelessness Support Grant	(0.3)
(0.2)	Homelessness New Burdens Grant	(0.3)
(0.7)	Troubled Families Grant	(0.2)
(0.3)	Early Outcomes Fund	(0.2)
(1.3)	Further Education	(0.1)
(0.1)	16-18 Bursary Fund	(0.1)
(0.3)	General Election	-
(0.3)	Levy Account Surplus Grant	-
	COVID-19 Grants	
-	COVID-19 Business Rates S31 Reliefs	(30.7)
(9.4)	COVID-19 Emergency Funding	(16.2)
-	COVID-19 Sales, Fees and Charges Grant	(5.6)
-	COVID-19 Additional Restrictions Grants	(5.1)
-	COVID-19 Tax Income Guarantee (TIG) Scheme	(4.7)
-	COVID-19 Council Tax Hardship Fund	(3.2)
-	COVID-19 Small Business - Retail, Leisure & Hospitality Grants	(2.3)

-	COVID-19 Adult Social Care Infection Control Fund Ring-Fenced Grant 2020	(1.9)
-	COVID-19 Track and Trace Service	(1.9)
-	COVID-19 Contained Outbreak Management Fund	(1.5)
-	COVID-19 Winter Grant	(1.1)
-	COVID-19 Catch Up Premium	(0.7)
-	COVID-19 Local Restrictions Support Grants Open (Discretionary)	(0.6)
-	COVID-19 Workforce Capacity Fund	(0.6)
-	COVID-19 Local Authority Emergency Assistance Grant for Food & Essential Supplies	(0.4)
-	COVID-19 Clinically Extremely Vulnerable Support Grant	(0.3)
-	COVID-19 Community Testing Programme	(0.3)
-	COVID-19 Reopening High Streets Safely Fund	(0.2)
-	COVID-19 Financial Support for Schools	(0.2)
-	COVID-19 Local Authority Compliance and Enforcement	(0.2)
-	COVID-19 Next Steps Accommodation Programme	(0.2)
-	COVID-19 – Adult Social Care Rapid Testing	(0.2)
-	COVID-19 Test and Trace Support Payments - Self Isolation Payments (discretionary)	(0.1)
-	COVID-19 Community Champions Fund	(0.1)
-	COVID-19 National Leisure Recovery Fund	(0.1)
-	Covid-19 Mass Testing for Schools	(0.1)
-	COVID-19 Business Grants (Administration)	(0.1)
(5.1)	Other Grants	(5.5)
(263.5)	**Total Credited to Net Cost of Services**	**(348.9)**

	Credited to Taxation and Non-Specific Grant Income	
	Non-Ring-Fenced Government Grants	
(26.2)	Local Business Rates Top Up Grant	(26.6)
(11.0)	DCLG – Improved Better Care Fund	(14.3)
(10.7)	Business Rates Autumn Statement Compensation	(11.9)
(3.7)	DCLG – Social Care Grant (Adults and Childrens)	(8.7)
(2.1)	New Homes Bonus (including adjustment grant)	(1.6)
(1.9)	DCLG – Additional Improved Better Care Fund	-
(55.6)	**Total of Non-Ring-Fenced Government Grants**	**(63.1)**
	Capital Grants and Contributions	
(3.1)	Disabled Facilities Grant	(3.6)
-	Highway Maintenance Challenge Fund Schemes 2020-21 - Carriageways	(2.7)
-	Local Growth Fund i54 Western Extension Plot Development	(2.3)
(1.9)	Schools Basic Needs Grant	(0.8)
(1.8)	S31 Transport Highway Maintenance Fund	(1.8)
(1.4)	S31 Transport Integrated Transport Block	(1.2)
-	Local Full Fibre Network	(1.2)
(1.2)	Schools Condition Allocation	(1.1)
(1.0)	Devolved Formula Funding	(0.4)
-	Homes England Development Grant	(0.4)
(0.9)	Local Growth Fund - Access to Growth	(0.2)
(4.5)	Local Growth Fund i54 Western Extension	(0.2)
-	Autism Innovation	(0.1)
(6.7)	Land Property Investment Fund	-
(0.5)	SEND Special Provision Capital Fund	-

	COVID-19 Grants	
-	COVID-19 £1m Towns Fund Grant	(1.0)
-	COVID-19 Emergency Active Travel Fund	(0.3)
(15.7)	Other Grants and Contributions	(7.0)
(38.7)	**Total of Capital Grants and Contributions**	**(24.3)**
(357.8)	**Total Grants Credited to the CIES**	**(436.3)**

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

Grants where the Council is acting as agent	2020-2021 £m
BEIS COVID-19	44.9
COVID-19 Adult Social Care Infection Control Fund Ring-Fenced Grant 2020	4.4
COVID-19 Test and Trace Support Payments - Self Isolation Payments (Mandatory)	0.4
COVID-19 Local Restrictions Support Grants Closed (Mandatory)	0.5
COVID-19 Christmas Support Payment Wet-Led Pubs (Mandatory)	0.1
COVID-19 Local Restrictions Support Grants Closed Addendum (Mandatory)	1.7
COVID-19 Closed Business Lockdown Payments (Mandatory)	11.4
COVID-19 Adult Social Care Rapid Testing	0.6
Total	**64.0**

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.

2019-2020				2020-2021		
Central Expenditure	Individual Schools Budget	Total		Central Expenditure	Individual Schools Budget	Total
£m	£m	£m		£m	£m	£m
(12.9)	(234.5)	(247.4)	Final DSG for the year before academy recoupment	(13.9)	(277.8)	(291.7)
-	132.3	132.3	Academy figure recouped	-	158.7	158.7
(12.9)	**(102.2)**	**(115.1)**	**Total DSG after academy recoupment for the year**	**(13.9)**	**(119.1)**	**(133.0)**
(0.6)	(2.8)	(3.4)	Brought forward from previous year	(0.6)	(1.5)	(2.1)
-	-	-	Carry-forward to following year agreed in advance	-	-	-
(13.5)	**(105.0)**	**(118.5)**	**Agreed initial budgeted distribution in the year**	**(14.5)**	**(120.6)**	**(135.1)**
(13.5)	**(105.0)**	**(118.5)**	**Final budgeted distribution for the year**	**(14.5)**	**(120.6)**	**(135.1)**
12.9	-	12.9	Less actual central expenditure	13.9	-	13.9
-	103.5	103.5	Less actual ISB deployed to schools	-	119.1	119.1
(0.6)	**(1.5)**	**(2.1)**	**(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

In March 2020, the World Health Organisation categorised Covid-19 as a global pandemic, this was following by Government instituting a national lockdown on 23 March 2020. Wolverhampton responded swiftly and implemented urgent crisis response and business continuity plans. In response to the pandemic, the Council made and are having to continue to make a number of decisions which have significant financial implications in order to support its resident, as well as complying with Government's requirements and suspending service that are a source of income. The costs of dealing with the pandemic extend beyond 2020-2021, it is not yet known how long the pandemic will go on for or what the level of future support required will be. There is considerable uncertainty on the cost of 'living with covid' and the additional demand which will continue to be placed on services such as social care, and public health and well-being. In addition, the economic costs of the pandemic will place additional pressures on the Council's income collected from sales, fees and charges as well as council tax and business rates for years to come.

In Wolverhampton, as elsewhere across the country, the pandemic continues to affect the lives of our residents and businesses. A key priority of the Council's recovery plan is to support our vital local business as well as generate more jobs and learning opportunities for our residents. The level of support the council is able to provide will be reliant the availability of resources.

The council will continue to lobby government to be fully reimbursed for all cost pressures arising from Covid-19. However, due to the level of uncertainty concerning, and the absence of a firm funding commitment from Government, it is not possible to make a reliable estimate of the impact this may have on the Council over the medium term. If the grant funding is not sufficient then, the Council will need to review the use of reserves, and possibly identify alternative ways of reducing costs to mitigate against any cost pressures over the medium term.

Outbreak of Novel Coronavirus (Covid –19)

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

The pandemic and the measures taken to tackle Covid-19 continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. The valuations are not reported as being subject to “material valuation uncertainty”’ as defined by VPS 3 and VPGA 10 of the RICS valuation – global standards.

Note 3 Other Operating Expenditure

	2019-2020				2020-2021	
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
10.4	-	10.4	Levies	10.4	-	10.4
2.2	-	2.2	Payments to the Housing Capital Receipts Pool	2.2	-	2.2
22.2	(21.2)	1.0	Losses/(gains) on the Disposal of Non-Current Assets	22.2	(25.5)	(3.3)
34.8	**(21.2)**	**13.6**		**34.8**	**(25.5)**	**9.3**

Note 4 Financing and Investment Income and Expenditure

2019-2020 Gross Expenditure £m	2019-2020 Gross Income £m	2019-2020 Net Expenditure £m		2020-2021 Gross Expenditure £m	2020-2021 Gross Income £m	2020-2021 Net Expenditure £m
0.7	-	0.7	External Trading Organisations	0.9	-	0.9
37.2	-	37.2	Interest Payable	36.7	-	36.7
14.0	-	14.0	Net Interest Expense-Pensions	15.6	-	15.6
-	(1.9)	(1.9)	Interest Receivable	-	(2.2)	(2.2)
1.1	(0.5)	0.6	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	1.1	-	1.1
	(1.3)	(1.3)	Other Investment Income	-	-	-
53.0	**(3.7)**	**49.3**	**Total**	**54.3**	**(2.2)**	**52.1**

Note 5 Taxation and Non-Specific Grant Income and Expenditure

2019-2020 Gross Expenditure £m	2019-2020 Gross Income £m	2019-2020 Net Expenditure £m		2020-2021 Gross Expenditure £m	2020-2021 Gross Income £m	2020-2021 Net Expenditure £m
-	(71.5)	(71.5)	National Non-Domestic Rates	-	(34.8)	(34.8)
-	(102.8)	(102.8)	Council tax	-	(104.0)	(104.0)
-	(55.6)	(55.6)	Non ring-fenced Revenue Grants Receivable	-	(63.1)	(63.1)
-	(38.9)	(38.9)	Capital Grants Receivable	-	(24.3)	(24.3)
-	**(268.8)**	**(268.8)**	**Taxation and Non-Specific Grant Income and Expenditure**	**-**	**(226.2)**	**(226.2)**

There has been a decrease in non-domestic rates as a result of Government measures taken to assist businesses during 2020-2021 in response to the Covid-19 pandemic. Non-domestic rate income owed to the Council will continue to be collected, however the Government have provided Section 31 grants to cover the cost of Covid-19 business rates reliefs and compensation for irrecoverable losses in 2020-2021.

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 2020 Restated		Type of Organisation	31 March 2021	
Council £m	*Group £m*		Council £m	*Group £m*
17.6	*17.6*	Central Government Bodies	24.1	*24.1*
8.3	*8.3*	Other Local Authorities	8.0	*8.0*
8.4	*8.4*	NHS Bodies	6.9	*6.9*
76.4	*47.7*	Bodies External to General Government	84.0	*55.3*
110.7	***82.0***	**Total**	**123.0**	***94.3***

Where 2019-2020 has been restated this is because the Council updated the way it presented this note in 2020-2021, so 2019-2020 has been restated for comparison.

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 2020 Council £m	Type of Organisation	31 March 2021 Council £m
4.8	Less than one year	3.6
1.3	1-2 years	2.1
-	2-6 years	-
-	More than 6 years	-
6.1	**Total**	**5.7**

Non-Domestic Rates

31 March 2020 Council £m	Type of Organisation	31 March 2021 Council £m
0.7	Less than one year	0.6
-	1-2 years	-
-	2-6 years	-
-	More than 6 years	-
0.7	**Total**	**0.6**

6C Current Payables

31 March 2020		Type of Organisation	31 March 2021	
Council £m	*Group £m*		Council £m	*Group £m*
(37.6)	*(39.8)*	Central Government Bodies	(58.0)	*(60.2)*
(3.1)	*(3.1)*	Other Local Authorities	(5.4)	*(5.4)*
(1.7)	*(1.7)*	NHS Bodies	-	-
(66.4)	*(63.6)*	Bodies External to General Government	(62.0)	*(55.4)*
(108.8)	***(108.2)***	**Total**	**(125.4)**	***(121.0)***

Where 2019-2020 has been restated this is because the Council updated the way it presented this note in 2020-2021, so 2019-2020 has been restated for comparison.

6D Inventories

	Council		Group	
	Consumable Stores		Property Constructed for Sale and Consumable Stores	
	2020-2021 £m	2019-2020 £m	2020-2021 £m	2019-2020 £m
Balance outstanding at start of year	0.4	0.5	26.4	8.2
Purchases	1.3	1.5	25.3	28.6
Recognised as an expense in the year	(1.1)	(1.6)	(18.7)	(10.2)
Transferred to investment property	-	-	-	(0.2)
Balance outstanding at year end	**0.6**	**0.4**	**33.0**	**26.4**

Note 7 Provisions, Contingent Liabilities and Guarantees

7A Provisions

Balance at 31 March 2020 £m	Provision Name	Provision Details	Amounts Used in £m	Contributions to/from Provision 2020-2021 £m	Balance at 31 March 2021 £m
(0.3)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. It is currently uncertain when payments might need to be made, and the value of any such payments.	-	-	(0.3)
(2.3)	Insurance	The Council self-insures risks to property and assets up to a total aggregate limit of £1.0 million and its liability exposures up to a limit of £250,000 on any one occurrence above which limits the external insurance cover operates. The insurance provision of £2.3 million is in respect of the outstanding claims under the self-insurance programme covering the current and past years.	-	-	(2.3)
(0.4)	Termination Benefits	During 2020-2021, 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.	0.4	(0.1)	(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.	-	-	-
(6.6)	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 2021.	2.3	(3.7)	(8.0)
(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)
(0.5)	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	(0.9)	(0.9)
(10.2)		**Total**	**3.2**	**(4.7)**	**(11.7)**

* For Midlands Housing Consortium (MHC), there was a £24,000 movement in 2020-2021 to reduce it to zero.

** For Housing Revenue Account, there is a £19,000 provision.

7B Contingent Liabilities

At 31 March 2021, 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 2021 is £2.1 million (31 March 2020: £3.1 million).

• A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £300,000 (31 March 2020: £300,000). The potential costs of any further cases not addressed by this provision cannot be reliably quantified at this stage.

• There are several instances where the Council has acquired title to assets of land and buildings due to the use of compulsory purchase orders or an interest in land and buildings subject to blight notices. In these situations, there has been no transfer of economic benefits due to difficulties in either establishing the original owner or in reaching an agreement to the level of compensation to be transferred. The existence of a recognisable liability can only be confirmed at the point that the owner comes forward to claim reimbursement or the formal acknowledgment of blight has been established. The total value of these cases as at 31 March 2021 is estimated at £347,005 (31 March 2020: £487,000).

• During 2020-2021, 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 2020-2021 for which a provision of £55,000 (31 March 2020: £386,000) has been raised. There are, however, a number of applications for voluntary redundancy in progress which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.

• The Council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the Council may be subject to clawback of both previous and future paid claims linked to the Council and a proportional amount on claims made linked to the West Midlands County Councils.

7C Contingent Assets

None

7D Guarantees

The Council has provided guarantees to twenty-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 (31 March 2019) none of these organisations had a pension liability in excess of £100,000 (which the Council considers to be material for these purposes).

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

During 2018-2019 the Council provided a 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 2020-2021

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Property Plant and Equipment Subtotal £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Assets Held for Sale £m	Asset Under Construction	Total £m
At 31 March 2020	828.7	435.7	96.3	322.1	12.6	7.8	1,703.2	33.8	16.6	11.6	1.6	-	1,766.8
Additions	46.8	22.1	5.1	11.0	1.2	-	**86.3**	0.1	0.6	-	-	-	**86.9**
Disposals	(6.7)	(0.6)	-	-	-	(0.3)	**(7.4)**	-	-	-	(1.6)	-	**(9.0)**
Revaluations / Fair Value Gains/(Losses)													
- Recognised in revaluation reserve	-	(17.1)	-	-	-	(0.3)	**(17.4)**	(1.6)	-	-	-	-	**(19.0)**
- Recognised in surplus/(deficit) on provision of services	(17.7)	(18.4)	-	-	-	0.4	**(35.7)**	-	-	-	-	-	**(35.7)**
Impairments	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Other Changes - Gross Value	(6.8)	(3.1)	0.3	-	(0.3)	-	**(10.2)**	(0.5)	-	-	3.9	**6.8**	**-**
Gross Value as at 31 March 2021	**844.3**	**418.6**	**101.7**	**333.1**	**13.5**	**7.5**	**1,718.7**	**31.8**	**17.2**	**11.6**	**3.9**	**6.8**	**1,790.0**
Accumulated Depreciation/Impairment													
- At 31 March 2020	-	7.6	81.6	189.9	0.8	1.6	**281.5**	-	11.5	-	-		**293.0**
Disposals	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Depreciation/amortisation	18.5	9.7	3.1	11.2	-	0.1	**42.6**	-	2.2	-	-	-	**44.8**
Depreciation writeback on revaluation													
- Recognised in the Revaluation Reserve	-	(5.4)	-	-	-	-	**(5.4)**	-	-	-	-	-	**(5.4)**
- Recognised in the Surplus/Deficit on the Provision of Services	(18.5)	(4.8)	-	-	-	-	**(23.3)**	-	-	-	-	-	**(23.3)**
Other Changes	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Accumulated Depreciation/Impairment at 31 March 2021	**-**	**7.1**	**84.7**	**201.1**	**0.8**	**1.7**	**295.4**	**-**	**13.7**	**-**	**-**	**-**	**309.1**
Net Book Value As at 31 March 2021	**844.3**	**411.5**	**17.0**	**132.0**	**12.7**	**5.8**	**1423.3**	**31.8**	**3.5**	**11.6**	**3.9**	**6.8**	**1480.9**
Net Book Value As at 31 March 2020	**828.7**	**428.1**	**14.8**	**132.2**	**11.5**	**6.5**	**1,421.8**	**33.8**	**5.1**	**11.6**	**1.6**	**-**	**1,473.9**

Non-Current Assets 2019-2020 (Restated)

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture	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
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	69.9	7.5	-	-	-	-	**77.4**	-	-	-	-	**77.4**
At 31 March 2019 - As restated	**821.3**	**471.5**	**91.8**	**315.1**	**16.6**	**18.1**	**1,734.4**	**36.0**	**15.0**	**11.6**	**-**	**1,797.0**
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	-	(10.6)	-	-	0.2	(1.4)	**(11.8)**	(0.8)	-	-	-	**(12.6)**
- Recognised in surplus/(deficit) on provision of services	(41.1)	(44.5)	-	-	-	(0.8)	**(86.4)**	(1.6)	-	-	-	**(88.0)**
Impairments	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Other Changes - Gross Value	-	3.4	-	-	(4.3)	(0.7)	**(1.6)**	-	-	-	1.6	**-**
Gross Value as at 31 March 2020	**828.7**	**435.7**	**96.4**	**322.1**	**12.3**	**8.1**	**1,703.3**	**33.8**	**16.6**	**11.6**	**1.6**	**1,766.9**
Accumulated Depreciation/Impairment												
- At 31 March 2019	-	9.4	77.9	179.1	0.8	1.6	**268.8**	1.7	9.7	-	-	**280.2**
Disposals	-	(0.2)	-	-	-	-	**(0.2)**	-	-	-	-	**(0.2)**
Depreciation/amortisation	17.9	10.6	3.7	10.8	-	0.1	**43.1**	-	1.8	-	-	**44.9**
Depreciation writeback on revaluation												
- Recognised in the Revaluation Reserve	-	(6.4)	-	-	-	(0.1)	**(6.5)**	(0.1)	-	-	-	**(6.6)**
- Recognised in the Surplus/Deficit on the Provision of Services	(17.9)	(5.8)	-	-	-	-	**(23.7)**	(1.6)	-	-	-	**(25.3)**
Other Changes	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Accumulated Depreciation/Impairment at 31 March 2020	**-**	**7.6**	**81.6**	**189.9**	**0.8**	**1.6**	**281.5**	**-**	**11.5**	**-**	**-**	**293.0**
Net Book Value As at 31 March 2020	**828.7**	**428.1**	**14.8**	**132.2**	**11.5**	**6.5**	**1,421.8**	**33.8**	**5.1**	**11.6**	**1.6**	**1,473.9**
Net Book Value As at 31 March 2019	**821.3**	**462.2**	**13.9**	**136.0**	**15.8**	**16.5**	**1,465.6**	**34.3**	**5.3**	**11.6**	**-**	**1,516.9**

2019-2020 has been restated for the reclassification of assets into asset group Assets Held for Sale.

Asset Disposals

The total net book value of assets disposed of in year was £9.0 million (2019-2020: £22.4 million). No assets were derecognised in respect of schools that have converted to Academies in 2020-2021 (2019-2020: £0 million).

Depreciation/Amortisation

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

Council Dwellings	Up to 30 years
Infrastructure assets	1-49 years
Surplus assets	1-49 years
Other buildings	1-157 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 2021. The valuations were carried out by external valuers. The housing stock valuation was carried out by the Jones Lang Lasalle while the other valuations were carried out by Bruton Knowles, registered RICS valuers, using the guidance and methodology set out in the following paragraphs.

The external valuers have based the School valuations on the Modern Equivalent Asset (MEA) basis. This is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset and can be calculated on the basis of the lower of capacity or numbers on roll. In previous years where information is not always readily available it is necessary to utilise the net capacity approach.

The following statement shows the value of assets that have been revalued in the financial years 2016-2017 to 2020-2021.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Property Plant and Equipment Subtotal	Investment Properties	Intangible Assets	Heritage Assets	Assets Held for Sale	Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Carried at Historical Costs		**0.8**	**17.0**	**132.0**	**12.7**	**0.0**	**162.5**	**-**	**3.5**	**11.6**	**-**	**-**	**177.6**
Valued at fair or nominal value as at:	-	-	-	-	-	-	-	-	-	-	-	-	-
31st March 2017	-	0.0	-	-	-	0.0	**0.0**	-	-	-	-	-	**0.0**
31st March 2018	-	2.1	-	-	-	0.0	**2.1**	-	-	-	-	-	**2.1**
31st March 2019	-	2.0	-	-	-	0.0	**2.0**	-	-	-	-	-	**2.0**
31st March 2020	-	12.2	-	-	-	1.2	**13.4**	-	-	-	-	-	**13.4**
Valued @ 31st March 2021	844.3	394.4	-	-	-	4.7	**1,243.4**	31.8	-	-	3.9	6.8	**1,285.9**
Total Cost or Valuation	**844.3**	**411.5**	**17.0**	**132.0**	**12.7**	**5.8**	**1,423.3**	**31.8**	**3.5**	**11.6**	**3.9**	**6.8**	**1,480.9**

In 2020-2021, a full desktop review was completed for the Council Dwellings via a beacon valuation approach. This was completed by Jones Lang LaSalle (JLL).

During the financial year there was an update to some of the properties Archetypes in the HRA Council Dwellings calculation to reflect an update to the housing type.

In addition, a desktop review is carried out by the council's external valuers Bruton Knowles of the remaining assets not revalued in 2020-2021 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 2020-2021, 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 2021, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020-2021 and future years with an estimated total value of £74.4 million (31 March 2020: £39.6 million). The major commitments are: High Rise Works M&E Infrastructure Refurbishment (£19.2 million), Civic and Wulfrun Halls (£15.9 million), i9 (£12.9 million), Heath Town New Build Phase 1 (£8.2 million), Heath Town Regeneration (£6.9 million), Development Agreement with WV Living for Affordable Housing (£4.3 million) and SMART Infrastructure (£3.0 million).

Investment Properties

During the year, the Council had £3.8 million of income receivable from investment properties (2019-2020: £3.8 million) and spent £0.5 million on managing and maintaining those properties (2019-2020: £0.6 million). There are no restrictions on the Council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, or for it to carry out repairs, maintenance or enhancements.

Impairment

There were no impairments to non-current assets in 2020-2021.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £942.1 million at 31 March 2021 (31 March 2020: £926.2 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.

2019-2020 £m		2020-2021 £m
893.4	**Opening Capital Financing Requirement**	**926.2**
	Capital Investment	
90.2	Property, Plant and Equipment	86.3
1.1	Investment Properties	0.1
1.6	Intangible Assets	0.6
37.0	Revenue Expenditure Funded from Capital under Statute	19.3
26.6	WV Living Loans	13.4
	Sources of Finance	
(25.7)	Capital Receipts	(22.0)
(38.0)	Government Grants and other Contributions	(22.0)
-	Sums Set Aside from Revenue:	-
(19.7)	Direct Revenue Contributions	(26.5)
(40.3)	MRP/Loans Fund Principal	(33.3)
926.2	**Closing Capital Financing Requirement**	**942.1**

	Explanation of Movements in Year	
32.7	Increase in underlying need to borrow (unsupported by government financial assistance)	15.8
-	Assets acquired under finance leases	-
0.1	Assets acquired under PFI contracts	0.1
32.8	**Increase/(decrease) in Capital Financing Requirement**	**15.9**

Note 9 Employee Pensions

Participation in Pension Schemes

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

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

- The Local Government Pension Scheme is administered locally by the West Midlands Pension Fund. From 1 April 2014 the LGPS moved from a defined benefit final salary scheme to a Career Average Revalued Earnings (CARE) scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The benefits a member builds up from 1 April 2014 will be based on the CARE scheme calculation; the benefits built up to 31 March 2014 will be protected under the Final Salary calculation.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. During the year, the Council contributed £8.5 million which was a contribution rate of 23.68% from April 2020 to March 2021 (2019-2020: £7.0 million; 16.48% (Apr 2019 – August 2019) & 23.68% (August 2019 onwards)).

- 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. During the year, the Council contributed £28,047 which was a contribution rate of 14.38% (2019-2020: £31,766; 14.38%).

- In addition, the Council is responsible for all non-funded pension payments relating to added years' enhancements it has awarded outside the terms of the teachers' scheme together with related increases.

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

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:

2019-2020				2020-2021		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
£m	£m	£m		£m	£m	£m
			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT			
			Cost of Services:			
(40.9)	-	(6.8)	- Current Service Cost	(52.6)	-	(6.7)
-	-	-	- Past Service Costs	-	-	-
(2.3)	-	(0.1)	- Settlements and Curtailments	(1.4)	-	(0.1)
(0.7)	-	(0.1)	- Administration Expenses	(0.8)	-	(0.1)
			Financing and Investment Income and Expenditure:			
(12.9)	(1.1)	(0.9)	- Net Interest Cost	(14.3)	(1.1)	(0.8)
(56.8)	**(1.1)**	**(7.9)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(69.1)**	**(1.1)**	**(7.7)**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
19.2	(0.4)	9.7	- Remeasurements (Liabilities and Assets)	(195.1)	(3.4)	(32.7)
(37.6)	**(1.5)**	**1.8**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(264.2)**	**(4.5)**	**(40.4)**

			MOVEMENT IN RESERVES STATEMENT			
(56.8)	(1.1)	-	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(69.1)	(1.1)	-
			Actual amount charged against the General Fund Balance for pensions in the year:			
4.1	-	3.9	- Employer's contributions payable to scheme	46.4		3.8
-	4.3	-	- Retirement benefits payable to pensioners		4.2	
(52.7)	**3.2**	**3.9**	**Total Movement in Reserves**	**(22.7)**	**3.1**	**3.8**

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

Assets and Liabilities in Relation to Post-Employment Benefits

The following tables show how the present values of the scheme assets and liabilities have changed over the course of the year:

2019-2020		2019-2020	2020-2021	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
1,129.5	**160.6**	**Opening balance at 1 April**	**1,093.5**	**161.7**
26.6	3.9	Interest Income	20.6	3.8
(20.6)	(3.8)	Remeasurement Gain/(Loss)	190.2	27.5
4.1	3.9	Employer contributions	46.4	3.8
7.0	1.2	Contributions by scheme participants	7.4	1.3
(52.8)	(4.0)	Benefits paid	(52.3)	(3.7)
0.4	-	Settlements	(1.2)	-
(0.7)	(0.1)	Admin Expenses	(0.8)	(0.1)
1,093.5	**161.7**	**Closing balance at 31 March**	**1,303.8**	**194.3**

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 £210.7 million (2019-2020: Gain £45.7 million).

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £854.3 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 2022 are £22.8 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2022 are £2.0 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 7.1% 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.

2019-2020					2020-2021			
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	
(1,651.3)	**(19.7)**	**(53.1)**	**(200.6)**	**Opening balance at 1 April**	**(1,646.9)**	**(21.8)**	**(50.3)**	**(196.1)**
(40.9)	-	-	(6.8)	Current service cost	(52.6)	-	-	(6.7)
(39.2)	(0.4)	(1.1)	(4.8)	Interest cost	(34.7)	(0.3)	(1.1)	(4.6)
(7.0)	-	-	(1.2)	Contributions - participants	(7.4)	-	-	(1.3)
43.4	(3.6)	(0.4)	13.4	Remeasurement Gain/(Loss)	(383.9)	(1.4)	(3.4)	(60.2)
50.9	1.9	4.3	4.0	Benefits paid	50.4	1.9	4.3	3.7
-	-	-	-	Past service costs	-	-	-	-
(2.5)	-	-	(0.1)	Curtailments	(3.1)	-	-	(0.1)
(0.3)	-	-	-	Settlements	2.8	-	-	-
(1,646.9)	**(21.8)**	**(50.3)**	**(196.1)**	**Closing balance at 31 March**	**(2,075.4)**	**(21.6)**	**(50.5)**	**(265.3)**

2019-2020 LGPS Council £m	2019-2020 LGPS Subsidiary £m	Asset Category	2020-2021 LGPS Council £m	2020-2021 LGPS Subsidiary £m
622.5	92.0	Equities	785.3	116.9
127.1	18.8	Government Bonds	108.5	16.2
45.7	6.8	Other Bonds	82.7	12.3
97.3	14.4	Property	97.8	14.6
39.2	5.8	Cash/Liquidity	63.7	9.5
161.7	23.9	Other	165.7	24.7
1,093.5	**161.7**	**Total**	**1,303.8**	**194.2**

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

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years’ dependent on assumptions about variables such as mortality rates and salary levels. Both the Teachers' Discretionary Pension Scheme and the West Midlands Pension Fund liabilities have been assessed by 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.

2019-2020				2020-2021		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
			Mortality assumptions:			
			Longevity at 65 for current pensioners (years):			
21.9	21.9	21.9	- Men	21.6	21.6	21.6
24.1	24.1	24.1	- Women	23.9	23.9	23.9
			Longevity at 65 for future pensioners (years):			
23.8	N/A	23.8	- Men	23.4	N/A	23.4
26.0	N/A	26.0	- Women	25.8	N/A	25.8
1.9	1.9	1.9	Rate of inflation	2.8	2.9	2.9
2.9	N/A	2.9	Rate of increase in salaries	3.8	N/A	3.9
1.9	1.9	1.9	Rate of increase in pensions	2.8	2.9	2.9
2.4	2.3	2.4	Rate for discounting scheme liabilities	2.0	1.8	2.0

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2020			31 March 2021	
Local Government Pension Scheme	Discretionary Pension Scheme		Local Government Pension Scheme	Discretionary Pension Scheme
£m	£m		£m	£m
		Estimated Liabilities in Scheme		
(1,668.7)	(50.3)	City of Wolverhampton Council	(2,097.0)	(50.5)
(195.9)	-	Wolverhampton Homes Limited	(265.1)	-
(1,864.6)	**(50.3)**	**Total Liabilities**	**(2,362.1)**	**(50.5)**
		Estimated Assets in Scheme		
1,093.5	-	City of Wolverhampton Council	1,303.8	-
161.7	-	Wolverhampton Homes Limited	194.2	-
1,255.2	**-**	**Total Assets**	**1,498.0**	**-**
(609.4)	**(50.3)**	**Net Liabilities**	**(864.1)**	**(50.5)**

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 2018-2019 and 2020-2021, the Council 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 2022 are £22.8 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2022 are £2.0 million.

Note 10 Financial Instruments

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

31 March 2020 Long-Term £m	31 March 2020 Current £m		31 March 2021 Long-Term £m	31 March 2021 Current £m
		Financial Assets Held at FVOCI		
15.5	-	Equity instruments – Birmingham Airport and WV Living Shareholding	21.8	-
15.5	**-**	**Total Financial Assets Held at FVOCI**	**21.8**	**-**
		Financial Assets Held at Amortised Cost		
1.3	-	Finance Leases	1.3	-
-	30.4	Investments	-	8.6
-	2.0	Cash and Cash Equivalents	-	1.7
-	72.8	Current Receivables	-	115.6
1.3	**105.2**	**Total Financial Assets Held at Amortised Cost**	**1.3**	**125.9**
		Financial Liabilities Held at Amortised Cost		
(725.9)	(17.8)	Borrowings	(725.8)	(5.3)
-	(82.6)	Current Payables	-	(148.2)
(11.2)	-	Debt arising from the County Council Reorganisation	(9.7)	-
(5.0)	-	Grant Receipts in Advance - Capital	(4.8)	-
(742.1)	**(100.4)**	**Total Financial Liabilities Held at Amortised Cost**	**(740.3)**	**(153.5)**
		Other Financial Liabilities		
(82.3)	(4.3)	PFIs	(80.9)	(2.9)
-	(21.9)	Current Payables	-	(4.8)
-	(10.1)	Provisions	-	(10.3)
(82.3)	**(36.3)**	**Total Other Financial Liabilities**	**(80.9)**	**(18.0)**
		Other Financial Assets		
-	37.8	Current Receivables	-	31.8
-	**37.8**	**Total Other Financial Assets**	**-**	**31.8**

10A Financial Assets Held at Amortised Cost - Investments

As at 31 March 2021, the Council was holding £7.9 million in money market funds and £0.7 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 2021

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

31/08/2004	Barclays Bank	5.0	4.58	28/02/2066		
29/10/2004	Barclays Bank	5.0	4.58	28/04/2066		
13/10/2004	Barclays Bank	7.0	4.58	13/04/2066		
03/12/2004	Barclays Bank	2.0	4.39	05/06/2066		
23/05/2005	Barclays Bank	5.0	4.78	23/05/2066		
15/06/2005	Barclays Bank	5.0	4.78	15/06/2066		
04/07/2005	Barclays Bank	5.0	4.78	04/07/2066		
15/08/2005	Barclays Bank	5.0	4.39	15/02/2066		
15/09/2005	Barclays Bank	5.0	4.39	15/03/2066		

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.

2019-2020					2020-2021			
Amounts Payable		Amounts Receivable			Amounts Payable		Amounts Receivable	
Finance Leases	Operating Leases	Finance Leases	Operating Leases		Finance Leases	Operating Leases	Finance Leases	Operating Leases
-	**1.3**	**-**	**3.3**	**Payable/receivable in the year**	**-**	**1.6**	**-**	**3.2**
-	1.0	-	3.1	Due within one year	-	1.6	-	3.1
-	1.4	-	10.7	Due in one to five years	-	2.0	-	9.2
-	0.8	5.9	13.6	Due after five years	-	0.7	5.9	13.7
-	**3.2**	**5.9**	**27.4**	**Total due in future years**	**-**	**4.3**	**5.9**	**26.0**

Where 2019-2020 has been restated this is because the Council updated the way it presented this note in 2020-2021, so 2019-2020 has been restated for comparison.

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 £0.6 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 2020 £m	31 March 2021 £m
Birmingham Airport Holdings Ltd				
Ordinary Shares	Level 3	Earning based valuation	13.0	12.4
Preference Shares			1.5	1.5
Total			**14.5**	**13.9**

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

2020-2021	Unquoted Shares	Other	Total
	£m	£m	£m
Opening balance at 1 April	14.5	-	14.5
Transfers into Level 3	-	-	-
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	(0.6)	-	(0.6)
Additions	-	-	-
Disposals	-	-	-
Closing Balance 31 March	**13.9**	**-**	**13.9**

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

2020-2021	Fair value	Change in fair value during 2020-2021	Dividends received during 2020-2021
	£m	£m	£m
Birmingham Airport Holdings Ltd	13.8	(0.6)	-

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.

2019-2020 £m		2021-2021 £m
25.9	**Allowance for Expected Credit Losses Brought Forward**	**29.8**
(2.8)	Amounts Written-off During the Year	(3.5)
6.7	Increase in Allowance During the Year	14.8
29.8	**Allowance for Expected Credit Losses Carried Forward**	**41.2**

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	0.6	1.0	0.2	**1.8**
Payable within two to five years	2.8	4.0	0.8	**7.6**
Payable within six to ten years	3.4	4.9	1.8	**10.1**
Payable within eleven to fifteen years	2.7	4.3	3.9	**10.9**
Payable within sixteen to twenty years	0.5	0.4	0.6	**1.5**
Total	**10.0**	**14.6**	**7.3**	**31.9**

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

The currently liability for the Bentley Bridge PFI in 2020-2021 was £0.2m.

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

	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). 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.

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

	Property, Plant and Equipment	Deferred Income	Liability	Total
	£m	£m	£m	£m
Balance at 31 March 2020	**3.0**	**(0.4)**	**(1.5)**	**1.1**
Depreciation/Revaluation	0.2	0.4		**0.6**
Capital Expenditure/Principal Redemption			1.5	**1.5**
Balance at 31 March 2021	**3.2**	**-**	**-**	**3.2**

	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**

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 liability over the current and previous year:

	Payment for Services	Interest	Capital Expenditure /Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	2.3	4.3	1.1	7.7
Payable within two to five years	9.1	16.5	6.0	31.6
Payable within six to ten years	12.9	16.4	11.7	41.0
Payable within eleven to fifteen years	17.2	8.4	17.4	43.0
Payable within sixteen to twenty years	5.0	1.0	6.6	12.6
Total	**46.5**	**46.6**	**42.8**	**135.9**

The currently liability for Highfields and Penn Fields PFI in 2020-2021 was £1.1m.

	Property, Plant and Equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2020	**7.8**	**(39.3)**	**(31.5)**
Depreciation/ Revaluation	2.2	-	**2.2**
Capital Expenditure/Principal Redemption	-	1.0	**1.0**
Balance at 31 March 2021	**10.0**	**(38.3)**	**(28.2)**

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

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 2020-2021 the Council received a contribution of £2.3 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 liability over the current year:

	Payment for Services	Interest	Capital Expenditure/Capital Redemption	Total
	£m	£m	£m	£m
Payable within one year	1.6	2.7	1.6	**5.9**
Payable within two to five years	7.7	10.1	6.2	**24.0**
Payable within six to ten years	10.8	11.0	9.6	**31.4**
Payable within eleven to fifteen years	14.8	8.1	10.0	**32.9**
Payable within sixteen to twenty years	16.3	4.9	9.5	**30.7**
Total	**51.2**	**36.8**	**36.9**	**124.9**

The currently liability for St Matthias and Heath Park PFI in 2020-2021 was £1.5m.

	Property, Plant and Equipment	Liability	Total
	£m	£m	£m
Balance at 31 March 2020	**11.9**	**(38.3)**	**(26.4)**
Depreciation/ Revaluation	(0.1)	-	**(0.1)**
Capital Expenditure/Principal Redemption	-	1.4	**1.4**
Balance at 31 March 2021	**11.8**	**(36.8)**	**(25.0)**

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

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 2020-2021 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 2020					31 March 2021			
Carrying Value		Fair Value			Carrying Value		Fair Value	
Long-Term	Current	Long-Term	Current		Long-Term	Current	Long-Term	Current
£m	£m	£m	£m		£m	£m	£m	£m
(725.8)	(17.8)	(914.7)	(17.8)	Borrowings	(725.8)	(5.3)	(967.7)	(5.3)
(11.2)	-	(11.2)	-	Debts Arising from the County Council Reorganisation	(9.7)	-	(9.7)	-
(82.3)	(4.3)	(138.3)	(7.2)	PFIs	(80.9)	(2.9)	(137.2)	(4.9)

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.

2019-2020					2020-2021			
Financial Assets: Loans and Receivables £m	Financial Assets: Equity Instruments £m	Financial Liabilities Measured at Amortised Cost £m	Total £m		Financial Assets: Loans and Receivables £m	Financial Assets: Equity instruments £m	Financial Liabilities Measured at Amortised Cost £m	Total £m
-	-	37.2	**37.2**	Interest Expense	-	-	36.8	**36.8**
(1.9)	-	-	**(1.9)**	Interest Income	(2.2)	-	-	**(2.2)**
-	9.3	-	**9.3**	(Gain) or Loss on Valuation of Unquoted Equity Investment	-	0.6	-	**0.6**
(1.9)	**9.3**	**37.2**	**44.6**	**Net (Income)/Expense**	**(2.2)**	**0.6**	**36.8**	**35.2**

10J Reconciliation of Liabilities Arising from Financing Activities

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

	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)**

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 2020	**1.3**	**0.1**	**0.2**	**8.6**	**10.2**
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	-	-	-	2.2	2.2
Amounts written-off	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Other changes	-	-	-	-	-
Closing Balance as at 31 March 2021	**1.3**	**0.1**	**0.2**	**10.8**	**12.4**

Credit and Counterparty Risk Management

The security of principal sums invested is the Council's top priority when making investment decisions: accordingly, it only places sums with institutions for whom credit risk is assessed as very low. To form this assessment, the Council applies a creditworthiness model supplied by its external treasury advisors Link 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 2021 was £125.5 million (31 March 2019: £142.5 million). This relates entirely to Loans and Receivables. The Council does not hold any collateral in respect of these amounts.

Collateral and Other Credit Enhancements Obtained

The Council did not obtain any collateral or other credit enhancements during 2020-2021 or 2019-2020.

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

2019-2020 £m	Time until Repayment	2020-2021 £m
12.5	Payable next year	-
17.3	Payable within two to five years	35.6
61.3	Payable within six to ten years	75.1
82.0	Payable within eleven to fifteen years	60.0
61.0	Payable within sixteen to twenty years	51.0
77.3	Payable within twenty-one to twenty-five years	82.3
45.5	Payable within twenty-six to thirty years	50.5
127.6	Payable within thirty-one to thirty-five years	117.5
41.6	Payable within thirty-six to forty years	81.6
78.0	Payable within forty-one to forty-five years	85.3
128.8	Payable within forty-six to fifty years	81.5
-	Payable within fifty-one to sixty years	-
732.9	**Total**	**720.4**

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 2020-2021, the Council's interest payable would have increased by £7.3 million, and its interest receivable would have increased by £297,000, 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 £13.8 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 £38.8 million in 2020-2021 (£39.5 million in 2019-2020). 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 £50.5 million in 2020-2021 (2019-2020: £48.1 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £5.2 million (2019-2020: £6.7 million). At the year end, Wolverhampton Homes Limited owed the Council £2.4 million (2019-2020: £3.6 million), and the Council owed Wolverhampton Homes Limited £7.4 million (2019-2020: £7.9 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 £11.2 million (2019-2020: £9.4 million) while payments by Yoo Recruit Ltd to the Council totalled £110,296 (2019-2020: £129,259).

At 31 March 2021, the amount owing to Yoo Recruit Ltd, included in current payables, was £693,837 (2019-2020: £622,725) while an amount, included in current receivables, of £107,720 (2019-2020: £126,529) was owed to the Council.

WV Living was formed as a wholly owned subsidiary of the Council in 2016-2017. During 2020-2021 the company has incurred expenditure of £3.2 million, of which £2.0 million was borrowing costs (2019-2020: £1.4 million) and has stock assets of £32.4 million as at 31 March 2021 (£26.0 million at 31 March 2020). £1.1 million of expenditure (excluding interest) relates to transactions with the Council (2019-2020: £0.9 million). Turnover in 2020-2021 was £16.0 million (2019-2020: £8.7 million), £6.8 million of this being transactions with the Council (2019-2020: £2.2 million). At the year-end WV Living owed the Council £30.8 million of which £28.8 million was loan financing and £2.0 million for services provided. (2019-2020: £27.5 million of which £26.5 million was loan financing and £1.0 million for services provided). The Council owed WV Living £0.2 million (2019-2020: £0.8 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 2020-2021 and also in 2019-2020, 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 £2.112 million in 2020-2021 (2019-2020: £1.539 million). The amount outstanding in respect of these services at 31 March 2021 was £0.516 million (2019-2020: £0.477 million).

The Pension Fund was invoiced £2.706 million in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2020-2021 (2019-2020: £2.496 million). The amount outstanding in respect of these services at 31 March 2021 was £0.643m (31 March 2020: £0.950m).

LGPS Central Limited has let office space from City of Wolverhampton Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2020-2021 totalled £102,595 (2019-2020: £147,469) and the reimbursement of associated utilities and maintenance charges for 2020-2021 totalled £16,078 (2019-2020: £30,695).

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 2021 were £518,500 (2019-2020: £442,700).

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

Other Related Parties

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are part of Note 1G - Expenditure and Income Analysed by Nature and the table in Note 2H – Grants details grants and contributions that have been credited to the CIES during the year.

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

Local Government

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

Members/Councillors

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

Senior Officers

Senior Officers' Remuneration is disclosed in Note 2E. Council Officers are required to declare any interests under Section 117 of the Local Government Act 1972.

Other Public Bodies (subject to common control by Central Government)

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

West Midlands Pension Fund (WMPF)

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

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

2019-2020 Expenditure £m	2019-2020 Income £m	Entity and Nature of Relationship	2020-2021 Expenditure £m	2020-2021 Income £m
-	(1.4)	**Birmingham Airport Holdings Ltd** - The Council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. Rental income of £110,000 was received during 2020-21.	-	(0.1)
0.5	(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.	0.7	(0.4)
4.7	(6.9)	**i54** - The Council is party to a joint arrangement with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	3.9	(5.0)
13.9	(1.1)	**Inspired Spaces Wolverhampton Ltd** - The Council is a 10% shareholder in this company.	13.9	-
0.2	-	Bilston Business Improvement District (BID)	0.1	-
0.3	(0.1)	Black Country Consortium Ltd	0.1	-
1.6	(0.4)	Bushbury Hill EMB Ltd	1.9	(0.4)
0.6	(0.1)	City of Wolverhampton College	0.7	(0.1)
1.1	(0.1)	Dovecotes Pendeford TMO	1.1	-
1.9	-	Hilton Main Construction Ltd	1.6	-
0.2	-	New Park Village TMC	0.4	-
0.1	(0.2)	Smestow School Academy	-	-
0.2	-	Springfield Horseshoe Co-op/Burton Rd	0.1	-
0.4	(0.1)	St Bartholomew´s CE Multi Academy Trust	-	-
0.3	-	The Way Wolverhampton Youth Zone	0.3	-
-	(0.3)	Wednesfield High School Academy	-	-
11.6	(11.4)	West Midlands Combined Authority (includes Integrated Transport Authority Levy of £10.3 m) *	11.5	(0.8)
0.3	-	West Midlands Growth Company Ltd	0.1	-
0.5	-	Wolverhampton Bid Company Ltd	0.3	-
38.4	**(22.4)**		**36.7**	**(6.8)**

* The Council's payment to the Integrated Transport Authority Levy is included in the note for 2020-2021 and has also been included in the 2019-2020 expenditure column for comparison purposes. The levy was £10.3m in both years.

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.

2019-2020				2020-2021		
Income £000	Expenditure £000	Fund Value at 31 March 2020 £000	Fund Name and Purpose	Income £000	Expenditure £000	Fund Value at 31 March 2021 £000
(1)	-	(44)	**Springfield Reading Room -** in its capacity as trustee, the Council is authorised to apply income in various ways	-	-	(44)
-	-	(30)	**Greenway Benefaction - established** for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley	-	-	(30)
-	-	(17)	**Butler Bequest Music in the Parks - to** provide music in the parks	-	-	(17)
(1)	30	-	**Mayoral Registered Charity -** funds raised by the Mayor for their chosen local charities	-	-	-
(1)	-	(14)	**Monica Lloyd -** to provide assistance with further education	-	-	(14)
-	-	(27)	**Other smaller funds**	-	-	(27)
(3)	**30**	**(132)**	**Total**	**-**	**-**	**(132)**

The funds relating to the Mayoral Registered Charity are no longer held by the Council. The funds were moved to a separate bank account in 2019-2020.

Note 13 Reserves

13A Detailed Analysis of Movement in Reserves Statement:

2020-2021 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	**(13.0)**	**(64.6)**	**(77.6)**	**(6.9)**	**(1.1)**	**(10.4)**	**(5.2)**	**(101.3)**
(Surplus) or Deficit on Provision of Services	**24.8**	**-**	**24.8**	**(20.7)**	**-**	**-**	**-**	**4.1**
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**24.8**	**-**	**24.8**	**(20.7)**	**-**	**-**	**-**	**4.1**
Net Increase/Decrease before Transfers & Other Movements	**24.8**	**-**	**24.8**	**(20.7)**	**-**	**-**	**-**	**4.1**

Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation, impairment and revaluation of non-current assets	(38.3)		**(38.3)**	0.9	(19.0)			**(56.4)**
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties & Council Dwellings	(2.6)	-	(2.6)	-	-	-	-	(2.6)
Revenue Expenditure Funded from Capital under Statute	(12.3)	-	(12.3)	-	-	-	-	(12.3)
Net (Gain)/Loss on sale of non-current assets (net book value of assets)	(2.0)	-	(2.0)	(7.0)	-	-	-	(9.0)
Net (Gain)/Loss on sale of non-current assets (disposal proceeds)	4.2	-	4.2	8.1	-	(12.2)	-	0.1
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	0.1	-	0.1	-	-	-	-	0.1
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(44.3)	-	(44.3)	-	-	-	-	(44.3)
Net Charges made for retirement benefits in accordance with IAS 19	(70.4)	-	(70.4)	-	-	-	-	(70.4)
Capital Expenditure charged in the year to the General Fund	1.7	-	1.7	6.3	-	-	-	8.0
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.2)	-	(2.2)	-	-	2.2	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	39.2	-	39.2	-	-	-	-	39.2
Transfers of HRA Balance		-	-	-	-	-	-	
Capital grants and contributions unapplied credited to CIES	23.7	-	23.7	0.5	-	-	(23.9)	0.3
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-		-	-	-	21.6	**21.6**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1.6)	-	(1.6)	-	-	-	-	(1.6)
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	-	22.0	-	**22.0**
Other income that cannot be credited to the General Fund	0.3	-	0.3	-	-	-	-	0.3
Revenue provision for the repayment of debt	22.9	-	22.9	11.9	-	-	-	34.8
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	-	18.5	-	-	**18.5**
Capitalisation under Section 16(2)(b) directive	-	-	-	-		-	-	-
Loan receipts transferred to Capital Adjustment Account	-	-	-	-	-	(11.2)	-	**(11.2)**
Adjustments between Accounting Basis & Funding Basis under Regulations	**(81.6)**	**-**	**(81.6)**	**20.7**	**(0.5)**	**0.8**	**(2.3)**	**(62.9)**

Group contributions to/from Reserves (Group a/cs only)	-	-	**-**	-	-	-	-	**-**
Transfers to/from other Earmarked Reserves	56.2	(56.8)	**(0.6)**	-	-	-	-	**(0.6)**
Balance Carried Forward	**(13.7)**	**(121.4)**	**(135.1)**	**(6.9)**	**(1.6)**	**(9.7)**	**(7.5)**	**(160.8)**

2020-2021 Part 2 – Unusable Reserves

	Short-term Accumulating Compensated Absences Account	Available-for-sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	*Reserves of Subsidiaries*	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*	*£m*
Balance Brought Forward	**4.0**	**(8.0)**	**(431.6)**	**1.1**	**5.3**	**624.4**	**(140.5)**	**54.6**	**(46.6)**	**26.6**	***(20.0)***
(Surplus) or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.1**	**9.4**	***13.5***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	11.9	**11.9**	**11.9**	-	***11.9***
Gains on Available-for-Sale Financial Assets	-	0.6	-	-	-	-	-	**0.6**	**0.6**	-	***0.6***
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-	
Re-measurements in the pensions reserve	-	-	-	-	-	198.5	-	**198.5**	**198.5**	32.7	***231.2***
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**-**	**0.6**	**-**	**-**	**-**	**198.5**	**11.9**	**211.0**	**215.1**	**42.1**	***257.3***
Net Increase/Decrease before Transfers & Other Movements	**-**	**0.6**	**-**	**-**	**-**	**198.5**	**11.9**	**211.0**	**215.1**	**42.1**	***257.3***
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	54.0	-	-	-	2.5	**56.4**	**-**	-	**-**
Difference between HRA depreciation and Major Repairs Allowance	-	-		-	-	-	-		**-**	-	**-**

HRA Share of Contribution to Pension Reserve	-	-		-	-	-	-		-	-	-
Movement in the market value of Investment Properties & Council Dwellings	-	-	2.5	-	-	-	-	**2.5**	-	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	12.3	-	-	-	-	**12.3**	-	-	-
Net (Gain)/Loss on sale of non-current assets (net book value of assets)	-	-	8.4	-	-	-	0.6	**9.0**	-	-	-
Net (Gain)/Loss on sale of non-current assets (disposal proceeds)	-	-		-	-	-	-	**-**	-	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	(0.1)	-	-	**(0.1)**	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	44.3		-	-	**44.3**	-	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	70.4		**70.4**	-	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(8.0)	-	-	-	-	**(8.0)**	-	-	-
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-		-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(39.2)	-	**(39.2)**	-	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-		-	-	-
Capital grants and contributions unapplied credited to CIES	-	-	(0.3)	-	-	-	-	(0.3)	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(21.6)	-	-	-	-	(21.6)	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.6	-	-	-	-	-	-	**1.6**	-	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(22.0)	-	-	-	-	**(22.0)**	-	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	**(0.3)**	-	-	-
Revenue provision for the repayment of debt	-	-	(34.8)	-	-	-	-	**(34.8)**	-	-	-

Transfer of HRA Settlement Receipts to UCR	-	-		-	-	-	-		-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(18.5)	-	-	-	-	**(18.5)**	-	-	-
Capitalisation under Section 16(2)(b) directive	-	-	-	-	-	-	-		-	-	-
Loan receipts transferred to Capital Adjustment Account	-	-	11.2	-	-	-	-	**11.2**	-	-	-
Adjustments between Accounting Basis & Funding Basis under Regulations	**1.6**	**-**	**(17.1)**	**44.3**	**(0.1)**	**31.2**	**3.1**	**63.0**	**-**	**-**	**-**
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	-	-	-	-
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	**(0.7)**	-	***(0.7)***
Balance Carried Forward	**5.6**	**(7.4)**	**(448.8)**	**45.5**	**5.2**	**854.1**	**(125.6)**	**328.7**	**167.9**	**68.7**	**236.6**

The usable general fund earmarked reserves as at 31st March 2021 include Government grants in relation to collection fund deficits that will be realised in 2021-2022. Due to the Covid-19 pandemic, there has been an extensive business rates relief scheme, meaning that the collection fund deficit is higher when compared to previous years. The Government have provided Section 31 grants to cover the cost of Covid-19 business rates reliefs.

2019-2020 Part 1 – Usable Reserves and Reserves of Subsidiary (Restated)

	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)**	**(58.6)**	**(68.6)**	**(6.9)**	**(0.8)**	**(8.9)**	**(4.4)**	**(89.6)**
Prior period adjustment (See note 8)	-	-	-	-	-	-	-	-
As restated	**(10.0)**	**(58.6)**	**(68.6)**	**(6.9)**	**(0.8)**	**(8.9)**	**(4.4)**	**(89.6)**
(Surplus) or Deficit on Provision of Services	**64.1**	**-**	**64.1**	**1.0**	**-**	**-**	**-**	**65.1**
Other Comprehensive Income and Expenditure								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Gains on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**64.1**	**-**	**64.1**	**1.0**	**-**	**-**	**-**	**65.1**
Net Increase/Decrease before Transfers & Other Movements	**64.1**	**-**	**64.1**	**1.0**	**-**	**-**	**-**	**65.1**
Adjustments between Accounting Basis & Funding Basis under Regulations								

Depreciation, amortisation, impairment and revaluation of non-current assets	(67.5)	-	**(67.5)**	(22.6)	(18.3)	-	-	**(108.4)**
Difference between HRA depreciation and Major Repairs Allowance	-	-	**-**	-	-	-	-	**-**
HRA Share of Contribution to Pension Reserve	-	-	**-**	-	-	-	-	**-**
Movement in the market value of Investment Properties & Council Dwellings	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	33.9	-	**33.9**	-	-	-	-	**33.9**
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	**(73.2)**	**-**	**(73.2)**	**(0.9)**	**(0.4)**	**(1.4)**	**(0.8)**	**(76.7)**

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)**	**(77.8)**	**(6.8)**	**(1.2)**	**(10.4)**	**(5.2)**	**(101.9)**

2019-2020 Part 2 – Unusable Reserves (Restated)

	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)***
Prior period adjustment (See note 8)	-	-	(76.1)	-	-	-	(1.1)	**(77.2)**	**(77.2)**	**-**	***(77.2)***
As restated	**3.1**	**(17.3)**	**(469.3)**	**(1.0)**	**5.3**	**619.1**	**(157.7)**	**(17.6)**	**(107.4)**	***28.7***	***(78.7)***
(Surplus) or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65.1**	***7.6***	***72.7***
Other Comprehensive Income and Expenditure											
Revaluations - Gains and losses	-	-	-	-	-	-	5.4	**5.4**	**5.4**	-	***5.4***
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)**	**5.4**	**(4.3)**	**60.8**	***(2.1)***	***58.7***

Net Increase/Decrease before Transfers & Other Movements	**-**	**9.2**	**-**	**-**	**-**	**(18.9)**	**5.4**	**(4.3)**	**60.8**	**(2.1)**	***58.7***
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation, amortisation, impairment and revaluation of non-current assets	-	-	105.7	-	-	-	2.7	**108.4**	**-**	-	**-**
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	**-**	**-**	-	**-**
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Movement in the market value of Investment Properties & Council Dwellings	-	-	(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**	**-**	-	**-**
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	-	-	-	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	-	-	-	-	-	(33.9)	-	**(33.9)**	**-**	-	**-**
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**	**-**	**37.7**	**2.1**	**-**	**24.2**	**11.8**	**76.7**	**-**	**-**	**-**
Group contributions to/from Reserves (Group a/cs only)	-	-	-	-	-	-	-	**-**	**-**	-	**-**
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	**-**	**-**	-	**-**
											-
Balance Carried Forward	**4.0**	**(8.0)**	**(431.6)**	**1.1**	**5.3**	**624.6**	**(140.5)**	**54.8**	**(47.0)**	**26.6**	***(20.4)***

13B Description of Reserves

Usable Reserves

Revenue	
General Fund Balance	The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year (however, the balance is not available to be applied to funding HRA services: see Housing Revenue Account Balance below).
Housing Revenue Account Balance	The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.
General Fund Earmarked Reserves	General Fund Earmarked Reserves represent amounts that the Council has chosen to set aside to fund specific items of expenditure in the future. Some of those reserves are held due to either specific criteria associated with funding, legal requirements or accounting practice. The overall balance of £121.4 million earmarked reserves include: specific reserves for section 31 grant funding for business rates reliefs, including those granted to support businesses during the Covid-19 pandemic, totalling £30.6 million which was received during 2020-2021 but will in part offset the deficit from the Collection Fund that will be charged to the 2021-2022 accounts, Schools Reserves (£12.9 million), the Budget Strategy Reserve (£7.6 million), Future Years Budget Strategy Reserve (£7.5 million), the Efficiency Reserve (£5.4 million) and the Budget Contingency Reserve (£5.0 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 2019 £m	Transfers Out £m	Restated* Transfers To £m	Balance at 31 March 2020 £m		Balance at 31 March 2020 £m	Transfers Out £m	Transfers To £m	Balance at 31 March 2021 £m
				Specific Earmarked Reserves				
(6.5)	1.1	-	(5.4)	Efficiency Reserve (Corporate)	(5.4)	-	-	(5.4)
(3.0)	3.8	(4.4)	(3.6)	Budget Contingency Reserve (Corporate)	(3.6)	-	(1.4)	(5.0)
-	-	(2.3)	(2.3)	Future Years Budget Strategy Reserve (Corporate)	(2.3)	-	(5.2)	(7.5)
(9.1)	1.5	-	(7.6)	Budget Strategy Reserve (Corporate)	(7.6)	-	-	(7.6)
-	-	-	-	**Other Earmarked Reserves**	-	-	-	
(5.0)	4.3	(0.5)	(1.2)	Adult Services	(1.2)	-	(1.4)	(2.6)
(0.3)	-	(0.9)	(1.2)	Children's Services	(1.2)	0.2	(0.9)	(1.9)
(0.3)	-	-	(0.3)	City Assets and Housing	(0.3)	-	(0.1)	(0.4)
(3.2)	1.1	(2.0)	(4.1)	City Environment	(4.1)	1.0	(0.4)	(3.5)
(18.5)	6.2	(13.2)	(25.5)	Corporate	(25.5)	1.3	(38.6)	(62.8)
(4.6)	0.1	(0.6)	(5.1)	Finance	(5.1)	-	-	(5.1)
-	-	-	-	Governance	-	-	(0.3)	(0.3)
(1.3)	0.7	-	(0.6)	Public Health	(0.6)	-	(3.5)	(4.1)
(1.8)	0.2	-	(1.6)	Regeneration	(1.6)	-	(0.7)	(2.3)
(5.0)	1.3	(2.4)	(6.1)	Schools	(6.1)	1.1	(7.9)	(12.9)
(58.6)	**20.3**	**(26.3)**	**(64.6)**	**Total Earmarked Reserve**	**(64.6)**	**3.6**	**(60.4)**	**(121.4)**

* 2019-2020 has been restated to reflect movements in earmarked reserves between directorates.

Note 14 Notes to the Cash Flow Statement

14A Adjustment for Non-Cash Movements

Restated 2019-2020 Council £m	Restated 2019-2020 *Group £m*		2020-2021 Council £m	2020-2021 *Group £m*
(0.1)	*18.0*	(Decrease)/Increase in Inventories	0.2	*7.0*
29.8	*33.3*	(Decrease)/Increase in Current Receivables	12.4	*10.6*
(22.7)	*(45.7)*	Decrease/(Increase) in Current Payables	(4.9)	*(6.8)*
-	*-*	Decrease in taxation	-	*(0.5)*
(44.3)	*(44.3)*	Depreciation, Amortisation and Impairment of Non-Current Assets	(45.0)	*(45.0)*
(63.6)	*(63.6)*	Revaluations of Non-Current Assets	(14.2)	*(14.2)*
(22.2)	*(22.2)*	Net Book Value on Disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	(8.7)	*(8.7)*
(58.1)	*(66.0)*	Net Charges made for retirement benefits in accordance with IAS 19	(70.4)	*(78.1)*
9.5	*13.7*	Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	39.2	*43.0*
(0.6)	*(0.6)*	Net Movement in Provisions	(1.5)	*(1.5)*
(172.3)	***(177.4)***		**(92.9)**	***(94.2)***

14B Adjustment for Items that are Investing and Financing Activities

2019-2020 Council £m	2019-2020 *Group £m*		2020-2021 Council £m	2020-2021 *Group £m*
21.2	*21.2*	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	25.7	*25.7*
42.7	*42.7*	Capital grants received	24.5	*24.5*
63.9	***63.9***		**50.2**	***50.2***

14C Net Cash Flows from Operating Activities

The cash flows from operating activities include the following items:

2019-2020			2020-2021	
Council £m	*Group £m*		Council £m	*Group £m*
37.2	*38.6*	Interest paid	36.8	*38.7*
(1.9)	*(9.3)*	Interest received	(2.2)	*(3.0)*
(1.3)	*(1.3)*	Dividends received	-	-
34.0	***28.0***		**34.6**	***35.8***

Note 15 Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020-2021 financial year and its position at 31 March 2021. 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 2020-2021 and the Service Reporting Code of Practice 2020-2021, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Group Accounts

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

3. Recognition of Income and Expenditure

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

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

The above is in accordance with IFRS 15 'Revenue from Contracts with Customers' which became effective in 2018-2019, 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 relevant revenue streams that are material.

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 Taxpayers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

5. Accounting for 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 to the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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

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

Post-Employment Benefits - Employees of the Council are members of three separate pension schemes:

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

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

The Local Government Pension Scheme

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

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

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

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

Service cost comprising:

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

Changes in valuations comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve and recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

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

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

11. Events after the Reporting Period

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

13. Government Grants and Contributions

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

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

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

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

14. Intangible Assets

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

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

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

15. Interests in Companies and Other Entities

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

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

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

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

16. Inventories

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

The inventories held by the Group predominantly relate to properties in development stage and are stated at the lower of cost and estimated selling price less costs to complete and sell which is equivalent to the net realisable value. Cost comprises direct materials and, where applicable, directly attributable expenditure in relation to the acquisition and development of the properties. At each reporting date, an assessment is made

for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

17. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

18. Jointly Controlled Arrangements

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

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

19. Leases

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

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

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

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

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

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

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

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

the lease is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

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

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

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

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

20. Overheads and Support Services

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

21. Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property or component as estimated by the valuer;

- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset;
- Infrastructure - straight-line allocation over 50 years.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

22. Private Finance 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 amount's payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

23. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure, to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

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

26. Value Added Tax

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

27. Pension Fund Accounts

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

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

28. Heritage Assets

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

- Where there is no market-based evidence of fair value, insurance valuation is used as an estimate of current value;
- There is no cyclical revaluation of heritage assets, which instead are kept under review for impairment on an annual basis;

- The groupings used to classify property, plant and equipment assets are not used for heritage assets.

29. Pension Guarantees

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

30. Pooled Budgets

The Council takes part in two pooled budget schemes with Wolverhampton Clinical Commissioning Group (CCG). The first scheme relates to the integrated service for Child Placements with External Agencies for children with social care, education and health needs. The Council incurs the expenditure and receives a contribution from CCG towards the costs. The second scheme relates to the commissioning of health and social care services under the Better Care Fund (BCF). Again, the Council incurs the expenditure and receives funding through a contribution from CCG and local government grants. All income and expenditure are recorded in the Comprehensive Income and Expenditure Statement.

31. Trust Funds

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

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

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

None

Note 15B Critical Judgements Made When Applying the Accounting Policies

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

Group Accounts

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

WV Living was formed as a wholly owned subsidiary of the Council in 2016-2017. As the impact on the group accounts are considered by the Council, to be material they have been consolidated in the Group Accounts. During 2020-2021 the company has incurred expenditure of £3.2 million, of which £2.0 million was borrowing costs (2019-2020: £1.4 million) and has stock assets of £32.4 million as at 31 March 2021 (£26.0 million at 31 March 2020). £ 1.1 million of expenditure relates to transactions with the Council (2019-2020: £0.9 million). Turnover in 2020-2021 was £16.0 million (2019-2020: £8.7 million), £ 6.8 million of this being transactions with the Council (2019-2020: £2.2 million).

Yoo Recruit Ltd was formed as a wholly owned subsidiary of the Council in 2013-2014. The turnover of this company for 2020-2021 was approximately £11.5 million, of which £11.2 million was derived from the Council, with a net income after tax of £52,237. 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 Grand Theatre has a close relationship with the Council who may nominate up to two persons to become members of the charitable company, from amongst whom the council can nominate one director. 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 2015-2016. Both assets have been initially recognised in the Council's Balance Sheet, however, as Heath Park Academy is an existing Academy and the Council has no control over the asset and services to be provided, the asset for this school has subsequently been de-recognised in the Council's Balance Sheet. St. Matthias School is still under the control of the Council and, accordingly, this asset remains on the Council's Balance Sheet. In the cases of both academies de-recognised, the PFI liabilities remain on the Council's balance sheet, being funded by capital grants from central government and contributions from the Academies as detailed in note 10F.

Business Rates

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

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

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Net Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The table below sets out the impact on the net pension liability if different assumptions had been made in certain key areas. Further sensitivity analysis can be found on page 87:

Variation to Assumptions	Impact on Net Liability	
	Council	*Group*
Discount Rate 0.1% higher	Decrease of £41.0 million	*Decrease of £46.7 million*
Rate of Inflation 0.1% p.a. higher	Increase of £38.3 million	*Increase of £43.2 million*
Rate of increase in salaries 0.1% p.a. higher	Increase of £3.5 million	*Increase of £4.4 million*
Life expectancy of scheme members 1 year higher	Increase of £108.1 million	*Increase of £119.8 million*

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

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

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.

Outbreak of Novel Coronavirus (Covid –19)

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy - with some real estate markets having experienced lower

levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and “lockdowns” applied to varying degrees.

The pandemic and the measures taken to tackle Covid-19 continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. The valuations are not reported as being subject to “material valuation uncertainty”’ as defined by VPS 3 and VPGA 10 of the RICS valuation – global standards.

1% fluctuation in council dwellings and other land and buildings values would amount to a £12.6m movement in Property Plant and Equipment balance shown on the Balance Sheet.

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

The valuers have mention in general terms, we do not consider variances of +/- 10% unreasonable for sensitivity analysis purposes.

	Assets value as at 31 March 2021	Change in Valuation		
		1%	5%	10%
	£m	£m	£m	£m
Council Dwellings	**844.3**	8.4	42.2	84.4
Other Land and Buildings	**411.5**	4.1	20.6	41.2
Surplus Assets	**5.8**	0.1	0.3	0.6
Investment Properties	**31.8**	0.3	1.6	3.2
	1293.4	**12.9**	**64.7**	**129.3**

Fair Value of Assets and Liabilities

The Council has an investment in Birmingham Airport Holdings Ltd whose valuation has reduced in the Balance Sheet as at 31 March due to the global conditions as a result of Covid-19. The valuation is based on an earnings approach, by reference to EBITDA*. This valuation noted there was significant volatility and uncertainty with comparable companies at the valuation date. Analysis shows that the markets are factoring the current status of Covid-19 (including support and backing) into their pricing for shares, whilst the current forecasted revenue and EBITDA figures have not yet been updated to reflect the current position.

Should the valuation continue to reduce through 2021-2022, the balance of Long-Term Investments would be impacted meaning there may be a material reduction in the value on the Balance Sheet as at 31 March 2022.

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

Guarantees

Note 7D and 7E provide details of guarantees provided by the Council. There is a risk that the financial guarantee estimates are insufficient should the organisations fail. To mitigate this risk, various factors are considered in determining the probability of the guarantees being called upon, including risk of failure of the business as informed by Creditsafe Business Failure Scores, membership profiles and review of the organisation's audited statement of accounts and management financial reports.

Provisions

The Council holds £11.6 million of provisions on its Balance Sheet, of which £8.0 million relates to business rates appeals. There is a degree of uncertainty inherent in estimating the potential expenditure required to settle business rates appeals and it is not yet clear what impact the economic effects of Covid-19 may have on such appeals.

Arrears

At 31 March 2021, the Council had a receivables balance, before the expected credit loss allowance, of £94.3 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 2020-21 is £41.2 million (2019-2020: £29.8 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 due to lower in-year collection rates on Council Tax and Business Rates a greater allowance has been made for Collection Fund arrears.

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:

- **Definition of a Business: Amendments to IFRS 3 Business Combinations**
  On 22 October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

- **Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7**
  The IASB has undertaken a two-phase project to consider what, if any, reliefs to give from the effects of IBOR reform. The Phase 1 amendments, issued in September 2019, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of IBOR reform ('the Phase 1 reliefs').

- **Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**
  The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The council will review these during 2021-2022 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 delay implementation until 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.£3.6 million. There will also be a c.£14,000 increase on the CIES as rent expenses are replaced with depreciation and interest expense.

Section 5 - Housing Revenue Account Statements

Housing Revenue Account Income and Expenditure Statement

Restated 2019-2020 £m		Note	2020-2021 £m
(88.8)	Gross Rents – Dwellings		(88.6)
(0.6)	Gross Rents - Non-Dwellings		(0.5)
(6.3)	Charges to Tenants for Services and Facilities		(6.0)
(95.6)	**Total Income**		**(95.1)**
25.4	Repairs and Maintenance		26.8
20.0	Supervision and Management		19.8
0.4	Rents, Rates and Taxes		0.6
1.3	Increase in Allowance for Bad Debts		1.0
0.5	Contribution to Capital Financing		5.7
18.3	Depreciation of Property, Plant and Equipment	H1	19.0
22.6	Revaluation/impairment of Property, Plant and Equipment	H2	(0.9)
88.6	**Total Expenditure**		**72.0**
(7.0)	**Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement**		**(23.1)**
0.2	HRA Share of Corporate and Democratic Core		0.2
(6.8)	**Net Cost of HRA Services**		**(22.9)**
-	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		-
(1.8)	(Gain) on Sale of Property, Plant and Equipment		(1.1)
-	(Gain) on the Fair Value of Investment Assets		-
9.7	Interest Payable		10.1
(0.1)	Interest and Investment Income		-
1.0	**(Surplus)/Deficit for the Year**		**(13.9)**

Movement on the Housing Revenue Account Balance Statement

Restated 2019-2020 £m		Note	2020-2021 £m
(7.0)	**Opening HRA Balance**		**(7.0)**
	(Increase)/Decrease in the HRA balance for the year analysed between:		
1.0	- (Surplus)/Deficit for the year on the Income and Expenditure Account		(13.9)
(1.0)	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	H3	13.9
0.0	**(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

2019-2020 £m		2020-2021 £m
17.9	Council Dwellings	18.5
0.4	Other Land and Buildings	0.4
-	Vehicles, Plant, Furniture and Equipment	-
18.3	**Total Depreciation Charge for the Year**	**18.9**

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

Restated 2019-2020 £m		2020-2021 £m
22.6	Council Dwellings	(0.9)
-	Other Land and Buildings	-
22.6	**Total Revaluation/Impairment Charge for the Year**	**(0.9)**

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

Restated 2019-2020 £m		Note	2020-2021 £m
(1.0)	**Net additional amount required to be debited or credited to the HRA Balance**		**13.9**
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
11.7	Net Gain on Sale of Property, Plant and Equipment		8.0
(22.6)	Impairment/revaluation of Property, Plant and Equipment	H2	0.9
(0.1)	Capital Expenditure Funded by the HRA		(5.7)
(9.9)	Net Gain / (Loss) on the Fair Value of Investment Assets		(1.1)
(20.9)	**Sub Total**		**2.1**
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
-	HRA Share of Contribution to Pension Reserve	H4	
-	Adjustment for Premiums and Discounts		-
19.9	Amount Set Aside for the Repayment of Debt		11.8
-	Transfer to/(from) Earmarked Reserves		-
19.9	**Sub Total**		**11.8**
(1.0)	**Total**		**13.9**

Note H4 – Contribution to the Pension Reserve

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

Note H5 – Housing Stock

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

31 March 2020		31 March 2021
4,843	Low Rise Flats	4,817
2,881	Medium Rise Flats	2,852
2,115	High Rise Flats	2,060
12,087	Houses and Bungalows	12,079
21,926	**Total Dwellings Owned by the Council**	**21,808**
14	Homeless Dwellings (Leased)	-
21,940		**21,808**

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.

Restated 31 March 2020 £m		31 March 2021 £m
828.7	Council Dwellings	844.3
15.2	Other Land and Buildings	14.8
-	Assets Under Construction	6.8
-	Vehicles, Plant, Furniture and Equipment	-
-	Intangible Assets	-
843.9	**Total Property, Plant and Equipment**	**865.9**

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2021 amounted to £2,110.8 million (31 March 2020: £2,071.8 million). The value of dwellings shown on the Balance Sheet is the existing use value (social housing), which is 40% of the vacant possession value (this ratio is set by the Government). The difference between the two values demonstrates the economic cost to 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.

2019-2020 £m		2020-2021 £m
	Sources of Funding	
(27.4)	Borrowing	(15.9)
(12.1)	Usable Capital Receipts	(6.1)
(17.9)	Major Repairs Reserve	(18.5)
(0.1)	Government and EU Grants	(0.5)
(0.5)	Financed from revenue account	(5.7)
(0.3)	Other Contributions	(0.1)
(58.3)	**Total Capital Expenditure**	**(46.8)**

Capital receipts generated during 2020-2021 from the disposal of HRA assets are detailed in the following table.

2019-2020 £m		2020-2021 £m
(11.0)	Sale of Council Houses (including Right-to-Buy)	(7.5)
(0.6)	Sale of Other Land and Buildings	(0.5)
(0.1)	Repaid Discounts	-
(11.7)	**Total Capital Receipts**	**(8.0)**

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

2019-2020 £m		2020-2021 £m
2.2	Paid over to Government	2.2
(13.9)	Available to Finance Capital Expenditure	(10.2)
(11.7)	**Total Capital Receipts**	**(8.0)**

Note H9 – Rent Arrears

During 2020-2021, there was an decrease in total rent arrears of £0.5 million. Within total rent arrears, current tenants' arrears as a proportion of net rental income was 2.6%, 1% lower than in 2019-2020. The comparative total figures are shown in the following table.

31 March 2019 £m		31 March 2020 £m
2.4	Current Tenants	2.3
1.3	Former Tenants	0.9
3.7	**Total Arrears**	**3.2**

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

2019-2020 £m		2020-2021 £m
2.4	**Allowance for expected credit losses**	**3.2**
(0.5)	Amounts Written Off during the Year	(1.4)
1.3	Increase in Allowance Charged to the HRA during the Year	1.0
3.2	**Allowance for expected credit losses Carried Forward**	**2.8**

Note H10 – Major Repairs Reserve

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

2019-2020 £m		2020-2021 £m
(0.2)	**Balance Brought Forward**	**(0.2)**
(17.9)	Transfer of MRA from the Capital Adjustment Account	(18.5)
17.9	Capital Expenditure on Land and Property in the HRA	18.5
(0.2)	**Balance Carried Forward**	**(0.2)**

Section 6 - The Collection Fund Statement

The Collection Fund statements show how much Council Tax was raised in Wolverhampton during the year, and how it was allocated between the Council, Fire and Police authorities. It also shows details of 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.

The Covid-19 pandemic has had a significant international, national and regional impact and will continue to do so over the short and medium term. The economic costs of the pandemic will place additional pressures on the Council's income collected from council tax and business rates for years to come. The Council has seen a decline in the collection rate during 2020-2021 and increases in the numbers of Local Council Tax Support claimants due to the pandemic and predicts that this will continue into 2021-2022.

Due to the Covid-19 pandemic, there has been an extensive business rates relief scheme, meaning that the collection fund deficit is higher when compared to previous years. The Government have provided Section 31 grants to cover the cost of Covid-19 business rates reliefs.

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

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

The usable reserve balance as at 31st March 2021 includes those Government grants received in relation to collection fund deficits that will be realised in 2021-2022.

2019-2020 £m		Note	2020-2021 Council Tax £m	2020-2021 NNDR £m	2020-2021 £m
	Deficit/(Surplus) Brought Forward				
(0.9)	City of Wolverhampton Council		0.5	0.6	1.1
(0.1)	West Midlands Police and Crime Commissioner		-	-	-
-	West Midlands Fire and Rescue Authority		-	-	-
0.3	Central Government		-	0.3	0.3
(0.7)			**0.5**	**0.9**	**1.4**
	Income				
(119.5)	Council Tax	C1	(121.9)	-	(121.9)
(74.7)	Non-Domestic Rates	C2	-	(42.6)	(42.6)
(0.1)	Transition Protection Payments - NDR		-	0.4	0.4
-	Council Tax Hardship Fund relief reimbursement		(3.1)	-	(3.1)
(194.3)	**Total Income**		**(125.0)**	**(42.2)**	**(167.2)**
	Expenditure				
	Precepts and Demands				
103.5	City of Wolverhampton Council		108.9	-	108.9
9.7	West Midlands Police and Crime Commissioner		10.5	-	10.5
3.9	West Midlands Fire and Rescue Authority		4.0	-	4.0
117.1			**123.4**	**-**	**123.4**
	Non-Domestic Rates				
-	Central Government		-	-	-
0.7	West Midlands Fire and Rescue Authority		-	0.7	0.7
72.9	City of Wolverhampton Council		-	74.0	74.0
0.3	Cost of Collection Allowance		-	0.3	0.3
73.9			**-**	**75.0**	**75.0**
	Distribution of Council Tax Surplus/ (Payment of Deficit)				
1.0	City of Wolverhampton Council		0.5	-	0.5

0.1	West Midlands Police and Crime Commissioner		-	-	-
-	West Midlands Fire and Rescue Authority		-	-	-
1.1			**0.5**	**-**	**0.5**
	Distribution of Business Rates Surplus/ (Payment of Deficit)				
(1.1)	City of Wolverhampton Council		-	0.2	0.2
-	Central Government		-	(0.3)	(0.3)
-	West Midlands Fire and Rescue Authority		-	-	-
(1.1)			**-**	**(0.1)**	**(0.1)**
	Allowance for Bad and Doubtful Debts				
3.1	Council Tax		7.2	-	7,2
1.2	Non-Domestic Rates		-	5.3	5.3
4.3			**7.2**	**5.3**	**12.5**
1.1	Provision for appeals		-	1.4	1.4
196.4	**Total Expenditure**		**131.1**	**81.6**	**213.2**
2.1	**Deficit/(Surplus) for the Year**		**6.1**	**39.4**	**46.0**
	Deficit/(Surplus) Carried Forward		**6.6**	**40.3**	**47.4**
1.1	City of Wolverhampton Council		5.8	39.6	45.4
-	West Midlands Police and Crime Commissioner		0.6	-	0.6
-	West Midlands Fire and Rescue Authority		0.2	0.4	0.6
0.3	Central Government		-	0.3	0.3
1.4			**6.6**	**40.3**	**46.9**

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	100.49	5/9	55.83	794.15	1,058.85
A	35,242.32	6/9	23,494.88	952.96	1,270.62
B	19,045.83	7/9	14,813.42	1,111.80	1,482.40
C	14,366.89	8/9	12,770.57	1,270.61	1,694.15
D	6,202.71	9/9	6,202.71	1,429.45	1,905.94
E	2,796.76	11/9	3,418.26	1,747.10	2,329.47
F	1,553.16	13/9	2,243.46	2,064.76	2,753.01
G	924.63	15/9	1,541.05	2,382.42	3,176.56
H	93.31	18/9	186.62	2,858.90	3,811.87
	80,326.10		**64,726.80**		

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 £196.4 million as at 31 March 2021 (£196.2 million as at 31 March 2020). The national multipliers for 2020-2021 were 49.9p for qualifying small businesses, and the standard multiplier was 51.2p for all other businesses (49.1p and 50.4p respectively in 2019-2020).

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

Leave blank for auditor's report.

Fund Account

2019-2020 £m		Note	2020-2021 £m
	Contributions & Benefits		
(353.2)	Contributions Receivable	**P8**	(1,182.7)
(31.2)	Transfers In	**P9**	(22.3)
(14.3)	Other Income	**P10**	(13.9)
(398.7)	**Total Contributions & Other Income**		**(1,218.9)**
637.8	Benefits Payable	**P11**	646.8
40.0	Payments To & On Account of Leavers	**P12**	31.0
0.9	Other Payments		0.4
678.7	**Total Benefits & Other Expenditure**		**678.2**
280.0	**Net additions from dealings with members**		**(540.7)**
91.5	**Management Expenses**	**P13**	**110.2**
(491.7)	**Transfer in of WMITA Fund at market value**		**-**
	Returns on Investments		
(178.2)	Investment Income	**P14**	(84.8)
-	Taxes on Income		-
745.1	Changes in Value of Investments	**P16**	(3,123.8)
(20.7)	Revaluation of bulk annuity insurance buy-in contract	**P17**	14.1
546.2	**Net Return on Investments**		**(3,194.5)**
426.0	**Net Increase in the Fund During the Year**		**(3,625.0)**
(15,714.1)	**Net Assets of the Fund at the Beginning of the Year**		**(15,288.1)**
(15,288.1)	**Net Assets of the Fund at the End of the Year**		**(18,913.1)**

Net Assets Statement

31 March 2020 £m		Note	31 March 2021 £m
	Investment Assets (at Market Value)	**P15**	
494.0	Bonds		508.4
28.9	UK Equities		27.0
1,408.8	Overseas Equities		2,567.5
10,869.9	Pooled Investment Vehicles		13,640.8
965.1	Property		1,014.0
11.7	Derivatives - Futures		-
-	Derivatives - Forward Foreign Exchange		3.1
582.5	Foreign Currency Holdings		399.6
569.6	Cash Deposits		498.2
75.8	Other Investment Assets		19.2
7.0	Outstanding Dividend Entitlement & Recoverable With-Holding Tax		7.5
15,013.3	**Investment Assets**		**18,685.3**
	Investment Liabilities (at Market Value)	**P15**	
(76.8)	Derivatives - Forward Foreign Exchange		-
-	Derivatives - Futures		(2.3)
(76.8)	**Investment Liabilities**		**(2.3)**
14,936.5	**Net Investment Assets**		**18,683.0**
229.4	**Bulk annuity insurance buy-in contract**	**P17**	**200.0**
14.5	**Long-Term Debtors**	**P19**	**10.2**
132.4	**Current Assets**	**P20**	**40.4**
(24.7)	**Current Liabilities**	**P21**	**(20.5)**
15,288.1	**Net Assets of the Fund at the End of the Year**		**18,913.1**

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 2021, the Fund had 743 actively participating employers and 335,101 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 2020 No.		31 March 2021 No.
117,950	Active Members	113,644
104,045	Pensioner Members	106,899
111,939	Deferred Members	114,558
333,934	**Total**	**335,101**

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 City of Wolverhampton 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 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 2020-2021. Membership of the Committee and Board can be found on the City of Wolverhampton Council website.

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 2021. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2020-2021 contribution rates was conducted at 31 March 2019. Employer contribution rates during 2020-2021 ranged from 15.5% to 38.6% of pensionable pay.

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

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

As at 31 March 2021, WMPF had assets of £7,869m managed in LGPSC sub-funds comprising £7,670m managed through Authorised Contractual Scheme (ACS) sub-funds and a further £199m 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 2020-2021 financial year and its financial position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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 were treated in the accounts as having been transferred at the values applicable on the "merger date" 1 April 2019. The Fund Account for 2019-2020 therefore included:

- 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 2020.

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 2021, 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 2021. 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 2021, 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

Properties are valued annually as at the year-end by independent valuers on a fair value 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 2021. All investment property assets are subject to annual revaluation, 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 2021.

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 2021.

J. Derivatives

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

Purchases and sales of derivatives are recognised as follows:

Futures – on close out or expiry the variation margins are recognised as cash receipts or payments depending on whether there is a gain or loss.

Forward currency contracts settlements are reported as gross receipts and payments.

K. Movement in the Net Market Value of Investments

Any gains or losses arising on translation of investments into sterling are accounted for as a change in the market value of investments.

L. Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

M. Financial Liabilities

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 accrual's 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 any 'in-house' Fund investment activity is included in investment management expenses.

O. Actuarial Present Value of Promised Retirement Benefits

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

P. Additional Voluntary Contributions

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

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 2021 was £1,315.5 million (£1,203.3 million at 31 March 2020)

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 and pensions 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 2021	Approx. % Increase in Liabilities	Approx. Monetary Value £m
0.5% per annum decrease in discount rate	11%	3,236.3
1-year increase in member life expectancy	5%	1,462.7
0.5% per annum increase in salary increase rate	1%	310.7
0.5% per annum increase in CPI inflation	10%	2,880.9

Fair Value of Investments

Uncertainties

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

Covid-19 Valuation Uncertainty

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

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

Effect if Actual Results Differ from Assumptions

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

Note P6 - Actuarial Valuation of the Fund

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

On the basis of the assumptions adopted, the 2019 valuation revealed that the value of the Fund's assets of £15,634 million represented 94% of the funding target of £16,648 million at the valuation date. The valuation also showed that a primary rate of contribution of 20.4% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

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

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

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

	Future Service Rate (% of Pay) Plus Lump Sum (£)				
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Birmingham City Council	16.8% plus £61,800,000 (124.0m)	18.3% plus £61,500,000 (£124.2m)	21.3% plus £48,200,000 (£124.2m)	21.3% plus £49,900,000 (123.0m)	21.3% plus £51,800,000 (£121.9m)
Coventry City Council	16.8% plus £12,000,000 (£31.1m)	16.8% plus £12,000,000 (£31.1m)	20.4% plus £3,600,000 (£32.9m)	20.4% plus £3,700,000 (£32.6m)	20.4% plus £3,900,000 (£32.3m)
Dudley MBC	17.0% plus £9,700,000 (£31.3m)	18.6% plus £9,600,000 (£32.3m)	20.7% plus £3,000,000 (£31.5m)	20.7% plus £3,100,000 (£30.6m)	20.7% plus £3,200,000 (£29.9m)
Sandwell MBC	16.2% plus £17,000,000 (£17.0m)	17.7% plus £16,900,000 (£16.9m)	20.5% plus £10,500,000 (£10.3m)	20.5% plus £10,900,000 (£10.2m)	20.5% plus £11,300,000 (£10.1m)
Solihull MBC	16.5% plus £5,100,000 (£16.6m)	18.4% plus £5,100,000 (£17.4m)	20.7% plus £2,900,000 (£19.9m)	20.7% plus £3,000,000 (£19.4m)	20.7% plus £3,100,000 (£19.0m)
Walsall MBC	16.9% plus £14,800,000 (£30.2m)	18.3% plus £15,000,000 (£31.5m)	20.3% plus £9,800,000 (£30.2m)	20.3% plus £10,100,000 (£30.0m)	20.3% plus £10,500,000 (£29.7m)
City of Wolverhampton Council	16.8% plus £14,000,000	18.1% plus £14,600,000	20.0% plus £6,800,000 (£28.8m)	20.0% plus £7.100,000	20.0% plus £7,300,000

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 2020. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

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

The assets were assessed at market value.

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

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

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

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

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.35% per annum	2.00% per annum
Rate of pay increases	2.90% per annum	3.85% per annum
Rate of increases in pensions in payment (in excess of Minimum Pension)	1.90% per annum	2.85% per annum

The total value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £23,091.8 million. The effect of the changes in actuarial assumptions between 31 March 2020 and 31 March 2021 as described above is to increase the liabilities by £6,723.6 million. Adding interest over the year increases the liabilities by £523.9 million and allowing for net benefits accrued/paid over the period increases the liabilities by £154.3 million (this includes any increase arising as a result of early retirements/augmentations). There is a decrease of £288.8 million as a result of allowing for actual experience or outcomes which were different when viewed in hindsight to that assumed previously and, a change in mortality rates assumptions decreases liabilities by a further £300.1 million. Last year, the merger with the WMITA Fund added £543.3m of liabilities which have increased by £63.8m during 2020-2021 to £607.1m at 31 March 2021.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £29,968.5 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

2019-2020 £m		2020-2021 £m
	From Employers	
170.3	Contributions	742.1
42.6	Past Service Deficit	303.9
-	Augmented Membership	-
19.2	Additional Cost of Early Retirement	10.9
232.1		**1,056.9**
	From Members	
120.5	Basic Contributions	125.3
0.6	Additional Contributions	0.5
121.1		**125.8**
353.2	**Total Contributions**	**1,182.7**

Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full three-year future service and past service deficit contributions in advance as a lump sum in 2020-2021. The lump sums paid by the seven councils have been accounted for fully in 2020-2021 and are listed in the table in note 6. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions Receivable by Type of Employer

2019-2020 £m		2020-2021 £m
9.1	Administering Authority	51.0
300.4	Scheme Employers	1,087.3
43.7	Admitted Employers	44.4
353.2	**Total**	**1,182.7**

Note P9 – Transfers In

2019-2020 £m		2020-2021 £m
31.2	Individual Transfers	22.3
31.2	**Total**	**22.3**

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

2019-2020 £m		2020-2021 £m
	Benefits Recharged to Employers	
(7.4)	Compensatory Added Years	7.1
(6.9)	Pensions Increases	6.8
(14.3)	**Total**	**13.9**

Note P11 – Benefits Payable

Benefits Payable by Type

2019-2020 £m		2020-2021 £m
	Pensions	
485.9	Retirement Pensions	499.1
30.0	Widows' Pensions	33.8
1.0	Children's Pensions	1.1
6.1	Widowers' Pensions	6.7
0.2	Ex-Spouses' Pensions	0.2
0.2	Equivalent Pension Benefits	0.2
0.5	Co-Habiting Partners' Pensions	0.3
-	Civil Partnership	0.1
-	Amounts due to Estate	0.1
523.9	**Total Pensions**	**541.6**
	Lump Sum Benefits	
100.0	Retirement Allowances	87.5
13.9	Death Grants	17.7
113.9	**Total Lump Sum Benefits**	**105.2**
637.8	**Total Benefits Payable**	**646.8**

Benefits Payable by Type of Employer

2019-2020 £m		2020-2021 £m
51.5	Administering Authority	50.4
507.2	Other Scheduled Employers	543.2
79.1	Admitted Employers	53.2
637.8	**Total**	**646.8**

Note P12 – Payments to and on Account of Leavers

2019-2020 £m		2020-2021 £m
37.6	Individual Transfers	29.2
2.4	Refunds of Contributions	1.8
-	State Scheme Premiums	
-	Bulk Pension Transfer Increases	
40.0	**Total**	**31.0**

Note P13 – Management Expenses

2019-2020 £m		2020-2021 £m
6.0	Administrative Costs	6.3
82.6	Investment Management Expenses, comprising:	100.8
	- Management Fees	
	- Performance Related Fees	
	- Transactions Costs	
	- Custody Fees	
	- LGPS Central Limited	
2.9	Oversight & Governance Costs	3.1
-		
91.5	**Total Management Costs**	**110.2**

Included in administrative costs of £6.3m above are external audit fees of £68,980 (2019-2020: £72,930). The charge for 2020-2021 comprises the current year audit fee of £61,685 and a provision of £7,295 for additional costs arising from the impact of the Covid 19 Pandemic on Grant Thornton's work in completing the 2019-2020 audit.

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

2020-2021	Total £m	Management fees £m	Performance related fees £m	Transaction costs £m
Equities	11.9	7.9	-	4.0
Fixed interest	0.5	0.5	-	-
Pooled investments *	24.6	10.0	-	14.6
Pooled property investments	8.2	7.2	(0.8)	1.8

Private equity	38.8	23.2	15.6	-
Property	2.6	1.6	-	1.0
Infrastructure	6.1	4.2	0.7	1.2
Absolute return	6.7	6.6	0.1	-
Derivatives	0.7	0.7		-
Cash, cash equivalents & fx contracts	0.3	0.3		-
	100.4	**62.2**	**15.6**	**22.6**
Custody fees	0.4			
Total	**100.8**			

* Includes £4.8m charged to the Pension Fund by LGPS Central Limited regional asset pool (2019/20: £4.0m).

2019-2020	Total £m	Management fees £m	Performance related fees £m	Transaction costs £m
Equities	8.0	6.0	-	2.0
Fixed interest	0.5	0.5	-	-
Pooled investments	23.1	12.0	1.9	9.2
Pooled property investments	3.4	2.7	0.6	0.1
Private equity	32.5	21.9	9.8	0.8
Property	2.4	1.5	-	0.9
Infrastructure	3.7	4.0	(0.4)	0.1
Absolute return	8.0	6.8	0.1	1.1
Derivatives	0.4	0.4	-	-
Cash, cash equivalents & fx contracts	0.3	0.3	-	-
	82.3	**56.1**	**12.0**	**14.2**
Custody fees	0.3			
Total	**82.6**			

Note P14 – Investment Income

2019-2020 £m		2020-2021 £m
	Dividends & Interest	
	Bonds	
7.1	UK Private Sector - Quoted	7.9
	Equities	
0.9	UK Private Sector - Quoted	-
39.9	Overseas	23.2
	Pooled Investment Vehicles	
74.1	UK Private Sector - Quoted	1.0
6.8	Overseas Equities	4.7
9.4	Interest on Cash Deposits	1.7
0.7	Stock Lending	0.8
2.1	Other Investment Income	5.6
141.0	**Total Dividends & Interest**	**44.9**
47.4	Property Management Income	48.5
(10.2)	Property Management Expenses	(8.6)
37.2	**Total Property Management**	**39.9**
178.2	**Total Investment Income**	**84.8**

Stock Lending

As at 31 March 2021, £482.6 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 2020: £384.3 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt totalling £521 million and giving a margin of 8.0% (31 March 2020, £416 million, margin of 8.2%).

Collateral is marked to market, adjusted daily and held by a third-party agent on behalf of the Fund. Net income from stock lending amounted to £0.8 million during the year (2019-2020: £0.7 million). The Fund retains its economic interest in stocks on loan and their value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers and its value is therefore excluded from the Fund valuation. The securities lending programme is indemnified to give the Fund further protection against losses.

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

31 March 2020 £m		31 March 2021 £m
	Bonds	
186.6	UK Companies - Segregated (External)	222.4
307.4	Overseas Sovereign - Index Linked	286.0
494.0		**508.4**
	UK Equities	
26.9	Quoted	25.0
2.0	Unquoted	2.0
28.9		**27.0**

	Overseas Equities	
61.9	Quoted	181.1
1,346.9	Quoted - Segregated (External)	2,386.4
1,408.8		**2,567.5**
	Pooled Investment Vehicles	
	Managed Funds	
632.5	UK Fixed Interest	659.8
1,051.4	Other Fixed Interest	1,876.7
971.0	UK Quoted, Index Linked	961.9
856.0	UK Quoted Equities (Pooled Assets)	1,081.7
4,425.9	Overseas Quoted Equities (Pooled Assets)	6,093.1
772.8	Infrastructure	819.7
1,203.3	Private Equity	1,315.5
464.9	UK Absolute Returns	356.6
63.3	Overseas Absolute Returns	54.1
45.3	Multi Asset Credit	-
79.7	UK Property	188.3
156.0	Overseas Property	122.0
	Unit Trusts	
40.4	UK Quoted Equities	-
107.3	UK Property	111.4
-	Overseas Equities	-
0.1	Overseas Property	-
10,869.9		**13,640.8**
	Property	
918.9	UK Freehold	1,014.0
46.2	UK Leasehold*	-
965.1		**1,014.0**
	Derivative Contracts	

11.7	Futures	3.1
-	Forward Currency Contracts	-
11.7		**3.1**
	Foreign Currency Holdings	
0.4	Australian Dollars	0.5
0.6	Canadian Dollars	0.6
1.3	Czech Koruna	1.3
0.5	Danish Kroner	0.6
113.3	Euro	73.6
135.7	Hong Kong Dollars	31.3
0.6	Hungarian Forints	0.6
5.9	Japanese Yen	5.2
1.9	Mexican Peso	2.2
0.5	New Zealand Dollars	0.5
0.4	Norwegian Kroner	0.5
0.5	Polish Zloty	0.5
1.3	Singapore Dollars	1.4
2.9	Swedish Kroner	2.9
5.2	Swiss Francs	4.8
1.0	Turkish Lira	0.7
310.5	United States Dollars	272.4
582.5		**399.6**
	Cash Deposits	
456.7	UK	491.0
112.9	US	7.2
569.6		**498.2**
	Other Investments	
75.8	Broker Balances	19.2
7.0	Outstanding Dividend Entitlement & Recoverable Withholding Tax	7.5
82.8		**26.7**

15,013.3	**Total Investment Assets**	**18,685.3**
	Investment Liabilities	
	Derivative Contracts	
(76.8)	Forward Currency Contracts	(2.3)
(76.8)		**(2.3)**
(76.8)	**Total Investment Liabilities**	**(2.3)**
14,936.5	**Net Investment Assets**	**18,683.0**

* All leasehold properties are held on long leases

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

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

31 March 2020			31 March 2021	
Market Value £m	**% of Total Market Value %**		**Market Value £m**	**% of Total Market Value %**
		Security		
1,835.1	12.3	LGPS Central Global Ex UK Passive Equity Fund	2,532.6	13.6
1,382.4	9.3	LGPS Central All World Equity Climate Multi Factor Fund	1,862.7	10.0
850.9	5.7	LGPS Central UK Passive Equity Fund	1,075.4	5.8
715.3	4.8	LGPS Central Global Equity Active Multi-Manager Fund	1,057.0	5.7
971.0	6.5	Legal & General - All Stocks Index Linked Gilts Fund	961.9	5.1

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

31 March 2020			31 March 2021	
Market Value £m	% of Total Market Value %		Market Value £m	% of Total Market Value %
Investments Managed by LGPS Central Limited Regional Asset Pool				
4,366.3	29.2	Authorised Contractual Schemes (ACS) – global equities	6,010.1	32.2
850.9	5.7	Authorised Contractual Schemes (ACS) – UK equities	1,075.4	5.8
-	-	Authorised Contractual Schemes (ACS) - Fixed interest	584.8	3.1
101.3	0.7	Non-ACS private equity	198.9	1.1
5,318.5	**35.6**		**7,869.2**	**42.1**
Investments Managed Outside of LGPS Central Limited Regional Asset Pool				
2,142.9	14.3	In-House	2,120.7	11.4
152.9	1.0	Managers - UK Quoted	117.7	0.6
1,042.1	7.0	Managers - Emerging Markets	1,448.3	7.8
364.4	2.4	Managers - Global Equities	1,021.1	5.5
3,148.9	21.1	Managers - Fixed Interest	3,422.0	18.3
235.7	1.6	Managers - Indirect Property	310.3	1.7
772.8	5.2	Managers - Infrastructure Funds	819.7	4.4
573.5	3.8	Managers - Absolute Return	410.7	2.2
1,102.0	7.4	Managers - Private Equity	1,116.6	6.0
9,535.2	**63.8**		**10,787.1**	**57.7**
82.8		Outstanding dividend entitlement and recoverable with-holding tax	26.7	
14,936.5		**Net investment assets**	**18,683.0**	

Analysis of Derivatives

Objectives and Policies for Holding Derivatives

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

a) Futures

In 2018-2019, 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. During 2020-2021, the Fund made a significant transition into the sustainables mandate and has reduced its exposure to futures accordingly. The Fund has also invested in gilt futures to help align the weighting in this area with its strategic target and as a tool for risk management. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward Foreign Currency

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

c) Open Forward Currency Contracts

Settlement	Currency Bought	Local Value m	Currency Sold	Local Value m	Asset Value £m	Liability Value £m
One to six months	GBP	390.7	EUR	454.4	3.1	-
Open Forward Currency Contracts at 31 March 2021					**3.1**	
Net Forward Currency Contracts at 31 March 2021					**3.1**	

Prior Year Comparative

Open Forward Currency Contracts at 31 March 2020	**-**	**(76.8)**
Net Forward Currency Contracts at 31 March 2020		**(76.8)**

d) Open Exchange Traded Futures Contracts

Type	Expires	Economic Exposure £m	Market Value 31 March 2020 £m	Economic Exposure £m	Market Value 31 March 2021 £m
Assets					
UK Equity	Under One Year	71.3	6.6	55.5	(0.4)
Overseas Equity	Under One Year	469.2	2.6	141.4	(0.1)
UK Bond	Under One Year	158.3	2.5	148.3	(1.8)
Total Assets			**11.7**		**(2.3)**

Note P16 – Investment Market Value Movements Analysis

	Value as at 31 March 2020 £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 2021 £m
Bonds	494.0		28.6			(14.2)	508.4
UK Equities	28.9					(1.9)	27.0
Overseas Equities	1,408.8		450.0			708.7	2,567.5
Pooled Investment Vehicles	10,869.9		1,314.9	(839.0)	(80.6)	2,375.6	13,640.8
Property	965.1		63.0	(18.3)	-	4.2	1,014.0
	13,766.7		**1,856.5**	**(857.3)**	**(80.6)**	**3,072.4**	**17,757.7**
Derivative Contracts							
Futures	11.7		-	(23.1)	-	9.1	(2.3)
Forward Foreign Exchange	(76.8)		-	37.6	-	42.3	3.1
	13,701.6		**1,856.5**	**(842.8)**	**(80.6)**	**3,123.8**	**17,758.5**
Broker Balances	75.8						19.2
Outstanding Dividend Entitlement & Recoverable Withholding Tax	7.0						7.5
Foreign Currency	582.5						399.6
Cash Deposits	569.6						498.2
Total Investments	**14,936.5**						**18,683.0**

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 £22.6 million (2019-2020: £14.2 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.

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 2019-2020 is set out below:

	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)**	**(760.3)**	**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 Holdings	690.6	-					582.5
Cash Deposits	821.8	3.9					569.6
Total Investments	**15,575.1**	**267.4**	**-**	**-**	**-**	**-**	**14,936.5**

16 i) Property Holdings

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

2019-2020 £m		2020-2021 £m
980.7	**Opening Balance**	965.1
18.5	Additions	63.0
(1.9)	Disposals	(18.3)
(32.2)	Net Change in Market Value	4.2
965.1	**Closing Balance**	**1,014.0**

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 2020 £000		31 March 2021 £000
43,025	Within One Year	43,892
156,653	Between One & Five Years	152,740
174,138	Later than Five Years	179,918
373,816	**Total Future Lease Payments Due Under Existing Contracts**	**376,550**

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.

The impact of COVID-19 has presented new challenges for valuation of illiquid assets. In their valuation report for the quarter to 31 March 2020, the independent property valuation agents were unable to rely fully on previous market experience to inform opinions on properties and their valuations were therefore reported on the basis of 'material valuation uncertainty'. There is no such valuation uncertainty clause in connection with the property valuation report as at 31 March 2021.

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 2021	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 2021	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 2021	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	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.

		properties are valued by Browns at the year end.		
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 2021 and 31 March 2020.

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

Level 3 assets	Valuation range	Valuation at 31 March 2020	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and 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
Unit Trusts - UK Property	11.7	107.3	119.9	94.7
Total		**3576.7**	**4,191.7**	**2,961.7**

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

Change 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 determining appropriate assumptions.

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

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

Value at 31 March 2021	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Financial Assets at Fair Value through Profit & Loss	9,753.4	4,284.4	2,706.7	16,744.5
Non-Financial Assets at Fair Value through Profit & Loss			1,014.0	1,014.0
Financial Liabilities at Fair Value through Profit and Loss				
	9,753.4	**4,284.4**	**3,720.7**	**17,758.5**
Bulk annuity insurance buy-in at fair value through profit and loss			200.0	200.0
Net Financial Assets	**9,753.4**	**4,284.4**	**3,920.7**	**17,958.5**

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	3,496.7	2,611.6	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)
	6,705.0	**3,419.9**	**3,576.7**	**13,701.6**
Bulk annuity insurance buy-in at fair value through profit and loss			229.4	229.4
Net Financial Assets	**6,705.0**	**3,419.9**	**3,806.1**	**13,931.0**

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

Period 2019-2020	Market value at 01 April 2019 £m	Transfers into level 3 £m	Transfers out of level 3 £m	Purchases during the Year £m	Sales during the Year £m	Unrealised Gains/Losses £m	Realised Gains/Losses £m	Market Value at 31 March 2020 £m
Freehold & Leasehold Property	965.1	-	-	-		48.9	-	1,014.0
Private Equity	1,203.3	3.5	(29.5)	129.4	(241.1)	156.3	47.9	1,269.8
Infrastructure	772.8	-	-	146.4	(75.1)	(35.3)	10.8	819.8
Absolute Return/Diversified Growth	528.2	-	-	60.8	(199.4)	10.8	10.4	410.8
Unit Trusts – UK Property	107.3	-	-	40.7	(3.0)	(4.5)	-	140.5
Bonds	-	-	-	70.7	(1.0)	(3.9)	-	65.8
Total	**3,576.7**	**3.5**	**(29.5)**	**448.2**	**(519.6)**	**(172.3)**	**69.1**	**3,720.7**

Bulk annuity insurance buy-in contract

The transfer of assets from the former WMITA Fund included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the 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.

31 March 2020 £m		31 March 2021 £m
-	**Bulk annuity insurance buy-in contract value at start of year**	**229.4**
224.5	Bulk annuity insurance buy-in contract value transferred in 1 April 2019	-
	Actuarial revaluation of insurance contract:	
2.8	Interest on buy-in	1.0
5.2	Change in demographic assumptions	(3.3)
18.1	Change in actuarial assumptions	(11.8)
(5.4)	Actuarial experience	-

20.7		**(14.1)**
(15.8)	Level pensions paid by insurer	(15.3)
229.4	**Bulk annuity insurance buy-in contract value at end of year**	**200.0**

The change in demographic assumptions results from updating mortality assumptions to use the latest CMI_2020 Model. The change in actuarial assumptions is a result of increasing the discount rate from 0.43% at 31 March 2020 to 1.02% at 31 March 2021 consistent with the rate used in the 2019 valuation of the former WMITA Fund.

Note P18 – Investment Capital Commitments

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

31 March 2020 £m		31 March 2021 £m
1,146.6	Non-Publicly Quoted Equities & Infrastructure	948.8
85.4	Property	58.5
1,232.0	**Total**	**1007.3**

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 2020 £m		31 March 2021 £m
11.6	Early Retirement Costs	6.4
2.9	Reimbursement of Lifetime Tax Allowances	3.8
14.5	**Total**	**10.2**

The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £6.4m is due after the following financial year (2019-2020: £11.6m). The instalments due in 2020-2021 are reported in Current Assets.

Note P20 – Current Assets

31 March 2020 £m		31 March 2021 £m
	Receivables & Prepayments	
	Contributions Receivable	
12.8	- Employers' Future Service	13.3
6.0	- Employers' Past Service Deficit	4.9
10.5	- Members	10.0
103.1	Other Receivables	10.3
132.4	**Total Receivables & Prepayments**	**38.5**
-	Cash	1.9
132.4	**Total Current Assets**	**40.4**

Note P21 – Current Liabilities

31 March 2020 £m		31 March 2021 £m
	Payables & Receipts in Advance	
(3.7)	Pensions & Lump Sum Benefits	(4.3)
(5.2)	Receipts in advance	(0.7)
(15.8)	Other Payables	(15.5)
(24.7)	**Total**	**(20.5)**

Note P22 – Additional Voluntary Contributions

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

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

31 March 2020			31 March 2021	
Utmost Life £m	Prudential £m		Utmost Life £m	Prudential £m
1.6	**37.6**	**Opening Value of the Fund**	**1.8**	**37.6**
0.1	0.6	WMITA Fund AVC balances consolidated following merger	-	-
0.3	6.0	Income	0.1	6.0
(0.1)	(5.6)	Expenditure	(0.2)	(6.6)
(0.1)	(1.0)	Change in Market Value	-	0.2
1.8	**37.6**	**Closing Value of the Fund**	**1.7**	**37.2**

* At the time of publishing this draft Statement of Accounts in June 2021, Prudential Assurance Company was experiencing delays resulting from its ongoing migration to a new administration platform and was not able to provide annual AVC financial statements for 2020-2021. The table

above therefore contains estimates for movements in Prudential AVCs for the year to 31 March 2021 which will be revised as appropriate when the actual amounts are available.

Note P23 – Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2020 £m		31 March 2021 £m
	Financial Assets	
(677.8)	Fair Value through Profit & Loss	3,110.5
	Financial Liabilities	
(35.1)	Fair Value through Profit & Loss	9.1
(712.9)	**Total**	**3,119.6**

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 2020				31 March 2021		
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			
494.0	-	-	Bonds	508.4		
28.9	-	-	UK Equities	27.0		

1,408.8	-	-	Overseas Equities	2,567.5		
10,869.9	-	-	Pooled Investment Vehicles	13,640.8		
11.7	-	-	Derivative Contracts	3.1		
229.4			Bulk annuity insurance buy-in	200.0		
-	1,152.1	-	Cash		899.7	
-	82.8	-	Other Investment Balances		26.7	
-	146.9	-	Debtors		48.7	
13,042.7	**1,381.8**	**-**		**16,946.8**	**975.1**	
			Financial Liabilities			
(76.8)	-	-	Derivative Contracts	(2.3)		
-	-	-	Other Investment Balances			
-	-	(24.7)	Creditors			(20.5)
12,965.9	**1,381.8**	**(24.7)**		**16,944.5**	**975.1**	**(20.5)**
	14,323.0				**17,899.1**	

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

Risk management

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

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

Counterparty and credit risk - the possibility that other parties might fail to pay amounts due to the Fund.

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

Valuation risk - the possibility that the actual value realised upon the sale of an illiquid asset differs from the valuation placed on it based on a valuer's opinion.

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

- Currency risk - the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

- Interest rate risk - the risk that future cash flows will fluctuate because of changes in market interest rates.
- Other price risk - the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Investment Risk

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 which is monitored on an ongoing basis to ensure it remains appropriate.

Counterparty Risk

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

Credit Risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with derivative investments within the Fund's Alternatives investments and those used to hedge certain foreign currency exposures as well as with rental income earned within the Fund's property portfolios.

The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Treasury policy. The policy specifies the cash deposit limit with each approved counterparty as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data which is reviewed on a regular basis. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite.

Credit Rating Sensitivity Analysis			
Fund/Account	**Long Term Fitch Rating***	**Value at 31 March 2020 £m**	**Value at 31 March 2021 £m**
Money Market Funds			
HSBC GBP Liquidity Fund Class H	Aaa-mf	191.1	106.5
HSBC USD Liquidity Fund Class H	Aaa-mf	112.9	7.2
LGIM GBP Liquidity Fund	AAAmmf	132.8	134.7
Insight GBP Liquidity Fund	AAAmmf	26.9	142.5
Invesco GBP Liquidity Fund	AAAmmf	2.9	2.3
Custody and Deposit Accounts			
CBRE Client Account West Midlands Met Authority		13.1	21.1
HSBC GBP Cash	AA-	89.9	83.9
HSBC Non-GBP Cash	AA-	582.5	399.6
Total		**1,152.1**	**897.8**

* Moody's rating used if no Fitch rating available.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, especially pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

The risk that the Fund will be unable to raise cash to meet its liabilities is considered low. Due to having cashflow management procedures in place, the Fund is able to invest in illiquid asset classes and take advantage of the illiquidity premium found in these investments where appropriate.

Valuation Risk

Valuation risk represents the risk that the actual value realised upon the sale of an illiquid asset differs from the valuation placed on it based on a valuer's opinion. The valuation of assets, and thus the management of valuation risk, is delegated to the Fund's appointed investment managers.

IFRS 13, Fair Value Measurement, seeks to increase consistency and comparability in fair value measurements through a 'fair value hierarchy', which categorises the inputs used in valuation techniques into three levels. Level 1 assets are those for which fair value can be measured via quoted prices in active markets for identical assets (such as those traded on stock exchanges). Level 2 assets require inputs other than quoted market prices falling under level 1 for fair value assessment (such as prices quoted in inactive markets, interest rates or credit spreads, for example). Level 3 assets require unobservable (non-public) inputs for fair value assessment and in practical terms, are those considered to be the most illiquid and difficult to value.

The majority of the Fund's underlying investments are in liquid quoted assets, representing minimal valuation risk (falling under level 1 and 2 of IFRS 13's fair value hierarchy). The Fund has investments in Property, Infrastructure and certain other illiquid assets that are classified as level 3 assets with a fair value of £3,720.7m as at 31 March 2021 (2020: £3,576.7m), which represents 21% of total assets (2020: 26%). The guidance of IFRS 13 includes additional disclosures for level 3 measurements that include the reconciliation of opening and closing balances and quantitative information about unobservable inputs and assumptions used. Valuation of the Fund's investments falling under the scope of this guidance is conducted by their respective appointed investment managers.

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

Market risk - currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any financial instruments not denominated in GBP sterling, the functional currency of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. The table below indicates a measure of the sensitivity of the investment assets and cash balances within each asset class to currency market movements, based on the expected 1-year standard deviations of each of the underlying foreign currency exposures within the respective asset classes.

The calculations behind these potential market movements account for the diversification effects between currencies within each holding. However, the calculations do not account for the Fund's use of foreign currency forwards, which are held to hedge certain currency exposures for the sake of risk reduction. The extent of this hedging activity is subject to change over time.

Currency risk sensitivity analysis

Asset Type	Asset Value as at 31 March 2021 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Equities*	9,828.5	686.1	10,514.6	9,142.4
Property	1,376.5	11.3	1,387.8	1,365.2
Fixed Interest**	4,006.8	90.7	4,097.5	3,916.1
Private Equity	1,315.5	72.4	1,387.9	1,243.1
Alternatives***	1,230.4	41.7	1,272.1	1,188.7
Liquid Assets	924.5	35.6	960.1	888.9
Total**	**18,682.2**		**19,620.0**	**17,744.4**

* Currency exposures of the overseas equity holdings have been calculated using generic indices.
** Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

***Includes exposure to absolute return and infrastructure investments.
****Excludes exposure to futures and forwards.

Asset Type	Asset Value as at 31 March 2020 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Equities*	6,867.2	455.9	7,323.1	6,411.3
Property	1,200.9	14.2	1,215.1	1,186.7
Fixed Interest**	3,194.6	67.9	3,262.5	3,126.7
Private Equity	1,203.3	71.6	1,274.9	1,131.7
Alternatives***	1,300.6	43.4	1,344.0	1,257.2
Liquid Assets	1,234.9	60.9	1,295.8	1,174.0
Total**	**15,001.5**		**15,715.4**	**14,287.6**

* Currency exposures of the overseas equity holdings have been calculated using generic indices.
** Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

***Includes exposure to absolute return and infrastructure investments.

****Excludes exposure to futures and forwards.

Market risk – interest rate risk

The Fund recognises that movements in interest rates can affect both income to the Fund and the value of the Fund's assets, both of which affect the value of the assets available to pay benefits. The tables below estimate the impact on the Fund's main Fixed Income exposures of a 100 basis points (bps) interest rate movement, using the duration of the underlying positions in each asset class (which have been obtained from the fund managers), to approximate the sensitivity to interest rate movements. This analysis assumes that all other variables (such as exchange rate movements) are constant, assessing only the impact of interest rate movements in isolation.

Interest Rate Risk - Sensitivity Analysis

Asset Type	Carrying Amount at 31 March 2021 £m	Change in Year in the Net Assets Available to Pay Benefits	
		+100BPS £m	-100BPS £m
Index-linked Gilts	994.0	(214.7)	214.7
Gilts*	179.4	(21.3)	21.3
Gilt Future	(1.8)	(11.9)	11.9
Overseas Government Bonds	101.9	(8.1)	8.1
US TIPS	286.0	(33.3)	33.3
Corporate Bonds	1,179.6	(80.2)	80.2
Emerging Market Debt	750.1	(52.0)	52.0
Mulit-Asset Credit	443.6	(6.5)	6.5
Private Credit**	65.8	(0.8)	0.8
Total	**3,998.6**	**(428.8)**	**428.8**

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£148.3m).

** Excludes legacy and immaterial positions (total: £6.3m).

Note: Durations are as at 31 March 2021.

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
Gilt Future	2.5	(13.6)	13.6
Overseas Government Bonds	113.4	(9.5)	9.5
US TIPS	307.5	(37.3)	37.3
Corporate Bonds	629.2	(56.6)	56.6
Emerging Market Debt	609.5	(42.0)	42.0
Mulit-Asset Credit	348.4	(11.3)	11.3
Total	**3,140.9**	**(395.7)**	**395.7**

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£157.5m).

** Excludes legacy and immaterial positions (total: £10.6m).

Note: Durations are as at 31 March 2020.

Market risk – other price risk

The Fund is exposed to share and derivative price risk which arises from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy.

The tables below indicate a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes, excluding the effects of interest rate risk and currency risk which are disclosed separately above. The tables also show an estimate of the impact of this potential volatility on asset values.

Other price risk - sensitivity analysis

Asset Type	Value at 31 March 2021 £m	Assumed 1 Year Volatility of Asset Class	Value on Increase £m	Value on Decrease £m
UK Equities	1,167.9	18.8%	1,387.5	948.3
Global Equities (Excluding UK)	8,660.6	16.3%	10,072.3	7,248.9
Property	1,376.5	11.8%	1,538.9	1,214.1
Fixed Interest*	4,006.8	4.2%	4,175.1	3,838.5
Private Equity	1,315.5	31.7%	1,732.5	898.5
Alternatives**	1,230.4	13.1%	1,391.6	1,069.2
Total Fund* (see note below)**	**17,757.7**		**20,297.9**	**15,217.5**

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £19,959.6 million and the total value on decrease is £15,555.7 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Asset Type	Value at 31 March 2020 £m	% Change	Value on Increase £m	Value on Decrease £m
UK Equities	1,032.5	18.7%	1,225.6	839.4
Global Equities (Excluding UK)	5,834.7	16.4%	6,791.6	4,877.8
Property	1,200.9	11.7%	1,341.4	1,060.4
Fixed Interest*	3,194.6	4.7%	3,344.7	3,044.5
Private Equity	1,203.3	26.2%	1,518.6	888.0
Alternatives**	1,300.6	13.9%	1,481.4	1,119.8
Total Fund* (see note below)**	**13,766.6**		**15,703.3**	**11,829.9**

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.2%. On this basis, the total value on increase is £15,442.7 million and the total value on decrease is £12,090.0 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Reputational Risk

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

Note P25 – Impairment for Bad and Doubtful Debts

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

Additions Analysis 2020-2021		
Individual Value	**Number**	**Total £**
Less than £100	30	1,133
£100 - £500	10	1,494
Over £500	1	751
Total	**41**	**3,378**

Write-Off Analysis 2020-2021		
Individual Value	**Number**	**Total £**
Less than £100	3	152
£100 - £500	82	16,267
Over £500	7	6,544
Total	**92**	**22,963**

Note P26 – Related Parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council and the costs shown in Note P13 above are recharged to the Fund. Following the actuarial valuation as at 31 March 2019, the Council agreed with the Fund to pay all of its employer future service rate contributions for 2020-2021 plus its past service deficit contributions for 2020-2021, 2021-2022 and 2022-2023 by advance lump sum payment of £41.9m on 30 April 2020. The advance payment is accounted for fully in 2020-2021 and with the addition of employee contributions, £49.5 million was receivable from the City of Wolverhampton Council for 2020-2021 (2019-2020: £9.1 million - City of Wolverhampton Council had paid its 2019-2020 future service and past service deficit contributions in advance as part of a lump sum payment of £57.3m on 30 April 2018). Balances owed by and to the Council at the year-end are shown in Notes P19, P20 and P21.

Pensions Committee

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

Pensioner: Councillors: K Inston, M Jaspal, R Martin, P Page and J Tildesley. Trade Union observers: M Cantello and M Clift

Deferred: Councillor: S Simkins

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

There are six employing bodies of the Fund in which a member of the Committee has declared an interest for 2020-2021. Contributions from each of these employers are set out below.

Contributions Receivable 2019-2020 £000		Contributions Receivable 2020-2021 £000
10,412	Birmingham City University	
147	Birmingham Museums Trust	345
9,106	City of Wolverhampton Council	-
82	Heath Park Academy – Central Learning Partnership Trust	534
18	Kingswood Trust	17
35,354	Sandwell MBC	-
12,616	University of Wolverhampton	12,672
-	Wolverhampton Girls High School	11,727
5,017	Wolverhampton Homes	5,102

LGPS Central Limited

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

The Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £2.112m in 2020-2021 (2019-2020: £1.539m). The amount outstanding in respect of these services at 31 March 2021 was £0.516m (31 March 2020: £0.477m).

The Pension Fund was invoiced £2.706m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2020-2021 (2019-2020: £2.496m). The amount outstanding in respect of these services at 31 March 2021 was £0.643m (31 March 2020: £0.950m).

LGPS Central Limited has let office space from City of Wolverhampton Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2020-2021 totalled £102,595 (2019-2020: £147,469) and the reimbursement of associated utilities and maintenance charges for 2020-2021 totalled £16,078 (2019-2020: £30,695).

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 2021 were £518,500 (2019-2020: £442,700).

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

Key Management Personnel

The Fund has identified the Director of Pensions, West Midlands Pension Fund and the Chief Executive, City of Wolverhampton Council as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the Fund. The combined compensation for these officers attributable to West Midlands Pension Fund is shown in the table below:

2019-2020 £000		2020-2021 £000
136	Short-term benefits	143
28	Post-employment benefits	30
164		**173**

Note P27 – Events after the Reporting Date

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

The Fund remains alert to potential challenges from ongoing developments in relation to the COVID-19 global health pandemic. None of these developments have impacted the underlying assumptions on which the Statement of Accounts is based nor the recognition or measurement of balances and transactions therein. No adjustments in respect of post balance sheet events have therefore been made.

The “McCloud” Court Judgement will have significant impact for all public sector pension schemes. When reforms were introduced in 2014 and 2015, protections were put in place for older scheme members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them also. In July 2020, the Government published a consultation on draft regulations to remove this age discrimination. The consultation closed on 8 October 2020 and Government is now undertaking a review of the responses to finalise a remedy and publish amended Regulations. 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 in the Fund's Statement of Accounts.

Section 8 - Annual Governance Statement

Scope of Responsibility

The City of Wolverhampton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has a Local Code of Corporate Governance, which will be revised in 2021-2022 in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

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

The Council has a number of bodies that it either owns or has a potential liability for. This statement also covers the approach taken in relation to these and specifically covers how the Council ensures that there is good governance in respect of these other bodies – the most relevant bodies are:

- *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.

- *Wolverhampton Housing Company Limited –* this is a wholly owned trading company set up under the powers in the Local Government Act 2003 and is known as WV Living focused on developing properties within the City to meet the Council's aspirations in terms of available housing. There is a shareholder agreement in place between the Council and WV Living with WV Living's Business Plan having to be approved by the Council and compliance with that business plan being monitored by the Council.

- *Yoo Recruit Limited –* this is a wholly owned trading company set up under the powers in the Local Government Act 2003 and provides staffing to the Council and other bodies. There is a shareholder agreement in place between the Council and Yoo Recruit and the Business Plan has to be approved by the Council and compliance with that business plan being monitored by the Council.

- *Help 2 Own –* this is a limited liability partnership that was jointly established with the West Midlands Combined Authority in 2021 to pilot an an affordable housing product that helps to address the issue that many potential buyers who are in work have in raising the deposit to secure a mortgage. This is the subject of a number of legal agreements which sets up the contractual and governance arrangements between the relevant parties.

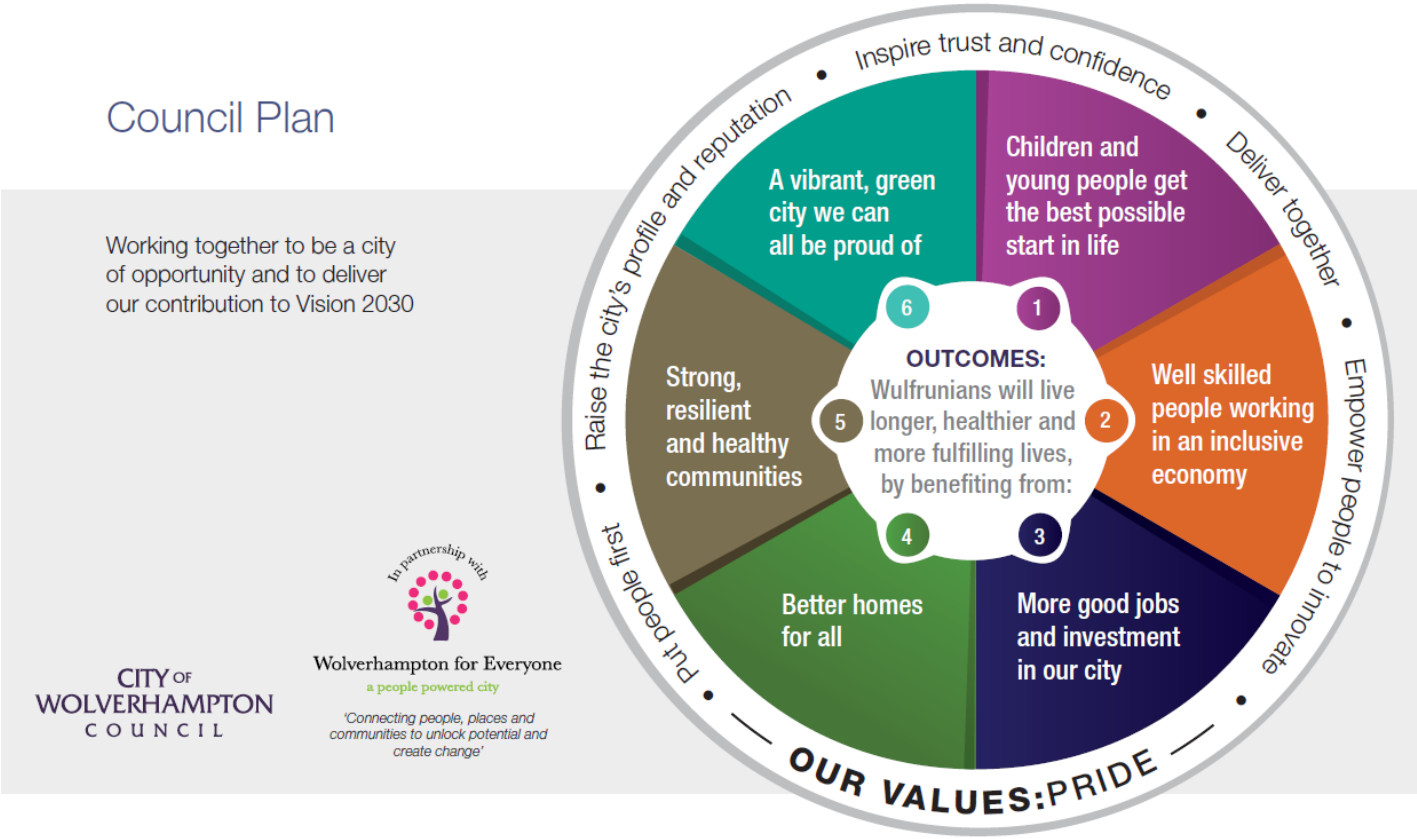
The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

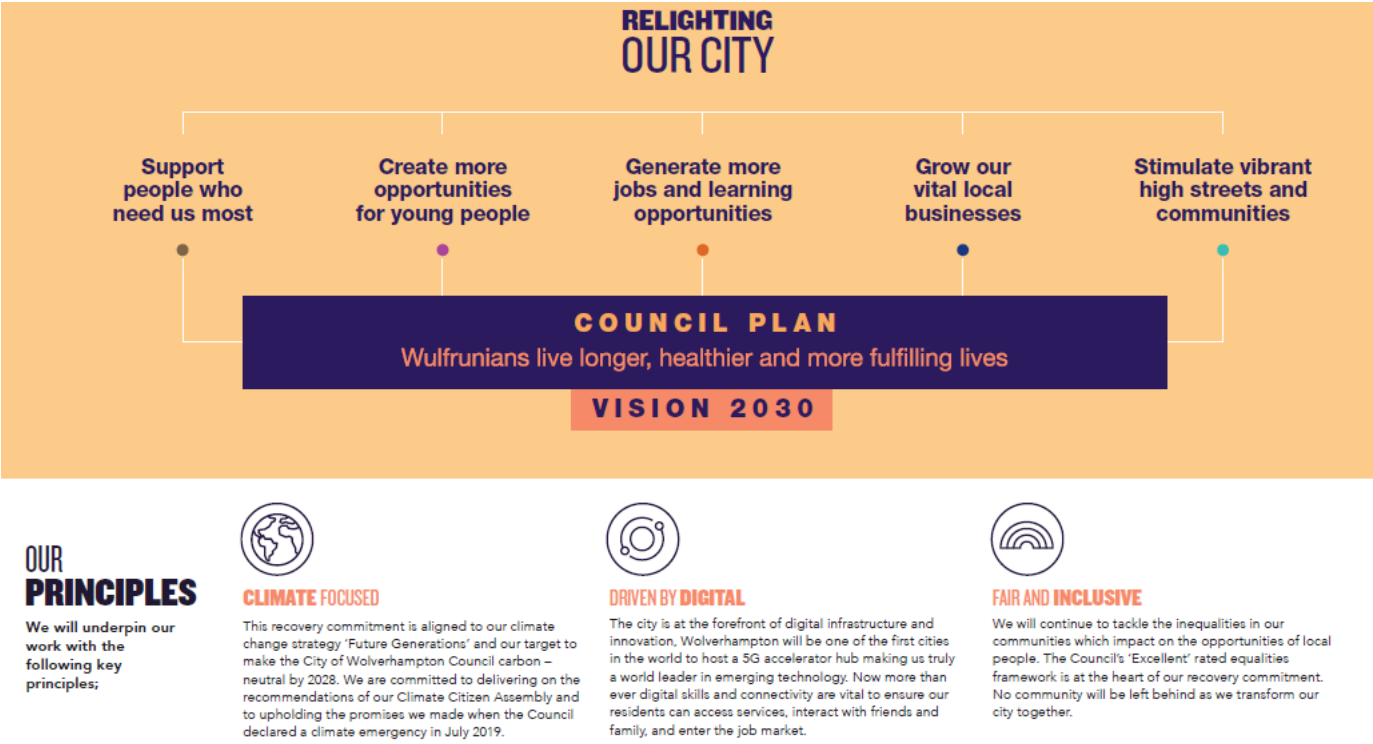
The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the annual report and statement of accounts.

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

Following the Covid-19 Pandemic, the Council Plan has been underpinned by a five point 'relight' recovery plan



These outcomes and principles 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 Statements • Corporate and Business plans • Medium Term Financial Strategy • Strategic and Covid-19 Risk Register • Codes of Conduct • Whistleblowing and other anti-fraud related policies • Financial and Contract Procedure Rules • modern.gov (the council's committee management information system)	• 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 Monitoring • Strategic Asset Plan • Civic Halls • Constitution Review

The Financial Management Code

During the year and in line with best practice, the Council undertook a self-assessment exercise against the new Financial Management Code in advance of its introduction in 2021-2022. The Code includes the following core principles by which authorities should be guided in managing their finances:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
- The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The self-assessment found the Council to be in compliance with the Code. However, there were a limited number of matters where areas for improvement were identified. As a result of this, an action plan has been prepared and its implementation will be monitored throughout the year. The results of the exercise will be reported to the Audit and Risk Committee.

Covid-19 Considerations

In 2020-2021 the Council, as with all other local authorities, continued to adapt the ways in which it worked to address Covid-19 not only in terms of ensuring that the City's vulnerable residents have been supported alongside its businesses but also in 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 included:

Streamlined 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. Up until the coming into force in May 2020 of the provisions in the Coronavirus Act 2020 allowing for remote decision making by Local Government, all decisions that would have been made by Committees or Council were made using emergency powers provisions in the constitution. Since the provisions on remote meetings were enacted the full range of Council meetings have taken place using those powers and these have been filmed and made available on the Council's website.

At times the emergency powers have still needed to be used for urgent amendments to the budget and other matters that needed urgent resolution and that would otherwise have gone to Council but circumstances have not allowed this to happen, a good example of this is the award of additional grants to businesses following urgent Government announcements.

All decisions going through the emergency powers process, prior to May 2021, 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. 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
    - 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. This register has regularly been taken to the Audit and Risk Committee.

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

The Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework including Internal Audit's annual report, the Scrutiny function and also by reports made by the Council's external auditors and other review agencies and inspectorates. The above table helps illustrate this framework, where assurance is provided and the processes through which the effectiveness of these arrangements are reviewed.

Opinion for 2020-2021

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.
- 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

A report was presented to the Audit and Committee in June 2020 noting that the UK Public Sector Internal Audit Standards Advisory Board had produced guidance to support audit functions during Covid-19. This stated that all internal audit teams in organisations affected by Covid-19

would need to reassess their work plans and staff priorities. During the year a proportion of the audit resources was temporarily redeployed within the Council to provide assistance in a number of areas including the food distribution hub, the various business support grants teams, assisting Procurement with supplier due diligence checks regarding the supply of personal protective equipment (PPE) and other Covid-19 related grant assurance. At both the September and December 2020 meetings, the Audit and Risk Committee were informed that in order to reflect the in-year change in risk profile for the Council and to facilitate the above shift in resources, a consultation exercise had been undertaken with the senior management team and the internal audit plan revisited to ensure that the remaining audit resource was focussed in the most effective manner.

As a result of this, it was agreed with the senior management team that a number of audit reviews that initially featured in the current plan, would be put back until the following year, where they again formed part of the assessment of assurance needs exercise. Details of these reviews were provided to the Committee at the December meeting. Audit Services continue to assess the situation, and it was believed that the number of audits planned to be completed, including all of the key financial systems reviews, would still enable Audit to be in a position to provide an annual audit opinion at the year-end.

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.

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.

We recently commissioned an external review of our governance and performance against the new Regulator for Social Housing (RSH) Consumer Standards. The review has confirmed that CWC / WH has an adequate policy framework in place to meet the required standards, whilst highlighting a few areas where we can bolster mechanisms for recording and monitoring performance. We were pleased with the outcome of the review and will ensure a suitable action plan is in place to maintain the required standards.

WV Living

WV Living's accounts are audited separately by external auditors and an unqualified opinion was provided on the accounts for 2019-2020.

During 2020-21 the way in which the Council and WV Living interact has been carefully considered by the Council and as a result a number of changes have been/are being made, these include:

- Appointment of non executive director to the board of WV Living with considerable Housing experience
- Production and approval of a new business plan for WV Living and regular reviews and reports on the compliance with that business plan taken both to the Council's political and officer leadership and also to the Council's Shareholder Board for WV Living
- Strengthening of the Council's Shareholder board – increasing the number of members from 6 to 10 – and ensuring that clear objective advice is provided to the Shareholder Board by Council officers including the S.151 officer and the Monitoring Officer

Yoo Recruit

Yoo Recruit's accounts are audited separately by external auditors and an unqualified opinion was provided on the accounts for 2019-2020. Work is currently underway to ensure that the business plan is fit for purpose and this will be reported on shortly.

Help 2 Own

Help 2 Own has only recently been established. The Council and the WMCA instructed and obtained detailed external advice in order to ensure that the arrangements are fit for purpose and will protect the interests of each body and deliver the proposed outcomes. The partnership will be and will be subject to external audit. This will provide assurance that the partnership has adequate and effective governance, risk management and internal control processes. A detailed report on the way governance works for Help 2 Own will be brought to Cabinet shortly and will be reported to Audit and Risk Committee.

Key changes to the governance framework during the year

During 2020-21 a full review was carried out of the Council's constitution and decision making in the Council. As a result a number of changes were recommended to be made to the constitution at the Annual general meeting in May 2021 these included:

- Simplifying the constitution to make it easier to follow for the public, Councillors and officers
- Clarifying and simplifying the delegations to Committees
- Combining Standards and Governance Committee to produce a Governance and Ethics Committee with a clear focus on good governance and a detailed work programme
- Updating the emergency action power in the light of experiences during Covid-19
- Updating the rules of debate for Council meetings
- Adopting the Local Government Association's Model Code of Conduct
- Updating the Council's Contract Procedure Rules in the light of the end of the EU exit transition period

This work continues with further changes to be brought to Council in 2021 including changes to the officer delegations. In addition, work continues to review the approach to policy formulation and scrutiny and proposals. A proposal was agreed by the Council's Governance Committee in February 2021 to introduce a new approach to policy formulation and scrutiny in 2022 as a result of the impact of the pandemic with a pilot being carried out later in 2021.

As part of the Constitution review work a review has also taken place on support for Councillors leading to a new Councillor induction and development programme for new and existing Councillors supporting them on key aspects such as declaration of interests.

Regular briefings continue to take place of all cabinet members, opposition leader/deputy leader and chairs of panels ensuring that there is proactive information provided and discussion on key issues, risks and matters. As part of this monthly briefings are given on the risks and issues in relation to the Council owned bodies and the steps taken to address any risks. As part of this work a review has also taken place of the lessons learned in other authorities in governance terms following a number of Public Interest/Best Value Reports. This has led to additional assurance work being carried out that has provided re-assurance that governance arrangements are fit for purpose in the Council.

Progress on the Governance Issues from 2019-2020

The table below describes the governance issues identified during 2019-2020 and the progress made against these during 2020-2021.

2019-2020 - Key areas for Improvement	End of year update
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 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.	In March 2021 the Council approved a balanced budget for 2021-2022 without the use of general reserves. It is important to note that the financial implications of the pandemic have significantly distorted the budget and Medium Term Financial Strategy. Current projections indicate that having taken into account additional government grant, there is a net cost pressure of over £6 million in 2021-2022 as a result of Covid. In order to set a balanced budget, this cost pressure has been met from other efficiencies identified across the Council. During 2021-2022 work will continue to monitor the financial impact of Covid to both inform the in year budget position and to inform medium term forecasts. Looing forward it is estimated that further savings of £25.4 million are required in 2022-2023 rising to £29.6 million in 2023-2024 in order to set balanced budgets. These forecasts take into account the potential ongoing impact of Covid in addition to the underlying budget pressures that face the Council. In addition to the impact of Covid, there continues to be significant uncertainty about future funding streams for local authorities. At the time of writing it is unclear when the Government will undertake the Comprehensive

2019-2020 - Key areas for Improvement	End of year update
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.	Spending Review, Fair Funding Review, Business Rates Reset and Business Rates Retention Review. Work has started to address the budget deficit over the medium term and updates will be brought to Cabinet throughout the year.
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.	This will continue to remain ongoing due to the changes proposed in the Government's Green Paper on 'Transforming public procurement'.
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	We continue to 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

2019-2020 - Key areas for Improvement	End of year update
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.	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.
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.	The project is ongoing, and the delivery of the Civic Halls continues and remains closely monitored by the Council. As part of the project governance, The Council will continue to ensure that all contracts are in place and complied with.
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.	Work has taken place throughout 2020-21 to ensure that the Council continued to meet its obligations in GDPR terms notwithstanding the very different ways of working having to be adopted as a result of the pandemic. This has included regular reminders on ways of working and focused support for relevant teams with greater risk.
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.	As detailed above the Constitution has been reviewed and updated with a number of changes being made. This process is continuing in 2021 with a further set of changes to be brought to Council in 2021 including changes to: • Officer Delegations • Financial Procedure Rules • Employment Procedure Rules

Action Plan for the Significant Governance Issues identified during 2020-2021 which will need addressing in 2021-2022

Based on the Council's established risk management approach, the following issues have been assessed as being key for the purpose of the 2020-2021 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2021-2022 Key areas and actions for implementation	Responsibility and expected implementation date
Savings Targets In March 2021 the Council approved a balanced budget for 2021-2022 without the use of general reserves. It is important to note that the financial implications of the pandemic have significantly distorted the budget and Medium Term Financial Strategy. Current projections indicate that having taken into account additional government grant, there is a net cost pressure of over £6 million in 2021-2022 as a result of Covid. In order to set a balanced budget, this cost pressure has been met from other efficiencies identified across the Council. During 2021-2022 work will continue to monitor the financial impact of Covid to both inform the in year budget position and to inform medium term forecasts. Looking forward it is estimated that further savings of £25.4 million are required in 2022-2023 rising to £29.6 million in 2023-2024 in order to set balanced budgets. These forecasts take into account the potential ongoing impact of Covid in addition to the underlying budget pressures that face the Council. In addition to the impact of Covid, there continues to be significant uncertainty about future funding streams for local authorities. At the time of writing it is unclear when the Government will undertake the Comprehensive Spending Review, Fair Funding Review, Business Rates Reset and Business Rates Retention Review.	Director of Finance March 2022

2021-2022 Key areas and actions for implementation	Responsibility and expected implementation date
Work has started to address the budget deficit over the medium term and updates will be brought to Cabinet throughout the year.	
Procurement In December 2020 the Government published a Green Paper on 'Transforming public procurement' which proposes a number of changes which would impact on the Council. Work will be undertaken to monitor the progress of this paper and to respond appropriately to any resulting changes in legislation.	Director of Finance March 2022
Contract Management Contract management practises across the Council have been found to be inconsistent. The Council also utilises a contract management system which is a central repository database that has a record of those contracts that have been procured, but not those that have been commissioned locally. Consequently, the Council has decided to transform how contract management is delivered and contracting process are measured to generate economic and efficiency benefits aligned to the Council Plan and other relevant strategies, such as Wolverhampton Pound and Relighting Our City. The Council plans to have a one council approach to contract management. The intention is to develop a contract management framework, establish external contract management training for officers and procure a contract management software system. The system will provide greater visibility of contract performance and a strategic oversight of contracts. These identified areas will provide a consistent and efficient method where possible and contribute to continuous improvement whilst obtaining value for money. These improvements will also prepare the Council in good stead for the forthcoming new procurement regulations as the Government's green paper, 'Transforming Public Procurement', identified contract management and commercial life cycle as key areas which will form part of the new procurement regulations.	Director of Finance March 2022
Strategic Asset Plan	Deputy Chief Executive March 2022

2021-2022 Key areas and actions for implementation	Responsibility and expected implementation date
We have made progress on reviewing and challenging the Council's asset portfolio as part of the Our Assets Programme (formally referred to as Our Space programme), particularly in light of how services will operate moving forward as part of Relighting our City. This has included developing six workstreams Asset Data, Asset Review, Retained Estate, Civic Centre, Surplus Assets and Asset Disposals. The Strategic Asset Plan and Action Plan will be updated following completion of this programme.	
Civic Halls Delivery of the Civic Halls in accordance with any set budget and in line with the set timeline will continue to be closely monitored by the Council throughout, and the Council will ensure that the contracts in place are complied with.	Director of Regeneration March 2022
Constitution Review Conclusion Completion of the review of the constitution including revision of financial procedure rules, employment procedure rules, officer delegation and adoption of a new Corporate Code of Governance.	Director of Governance March 2022

Future Assurance

Where appropriate, a progress report on the implementation of the above actions from the key areas will be reported to the Audit and Risk Committee during 2021-2022.

Certification

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

Ian Brookfield, Leader of the Council

Date:

Tim Johnson, Chief Executive

Date:

Section 9 - Glossary

Academy

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

Accruals (Accrual Accounting)

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

See Receivables, Payables

Actuarial/Actuary

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

Arm's Length Management Organisation

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

Amortisation

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

See Depreciation

Asset

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

See Non-Current Asset

Bad Debt Provision

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

Budget

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

Business Rates or National Non-Domestic Rates (NNDR)

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

• City of Wolverhampton Council 99%

• West Midlands Fire and Rescue Authority 1%

Capital Adjustment Account

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

See Capital Financing Requirement

Capital Expenditure

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

See Deferred Charge, Property, Plant and Equipment

Capital Financing Requirement

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).

Agenda Item No: 10

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

26 July 2021

Report title	Payment Transparency	
Accountable director	Claire Nye, Finance	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

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

1.0 Purpose

1.1 This report is to update the Committee on the Council's current position with regards to the publication of all its expenditure.

2.0 Background

2.1 The latest position on the Council's payment transparency activity is as follows:

- The Council publishes its own spend data which is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- In addition, to the spend to date, the site also includes spend for the financial years from 2011.
- Since last reported to the Audit and Risk Committee, there have been no requests for information from the public (as an 'armchair auditor').

3.0 Progress, options, discussion

3.1 We will continue to report back to the Audit and Risk Committee on the details of any 'armchair auditor' requests the Council receives.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. [GE/13072021/O]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. [TC/16072021/M]

6.0 Equalities implications

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

7.0 All other implications

7.1 There are no other implications arising from the recommendations in this report.

8.0 Schedule of background papers

8.1 There is no schedule of background papers.