CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

18 September 2017

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

Venue Training Room - Ground Floor - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Craig Collingswood (Lab)
Vice-chair Cllr Christine Mills (Con)

Labour	**Conservative**	**Independent Member**
Cllr Harbans Bagri	Cllr Andrew Wynne	Mr Mike Ager
Cllr Mary Bateman		
Cllr Jasbir Jaspal		
Cllr Rupinderjit Kaur		
Cllr Martin Waite		

Quorum for this meeting is two Councillors.

Information for the Public

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

Agenda

Part 1 – items open to the press and public

MEETING BUSINESS ITEMS

Item No.	*Title*
1	**Apologies for absence**
2	**Declaration of interests**
3	**Minutes of previous meetings - 3 July 2017** (Pages 5 - 14) [For approval]
4	**Matters arising** [To consider any matters arising from the minutes]

DECISION ITEMS

5	**Audited Statement of Accounts 2016/17** (Pages 15 - 304) [To approve the formal publication of the accounts]
6	**Strategic Risk Register and Strategic Assurance Map** (Pages 305 - 328) [To update the Committee on the key risks the Council faces and how it can gain assurance that these risks are being mitigated]
7	**Internal Audit Charter - Annual Review** (Pages 329 - 336) [To review and approve the Internal Audit Charter]
8	**Internal Audit Update - Quarter One** (Pages 337 - 344) [To note the contents of the latest Internal Audit update]
9	**Payment Transparency** (Pages 345 - 346) [To receive an update on the Council's current position with regards to the publication of all its expenditure]
10	**Audit Services - Counter Fraud Update** (Pages 347 - 356) [To note the latest Audit Services Counter Fraud update]
11	**CIPFA Audit Committee Update - Issue 22** (Pages 357 - 360) [To note the contents of the latest CIPFA Audit Committee Update, Issue 22 – developing an effective Annual Governance Statement, a briefing on current developments and Audit Committee training]
12	**Exclusion of the press and public**

[To pass the following resolution:

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

Part 2 - exempt items, closed to press and public

13	**Audit Investigations Update** (Pages 361 - 364) [To note the current position on the audit investigations]	Information relating to any individual. Information which is likely to reveal the identity of an individual. Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (1, 2, 3)

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Agenda Item No: 3

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

Minutes - 3 July 2017

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Christine Mills (Vice-Chair)
Cllr Harbans Bagri
Cllr Mary Bateman
Cllr Jasbir Jaspal
Cllr Andrew Wynne
Mike Ager (Independent Members)

Employees

Emma Bland	Compliance and Risk Manager - West Midlands Pension Fund
Ian Cotterill	Client Lead Auditor
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Andy Hoare	Head of Services - ICT
Hayley Reid	Senior Auditor
Lesley Roberts	Strategic Director - Housing
Neil Rogerson	Resilience Manager
Alison Shannon	Finance Business Partner
Mark Wilkes	Client Lead Auditor

External Auditors – Grant Thornton
Nicola Coombe

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence**
Apologies for absence were submitted on behalf of Cllrs Rupinderjit Kaur and Martin Waite.

2 **Declaration of interests**
Cllr Mary Bateman declared a non-pecuniary interest in item 9 in so far as she is a Governor of St Albans School.

3 **Minutes of previous meeting - 13 March 2017**

Resolved:

That the minutes of the previous meeting held on 13 March 2017 be approved as a correct record and signed by the Chair.

4 **Matters arising**

Minute 4 - Matters arising

Cllr Andrew Wynne requested confirmation from the Council's external auditors, Grant Thornton that their view on the Council's assumptions in its plans to address the budget deficit still applied. Nicola Coombe from Grant Thornton confirmed that was the case.

Minute 9 - Strategic Risk Register and Strategic Assurance Map

The Democratic Services Officer undertook to check with Alex Jones, Assistant Director School Standards whether a briefing note on the content of correspondence between the Council and the Regional Schools Commissioner concerning Wednesfield School had been issued.

Minute 14 - Review of Fraud Related Policies and Procedures

In response to Cllr Harbans Bagri, Peter Farrow, Head of Audit reported that the rules on employee declarations of interests and action to make employees aware of their responsibilities in this area would be reported in the Counter Fraud report to the Committee in September 2017.

5 **External Audit Progress Report and Update**

Nicola Coombe, Grant Thornton presented an update report on progress in delivering their responsibilities as the Council's external auditor.

In response to a question from Mike Ager, Independent Member Nicola Coombe confirmed that the answer to the challenge questions the External Auditor had put to the Council's Senior Management team was yes.

Councillor Jasbir Jaspal requested an update on the current postholder of Director of Finance. It was reported that under the Council's recent Senior Management Restructure, Claire Nye was now the Corporate Director of Finance and with effect from September 2017 Mark Taylor would be taking up the post of Strategic Director People. He was also working part time for the West Midlands Combined Authority as its Section 151 Officer.

The Chair commented that he was pleased to see that the External Auditors had received the Council's draft statement of accounts earlier than it had for the 2015/16 audit of accounts. He asked whether the early availability of the draft accounts would cause any issues in terms of completing the audit. Grant Thornton informed the Committee that they wished to have the audit completed in August. If achieved, it would mean that the earlier closedown process for the 2017/18 statement of accounts during July 2018 would be more realistic.

The Chair also asked for an update on the appointment of the Council's external auditors from 2018. Nicola Coombe reported that she was not aware of the decisions made on the award of the contracts for external auditors across the country or how the appointments would be allocated. Peter Farrow, Head of Audit added that Grant Thornton had been awarded 40% of the contracts, which was the biggest percentage that could be awarded to a single provider.

Resolved:

That the report from external auditors, Grant Thornton be received and noted.

6 **Draft Statement of Accounts 2016/17**

Emma Bland, Finance Business Partner presented for information, the draft Statement of Accounts for 2016/17 which the Director of Finance had approved and would be subject to audit by the Council's external auditors, Grant Thornton.

In response to questions Emma Bland and Alison Shannon, Finance Business Partners reported that:

- The overall picture the statement of accounts would portray compared to last year's accounts was that the Council was in a good position.
- The Council's capital programme included a housing capital programme scheme and the Council had flexibility and delegated authority arrangements to enable it to respond to risks in relation to its housing stock.
- The increased net pensions liability was not a cause for concern. It related to yields at a point in time. It had been anticipated and had been built into the Council's Medium Term Financial Strategy.
- The Council was developing proposals to achieve the required additional £20.5 million in savings over the next two years. A report would be submitted to Cabinet containing robust plans to achieve the savings and how they would be monitored.
- The Council's reserves were in a healthy position and comprised £10 million within the General Fund and approximately £60 million in earmarked reserves.
- A note would be circulated to the Committee providing more detail on the £5.1 million fleet services project and to explain whether the Council's total borrowing had increased compared to 2015/16.

Resolved:

1. That it be noted that the Director of Finance approved the Draft Statement of Accounts 2016/17 on 12 June 2017, within the 30 June 2017 deadline set by the Accounts and Audit Regulations 2015.

2. That it be noted that the 2016/17 Draft Statement of Accounts is to be audited by Grant Thornton UK LLP from July through to September, and that any material changes required as a result of the audit will be reported to the Audit and Risk Committee.

3. That it be noted that formal approval by the Council and publication of the 2016/17 Statement of Accounts is required by 30 September 2017 (Accounts and Audit Regulations 2015).

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

5. That a note be circulated to the Committee providing more detail on the £5.1 million fleet services project and to explain whether the Council's total borrowing had increased compared to 2015/16.

7 **Annual Governance Statement 2016/17**

Peter Farrow, Head of Audit presented for review and comment, the Council's Annual Governance Statement for 2016/17 which would be signed by the Leader of the Council and the Managing Director.

In response to a question from Cllr Christine Mills on how closely the Council would be able to work with the office of the recently elected West Midlands Mayor, the Head of Audit reported that it was too early to say. However, the Mayor would have an out posted office within Wolverhampton Civic Centre. The Head of Audit also reported that City of Wolverhampton Council had a strong presence at the West Midlands Combined Authority (CA), with Keith Ireland as its Monitoring Officer and Mark Taylor as the CA's Section 151 Officer. The Chair added that he was the Council's representative on the CA's Audit and Assurance Committee, the Head of Audit also supported the CA and Nicola Coombe was part of the CA's external auditor team, Grant Thornton.

In response to a request from Mike Ager, Independent member, the Chair asked that an update report on the work of the CA Audit and Assurance Committee be included on the agenda for the next meeting. In relation to the review of effectiveness table appended to the Annual Governance Statement, the Chair also commented it was good to note that a lot of the work areas considered by the Committee were featured in the table.

Resolved:

1. That the contents of the Council's Annual Governance Statement for 2016/17 be noted.

2. That an update report on the work of the Combined Authority Audit and Assurance Committee be included on the agenda for the next meeting.

8 **Strategic Risk Register and Strategic Assurance Map**

Hayley Reid, Senior Auditor, gave a brief outline of the report on the key risks the Council faced and how the Committee could gain assurance that the risks are being mitigated. She reported that in light of a recent global cyber attack, recent terror attacks and the tragic fire at Grenfell Tower, London arrangements had been made for the Committee to receive presentations on risk 23 – Cyber Security, risk 26 – Safety concerns around the city's tower blocks, and on resilience and civil protection and risk 15 – Emergency Planning

Andy Hoare, Head of ICT delivered via Powerpoint presentation an update on risk 23 – Cyber Security.

Referring to the RAG status for the risk, Mike Ager, Independent Member commented that the potential existed for this risk to always be rated Red. The Head of ICT agreed but suggested that if the risk was always set at Red you would not be aware if changes in the risk area had occurred as a result of mitigating action. He also explained that the role of NCC was to test the Council's physical vulnerabilities and systems vulnerabilities.

The Chair acknowledged that because of the change in the environment the likelihood of a threat meant that the risk should move to Red status.

In response to a question from Mike Ager, Independent Member, the Head of Audit reported that Audit Services could work with the Head of ICT and look at his plans to see if they are robust and offer an independent review of the action being taken.

Following questions, the Chair thanked the Head of ICT for his presentation which members indicated they found very informative.

Lesley Roberts, Strategic Director for Housing delivered the update on risk 26 – Safety concerns around the City's tower blocks.

Members of the Committee commented that it was reassuring to hear from the Strategic Director where City of Wolverhampton stood in terms of the safety of its housing stock. They also commended the early reassurance the Council had given to its tenants. In response to questions the Strategic Director for Housing reported that:

- The Council's Corporate Landlord service was in the process of looking at all student accommodation in the city. The owners of Liberty Heights (student accommodation at Culwell Street) had checked the building and assured the Council that it met required standards. There were some low-rise blocks from where students may need to be relocated as a precaution.
- Wolverhampton Homes (WH) had written to the residents of six residential tower blocks with screen type cladding which was not the same as the cladding in Grenfell Tower, London and gave them reassurance about the fire safety measures in place. WH website was updated daily with questions received and answers. WH had also arranged to visit Heath Town and Graiseley with the Fire Service to see if residents had any concerns or queries. The Fire Service had also undertook to perform an operational audit of the visual cladding at Graiseley. The outcome of that work was expected shortly.
- Recently built schools within the City would have had sprinklers installed. The question of whether it was Council policy for all schools to have sprinklers installed would be checked with the Council's Health and Safety Officers team.
- The advice from the Fire Service that in the event of a tower block fire people should remain in their flats until they are asked to leave by the Fire Service was counterintuitive. The advice was based on the design of tower blocks that should compartmentalise a fire to avoid the need for mass evacuation of the building. The Fire Service want to quickly gain access to the tower block and deal with the fire. They do not want to meet people on the stair-well. National advice might be issued in light of the tragic events at Grenfell Tower which the Council would follow.
- The Government had only asked councils to test ACM cladding. The organisations undertaking the testing were inundated and were issuing time slots to test other materials. The Council had requested a time slot and had also asked a private independent organisation to carry tests. WH also had the manufacturers testing that was in place when the cladding was purchased. It was not felt that there was a need to remove all cladding from the Council's housing stock. The exterior cladding at Graiseley did not need to be replaced. In terms of Heath Town, it would probably be replaced during the retrofit taking place on the whole of the estate.

Following questions, the Chair thanked the Strategic Director for Housing for her report and asked that she present an update to the Committee at the next meeting in September 2017.

Neil Rogerson, Resilience Manger gave a briefing on resilience and civil protection within the City. In response to questions he reported that under Prevent, the types of actions the Council was looking at concerned attacks and security at venues.

Following questions, the Chair thanked the Resilience Manager for his report. He also informed the Committee that the update on risk 21 (Transforming Adult Social Care) would be received at the next meeting.

Resolved:

1. That the strategic risk register at Appendix A to the report be noted.

2. That the identification of the following three new risks be noted:
   - Risk 24 – Payment Card Industry Data Standard. Due to a change in regulations the Council does not currently comply with the Payment Card Industry's Data Standards. The Payment Card Industry have been made aware of this and are being kept informed of the steps the Council are taking to comply with the updated standard.

   - Risk 25 – Community Cohesion. To reflect the increased risk of community tensions due to the recent terror attacks in Manchester and London.

   - Risk 26 – Safety concerns around the City's tower blocks, as a result of the recent tragic events at Grenfell Tower in London.

3. That the amendment to the risk description and increase in the risk score for risk 15 – Emergency Planning be noted.

4. That the increase in the risk score for risk 23 – Cyber Security, as a result of the recent world-wide RansomeWare cyber-attack be noted.

5. That the reduction in the assessment of the following risks be noted:
   - Risk 1 – Looked after Children. To reflect the progress made as per the recent Children's Services Ofsted Report and the £1.2m efficiencies from the 2016-17 LAC Placements budget. It is noted there was a slight increase in LAC admissions during 2016-17, although overall the numbers continue to reduce. LAC numbers continue to be closely monitored and target projections have been established for the next three years.

   - Risk 7 – Safeguarding. The reduction in this risk reflects progress made in this area and the steps that have been taken to implement the recommendations made in Ofsted's inspection of the Council's Local Safeguarding Children's Board.

   - Risk 22 – Skills for Work and Economic Inclusion, to reflect the completion of the majority of the Skills and Employment Action Plan and the introduction of Work Box and the Wolves@Work programme.

6. That the main sources of assurance available to the Council against its strategic risks at Appendix B to the report be noted.

7. That it be noted that the update report on risk 21 (Transforming Adult Social Care) and on risk 26 – Safety concerns around the City's tower blocks would be submitted to the next meeting.

9 **Audit and Risk Committee Annual Report 2016/17**

The Chair asked the Committee to endorse the report which summarised the main areas of work undertaken by the Committee during 2016/17. He proposed to take the annual report to Council.

He also informed the Committee that he had asked the Head of Audit together with the Council's external auditors, Grant Thornton to arrange a West Midlands wide audit and risk training event.

Resolved:

That the Audit and Risk Committee Annual Report for 2016/17 be endorsed and referred to Council for approval.

10 **Annual Internal Audit Report 2016/17**

Peter Farrow, Head of Audit summarised the key points of the report which aimed to provide the Committee with an annual Internal Audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

Mike Ager, Independent Member queried the level of assurance given on the audit of the Performance Appraisal Scheme given that four Red recommendations had been made from the Audit work. The Head of Audit reported that the review was a one-off special piece of work at the request of the Council's Strategic Executive Board. The review looked at the framework of the appraisal process and the audit report captured a point of time in relation to completed performance appraisal interviews. Ian Cotterill, Client Lead Auditor also explained that the four Red recommendations would normally result in the report being given a limited assurance opinion. However, at the time of the audit the organisation had a 98% completion rate and therefore it was deemed appropriate to classify the report as satisfactory. The issues raised in the report were risks that could affect the organisation from achieving a high completion rate in the future.

Mike Ager also commented that it was disappointing that so many limited assurance reports had been issued during the year. The Head of Audit explained that a number of them related to schools or were in complex areas. He reported that the number of Limited Assurance reports also demonstrated that the Council had a robust audit plan that was focussed on the areas with most need. The Audit Team also offered independent challenge and opinion to the Council processes.

In response to request for further information on the Payroll Contributions Statements for the West Midlands Pension Fund audit work, the Client Lead Auditor explained that this review related to an audit of the Council returns on the West Midlands Pension Fund.

The Chair commented that he was pleased to see from the report that the Head of Audit had issued an unqualified opinion on the Council's processes and that the recommendations from the audit review reports were being followed up and delivered.

Resolved:

That 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" be noted.

11 **Audit Services - Counter Fraud Update**

Mark Wilkes, Client Lead Auditor outlined the salient points of the latest update on current counter fraud activities undertaken by Audit Services.

Referring to the fraud risk register and the Electoral risks, Cllr Harbans Bagri asked how the Council monitored that the person requesting a postal vote was the person who completed the postal vote. The Head of Audit reported that the rules on postal voting were governed by the Electoral Commission. The Audit Team could consider what it could do internally to prevent that type of election fraud. He undertook to make enquiries with the Electoral Services Manager.

Responding to a request for feedback and lessons learned from the immigration identification training, the Client Lead Auditor reported that the Home Office had brought real and fake documents along to raise awareness of types of document abuse and associated criminality including common fraud relating to secure documents. The event was tied into licensing services and the use of a scanner for identification checking.

Cllr Harbans Bagri reported that some licences the Council issued were subject to the applicant undertaking a training course. He asked how the Council monitored that the person attending the training was the same person applying for the licence. The Client Lead Auditor advised that the question of how the Council matched up the person attending the training course with the applicant for the licence would need to be referred to the Council's Licensing Service.

Resolved:

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

12 **Payment Transparency**

Peter Farrow, Head of Audit updated the Committee with the current position regarding the Council's publication of all its expenditure activity since the last meeting of the Committee in March 2017. Since the last report there had been no requests for information from the public (as an 'armchair auditor').

Resolved:

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

13 **Exclusion of the press and public**

Resolved:

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

Part 2 - exempt items, meeting closed to press and public

14 **Audit Investigations Update**

Mark Wilkes, Client Lead Auditor presented the update report on current audit investigations. An action plan arising from the audit investigation discussed at the previous meeting was attached.

In response to a request for an update on any response received from the third party agencies listed in the action plan, the Client Lead Auditor reported that an acknowledgement had been received from HMRC who indicated that issues highlighted would be put through its systems.

Resolved:

1. That the update on the internal audit investigation be noted.

2. That an update on the action plan attached to the report be submitted to the next meeting of the Committee.

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Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

18 September 2017

Report title	Audited Statement of Accounts 2016/17
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources
Accountable director	Claire Nye, Finance
Originating service	Strategic Finance
Accountable employee(s)	Emma Bland Finance Business Partner Tel 01902 553928 Email Emma.Bland2@wolverhampton.gov.uk
Report to be/has been considered by	None

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Approve the formal publication of the 2016/17 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 30 September.

2. Delegate authority to the Chair of the Audit Committee to agree subsequent changes to the Statement of Accounts in consultation with the Director of Finance should there be any audit adjustments.

Recommendations for noting:

The Committee is asked to note:

1. The 2016/17 report to those charged with governance from the Council's External Auditors, Grant Thornton.

2. That the Council's external auditors intend to issue an unqualified opinion on the Statement of Accounts 2016/17, subject to the outcomes of remaining elements of audit work.

3. That the external auditors have identified no material errors which are expected to remain unadjusted in the amended Statement of Accounts.

4. That the Management Representation letter has been finalised and will be signed by the Director of Finance on behalf of the Council.

1.0 Purpose

1.1 To update members of the Committee on Grant Thornton's audit findings in relation to the Statement of Accounts for 2016/17.

2.0 Background

2.1 The draft Statement of Accounts was certified by the Director of Finance on 12 June 2017, within the 30 June 2017 deadline set by the Accounts and Audit Regulations 2015. It was subsequently presented to the Audit and Risk Committee on 3 July 2017.

2.2 The draft was subject to audit by the council's external auditors, Grant Thornton, which has been taking place during the last two months, and is now nearing completion. The council is required by law to publish the Statement of Accounts by 30 September 2017 (Accounts and Audit Regulations 2015).

2.3 Under the council's financial procedure rules, Audit and Risk Committee has responsibility for the approval of the financial statements.

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). For 2016/17 there was a change to the Code in relation to the format of the cost of services section of the Comprehensive Income and Expenditure Statement (CIES). Previously, authorities were required to present this in line with CIPFA's Service Reporting Code of Practice (SERCOP), but under the new requirements, to make the accounts more accessible to the reader, this is now reported on the basis of the council's organisational structure. Further detail can be found in the appended draft Statement of Accounts for 2016/17 under 'Note 17A – Changes in Accounting Policies from Previous Year'.

3.0 Outcome of the audit

3.1 The key outcomes of the audit of the Statement of Accounts are:

- Grant Thornton's opinion as to whether the statements give a true and fair view of the council and its group's financial position at the year end, and the income, expenditure and cash flows for the year there ended;

- Grant Thornton's conclusion on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources for the year in question;

- A report which summarises the issues arising from the audit of the statements and issues which they are formally required to report to Members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK & Ireland) (ISA(UK&I)) 260 - "Communication of audit matters". This report is attached at Appendix A. [Please note the council's financial statements include the accounts of the West Midlands Pension Fund. A separate Audit Findings Report was presented to and considered by the Pensions Committee on 6 September 2017.]

3.2 The committee can draw assurance from Grant Thornton's intention to issue an unqualified opinion on the financial statements, subject to the outcomes of the remaining elements of audit work. This will be included in the published Statement of Accounts.

3.3 As a result of their work on the draft Statement of Accounts, Grant Thornton have recommended that some changes be made to the content of the accounts. These changes are listed in detail in Grant Thornton's Audit Findings report, attached at Appendix A and have been reflected in the updated version of the accounts, attached at Appendix B.

Grant Thornton's report includes recommendations in the form of an action plan. Management have reviewed these and included their responses, responsible officers and implementation dates. Updates on progress against the action plan will be reported to future meetings of the Audit and Risk Committee.

3.4 The revised Statement of Accounts reflecting adjustments agreed with Grant Thornton will be published here: http://www.wolverhampton.gov.uk/article/3049/Corporate-finance

3.5 At the time of preparing this report, Grant Thornton are completing their work. Any further developments prior to this meeting will be the subject of a verbal update. If there are any further changes to the statements, a revised version will be presented.

3.6 In accordance with international auditing standards, the council is required to confirm to the external auditor that it has complied with all relevant requirements and provided all relevant information to the auditor. This takes the form of a Management Representation letter, which has been prepared and which will be signed by the Director of Finance prior to submission to the auditor.

4.0 Financial implications

4.1 The statement, and audit of those statements by the external auditors, is an important element of the accountability and transparency of the council's finances.
[EB/07092017/F]

5.0 Legal implications

5.1 The Accounts and Audit Regulations 2015 require the 2016/17 Statement of Accounts be produced in accordance with proper practice. This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 30 June 2017 and published by 30 September 2017.
[TS/07092017/T]

6.0 Equalities implications

6.1 There are no equality implications arising from this report

7.0 Environmental implications

7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

10.1 Draft Statement of Accounts 2016/17, report to Audit Committee, 3 July 2017.

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The Audit Findings
for City of Wolverhampton Council

Year ended 31 March 2017

September 2017

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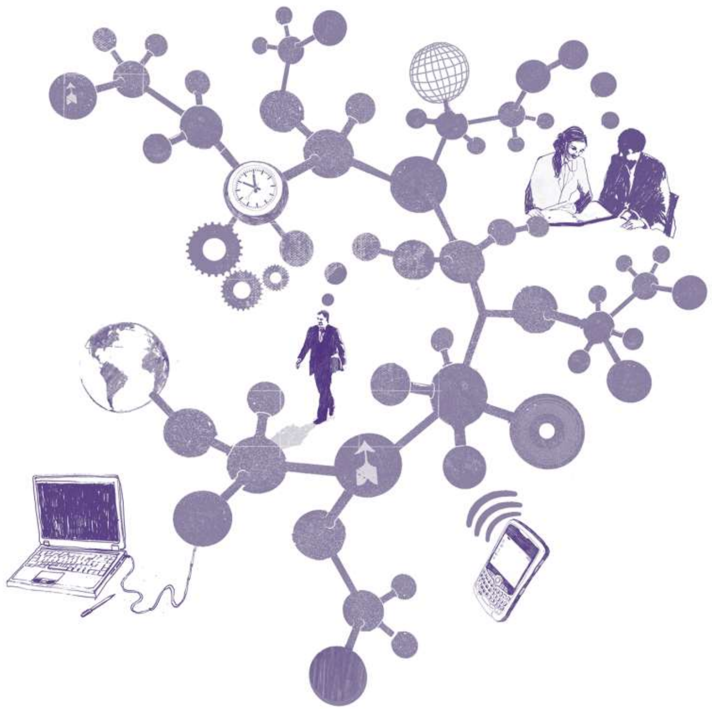

Private and Confidential

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September 2017

Dear Members of the Audit and Risk Committee

Audit Findings for City of Wolverhampton Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of City of Wolverhampton Council, the Audit and Risk Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mark Stocks

Engagement lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of the City of Wolverhampton Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 13 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Responses to our queries in respect of the Dedicated Schools Grant disclosure
- Completion of our work on Operating Segment disclosures encompassing the EFA
- Completion of our review of the higher paid staff disclosure
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts
- Completion of our work on pension guarantees.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. As is usual we requested additional working papers throughout the audit to support our testing. We will work with officers over the coming year to identify all relevant working papers that can be prepared and provided ahead of next year's accounts to make the process even smoother and frontload as much of the effort as possible.

Key audit and financial reporting issues

Financial statements opinion

We have identified several adjustments, but these are mainly disclosure in nature and do not affect the Group and Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £98.2m (Council) and £102.6m (Group); the audited financial statements show net expenditure of £98.2m and £102.6m respectively. We have also recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- Last year's audit took longer than anticipated due to the number of amendments identified to the financial statements and the limited capacity of the finance team. We are pleased to report that the process was much smoother this year due to designated contacts being in place and the "project management" of the audit process undertaken with Council officers.
- The accounts preparation process was also much improved this year, with draft accounts being made available to us on 13 June 2017; 17 days earlier than in 2015/16. In 2015/16 the accounts presented for audit were then subject to further revision by the Council. We are pleased to report that this did not recur for 2016/17, which helped towards a more efficient process.
- The Council's financial statements include the accounts of the West Midlands Pension Fund. A separate Audit Findings Report is being presented to and considered by the Pensions Committee in respect of our audit of the Pension Fund.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix B).

Further details are set out in section two of this report.

Other financial statement responsibilities
As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities
The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further details of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit and Risk Committee which is due in February 2018.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit, particularly Claire Nye, Emma Bland, Charlotte Baker and James Barlow.

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £13,872k (being 1.75% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality to £13,465k (being 1.75% of gross revenue expenditure). This is on the grounds that our planning materiality was based on the forecast gross revenue expenditure, and has been revised to take into account the gross revenue expenditure of cost of services of £764.5m in the draft accounts as presented for audit.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £673k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Related party transactions have to be disclosed if they are material to the Council or to the related party	£20,000 however this may be lower as the concept of related party transactions takes in to account what is material to both the Council and the related party.
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at City of Wolverhampton Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have • Reviewed entity controls • Reviewed the journal entry process and selection of unusual journal entries for testing back to supporting documentation • reviewed accounting estimates, judgements and decisions made by management • Reviewed any unusual significant transactions identified	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

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"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of property, plant and equipment The Council has amended the process it applies to revaluations. Previously it revalued its assets on a rolling basis over a five year period, but from 2016/17 onwards it will revalue all assets over £1 million every year, with the remainder being revalued on a cyclical basis or as considered necessary in order to ensure that all assets are revalued at least every 5 years, in line with the Code requirements. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	We have • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.	Work in respect of Property, Plant and Equipment is incomplete as at the time of writing. In 2016/17 the Council have had valuations on a number of assets: • Council dwellings • Assets with a value over £1m • Assets with a value under £1m selected as part of the on-going 5 year revaluation programme • Review of assets not valued to ensure the carrying value and current/fair value are not materially different at the balance sheet date Our detailed findings in respect of this work are on page 13.
Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	We have • Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.	The Council did not inform the actuary of the number of redundancies to have taken place during the 2016/17 financial year and therefore the actuary was unable to take this into account in their valuation of the pension fund net liability. The actuary has since confirmed that had he known the information, the difference it would have made to the liability would have been to increase it by £161k which is clearly trivial, and therefore no adjustment has been proposed in this regard. We have raised a recommendation to the Council to ensure that the actuary is made aware of any information pertinent to their calculations on a timely basis.

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have: • Documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements. • Reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • Reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • Tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • Tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • Tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • Reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	We are satisfied that the amended format of the CIES is consistent with the internal reports of the Council and that the mapping of previous years figures to the restated format has been done appropriately. We identified an additional disclosure that the Council needed to make in its financial statements to ensure full compliance with the Code. This is a note beneath the EFA to analyse income and expenditure by nature. This has been included as a disclosure amendment on page 31.

Audit findings against property, plant and equipment

In this section we detail our specific findings in relation to our work on the property, plant and equipment non cycle.

Property plant and equipment

Work Completed

We have undertaken the following work in relation to this transaction cycle:

- We obtained the fixed asset register and agreed this to the notes in the financial statements
- We performed sample testing on the movements in property plant and equipment during the year
- Compared the disclosures against the requirements of the Code to ensure compliance

Findings

The Council have carried out a significant amount of work during the year to cleanse the data within the fixed asset register following the issues that were identified last year in terms of reports being generated from the asset register system producing inconsistent outputs. This has led to an "Other Changes – Gross Value" line being added to Note 10 of £2.2m. There are however further issues that have been identified from our work this year.

Revaluations

We carried out work to ensure that the revaluation of specialised and non-specialised fixed assets have been correctly accounted for. A number of differences were identified. Some were due to assets being revalued which had been disposed of and some differences due to assets being split over several lines in the fixed asset register. We identified that the gross cost is overstated by £4,343k (0.25% error as a percentage of total cost) and accumulated depreciation overstated by £788k (0.30% error as a percentage of total accumulated depreciation) giving a net over statement of £3,555k (0.25% error as a percentage of total net book value). This has been recorded as an unadjusted misstatement.

Investment Properties

The Council has a procedure of revaluing all assets with a value above £1m, including investment properties. The Code requires that after initial recognition, Investment Property needs to be measured at fair value. It states the fair value of an investment property shall reflect market conditions at the end of the reporting period. We consider that to comply with the Code that the Council should be seeking valuations of Investment Properties as at the end of each reporting period. We have reviewed the revaluations performed and are satisfied that the valuation of Investment Properties is not materially misstated as at 31 March 2017. We have raised a recommendation to ensure that the Council perform a formal exercise each year to either ensure that all investment properties reflect market value as at the year end or otherwise demonstrate that the value at which they are carried in the accounts it not materially misstated.

Academy school assets

We identified that the value of property, plant and equipment in 2015/16 was overstated by £2,529k due to schools converting to Academy status but the value of their assets not being shown as a disposal. The Council have disposed of these assets during 2016/17 and therefore the balance at 31 March 2017 is not overstated. We have recorded this in the table summarising the impact of uncorrected misstatements in the prior year on page 30.

Housing valuations

The district valuer has provided a beacon valuation for Council Dwellings. When extrapolated across the population of total Council Dwellings this results in an increase in value of £7.5m. This has not been adjusted for as the Council does not considered it to be material as it only represents a 1.09% change in value. We have recorded this as an unadjusted error.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested the completeness of the subsidiary system interfaces and control account reconciliations • confirmed our understanding of the accruals process and test accruals • performed cut off testing of purchase orders and goods received notes (both before and after year end). • Testing will also cover a sample of operating expenses covering the period 1/4/16 to 31/3/17 to ensure they have been accurately accounted for and in the correct period.	During our cut-off testing we identified that £2.4k of items from a sample of £38k had not been accounted for in the correct period. By extrapolating this projected error across the population we identified that the potential error could be in the magnitude of £1.9 million. We are satisfied that this would not present a material misstatement and therefore no proposed adjustment has been raised. The issue has arisen due to the accounting policy put in place by the Council of not accruing balances less than £10k, as noted in the accounting policies. This is considered to be a reasonable policy as it is with the aim of reaching faster closedown. We recommend that the Council keep the policy under review and ensure that it does not result in a material error.

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Payroll expenditure represents a significant percentage of the Council's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested the completeness of the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements • created and reviewed the monthly trend analysis of total payroll • performed substantive testing of employee remuneration • performed substantive testing of senior officer remuneration	We have not identified any issues to date in relation to the work performed.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the disclosures are appropriate.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Wolverhampton Homes Ltd	Yes	Targeted	• Alignment of group accounting polices • Adequacy of disclosures within the group financial statements	• Specific (targeted) scope procedures to be performed by non GT member firm, RSM • We are yet to review the outcome of the of the audit work carried out by RSM as it has not yet been provided	Our conclusion in this area is outstanding as at the time of writing pending receipt of information requested from the auditors of Wolverhampton Homes Limited which we will use to provide assurance over the balances used by the Council in the consolidation process. We have performed an initial review of the consolidation performed and have not identified any issues from the work carried out to date.

In addition to the work described above, we have also reviewed the Council's treatment of its other subsidiaries and associates. These are noted overleaf for completeness.

In summary, we considered the Council's assessment of the group boundary and the adequacy of the determination of those entities that are included within Group Accounts in 2016/17. We also reviewed the approach to align the accounting policies, review the consolidation adjustments and assess whether the disclosures within the group financial statements are in accordance with the Code requirements. Our work also considered the adequacy of the specific disclosures for interests that are not incorporated into the group accounts. The table above considers the 'component' identified by the Council to be consolidated into the group accounts.

Group audit scope and risk assessment

The table below documents each of the Council's associates and its treatment within the Council's financial statements, with the exception of Wolverhampton Homes Ltd, which has already been disclosed on the previous page.

Entity	Details	Type	Assurance gained & issues raised
Birmingham Airport Holdings Ltd	The Council is a shareholder in this company	Investment	We concur with the Council's treatment of this entity as an investment to be classified as an available-for-sale asset. The valuation has been performed by BDO on behalf of the West Midlands shareholding consortia. Our internal valuation specialists have reviewed the work performed and we are satisfied that the approach used is reasonable. The Councils investment in BAH Ltd has increased year on year by £4.4m as at 31 March 2017.
I54 Management Company Limited	This is a company limited by shares with the Council and Staffordshire County Council each owning one share each. It oversees the work done by i54 Joint Venture	Joint Venture, but not material, therefore entity not consolidated within the group accounts	We concur with the Council's treatment,. While this meets the definition of Joint Venture, it is not considered to be material and therefore has not been included within the group accounts, other than as a related party disclosure.
I54 Joint Venture	An arrangement developed in partnership with Staffordshire County Council for the development of i54	Jointly Controlled Operation, therefore entity not consolidated within the group accounts	Although termed a 'Joint Venture' it does not in fact constitute a Joint Venture, as defined by IAS28. It is a cost sharing arrangement between the City of Wolverhampton and Staffordshire County Council for the delivery of i54. Income and expenditure contributed and incurred by each Council is reflected in each Council's financial statements. The disclosure in the financial statements has therefore been updated to remove reference to it being a 'joint venture'.
WV Living	This was formed as a wholly-owned subsidiary of the Council in 2016/17.	Subsidiary: not consolidated on grounds of materiality.	We agree with the Council's treatment. Set-up costs of £460k have been incurred during the year, which is not considered to be material and therefore it is appropriate that this entity has not been consolidated into the group accounts. The Council have disclosed this as a critical judgement within the accounts.
Yoo Recruit	This was formed as a wholly-owned subsidiary of the Council in 2013/14.	Subsidiary: not consolidated on grounds of materiality.	We agree with the Council's treatment. The Council have disclosed this as a critical judgement within the accounts.

Group audit scope and risk assessment

The table below documents the Council's associate and its treatment within the Council's financial statements, with the exception of Wolverhampton Homes Ltd, which has already been disclosed on the previous page.

Entity	Details	Type	Assurance gained & issues raised
Wolverhampton Grand Theatre (1982) Limited	This is a company limited by guarantee and responsible for running the Grant Theatre. The Council • can appoint 2 directors • owns the building from which the Theatre is run at £nil rent • subsidises the running costs of the theatre	Interest with significant influence. Not material to the group accounts, therefore entity not consolidated within the group accounts	We concur with the Council's treatment. The Council have disclosed this as a critical judgement within the accounts.
Wolverhampton Schools Improvement Partnership	This is a company limited by guarantee. Two Council Cabinet members are Directors as well as the Head of Education Service, but only the latter has voting rights	Interest with no significant influence or control, therefore entity not consolidated within the group accounts	We concur with the Council's treatment.
Black Country Consortium Limited	This is a company limited by guarantee. The Council has one director of eight on the Board.	Interest with no significant influence or control, therefore entity not consolidated within the group accounts, therefore not included within the group accounts	We concur with the Council's treatment.
WV One Limited	Although the Council has 3 elected members on the Board, this company is currently in liquidation.	Cost sharing agreement, therefore entity not consolidated within the group accounts	We concur with the Council's treatment
Wolverhampton Business Park	This is an arrangement in partnership between the Council and Bibbeys. At 11%, the Council's interest is not considered to be significant.	Interest with no significant influence or control, therefore entity not consolidated within the group accounts	We concur with the Council's treatment
Wolverhampton Business Solutions Centre	The partnership behind this venture comprises the Council, the University of Wolverhampton and the Black Country Chamber of Commerce. Each partner contributes to the costs of running the centre.	Cost sharing agreement, therefore entity not consolidated within the group accounts	We concur with the Council's treatment

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. • Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. • Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract. • 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 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.	We have reviewed the Council's policy against the requirements of the Code and are satisfied that the policy is appropriate and adequate disclosures have been made in the financial statements.	●

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	• Key estimates and judgements include: – Useful life of PPE – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Provision for NNDR appeals – Equal Pay provision	We have considered the key estimates and judgements included in the accounts and note the following: **Valuations and revaluations** We identified a number of issues with regard to the valuation and revaluation of PPE. These are detailed on page 13. **Depreciation** We have tested a sample of depreciation charged during the year to ensure that calculation has been appropriately made. There were no issues arising from our work. **PFI** In order to gain assurance over the PFI Liability we have compared the model used by the Council with our expectations, which has provided us with assurance over the suitability of the model and the estimates created. We have identified some differences between the Council's model and our model - these will be noted in the misclassification and disclosure section of the AFR as there is no significant overall impact on the liability. Our detailed findings are shown on pages 34 and 35.	

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Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Director of Finance, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	●
Other accounting policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	●

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Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Risk Committee and have not been made aware of any incidents in the period that would impact on our audit
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council, including specific representations in respect of the Group, which is appended to the Audit and Risk Committee papers.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to all those organisations with which it invests with, borrows from and banks with. This permission was granted and the requests were sent. The majority of those requests were returned with positive confirmation, however 2 requests remain outstanding as at the time of writing. We have undertook alternative procedures in the meantime but continue to chase confirmations alongside Council officers directly wit the third party.
6.	**Disclosures**	• We recommended a number of disclosure amendments to the draft financial statements to improve the presentation and to ensure compliance with the Code. The most significant of these are noted within the Misclassifications and Disclosure Changes section of our report.
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Note that the work will be completed in due course ahead of the deadline of September 29.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	🟡	**Lack of Formal Reviews of Information Security Policies and Procedures** The Personal Use of Council Computer Equipment and Access to Social Media Policy has not been formally reviewed or updated since 2014. This condition poses the following risks to the Council: • The latest security administration processes and control requirements may not be understood by, or communicated to those within the organization responsible for observing and/or implementing them. • Effectiveness of security administration processes and controls may be diminished due to environmental and/or operational changes since the document was last updated. • Information security processes, requirements and controls may be inconsistently defined, understood and implemented throughout the organization. • The lack of formal (documented) information security requirements may make sanctioning employees for inappropriate use of information resources more difficult. For example, a user who caught sharing personal passwords with other employees may be able to claim ignorance of any wrongdoing as this action did not violate any organizational policy documents.	• Information security policies and procedures should be reviewed at planned intervals (preferably annually) or when significant changes occur to ensure for their continuing suitability, adequacy and effectiveness.
2.	🟡	**Northgate Sx3 password complexity enforcement** Password complexity (i.e. the requirement that passwords must contain more than one character set, such as numbers and letters) was not enforced within Northgate Sx3. This condition poses the following risk to the Council: • Compromise of user accounts through password guessing or cracking.	• Password complexity should be consistently enforced within Northgate Sx3.

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"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Assessment
- 🔴 Significant deficiency – risk of significant misstatement
- 🟡 Deficiency – risk of inconsequential misstatement

Internal controls

	Assessment	Issue and risk	Recommendations
3.	●	**Change Management Policies and Procedures** Change Management policies and procedures have not been formally reviewed or updated since their creation in 2006. This condition poses the following risks to the Council: • Timely and appropriate change and patch management processes and control requirements may not be formalized or communicated to those within the organization responsible for observing and/or implementing them • Effectiveness of change and patch management processes and controls may be diminished due to environmental and/or operational changes that have taken place since 2006. • Change and patch management may not be effectively administered, leading to loss of data integrity, processing integrity and/or system down-time.	• Documented policies and procedures addressing change management processes and related control requirements (such as change testing, approvals, and documentation requirements) within Northgate Sx3, Agresso should be reviewed, updated and formally approved by the appropriate members of the organisation. • These should be communicated to the relevant personnel responsible for implementing them and/or abiding by them. Furthermore, training should be provided to ensure on-going compliance where appropriate. An individual should be assigned the responsibility for ensuring that the documentation is reviewed on a periodic basis along with effective version control.
4.	●	**Shared generic accounts used for Northgate database maintenance** Database maintenance and administration is performed through shared, generic accounts. In order to assign personal accountability to accounts with elevated access each account should be assigned to a named individual. This condition poses the following risks to the organisation: • a) Bypass of system-enforced internal control mechanisms through inappropriate use of administrative functionality by (1) making unauthorised changes to system configuration parameters, (2) creation of unauthorised accounts, (3) making unauthorised updates to their own account's privileges, or (4) deletion of audit logs or disabling logging mechanisms. • b) Internal access to information assets and administrative functionality may not be restricted on the basis of legitimate business need.	• All interactive security administrator accounts should be aligned with one named individual.

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Assessment
● Significant deficiency – risk of significant misstatement
● Deficiency – risk of inconsequential misstatement

Internal controls

	Assessment	Issue and risk	Recommendations
5.	●	**Proactive reviews of logical access within Agresso and Active Directory** User accounts and associated permissions within Agresso and Active Directory are not formally, proactively reviewed for appropriateness. This condition poses the following risks to the organisation: • Gaps in user administration processes and controls may not be identified and dealt with in a timely manner. • Access to information resources and system functionality may not be restricted on the basis of legitimate business need. • Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls. • No-longer-needed permissions granted to end-users may lead to segregation of duties conflicts. • Access privileges may become disproportionate with respect to end users' job duties.	• It is our experience that access privileges tend to accumulate over time. As such, there is a need for management to perform periodic, formal reviews of the user accounts and permissions within Agresso and Active Directory. These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).
6.	●	**Reviews of Information Security logs created by Northgate Sx3, Agresso and Active Directory** Logs of information security activity within Northgate Sx3, Agresso and Active Directory are not formally, proactively, and routinely reviewed. This condition poses the following risk to the Council: • Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and/or addressed in a timely manner.	• Given the criticality of data accessible through Northgate Sx3, Agresso and Active Directory, logs of information security events (i.e., login activity, unauthorised access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.

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Internal controls – review of issues raised in prior year

We reported back to Audit and Risk Committee the status of action against our 2015/16 recommendation in our Audit Plan, which was issued in March 2017. The issues below are those that required further follow up as part of our audit.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	• We recommended to the Council that a procedure is implemented to ensure that a reconciliation is performed between the payroll system and the general ledger as part of their monthly reconciliation processes.	• There has been a monthly sign off of this reconciliation during the year and the year end reconciliation was provided as part of evidence for financial statements audit purposes and agreement of the payroll to the general ledger.
2.	✓	• We recommend that the Council investigate the reporting function of its fixed asset register system to solve the issues that have led to the reconciling differences between the register and the general ledger this year.	• The Council has identified and addressed the problems arising. Outputs from the fixed asset register for 2016/17 were consistent and no reconciling differences were identified.
3.	✓	• We recommend that the Finance Team seek a greater involvement in the valuation process such that they become the driving force behind what valuations are undertaken and by when.	• There have been no delays this year in respect of the valuation team. Corporate Landlord have approached us for assistance in making sure that what they are providing to finance is appropriate and timely. We will continue to work with the Council over the coming year to further improve the process as timely valuations will become even more critical wit the forthcoming earlier sign off of 31 July 2018.
4.	✓	• We recommend that the Director of Governance reiterate to all Members the importance of keeping their register of interests up to date, not just as an annual process, but in real time as their interests change during the year.	• This year we identified no differences between the declarations made on the register of interests and our comparison to Companies House. We therefore concluded that the register of interests was complete and the action from this recommendation is complete.

Assessment
✓ Action completed
X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	**Property, Plant and Equipment** A number of differences were identified when we compared the valuer's report to the revaluation adjustments that were entered on the fixed asset register. The cost is overstated by £4,343k and accumulated depreciation overstated by £788k giving a net over statement of £3,555k.	(3,555)	(3,555)	(3,555)
2	**Cash Flow Statement** A number of errors were identified in the cash flow statement: Adjustment for non-cash movements overstated by £2.3m Purchase of property, plant and equipment, investment property and intangible assets was overstated by £2.4m Cash receipts of short and long term borrowing was understated by £3.1m due to the inclusion of repayment of PFI and finance leases which should have been included on a separate line. Repayments of short and long term borrowing was overstated by £0.8m. These items have now been adjusted in the final set of financial statements.	-	-	-
	Overall impact	**(3,555)**	**(3,555)**	**(3,555)**

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Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	**Council Dwellings** The district valuer has provided a beacon valuation for Council Dwellings. When extrapolated across the population of total Council Dwellings this results in an increase in value of £7.5m. This has not been adjusted for as it is not considered to be material as it only represents a 1.09% change in value.		7,525	Not material
2	Highfield and Penns School PFI liability is £1.72m lower than our estimate.		(1,720)	Not material
3	All of the PFI liability within the balance sheet is shown as a non-current liability. Part of the liability should be included within current liabilities.		(3,160) 3,160	Not material and nil impact
	Overall impact		**£5,805**	

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Impact of uncorrected misstatements in the prior year

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting in prior year	Commentary in relation to uncorrected misstatement and its impact on current year
1	A desktop valuation was performed by the Council's valuers to provide assurance that the carrying value as at 31 March 2016 was not materially misstated. As a result of this the carrying value at 31 March 2016 is estimated to be understated in the range of £1.8m to £3.5m.		3,475	Not material	Issue superseded by the valuations undertaken in respect of the year ended 31 March 2017.
2	The valuation of Council dwellings was carried out at 1 April 2015. As a result the Council has assessed whether there have been changes to the value of the housing dwellings during 2015/16. The Council estimate that there has been an increase in value of £4.1m in the year.		4,100	Not material	Issue superseded by the valuations undertaken in respect of the year ended 31 March 2017
3	All of the PFI liability within the balance sheet is shown as a non-current liability. Part of the liability should be included within current liabilities.		(1,900) 1,900	Not material and nil impact	This is a disclosure item only and therefore has net nil impact.
4	Highfield and Penn Fields schools PFI – the Council's PFI liability is £1.78m understated compared to our audit estimate.		(1,800)	Not material	Issue superseded by our consideration of the liability in current year.

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Impact of uncorrected misstatements in the prior year

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting in prior year	Commentary in relation to uncorrected misstatement and its impact on current year
5	The Council have identified an error within the Collection Fund Adjustment Account of £1.5m. Creditors is overstated in the range of £0.2m to £0.9m in respect of the Collection Fund. Debtors are understated by £0.5m to £1.2m in respect of the Collection Fund.		(1,500) 0,900 1,200	Not material Not material Not material	This issue has been addressed through a prior period adjustment identified by the Council.
6	The Council have been prudent in their equal pay provision and consequently £4.3m of the provision is a balancing figure with no supporting documentation	(4,300)	4,300	Not material	This issue has been addressed by the Council in its revision of the provision balance for the current year which stands at £2.5m as at 31 March 2017.
7	Academy school assets We identified that the value of property, plant and equipment at 1 April 2016 is overstated by £2,864k due to schools converting to Academy status, which had not been disposed of.	2,529	(2,529)	Not material	This issue was addressed by the Council by disposing of the assets within 2016/17 and therefore the balance as at 31 March 2017 is correctly stated.
	Overall impact	**(1,771)**	**8,146**		

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Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	-	Debt	Various figures in the narrative report have been updated to ensure they are consistent with the figures in the financial statements and notes.
2	Disclosure	1,000	Income	There was a £1.000k difference identified between Other Comprehensive Income and the revaluation reserve in respect of gain on revaluation of non-current assets.
3	Disclosure	-	Note 11 Participation in Pension Schemes	The Council contributions to the Teachers' Pension Scheme were incorrectly stated as £3.8m in 2016/17 and 2015/16 but should have been £6.3m for 2016/17 and £6.9m for 2015/16.
4	Disclosure	1,000	Housing Revenue Account	The deficit on provision of services for the Housing Revenue Account does not agree to the Movement In Reserves Statement. The deficit is understated by £1,000k in the Housing Revenue Account.
5	Disclosure	7	Leases	A difference of £7.5k has been identified in relation to one of the leases selected for testing between the liability per the lease and the liability per the lease disclosure. Amount is highly trivial and therefore it has not been amended for. However, we identified a number of issues during our lease testing whereby the Council could not locate the original lease agreement or rent review agreement. We recommend that the Council undertake a review of leases to ensure they have all appropriate documentation available to them. For testing purposes we were able to perform alternative procedures and are therefore satisfied that the accounts are not materially misstated in this regard, but nevertheless a risk remains with regard to the management of leases.
6	Disclosure	-	Expenditure Funding Analysis	The Code requires a disclose of income and expenditure by nature.
7	Disclosure	Various	-	We identified a number of errors in the Cash Flow Statement and related notes. The errors in the Statement ranged between £0.8m and £3.1m and the supporting note (16A) was overstated by £74.1m due to the omission of the revaluation movement on Council Dwellings. The cash flow statement has now been corrected in the final accounts.

Misclassifications and disclosure changes (continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
8	Disclosure	-	-	The draft accounts did not include details of accounting changes issued but not yet adopted. This disclosure is required by the CIPFA Code.
9	Disclosure	-	-	The disclosure of the number of other employees, excluding Senior Officers, whose remuneration for the year exceeded £50k, did not include data from 11 schools whose payroll was prepared by external providers.
10	Disclosure	-	-	We have made a number of amendments in conjunction with Council Officers to improve the presentation and disclosure of the financial statements.

PFI scheme disclosures

The Council has 4 PFI schemes covering a leisure centre, schools and a waste incinerator which are disclosed in the financial statements. The operators financial close and accounting models for PFI schemes are highly complex and produce accounting estimates for disclosures within the accounts. The unitary charge levied by the PFI supplier contains various elements including cost of services, additions of new equipment, energy and contract inflation which needs to be apportioned by use in the financial model. The application of the model in apportioning these costs is reported in the Council's accounts.

The accounting model requires judgements to be made in a number of areas by the Council. We have assessed the inputs from the Operator's models to produce an audit estimate for each disclosure within the financial statements. We then compare this with the Council's figures for its accounting estimate. Where the difference between the Council's and the audit accounting estimate falls within our trivial range (£0 to £673k) we are not required to report this. Where the Council's accounting estimate falls outside of this range this is reported below.

Issue	Commentary	Recommendations
Disclosures	**Balance sheet** Balance sheet liability – • Highfield and Penn Fields schools – the Council's liability is £1.72m lower than the audit estimate. £0.74m of the liability should be classified as a current liability rather than a non-current liability, as it falls due within 12 months of the balance sheet date. • Waste disposal facility – no issues to report on the overall liability: however £1.13m should be classified as a current liability rather than a non-current liability as it falls due within 12 months from the balance sheet date • St Matthias and Heath Park – no issues to report on the overall liability: however £1.29m should be classified as a current liability rather than a non-current liability, as it falls due within 12 months from the balance sheet date **Comprehensive income and expenditure account** Entries within the statement of comprehensive income & expenditure account in relation to service charges, interest and the impact of RPI fall within our range of estimates, therefore no issues identified. **Disclosures** The Code requires a number of disclosures in relation to the future commitments of the PFI schemes. **Future payments for services** For Bentley Bridge the total future service costs disclosed are different from the audit estimate in the range of £1.0m to £1.2m lower on the individual periods disclosed within the note. In total for Bentley Bridge the disclosure is £3.9m lower than the audit estimate. For the waste disposal facility, total future service costs are higher than the audit estimate by £0.80m.	The differences identified against our range of estimates for the PFI scheme have been discussed with the Council. Differences in each line of the disclosures have been detailed within the Commentary box. The total future payments disclosed for all PFI schemes are in line with the audit estimates. The differences are due to the way in which the indexation is allocated within the accounting models The Council have determined not to amend the financial statements in this regard. We have accepted the Council's estimate, as the degree of variation is not material, given the nature of the schemes and the basis of the estimate.

PFI scheme disclosures continued

Issue	Commentary	Recommendations
Disclosures	**Future interest costs** For St Matthias and Heath Park, the figures are in line with the audit estimate in respect of service costs and total interest. In terms of each period for interest, figures are different from the audit estimate in the range of £2.28m higher to £1.40m lower on the individual periods disclosed within the note. For Bentley Bridge the total interest costs disclosed are different from the audit estimate in the range of £0.00m to £1.25m higher on the individual periods disclosed within the note. In total for Bentley Bridge the disclosure is £4.08m higher than the audit estimate. For the waste disposal facility, total future interest costs are lower than the audit estimate by £0.79m. **Repayment of liability** For St Matthias and Heath Park, the amounts disclosed are different from the audit estimate in the range of £1.4m higher to £2.6m lower on the individual periods disclosed within the note. The total liability disclosed is within the audit estimate range. **Total unitary payments** The Council does not update its accounting models on an annual basis to reflect the actual unitary payment made and the impact of actual RPI. If the Council's models enable this to be done it would be good practice to model the impact on the future committed payments. The Code does not state whether the details should specify an estimate of the cash amount that will actually be paid or an estimate based on prices at the Balance Sheet date. Council's are therefore free to choose which (or both) will be more informative. The Council's disclosure states that the future payments disclosures are based on the RPI built into the operators financial close model, this disclosure could be improved to disclose the impact if actual RPI differs from this.	As per previous page.

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in January and February 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2017.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03, as follows:

- Medium Term Financial Resilience
- Children's Social Care
- Combined Authority
- Worklessness
- Strategic Asset Management

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

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We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- What arrangements the Council has in place for identifying, agreeing and monitoring its forward sustainability and operational plans, and communicating key findings to the Cabinet and Audit Committee.
- What was the result of the recent OFSTED inspection in respect of the Council's Children's Social Care Services
- What arrangements does the Council have in place to mitigate the risk of ineffective working relationships and to identify, manage and monitor risks in relation to the Combined Authority
- What plans are being put in place to improve the performance of the schools during the year and for continuing to improve the levels of educational achievement for the City's young people going forward and its impact on the levels of worklessness in the City
- What actions have been taken against the risks identified in the 2014-15 Annual Governance Statement in respect of Strategic Asset Management, and whether they are embedded and have been effective.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Medium Term Financial Resilience The Council has historically managed its finances well, achieving financial targets and is on course to achieve its 2016/17 budget. Nevertheless, the scale and pace of change for local government will affect future projections and it is important the Council is on track to identify and produce savings required to deliver balanced budgets in 2018/19 and 2019/20.	We reviewed the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used.	The Council's 2016/17 outturn position, as noted on page 8 of the Narrative Report of the financial statements, is a net underspend of £0.3 million, which comprises achievement of a savings target of £26.4 million for the year. Meeting with key officers and review of the 2017/18 budget has established that the Council has firm plans in place for 2017/18. To date there have been some adverse variances against budget and the Council has rated itself as "amber". The areas of overspend at this stage are in Waste of £1,700k and adult services, where there is a net forecast overspend of £841k. The bulk of this is due to Learning Disabilities Care Purchasing overspend totalling £904k which has arisen due to increased demand for support. We note that adult's services are undergoing transformation and each care package is being reviewed on a case-by-case basis to ensure that the most appropriate package has been offered. There are some underspends across the rest of the Council which will offset some of the remaining overspend but not all. The directorates have been given direction to identify further savings. The overall projected outturn for the General Fund is an overspend in the region of £2,100k. The Public Health overspend is being funded by use of £1,700k from the Budget Contingency Reserve. We are satisfied that the Council is developing plans for 2018/19 and 2019/20. This includes holding "Review, Challenge and Progress" to ensure people are challenged on their plans appropriately to ensure they hold up to scrutiny and are robust.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Medium Term Financial Resilience **(continued)**	(continued)	Of the £14,800k savings required for 2018/19, £12,500k have been identified. We note however that £7,500k of these savings are one-off and therefore will not be available to meet the savings gap in relation to 2019/20. Work continues to identify additional recurring budget opportunities that will work towards the remaining budget challenge to be delivered in 2019/20. The remaining cumulative budget challenge to be identified by 2019/20 stands at £15,500k. We are satisfied from our review that the Council has sufficiency of reserves to bolster its finances should its savings plans not be delivered, but clearly reserves can only be used once. **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to ensure it plans finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.**
Ofsted inspection of children's services We are aware that the Council's children's service is currently the subject of an Ofsted inspection (as at the time of writing). Until such time as Ofsted confirms that adequate arrangements are in place, this could potentially be a significant risk to the Council's arrangements under the Value for Money conclusion.	We reviewed the report from Ofsted as it became available and take these into account in forming our conclusion	Looked After Children continues to be an area of focus with the overall aim of reducing the number of children in care. These numbers have stabilised during 2016-17. Work is being undertaken to look at those in receipt of the services on a case-by-case basis to ensure that the most appropriate care package is in place and that care proceedings aren't being inappropriately initiated. We have considered the OFSTED Children's services report published on 31 March 2017. The report considered services for children in need of help and protection, children looked after and care leavers, and the Local Safeguarding Children Board. The report graded children's services in Wolverhampton as 'good'.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Ofsted inspection of children's services (continued)	(continued)	Ratings across the sub-sections were: 1. Children who need help and protection – Requires Improvement 2. Children looked after and achieving permanence (comprising adoption performance and experiences and progress of care leavers) – Good 3. Leadership, management and governance – Good **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of sound governance, and planning, organising and developing the workforce effectively to deliver strategic priorities.**
Combined Authority The Combined Authority came into existence on 17 June 2016. The City of Wolverhampton Council is a constituent authority and therefore this is a major strategic partnership. There is uncertainty as to what the impact of the Mayor will be. The Council's 2015/16 Annual Governance Statement noted that the Council needs to work effectively with its partners including other local authorities and LEPs to ensure that the CA is a success and that it benefits the City of Wolverhampton.	We reviewed the arrangements the Council has in place to mitigate the risk of ineffective working relationships and to establish how the Council is identifying, managing and monitoring risks in relation to the Combined Authority.	We found that the Council has: • adequately assessed the risks arising from the creation of West Midlands Combined Authority (WMCA) and has put arrangements in place to mitigate and manage those risks • taken advantage of the opportunities offered by the Devolution Deal by participating in the business rates retention pilot • seconded key officers to WMCA, thus ensuring that Wolverhampton's voice is heard within the highest levels of that body. The Council's Chief Executive is Monitoring Officer and Clerk to the Combined Authority and therefore has had a major role in ensuring it is driven forward and is successful. The previous Director of Finance has also acted as the interim Director of Finance to the WMCA. These roles have ensured that the Council have been kept fully informed of progress at the WMCA. The Council is mapping roles within Wolverhampton to those in the WMCA to ensure appropriate co-ordination of work. To further improve links with the WMCA the Council have created a new role within the Council: Director of Public Sector Service Reform. A key objective of the role will be to ensure that links are in place with the Combined Authority.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Combined Authority (continued)	(continued)	The importance of this area is recognised by the Council as it features on its risk register: *Maximising Benefits from West Midlands Combined Authority*. Actions are being taken are on-going and are focussed on ensuring that the work of the Combined Authority is recognised and communicated appropriately to officers and members of the Council. The proposed overall investment package of the WMCA is approximately £8bn and was dependent on a number factors, including raising a levy on business rates as well as a Council Tax precept. Elected mayors were to have the power to raise an additional 2% 'levy' on business rates and this power was to have been introduced by the *Local Government Finance Bill 2016-17*. However, this Bill did not feature in the post-election Queen's Speech. Therefore it is no longer certain that such a levy can be expected. There has been no formal request from the Combined Authority to the Council in respect of any contribution costs, aside from the cost of being a member, which is an annual fee of £25k. Whilst we are satisfied that that finance risks are being adequately identified and considered, Members should be aware that funding for a number of the schemes in WMCA's Investment Plan are not certain. In particular, the £36.5 million annual revenue funding from the Devolution Deal is subject to a jointly agreed 5-yearly gateway assessment process to confirm the investment has contributed to economic growth. The Council will need to consider the finances of the WMCA on a regular basis and any risks this brings to the authority. **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to ensure it works effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.**

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Worklessness The Council highlights in its risks register that if the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities. This will impact on high rates of unemployment and the demand on Council services.	We reviewed the Council's progress against the risk noted in their risk register in relation to Skills for Work. Through discussion with officers and review of relevant documents we assessed whether actions taken have been and are being effective.	The Council has taken a number of positive actions to reduce worklessness in Wolverhampton. We have documented some of the key activities below. In 2015 the Council instigated an Independent Skills Commission led by leader of the Council and Chaired by Professor Tony Travers, Director for British Government at the London Schools of Economics, to look at Skills & Employment and the Council's business growth plans. A clear plan to address worklessness was developed as a result of the Commission.. In the Summer of 2016 a Skills & Employment Board was set up to steer the work being undertaken. There were three work programmes within the plan for 2016/17: • City Workplace – focus on workforce development • City Workbox – focus on people. Workbox is a website that was launched in May to address the finding from the Commission in relation to fragmented provision. It will host a multitude of providers and employers offering advice and guidance online being therefore accessible by all. • Learning City – creating a city of learning (physical infrastructure) which also looks at the broader curriculum offer In addition to these workstreams the Council is developing an economic evidence base in conjunction with City-REDI, a research institute based at the University of Birmingham. Amongst other things, it will include a "Working and Inclusive City" aspect, which will report on the area's Employment and Economic Activity, Worklessness and Participation in Education and Training. Established in January 2017, Wolves at Work is a £3 million joint investment between the Council and DWP which aims to move 3,000 residents into sustained employment over 3 years. The project employs work coaches to work with local employers and residents to provide intensive support to maximise local recruitment and address unemployment.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Worklessness (continued)	(continued)	As a headline figure, in 2011, the Council's City Strategy set out a number of targets, one of which was to achieve an employment rate of at least 70% by 2026. In 2011 the baseline data was 61.3%: this has increased to 64.4% based on latest ONS data (2015). The actions taken by the Council and others have begun to impact and the unemployment rate has fallen from 11.3% in 2014/5 to 7.6% in 2016/17. While we note this improvement the national average unemployment rate per the Office of National Statistics is 4.4%. In comparison the rates for Wolverhampton have remained higher than the national average over the last 5 years. Similarly, only two of the other West Midlands Authorities have unemployment rates greater than Wolverhampton. Continued action is needed by the Council and its partners in this area. While further action is needed we are satisfied with the arrangements put in place by the Council. **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to ensure it plans finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making, as well as working with third parties effectively to support the delivery of strategic priorities.**
Strategic Asset Management The Council's 2014/15 Annual Governance Statement noted that following the transfer of Corporate Landlord to City Assets within the Place Directorate in January 2015 the opportunity was being taken to further evaluate many of the management, operational and governance arrangements put in place when the Corporate Landlord model was first established.	We reviewed the Council's progress against the risk noted in their 2015/16 Annual Governance Statement in relation to Strategic Asset Management. Through discussion with officers and review of relevant documents we assessed whether these actions have been undertaken and are effective.	The Council has made some progress in developing Strategic Asset Management. In particular, and Asset Transformation Programme commenced in November 2016. The programme has four workstreams: • Strategic Asset Plan: to develop a clear Strategic Asset Plan • Asset Challenge: to review what buildings are being used for and what is needed. • Data Management: to improve the data available to the Council to aid decision making

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Strategic Asset Management (continued) This process was intended to further embed the Strategic Asset Management function and was intended to ultimately establish a Strategic Asset Management Plan. It was noted in the 2015/16 Annual Governance Statement that a Strategic Asset Plan had yet to be developed.	(continued)	• Commercial Portfolio: to develop a team and strategy to develop and grow the current portfolio. In addition, the Council are continuing to progress the Corporate Landlord model. A recent external review has confirmed that this is an appropriate model but has also made a number of recommendations to strengthen the model. CIPFA are supporting the development of the Strategic Asset Plan and the implementation of the Corporate Landlord model. Their work is programmed for completion by November 2017. It is clear that progress in this area has not happened as quickly as the Council would have originally anticipated or wanted. However, this has not significantly impacted on service delivery at the Council and we are satisfied from our review, that the Council is being proactive in developing better Asset Management. Continued work and focus is needed in this area. **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place for managing and utilising assets effectively to support the delivery of strategic priorities.**

Section 4: Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Public interest report**	• We have not identified any matters that would require a public interest report to be issued
2.	**Written recommendations**	• We have not made any written recommendations that the Group is required to respond to publicly
3.	**Application to the court for a declaration that an item of account is contrary to law**	• We have not used this duty
4.	**Issue of an advisory notice**	• We have not used this duty
5.	**Application for judicial review**	• We have not used this duty

Section 5: Fees, non-audit services and independence

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We confirm below our final fees charged for the audit and provision of non-audit services during the 2016/17 financial year

Fees

	Proposed fee £	Final fee £
Council audit	189,428	189,428
Grant certification	19,128	19,128
Total audit fees (excluding VAT)	**208,556**	**208,556**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

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Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table below summarises all non-audit services which were identified.

Fees for other services

Service	Fees £
Audit related services:	
• Audit of Subsidiary Company Yoo Recruit	15,000
• CASHH grant	2,115
Total Audit related services	**17,115**
Non-audit services	
• Income generation	61,000
• Opportunity West Midlands	11,000
• Utility bills consultancy	13,000
Total Non-audit services	**85,000**

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
During the financial year 2016/17 we were approached by the Council to audit their wholly-owned subsidiary, Yoo Recruit Limited	Yoo Recruit limited	£15,000	No	There is no contingent element to this fee, i.e. the amount of fee is not dependent on any successful outcome. The fee for this work is small in comparison to the total fee for the audit (7%) and in particular Grant Thornton UK's turnover overall. Our scope of work did not involve making decisions on behalf of the Council's management. The work was carried out by a separate team, thus safeguarding against the familiarity threat.
CASHH grant	City of Wolverhampton Council	£2,115		
Income generation	City of Wolverhampton Council	£61,000	No	
Opportunity West Midlands	City of Wolverhampton Council	£11,000	No	This was a training programme given to three delegates from the City of Wolverhampton Council as part of a wider West Midlands cohort. The training being given was to raise aware ness of alternative delivery models and to assist officers in making the step up from a more operational to strategic role. Therefore not considered to impact on our financial statements opinion or our value for money conclusion.
Utility bills consultancy	City of Wolverhampton Council	£13,000	No	This involved a contingent fee, but this was capped at a certain level. Our scope of work did not involve making decisions on behalf of the Council's management. The work was carried out by a separate team, thus safeguarding against the familiarity threat.

Section 6: Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

Appendices

A. Action Plan

B. Audit Opinion

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	**Lack of Formal Reviews of Information Security Policies and Procedures** Information security policies and procedures should be reviewed at planned intervals (preferably annually) or when significant changes occur to ensure for their continuing suitability, adequacy and effectiveness.		Information security policies and procedures are subject to review at planned intervals or when significant changes occur. Key changes being considered during 2017 are the implications of the General Data Protection Regulations that come into force in May 2018 and 'New Ways of Working' currently being adopted by the Council that will consider how information is stored, home and mobile working and changes to associated information security policies including 'The Personal Use of Council Computer Equipment and Access to Social Media Policy'. Policy reviews, along with associated employee communications and training are subject to oversight, endorsement and approval by the Information Governance Board and as required by the Strategic Executive Board and Cabinet (Resources) Panel.	Martin Eades 25 May 2018
2.	**Northgate Sx3 password complexity enforcement** Password complexity should be consistently enforced within Northgate Sx3.		The Northgate system can only be accessed after a successful log in to the corporate network. Access to Northgate is therefore always protected by the security features of the corporate network. A user's password for Northgate is not connected to their corporate network logon and permits only 3 attempts at logging in before a user account is locked. This limits users to just 3 attempts at "guessing" a password. There is no automated unlock facility and users have to make a phone call to the revenues and benefits systems team to get their Northgate account unlocked. Taking the above points into consideration, we consider that the risk of successful access by password cracking or guessing is extremely small.	Jayne Owens 31 December 2017

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Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
2.	**Northgate Sx3 password complexity enforcement** (continued)		Northgate's security guide details additional password complexity features which are available but warns that including these may have a detrimental impact on system functionality. We will consult Northgate about changing the password complexity and will carry out some testing to investigate the impacts of password complexity features on system activities. We will only increase the complexity of passwords if we find that this can be achieved without affecting system functionality.	
3.	**Change Management Policies and Procedures** Documented policies and procedures addressing change management processes and related control requirements (such as change testing, approvals, and documentation requirements) within Northgate Sx3, Agresso should be reviewed, updated and formally approved by the appropriate members of the organisation. These should be communicated to the relevant personnel responsible for implementing them and/or abiding by them. Furthermore, training should be provided to ensure on-going compliance where appropriate. An individual should be assigned the responsibility for ensuring that the documentation is reviewed on a periodic basis along with effective version control.		The change management process within ICT is currently under review, however, the current process is followed for any technical infrastructure / architecture changes to all ICT supported solutions (which includes Northgate Sx3 and Agresso). This change management process review is expected to take approximately 6 months and the outcome will be a robust, more automated change management process. Both of the system owners of Northgate Sx3 and Agresso have their own policies and processes to manage any application changes and these are followed rigorously in order to avoid errors or the creation of risks and issues.	Paul Dunlavey 31 October 2017

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
4.	**Shared generic accounts used for Northgate database maintenance** All interactive security administrator accounts should be aligned with one named individual.		The only employees with access these accounts are those with Unix server access who know the password – I.e. 1 server engineer and 1 domain architect. This is the Northgate recommended model and moving away from this recommendation contains more risk than having 2 people with access due to the way that everything is embedded within the infrastructure. The risks identified may be valid when there are numerous employees who can gain access but when there are only 2 employees accountability is very easy to determine. We have had no issues in the 11 years plus that we've had Northgate products and, given the way we have access to Unix locked down, we don't believe that the risk raised necessitates any change to the current model and that the risk raised has a very low probability score due to ease of identification of change owner due to it being one of two in any circumstance.	N/A
5.	**Proactive reviews of logical access within Agresso and Active Directory** It is our experience that access privileges tend to accumulate over time. As such, there is a need for management to perform periodic, formal reviews of the user accounts and permissions within Agresso and Active Directory. These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).		The Business World (Agresso) Support Team have sent out a report to all line managers detailing the internal Business World access held by their direct reports. The purpose is to review and report back any discrepancies between the roles held by team members and the access granted, for the Support Team to amend. The turnaround time requested is 3 weeks. This process will be repeated every 6 months but may move to a quarterly exercise if it can be automated. Active Directory is being upgraded within this financial year and part of that exercise will involve running checks on AD credentials. AD actually uses Agresso as its source system so any changes made in Agresso as a result of introducing the above process will also be reflected in Active Directory.	Emma Bland 13 October 2017 Paul Dunlavey 31 October 2017

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Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
6.	**Reviews of Information Security logs created by Northgate Sx3, Agresso and Active Directory** Given the criticality of data accessible through Northgate Sx3, Agresso and Active Directory, logs of information security events (i.e., login activity, unauthorised access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.		The council is in the process of adopting Microsoft's "Advanced Threat Analytics" (ATA) tool which will analyse all logs that are requested of it and will highlight any perceived inappropriate or anomalous activity. As the product increases its trend learning over time it will also be able to proactively monitor access attempts and block any attempts that appear to be inappropriate or anomalous. A team of security experts will be tasked with (i) analysing the reactive reports and (ii) releasing blocked attempts that are genuine access requests. Presently, prior to the implementation of ATA, logs are reviewed if incidents (of any nature) occur and any erroneous activity is examined and reported.	Paul Dunlavey 31 October 2017

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Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
7.	**Investment Properties** The Council has a procedure of revaluing all assets with a value above £1m, including investment properties. The Code requires that after initial recognition, Investment Property needs to be measured at fair value: the fair value of an investment property shall reflect market conditions at the end of the reporting period and therefore to comply with the Code the Council should be seeking valuations of Investment Properties as at the end of each reporting period. We recommend that Council either perform a formal exercise each year to either ensure that all investment properties reflect market value as at the year end or otherwise are able to demonstrate that the value at which they are carried in the accounts it not materially misstated		All investment properties will be revalued on an annual basis going forwards.	This will be implemented for the 2017/18 valuations Responsibility: Emma Bland, Finance Business Partner
8.	**Accruals** During our cut-off testing we identified that £2.4k of items from a sample of £38k had not been accounted for in the correct period. By extrapolating this projected error across the population we identified that the potential error could be in the magnitude of £1.9 million. We are satisfied that this would not present a material misstatement and therefore no proposed adjustment has been raised. This issue has arisen due to a policy put in place by the Council of not exhaustively accruing balances less than £10k. We commend the Council for seeking ways in which to expedite the closedown process. However, we recommend that the Council revisit their policy and consider whether in light of the above findings they are content that a £10k threshold is appropriate.		This matter only impacts manual accruals as all system accruals will be included in the accounts irrespective of the value. Work is ongoing to maximise the use of Agresso to post system accruals which will minimise manual accruals. We don't anticipate that this policy will have a material impact on the accounts but will continue to monitor the value of amounts not accrued.	This will be reviewed during the 2017/18 accounts closedown. Responsibility: Emma Bland, Finance Business Partner

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
9.	**Valuation of pension fund liability** The Council did not inform the actuary of the number of redundancies to have taken place during the 2016/17 financial year and therefore the actuary was unable to take this into account in their valuation of the pension fund net liability. The actuary has since confirmed that had he known the information, the difference it would have made to the liability would have been to increase it by £161k which is clearly trivial, and therefore no adjustment has been proposed in this regard. We have raised a recommendation to the Council to ensure that the actuary is made aware of any information pertinent to their calculations on a timely basis.		Noted and will be implemented.	This will be implemented during the 2017/18 valuation. Responsibility: Emma Bland, Finance Business Partner
10.	**Management of leases** We identified a number of issues during our lease testing whereby the Council in some case could not locate the original lease agreement and in other cases could not locate the rent review agreement. For testing purposes we were able to perform alternative procedures and are therefore satisfied that the accounts are not materially misstated in this regard, but nevertheless a risk remains with regard to the management of leases. We recommend that the Council undertake a review of leases to ensure they have all appropriate documentation available to them.		In the last 18 months, a large number of paper based files have been scanned which has enabled the Estates Team to quickly find information relating to leases. There are some instances where historical files cannot be located, but the Estates Team together with Legal Services are in the process of reviewing all leases (rent reviews, lease renewals and terminations). This will result in accurate electronic data management of future leases.	This work is ongoing however it is being prioritised based on rent review and lease renewal dates. It is envisaged that it will take until the end of 2017/18 financial year until all lease information is captured and valid. Responsibility: Angela Ward, Estates Manager

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Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B: Audit opinion

We anticipate we will provide the Group with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF WOLVERHAMPTON COUNCIL

We have audited the financial statements of City of Wolverhampton Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise , the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Group and Council Balance Sheets, the Group and Council Movement in Reserves Statements,
the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:
• the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
• the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:
• in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
• we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or

• we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
• we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

[Signature]

MARK STOCKS
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

[Date]

Statement of Accounts

2016/17

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

CONTENTS

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

Section 2 contains the statement of responsibilities, and sets out the roles and responsibilities of the Council and of the Director of Finance in preparing the statement of accounts. The independent auditors' report is included in Section 3. This report draws reader's attention to any important information they might need to consider when reading the statements.

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

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

The Balance Sheet – this shows all the Council's assets, liabilities and reserves at the end of the financial year. Assets are either items that the Council owns and can use or sell in the future, or money that it is owed by other parties. Liabilities are money owed by the Council 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 1A – Expenditure and Funding Analysis – this note shows expenditure is allocated for decision making purposes between the Authority's directorates.

Note 1B – Note to the Expenditure and Funding Analysis

Note 2 – Prior Period Restatement of Service Expenditure and Income

Note 3 – Prior Period Adjustments – this note provides details of adjustments relating to prior periods and the impact on the financial statements.

Note 4 – Income and Expenditure – this note provides information about a number of specific areas of income and expenditure required by law or by the Code.

Note 5 – Other Operating Expenditure

Note 6 – Financing and investment Income and Expenditure

Note 7 – Taxation and Non-specific Grant Income and Expenditure

Note 8 – 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 9 – Provisions and Contingent Liabilities – this note provides information about things for which the Council knows it will or may have to pay money to other parties, but there is uncertainty about one or more elements of that payment. This may be the amount of the payment, when it has to be paid, or even whether the Council will actually have to make a payment.

Note 10 – 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 11 – 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 12 – Financial Instruments – this note provides information about the Council's financial instruments, which are assets or liabilities entered into under contracts.

Note 13 – Members of the City of Wolverhampton Council Group and Other Related Parties – the Council has relationships with a number of other organisations that readers should be aware of when reading the accounts. This note provides information about these relationships.

Note 14 – Trust Funds – this note provides information about the trust funds that the Council manages on behalf of other people.

Note 15 – Reconciliation of the Financial Statements to the Statutory Accounts – as mentioned earlier, there are many differences between the financial statements and the legal accounts that the Council uses to manage its finances. This detailed note analyses all those differences for interested readers.

Note 16 – Notes to the Cash Flow Statement - these notes provide more detail relating to certain items included in the cash flow statement.

Note 17 – 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 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, in particular, how it manages key risks.

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

Note on Group Accounts

The Council owns three other organisations, Wolverhampton Homes Limited, Yoo Recruit Limited and WV Living (City of Wolverhampton Housing Company Limited). As a result of this the Council is required to produce group accounts. Yoo Recruit Limited became a wholly-owned subsidiary of the Council in 2013/14; WV Living became a wholly-owned subsidiary of the Council in 2016/17. As the impact on the group accounts is considered by the Council, to not be material – Yoo Recruit Limited and WV Living have 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. The company's accounts have been wholly consolidated in the group elements of the financial statements.

The group accounts combine the accounts of the Council and Wolverhampton Homes Limited and show them as if they were one. Throughout the financial statements (Section 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.

The Corporate Plan

In collaboration with partners across Wolverhampton the Vision 2030 document captures the aspirations and priorities for the City Vision2030. It is in this context that the City of Wolverhampton Corporate Plan is developed. The Corporate Plan sets out the way in which the Council intends to develop and improve its services and, in conjunction with other plans and partners, plays an important role in ensuring that the Council's strategic objectives are achieved for the people and the City of Wolverhampton.

The Corporate 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 Corporate Plan can be found here CorporatePlan

The plan is a key component of our 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. Throughout the year performance against the plan is monitored by the Cabinet (Performance Management) Panel. Reports to this panel can be found here Cabinet (Performance) Panel

Financial Performance 2016/17

General Fund

In March 2016, the Council approved a budget incorporating a savings target of £26.4 million for 2016/17. The following table compares the Council's General Fund outturn for 2016/17 to its budget. It analyses spend by Directorate, which is the format used for internal reporting to management. This table is calculated in line with the legal requirements. As the table shows, the Council's outturn for 2016/17 was a net underspend of £0.3 million. After taking into account net transfers to/from earmarked reserves, the General Fund Balance remains at £10.0 million and earmarked reserves total £61.6 million at the end of the financial year.

Service	2016/17 Net Controllable Budget £m	2016/17 Net Controllable Outturn £m	Total Variation Over/(Under) £m
Place	42.0	41.0	(1.0)
People	113.3	113.1	(0.2)
Corporate Services (including Education)	33.7	36.5	2.8
Corporate Budgets	28.4	27.0	(1.4)
Net Budget Requirement	**217.4**	**217.6**	**0.2**
Funding:			
Government Grant (General)	(92.7)	(93.3)	(0.6)
Business Rates	(37.8)	(37.8)	-
Enterprise Zone Business Rates	(1.5)	(1.4)	0.1
Council Tax	(86.0)	(86.0)	-
Collection Fund Deficit	2.2	2.2	-
Budgeted Use of Reserves	(1.6)	(1.6)	-
Total Funding	**(217.4)**	**(217.9)**	**(0.5)**
Net Budget (Surplus)/Deficit	**-**	**(0.3)**	**(0.3)**

Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £19.3 million, compared to a budgeted surplus of £15.3 million. This position is net of a revaluation adjustment of £85.1 million included in the income and expenditure statement but not in the HRA balance. This surplus including the £4 million variance against budget has been set aside by the Council as provision for the redemption of debt. This has the major advantage of creating additional 'headroom' under the HRA borrowing limit as set by law, which will enable the Council to pay for additional investment in its houses in the future.

The operating surplus compared to the budgeted surplus was primarily due to savings on interest payable and receivable and income received being slightly higher than budgeted.

	Budget 2016/17 £m	Outturn 2016/17 £m	Variance Over/(Under) £m
Income	(98.7)	(99.4)	(0.7)
Expenditure	70.1	69.0	(1.1)
Net Cost of Services	**(28.6)**	**(30.4)**	**(1.8)**
Net Cost of Borrowing and Investments	13.3	11.1	(2.2)
Surplus for the Year	**(15.3)**	**(19.3)**	**(4.0)**
Allocation of Surplus for the Year			
Provision for Redemption of Debt	(15.3)	(19.3)	(4.0)
Transfer to/(from) Reserves	-	-	-
Total	**-**	**-**	**-**

Capital Programme

Capital expenditure by the Council during 2016/17 totalled £115.7 million, as set out in the following table. This was £41.2 million under budget primarily due to slippage into future years and cost reductions.

Expenditure	Approved Budget £m	Outturn £m	Variation Over/(Under) £m
General Fund			
Corporate	34.7	21.9	(12.8)
People	2.4	1.3	(1.1)
Place	76.7	58.9	(17.8)
Total General Fund	**113.8**	**82.1**	**(31.7)**
Housing Revenue Account	**43.1**	**33.6**	**(9.5)**
Total Expenditure	**156.9**	**115.7**	**(41.2)**

Items of Interest in the Accounts

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

Provisions and Contingent Liabilities

The Council's total level of provisions decreased by £6.6 million (net) over the course of the year. This was due to the use of £3.6 million of the Capitalisation Risks provision, £9.2 million use of the provision for NDR appeals and other net increases totalling £6.2 million. Total provisions at 31 March 2017 stood at £11.3 million: further details are provided in Note 9A to the Financial Statements.

Capital Expenditure

The Council once again successfully managed a large capital expenditure programme in 2016/17, resulting in additions to non-current assets of £96.7 million, together with other capital expenditure of £19.0 million. The main additions were on council dwellings (£33.6 million), other land and buildings (£29.3 million) and infrastructure assets (£12.8 million), which reflects investment in the highway network. Information about non-current assets held by the Council can be found in Note 10.

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 £127.3 million during 2016/17, made up of an increase of £342.9 million in liabilities, and an increase of £215.6 million in assets. The main reasons for the net movement were losses of £122.0 million resulting from changes in actuarial assumptions, net interest payable of £18.3 million, and other net expenditure of £12.9 million. Note 6 to the Financial Statements provides further information on employee pensions.

In practice, the value of the net pension's liability is not entirely meaningful, because pension payments will generally not need to be made for many years, and the Pension Fund plans over long timescales as a result. Furthermore, the amount the Council has to charge to its revenue accounts is the amount of employee contributions payable for the year, and not the costs calculated under the accounting rules. It is also important to note that the calculation of the net pensions liability relies on a number of complex judgements and assumptions, variations in which can lead to significant differences in the outcome: this is discussed in Note 17C to the Financial Statements.

Borrowing Facilities and Capital Borrowing

The Council borrows to part-fund its capital expenditure programme. As a local authority, the Council can borrow funds from the Public Works Loan Board (UK Debt Management Office), which allows the Council to benefit from the relatively low cost of Government borrowing. At 31 March 2017, its total borrowing portfolio stood at £655.1 million, of which £531.2 million is owed to the Public Works Loan Board, £103.8 million to private sector lenders, £14.0 million temporary loans from other local authorities and £6.1 million from non-departmental public bodies. 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 £4.5m accrued interest and a £5.1m difference between the LOBO principal cash value and amortised cost (as required for the accounts).**The Medium Term Financial Strategy 2017/18 to 2019/20**

General Fund

1. NARRATIVE REPORT - THE MEDIUM TERM FINANCIAL STRATEGY

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

Economic Conditions

The UK economy has generally been performing weakly since the 'credit crunch' crisis of 2007/08, following several years of consistently high economic performance since the mid-1990s. Price inflation in the UK has also generally been high during the last few years. The main impacts of these economic conditions on the Council have included:

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

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

Social and Demographic Factors

The City of Wolverhampton is amongst the most densely populated local authority areas in England with 252,987 (2014 mid-year estimate) people living in its 26.8 square miles. In addition, the latest Indices of Deprivation (2015) indicate that Wolverhampton is more deprived than it was five years before (2010), a decline from the 20th most deprived to the 19th (out of 326 councils). Although it is important to note that deprivation in the city continues to be concentrated in a number of 'hot spots'.

In addition, the city's demographic profile is changing, attracting new residents and increasing diversity, and as a result Wolverhampton's population is projected to increase, by about 5,700 (2.3%) between 2014 and 2024. This growth rate is on par with the Black Country average yet below the national average which, therefore, suggests that if population remains a dominant factor for the distribution of Government grants then Wolverhampton will continue to receive a declining share of those resources.

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

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

The Medium Term Financial Strategy

Whilst the Council's financial planning process is driven by the annual statutory budget cycle, its horizons extend to the next four financial years. The Medium Term Financial Strategy is a critical part of the Council's planning and performance framework, and is kept under continuous review. The Medium Term Financial Strategy, as approved by Full Council in March 2017 is summarised in the table below.

	2017/18 £m	2018/19 £m	2019/20 £m
Net Expenditure Budget	**216.1**	**239.3**	**255.3**
General Funding	**(216.1)**	**(224.5)**	**(234.8)**
Cumulative Projected Deficit	**-**	**14.8**	**20.5**
Annual Projected Deficit	**-**	**14.8**	**5.7**

The Council has been able to set a balanced budget for 2017/18 without the use of general reserves however, as the table above shows, the Council forecasts that it will need to save a further £20.5 million over the next two years. These savings are in addition to £33.8 million of savings that are already planned and built into the Medium Term Financial Strategy. Further to this, the Council has already identified savings in excess of £200 million over the last six financial years.

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

The Financial Plan, which can be found here Financial Plan outlines the Council's approach to tackling the financial challenges. The Council's strategic approach to address the deficit is to:

- Manage demand for core services by using early intervention to help, for example, troubled families and vulnerable adults live unsupported, independent lives;
- Investment in technology to enable transformation of services;
- Maximisation of commercialisation opportunities.

The Council does not want to simply manage decline and therefore must invest in the future through:

- Improving educational attainment and skills;
- Encouraging enterprise and business, and private sector employment and to stimulate economic activity through capital investment.

Housing Revenue Account

The Council is planning to utilise the freedoms and resources resulting from the introduction of self-financing in April 2012 to continue to develop new affordable housing in the city.

An updated HRA business plan was approved in January 2017. The HRA is expected to have sufficient resources to fund £1.7 billion of capital works that will be required to its houses over the next 30 years, as well as meeting its management and maintenance obligations over the same period. In addition, savings achieved through a review of the capital programme and other changes has released resources that will enable an additional 450 new homes to be built over the next four years.

In terms of 2017/18, the plan included an average rent decrease of 1% in line with the requirements of the Welfare Reform and Work Bill. The table below shows the approved budget for 2017/18, along with forecasts for the next two years.

	Budget 2017/18 £m	Forecast 2018/19 £m	Forecast 2019/20 £m
Income			
Gross Rents – Dwellings	(91.3)	(90.4)	(91.7)
Gross Rents - Non-Dwellings	(0.8)	(0.8)	(0.8)
Charges to Tenants for Services and Facilities	(5.7)	(6.1)	(6.8)
Total Income	**(97.8)**	**(97.3)**	**(99.3)**
Expenditure			
Management and Maintenance	45.6	45.7	45.9
Depreciation of Long Term Assets	22.1	22.1	22.0
Net Financing Costs	11.0	14.5	15.7
Provision for Bad Debts	2.3	2.3	2.3
Total Expenditure	**81.0**	**84.6**	**85.9**
Balance	**(16.8)**	**(12.7)**	**(13.4)**

Capital Programme

Capital expenditure is investment in the Council's property, plant, equipment and other long-life assets. In certain circumstances, it can also include investment in assets owned by other parties. The table below shows the Council's capital programme for the next five years, as approved by Full Council.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
Forecast Expenditure	164.8	108.4	64.7	81.6	1.7	421.2

The following table lists some of the main projects in 2017/18:

Project	Forecast Expenditure 2017/18 £m
Corporate	
West Midlands Combined Authority Initiatives	15.0
Primary School Expansion Programme	5.0
Schools Modernisation, Suitability and Condition	2.7
Transformation Development Efficiency Strategy	2.5
ICT Developments	2.4
	27.6
People	
Sports Investment Strategy	1.9
Community Hubs	0.4
Public Health	0.3
Independent Living Standards Improvements	0.1
Learning Disability	0.1
	2.8

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Project	Forecast Expenditure 2017/18 £m
Place	
Physical Regeneration	20.9
Black Country Growth Deal - Cultural Programme	7.2
Future Spaces	6.2
Highway Capital Maintenance	5.2
Fleet Services	5.1
City Learning Quarter	3.7
Remediation of contaminated land	2.5
Operational Maintenance	1.8
Corporate Asset Management	1.7
Highway Improvements & Active Travel	1.2
Development of Cultural Estate	1.1
Wolverhampton Major Projects	0.6
Non-Strategic Assets Disposals Programme	0.6
Waste & Recycling Strategy	0.5
Maintenance of Structures	0.4
Queen Street Townscape Heritage	0.4
Parks Refurbishment Programme	0.3
Energy Management	0.3
Bereavement Services	0.2
Targeted Strategic Disposals Programme	0.2
	60.1
Housing Private Sector	**26.3**
Housing Revenue Account	
Decent Homes Stock Condition	23.3
Estate Remodelling	9.5
Other Stock Condition Improvements	7.3
New Build Programme	4.7

Project	Forecast Expenditure 2017/18 £m
Service Enhancements and Miscellaneous	2.0
Adaptations for People with Disabilities	1.0
Other Improvements to the Public Realm	0.2
	48.0
Grand Total	**164.8**

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

Source of Funding	Forecast Expenditure 2017/18 £m
Borrowing	100.5
Reserve Funds	29.3
Grants and Contributions	22.1
Capital Receipts	12.4
Capital Expenditure Financed from the Revenue Account	0.5
Total	**164.8**

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 2017 and its income and expenditure for the year ended on the same date.

Claire Nye

Director of Finance

12th June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF WOLVERHAMPTON COUNCIL

TO BE INSERTED

Comprehensive Income and Expenditure Statement (Council only)

2015-16					2016-17		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
0.5	(0.1)	0.4	Strategic Director People		4.1	(0.1)	4.0
52.5	(22.4)	30.1	Older People		53.6	(20.2)	33.4
102.6	(62.5)	40.1	Disability & Mental Health		79.1	(36.5)	42.6
79.1	(12.1)	67.0	Children & Young People		57.1	(8.4)	48.7
24.4	(21.1)	3.3	Public Health & Wellbeing		20.0	(18.0)	2.0
259.1	**(118.2)**	**140.9**	**People**		**213.9**	**(83.2)**	**130.7**
-	-	-	Managing Director		1.8	0.1	1.9
0.4	-	0.4	Directorate		-	-	-
14.0	(1.5)	12.5	Transformation Team		-	-	-
6.9	(1.4)	5.5	Governance		10.2	(5.2)	5.0
134.4	(121.8)	12.6	Corporate Services		151.1	(138.8)	12.3
10.9	(22.2)	(11.3)	Corporate Accounts		6.8	(29.8)	(23.0)
			Corporate Resources		1.4	(5.5)	(4.1)
166.6	**(146.9)**	**19.7**	**Corporate**		**171.3**	**(179.2)**	**(7.9)**
0.5	-	0.5	Strategic Director Place		0.5	0.1	0.6
20.8	(12.1)	8.7	City Economy		28.1	(6.4)	21.7
(4.2)	(9.8)	(14.0)	City Assets		5.6	(0.9)	4.7
2.1	(0.2)	1.9	Housing		29.6	(27.1)	2.5
45.7	(18.9)	26.8	City Environment		65.0	(18.1)	46.9
64.9	**(41.0)**	**23.9**	**Place**		**128.8**	**(52.4)**	**76.4**
167.5	**(162.3)**	**5.2**	**Education**		**184.9**	**(146.2)**	**38.7**
149.4	**(103.2)**	**46.2**	**Housing Revenue Account**		**73.0**	**(188.3)**	**(115.3)**
807.5	**(571.6)**	**235.9**	**Net Cost of Services**		**771.9**	**(649.3)**	**122.6**
77.6	(14.2)	63.4	Other operating expenditure	5	61.0	(16.2)	44.8

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

2015-16					2016-17		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
52.2	(6.7)	45.5	Financing and investment income and expenditure	6	56.5	(3.6)	52.9
-	(259.3)	(259.3)	Taxation and non-specific grant income and expenditure	7	-	(247.0)	(247.0)
937.2	**(851.8)**	**85.6**	**Deficit on Provision of Services**		**889.4**	**(916.1)**	**(26.7)**
		1.5	Gain/(loss) on Revaluation of Non-Current Assets				10.0
		(63.3)	Re-measurement of the net defined benefit liability				122.1
		(1.8)	Surplus or deficit on revaluation of available for sale financial assets				(4.4)
		(63.6)	**Other Comprehensive Income and Expenditure**				**127.7**
		22.0	**Total Comprehensive Income and Expenditure**				**101.0**

Comprehensive Income and Expenditure Statement (Group)

2015-16					2016-17		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
0.5	(0.1)	0.4	Strategic Director People		4.1	(0.1)	4.0
52.5	(22.4)	30.1	Older People		53.6	(20.2)	33.4
102.6	(62.5)	40.1	Disability & Mental Health		79.1	(36.5)	42.6
79.1	(12.1)	67.0	Children & Young People		57.1	(8.4)	48.7
24.4	(21.1)	3.3	Public Health & Wellbeing		20.0	(18.0)	2.0
259.1	**(118.2)**	**140.9**	**People**		**213.9**	**(83.2)**	**130.7**
-	-	-	Managing Director		1.8	0.1	1.9
0.4	-	0.4	Directorate		-	-	-
14.0	(1.5)	12.5	Transformation Team		-	-	-
6.9	(1.4)	5.5	Governance		10.2	(5.2)	5.0
134.4	(121.8)	12.6	Corporate Services		151.1	(138.8)	12.3
10.9	(22.2)	(11.3)	Corporate Accounts		6.8	(29.8)	(23.0)
-	-	-	Corporate Resources		1.4	(5.5)	(4.1)
166.6	**(146.9)**	**19.7**	**Corporate**		**171.3**	**(179.2)**	**(7.9)**
0.5	-	0.5	Strategic Director Place		0.5	0.1	0.6
20.8	(12.1)	8.7	City Economy		28.1	(6.4)	21.7
(4.2)	(9.8)	(14.0)	City Assets		5.7	(0.9)	4.8
(2.1)	3.4	1.3	Housing		24.5	(23.4)	1.1
45.7	(18.9)	26.8	City Environment		65.0	(18.1)	46.9
60.7	**(37.4)**	**23.3**	**Place**		**123.8**	**(48. 7)**	**75.1**
167.5	**(162.3)**	**5.2**	**Education**		**184.9**	**(146.2)**	**38.7**
149.3	**(103.2)**	**46.2**	**Housing Revenue Account**		**73.0**	**(188.3)**	**(115.3)**
803.2	**(568.0)**	**235.3**	**Net Cost of Services**		**766.9**	**(645.6)**	**121.3**
77.6	(14.2)	63.4	Other operating expenditure	5	61.0	(16.2)	44.8

Comprehensive Income and Expenditure Statement (Group) (continued)

2015-16 Gross Expenditure £m	2015-16 Gross Income £m	2015-16 Net Expenditure £m		Note	2016-17 Gross Expenditure £m	2016-17 Gross Income £m	2016-17 Net Expenditure £m
53.3	(6.7)	46.6	Financing and investment income and expenditure	6	57.5	(3.6)	53.9
-	(259.3)	(259.3)	Taxation and non-specific grant income and expenditure	7	-	(247.1)	(247.1)
934.1	**(848.2)**	**86.0**	**Deficit on Provision of Services**		**885.4**	**(912.5)**	**(27.1)**
		1.5	Gain/(loss) on Revaluation of Non-Current Assets	10			10.0
		(68.1)	Re-measurement of the net defined benefit liability	11			126.9
		(1.8)	Surplus or deficit on revaluation of available for sale financial assets				(4.4)
		(68.4)	**Other Comprehensive Income and Expenditure**				**132.5**
		17.6	**Total Comprehensive Income and Expenditure**				**105.4**

Balance Sheets

31 March 2015 (Restated) Council	31 March 2015 (Restated) Group	31 March 2016 (Restated) Council £m	31 March 2016 (Restated) Group £m		Note	31 March 2017 Council £m	31 March 2017 Group £m
1,347.5	*1,347.5*	1,327.4	*1,327.4*	Property, Plant & Equipment	10	1,366.0	*1,366.0*
11.5	*11.5*	11.5	*11.5*	Heritage Assets	10	11.5	*11.5*
18.3	*18.3*	25.5	*25.5*	Investment Property	10	40.0	*40.0*
4.5	*4.5*	4.6	*4.6*	Intangible Assets	10	6.4	*6.4*
-	-	-	-	Assets Held for Sale	10	0.3	*0.3*
19.7	*19.7*	19.8	*19.8*	Long-term Investments		24.2	*24.2*
1.4	*1.4*	1.4	*1.4*	Long-term Debtors		1.3	*1.3*
1,402.9	***1,402.9***	**1,390.2**	***1,390.2***	**Long-term Assets**		**1,449.7**	***1,449.7***
24.4	*24.4*	43.0	*43.0*	Short-term Investments		7.9	*7.9*
0.5	*0.5*	0.5	*0.5*	Inventories		0.5	*0.5*
68.0	*66.3*	73.7	*73.1*	Short-term Debtors	8A	63.9	*63.1*
1.7	*10.0*	1.6	*12.5*	Cash and Cash Equivalents		1.1	*15.0*
94.6	***101.2***	**118.8**	***129.1***	**Current Assets**		**73.4**	***86.5***
(96.3)	*(96.3)*	(85.0)	*(85.0)*	Short-term Borrowing		(91.6)	*(91.6)*
(92.8)	*(92.3)*	(84.3)	*(85.2)*	Short-term Creditors	8B	(84.5)	*(86.1)*
(19.3)	*(19.3)*	(17.9)	*(17.9)*	Provisions	9A	(11.3)	*(11.3)*
(208.4)	***(207.9)***	**(187.2)**	***(188.1)***	**Current Liabilities**		**(187.4)**	***(189.0)***
(510.5)	*(510.5)*	(580.1)	*(580.1)*	Long-term Borrowing		(573.1)	*(573.2)*
(588.6)	*(620.0)*	(534.9)	*(564.2)*	Net Pension Liability	11	(662.3)	*(698.0)*
(80.1)	*(80.1)*	(118.6)	*(118.6)*	Other Long-term Liabilities		(114.2)	*(114.2)*
(4.8)	*(4.8)*	(5.1)	*(5.1)*	Grant Receipts in Advance – Capital		(5.0)	*(5.0)*
(1,184.0)	***(1,215.4)***	**(1,238.7)**	***(1,268.0)***	**Long-term Liabilities**		**(1,354.6)**	***(1,390.4)***

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105.1	***80.8***	**83.1**	***63.2***	**Net Assets**		**(18.9)**	***(43.2)***
(109.3)	***(85.0)***	**(97.5)**	***(77.7)***	**Usable Reserves**	**15A**	**(86.1)**	***(61.8)***
4.2	***4.3***	**14.5**	***14.5***	**Unusable Reserves**	**15A**	**105.0**	***105.0***
(105.1)	***(80.8)***	**(83.1)**	***(63.2)***	**Total Reserves**		**18.9**	***43.2***

The notes, Housing Revenue Account Statements and Collection Fund Statement on pages 136 to 147 form part of these financial statements.

Movement in Reserves Statement – 2016/17

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

	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Reserves of the Subsidiary	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance Brought Forward											
-As previously reported	**(10.0)**	**(70.1)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(74.7)**	**13.9**	**(80.7)**	***(60.8)***
-Prior year adjustment (Refer to Note 1)	**-**	**(2.9)**	**-**	**-**	**-**	**-**	**-**	**(2.9)**	**0.6**	**(2.3)**	***(2.3)***
-As restated	**(10.0)**	**(73.0)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(77.6)**	**14.5**	**(83.0)**	***(63.1)***
Surplus/(Deficit) on Provision of Services	**81.7**	**-**	**(108.4)**	**-**	**-**	**-**	**(0.4)**	**(27.1)**	**-**	**(26.7)**	***(27.1)***
Other Comprehensive Income and Expenditure	**-**	**-**	**1.0**	**-**	**-**	**-**	**4.8**	**5.8**	**127.6**	**127.7**	***132.5***
Total Comprehensive Income and Expenditure	**81.7**	**-**	**(107.4)**	**-**	**-**	**-**	**4.4**	**(21.3)**	**127.6**	**101.9**	***106.3***
Adjustments between Accounting Basis & Funding Basis under Regulations	**(69.8)**	**-**	**107.2**	**-**	**0.6**	**(0.9)**	**-**	**37.1**	**(37.5)**	**0.0**	***0.0***
Net Decrease/(Increase) before Transfers & Other Movements	**11.9**	**-**	**(0.2)**	**-**	**0.6**	**(0.9)**	**4.4**	**15.8**	**90.4**	**101.9**	***106.3***
Transfers to/from earmarked Reserves	**(11.8)**	**11.7**	**0.1**	**-**	**-**	**-**	**-**	**(0.0)**	**-**	**-**	***(0.0)***
(Increase)/decrease for the Year	**0.1**	**11.7**	**(0.1)**	**-**	**0.6**	**(0.9)**	**4.4**	**15.9**	**90.4**	**101.9**	***106.3***
Balance Carried Forward	**(9.9)**	**(61.3)**	**(5.1)**	**(0.1)**	**(6.8)**	**(2.9)**	**24.3**	**(61.8)**	**104.9**	**18.9**	***43.2***

Movement in Reserves Statement – 2015/16

	General Fund Balance £m	General Fund Earmarked Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied Account £m	Reserves Of the Subsidiary £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves of the Authority £m	Total Reserves of the Group £m
Balance at 31 March 2015											
- As Previously Reported	**(10.0)**	**(66.4)**	**(5.0)**	**(15.3)**	**(5.9)**	**(37.1)**	**24.3**	**(115.4)**	**(56.8)**	**(196.5)**	***(172.2)***
- Prior Year Adjustment	**-**	**-**	**-**	**-**	**-**	**33.3**	**-**	**33.3**	**60.5**	**93.8**	***93.8***
- As Restated	**(10.0)**	**(66.4)**	**(5.0)**	**(15.3)**	**(5.9)**	**(3.8)**	**24.3**	**(82.1)**	**3.7**	**(102.7)**	***(78.4)***
Movement in reserves during 2015/16											
Total Comprehensive Income and Expenditure	75.4	-	10.2	-	-	-	(4.4)	(81.2)	(63.6)	22.0	*17.6*
Adjustments between accounting basis and funding basis under regulations (Note 1)	(79.3)	-	(10.0)	7.9	5.8	1.8	-	(73.8)	73.8	-	-
Net decrease/increase before transfers and other movements	**(3.9)**	**-**	**0.2**	**7.9**	**5.8**	**1.8**	**(4.4)**	**7.4**	**10.2**	**22.0**	***17.6***
Transfers to/from earmarked reserves	3.9	(3.7)	(0.2)	-	-	-	-	-	-	-	-
Increase or (Decrease) in 2016/17	**(0.0)**	**(3.7)**	**(0.0)**	**7.9**	**5.8**	**1.8**	**(4.4)**	**7.4**	**10.2**	**22.0**	***17.6***
Balance as at 31 March 2016 carried forward	**(10.0)**	**(70.1)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(74.7)**	**13.9**	**(80.7)**	***60.8***

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Cash Flow Statement

2015/16 (As Restated) Council £m	Group £m		Note	2016/17 Council £m	Group £m
85.6	*86.0*	Net deficit on the provision of services		(29.5)	*(29.9)*
(154.6)	*(157.6)*	Adjustment for non-cash movements	16A	(36.6)	*(38.0)*
14.2	*14.2*	Adjustment for items that are investing and financing activities	16B	13.9	*13.9*
(54.8)	***(57.4)***	**Net cash flows from operating activities**	**16C**	**(52.2)**	***(54.0)***
		Investing activities			
149.3	*149.3*	Purchase of property, plant and equipment, investment property and intangible assets		96.7	*96.7*
548.1	*548.1*	Purchase of short-term and long-term investments		493.2	*493.2*
(14.2)	*(14.2)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(13.9)	*(13.9)*
(531.5)	*(531.5)*	Receipts from sale of short-term and long-term investments		(528.2)	*(528.2)*
151.7	***151.7***	**Net cash flows from investing activities**		**47.8**	***47.8***
		Financing activities			
(172.2)	*(172.2)*	Cash receipts of short- and long-term borrowing		(78.8)	*(80.0)*
5.5	*5.5*	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts		3.1	*3.1*
69.9	*69.9*	Repayments of short-and long-term borrowing		80.6	*80.6*
(96.8)	***(96.8)***	**Net cash flows from total financing activities**		**4.9**	**3.7**
0.1	***(2.5)***	**Net (increase) or decrease in cash and cash equivalents**		**0.5**	***(2.5)***
		Cash and cash equivalents at the start of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
1.5	*9.8*	- Bank current accounts		1.4	*12.3*
1.7	***10.0***			**1.6**	***12.5***
		Cash and cash equivalents at the end of the year:			
0.2	*0.2*	- Cash held by the council		0.2	*0.2*
1.4	*12.3*	- Bank current accounts		0.9	*14.8*
1.6	***12.5***			**1.1**	***15.0***

Note 1A - Expenditure and Funding Analysis

2015-16 Net Expenditure Chargeable to the General Fund and HRA Balances £m	2015-16 Adjustments between the Funding and Accounting Basis £m	2015-16 Net Expenditure in the Comprehensive Income and Expenditure Statement £m		Note	2016-17 Net Expenditure Chargeable to the General Fund and HRA Balances £m	2016-17 Adjustments between the Funding and Accounting Basis £m	2016-17 Net Expenditure in the Comprehensive Income and Expenditure Statement £m
0.4	-	0.4	Strategic Director People		4.0	0.0	4.0
29.0	1.1	30.1	Older People		26.0	7.4	33.4
39.9	0.2	40.1	Disability & Mental Health		39.8	2.8	42.6
48.4	18.7	67.1	Children & Young People		43.3	5.4	48.7
2.9	0.4	3.3	Public Health & Wellbeing		-	2.0	2.0
120.6	**20.4**	**141.0**	**People**		**113.1**	**17.6**	**130.7**
-	-	-	Managing Director		1.2	0.7	1.9
0.4	-	0.4	Directorate		-	-	-
10.1	2.4	12.5	Transformation Team		-	-	-
11.5	1.2	12.7	Corporate Services		23.2	(10.9)	12.3
5.6	-	5.6	Governance		6.1	(1.1)	5.0
-	-	-	Corporate Resources		(217.9)	213.9	(4.0)
26.0	(37.2)	(11.2)	Corporate Accounts		27.3	(50.3)	(23.0)
53.5	**(33.7)**	**19.8**	**Corporate**		**(160.1)**	**152.3**	**(7.8)**
0.5	-	0.5	Strategic Director Place		0.4	0.2	0.6
5.0	3.7	8.7	City Economy		7.1	14.6	21.7
10.7	(24.7)	(14.0)	City Assets		1.8	2.9	4.7
3.1	(1.2)	1.9	Housing		8.0	(5.5)	2.5
22.4	4.4	26.8	City Environment		23.8	23.1	46.9
41.7	**(17.8)**	**23.9**	**Place**		**41.1**	**35.3**	**76.4**
1.6	**3.6**	**5.2**	**Education**		**5.9**	**32.7**	**38.6**
(32.2)	**78.3**	**46.1**	**Housing Revenue Account**		**(19.1)**	**(96.2)**	**(115.3)**
185.2	**50.8**	**236.0**	**Net Cost of Services**		**(19.1)**	**141.7**	**122.6**
(225.2)	**75.2**	**(150.0)**	**Other Income and Expenditure**		**-**	**(149.3)**	**(149.3)**
(40.0)	**126.0**	**86.0**	**Surplus or Deficit**		**(19.1)**	**(7.6)**	**(26.7)**

Note 1B – Note to the Expenditure and Funding Analysis 2016/17

				Adjustments between Funding and Accounting
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	**Adjustment for Capital Purposes £m**	**Net change for the Pensions Adjustment £m**	**Other Differences (Note 1C) £m**	**Total Adjustment Between Funding and Accounting Basis £m**
Strategic Director People	-	-	-	**-**
Older People	0.8	3.3	3.2	**7.3**
Disability & Mental Health	0.5	(0.3)	2.7	**2.9**
Children & Young People	0.8	0.2	4.3	**5.3**
Public Health & Wellbeing	-	-	2.0	**2.0**
People	**2.1**	**3.2**	**12.2**	**17.5**
Managing Director	-	-	0.7	**0.7**
Directorate	-	-	-	**-**
Corporate Services	0.1	(18.0)	7.0	**(10.9)**
Governance	0.4	(3.6)	2.1	**(1.1)**
Corporate Accounts	(1.1)	-	(49.2)	**(50.3)**
Corporate Resources	-	-	213.9	**213.9**
Corporate	**(0.6)**	**(21.6)**	**174.5**	**152.3**
Strategic Director Place	-	-	0.2	**0.2**
City Economy	5.0	3.2	6.4	**14.6**
Housing	1.8	(16.5)	9.2	**(5.5)**
City Assets	-	-	2.9	**2.9**
City Environment	11.1	(6.1)	18.1	**23.1**
Place	**17.9**	**(19.4)**	**36.8**	**35.3**
Education	**16.1**	**5.9**	**10.7**	**32.7**
Housing Revenue Account	**0.1**	**(85.2)**	**(11.2)**	**(96.3)**
Net Cost of Services	**35.6**	**(117.1)**	**223.0**	**141.5**
Other income and expenditure	**31.3**	**-**	**(180.6)**	**(149.3)**
Total	**66.9**	**(117.1)**	**42.4**	**(7.8)**

Note 1B (continued) – Note to the Expenditure and Funding Analysis 2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments between Funding and Accounting Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences (Note 1C)	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m
Strategic Director People	-	-	-	**-**
Older People	1.6	(0.1)	(0.4)	**1.1**
Disability & Mental Health	0.5	(0.1)	(0.2)	**0.2**
Children & Young People	19.0	(0.1)	(0.2)	**18.7**
Public Health & Wellbeing	-	(0.9)	1.3	**0.4**
People	**21.1**	**(1.2)**	**0.5**	**20.4**
Managing Director	-	-	-	**-**
Directorate	-	-	-	**-**
Transformation Team	2.7	(0.1)	(0.2)	**2.4**
Governance	-	(0.1)	-	**(0.1)**
Corporate Services	0.2	(0.1)	1.1	**1.2**
Corporate Accounts	(1.1)	(5.3)	(30.8)	**(37.2)**
Corporate	**1.8**	**(5.6)**	**(29.9)**	**(33.7)**
Strategic Director Place	-	-	-	**-**
City Economy	3.5	-	0.2	**3.7**
City Assets	36.2	(0.2)	(60.7)	**(24.7)**
Housing	-	-	(1.2)	**(1.2)**
City Environment	5.0	(0.1)	(0.5)	**4.4**
Place	**44.7**	**(0.3)**	**(62.2)**	**(17.8)**
Education	**-**	**(1.4)**	**5.0**	**3.6**
Housing Revenue Account	**-**	**-**	**78.3**	**78.3**
Net Cost of Services	**67.6**	**(8.5)**	**(8.3)**	**50.8**
Other Income and Expenditure	**(14.6)**	**18.1**	**71.7**	**75.2**
Total	**53.0**	**9.6**	**63.4**	**126.0**

Note 1C – Other Differences Analysis 2016/17

Other Differences	Reserve £m	Grants £m	External trading operations £m	Financing and investment income and expenditure £m	Other operating expenditure £m	Taxation and non-specific grant income and expenditure £m	Other £m	Total £m
Strategic Director People	-	-	-	-	-	-	-	-
Older People	0.3	-	-	-	-	-	2.9	3.2
Disability & Mental Health	0.2	-	-	-	-	-	2.5	2.7
Children & Young People	(0.2)	0.3	-	-	-	-	4.2	4.3
Public Health & Wellbeing	1.7	-	-	-	-	-	0.3	2.0
People	**2.0**	**0.3**	**-**	**-**	**-**	**-**	**9.9**	**12.2**
Managing Director	0.5	-	-	-	-	-	0.2	0.7
Directorate	-	-	-	-	-	-	-	-
Transformation Team	-	-	-	-	-	-	-	-
Corporate Services	1.5	(0.1)	-	-	-	-	5.6	7.0
Governance	0.1	-	0.7	-	-	-	1.3	2.1
Corporate Accounts	(0.7)	-	-	(14.8)	(11.3)	1.5	(23.9)	(49.2)
Corporate Resources	1.6	0.1	-	-	-	212.2	-	213.9
Corporate	**3.0**	**-**	**0.7**	**(14.8)**	**(11.3)**	**213.7**	**(16.8)**	**174.5**
Strategic Director Place	0.1	-	-	-	-	-	0.1	0.2
City Economy	0.9	(0.2)	-	0.5	-	-	5.2	6.4
Housing	0.3	-	-	-	-	-	8.9	9.2
City Assets	0.6	(0.2)	-	-	-	-	2.5	2.9
City Environment	(0.9)	-	-	0.4	-	-	18.6	18.1
Place	**1.0**	**(0.4)**	**-**	**0.9**	**-**	**-**	**35.3**	**36.8**
Education	**5.1**	**0.5**	**-**	**-**	**-**	**-**	**5.1**	**10.7**
Housing Revenue Account	**-**	**-**	**0.2**	**-**	**(0.4)**	**-**	**(11.0)**	**(11.2)**
Net Cost of Services	**11.1**	**0.4**	**0.9**	**(13.9)**	**(11.7)**	**213.7**	**22.5**	**223.0**

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Note 1C (continued) – Other Differences Analysis 2015/16

Other Differences	Reserve £m	Grants £m	External trading operations £m	Financing and investment income and expenditure £m	Other operating expenditure £m	Taxation and non-specific grant income and expenditure £m	Other £m	Total £m
Strategic Director People	-	-	-	-	-	-	-	-
Older People	-	(0.4)	-	-	-	-	-	(0.4)
Disability & Mental Health	-	(0.2)	-	-	-	-	-	(0.2)
Children & Young People	(0.1)	(0.1)	-	-	-	-	-	(0.2)
Public Health & Wellbeing	1.3	-	-	-	-	-	-	1.3
People	**1.2**	**(0.7)**	**-**	**-**	**-**	**-**	**-**	**0.5**
Managing Director	-	-	-	-	-	-	-	-
Directorate	-	-	-	-	-	-	-	-
Transformation Team	(0.1)	(0.1)	-	-	-	-	-	(0.2)
Governance	-	-	-	-	-	-	-	-
Corporate Services	1.5	(0.4)	-	-	-	-	-	1.1
Corporate Accounts	(0.5)	1.2	0.9	(10.3)	(11.9)	4.6	(14.8)	(30.8)
Corporate	**0.9**	**0.7**	**0.9**	**(10.3)**	**(11.9)**	**4.6**	**(14.8)**	**(29.9)**
Strategic Director Place	-	-	-	-	-	-	-	-
City Economy	-	-	-	0.2	-	-	-	0.2
City Assets	-	(0.1)	(0.1)	-	-	-	(60.5)	(60.7)
Housing	-	-	-	-	-	-	(1.2)	(1.2)
City Environment	(1.3)	-	0.6	0.2	-	-	-	(0.5)
Place	**(1.3)**	**(0.1)**	**0.5**	**0.4**	**-**	**-**	**(61.7)**	**(62.2)**
Education	**5.0**	**-**	**-**	**-**	**-**	**-**	**-**	**5.0**
Housing Revenue Account	**0.2**	**-**	**78.1**	**-**	**-**	**-**	**-**	**78.3**
Net Cost of Services	**6.0**	**(0.1)**	**79.5**	**(9.9)**	**(11.9)**	**4.6**	**(76.5)**	**(8.3)**

Note 1D Expenditure and Income Analysed by Nature

2015/16 £m		2016/17 £m
	Expenditure	
266.6	Employee benefits expenses	278.5
345.0	Other service expenses	354.2
98.3	Depreciation, amortisation and impairment	58.9
63.4	Loss on disposal of non-current assets	43,2
50.9	Interest payments	54.2
11.9	Levies	11.3
87.1	Support service recharges	82.2
923.2		882.5
	Income	
(472.3)	Fees and charges and other service income	(561.5)
(117.1)	Income from Council tax and Business Rates	(124.9)
(142.2)	Government grants and contributions	(127.5)
(14.2)	Gain on disposal of non-current assets	(13.9)
(87.1)	Support service recharges	(82.2)
(4.8)	Interest and investment income	(2.0)
(837.7)		(912.0)
85.6	**Deficit on provision of services**	**(29.5)**

Note 2 – Prior Period Restatement of Service Expenditure and Income 2015/16

Net Cost of Services	As Reported in the Comprehensive Income & Expenditure Statement 2015/16 £m	As Restated 2015/16 £m																					
		Strategic Director People	Older People	Disability & Mental Health	Children & Young People	Public Health & Wellbeing	**People**	Managing Director	Directorate	Transformation Team	Governance	Finance	Corporate Accounts	**Corporate**	Strategic Director Place	City Economy	City Assets	Housing	City Environment	**Place**	**Education**	**Housing Revenue Account**	**Total**
Adult Social Care	**(67.3)**	0.4	30.2	36.7	-	(0.2)	**67.1**	-	-	-	-	-	-	**0.0**	0.1	-	0.1	-	-	**0.2**	**-**	**-**	**-**
Central Services to the Public	**(32.8)**	-	0.3	-	-	0.1	**0.4**	-	0.4	4.6	3.8	3.4	9.8	**22.0**	-	1.1	6.7	0.1	2.5	**10.4**	**0.1**	**-**	**0.1**
Education and Children's Services	**(73.9)**	-	(0.4)	5.1	69.8	1.8	**76.3**	-	-	-	-	-	(8.6)	**(8.6)**	-	1.3	(1.8)	-	0.1	**(0.4)**	**6.6**	**-**	**-**
Corporate and Democratic Core	**(3.6)**	-	-	-	-	-	**0.0**	-	-	0.1	0.2	2.6	0.0	**2.9**	-	-	1.0	-	(0.4)	**0.6**	**-**	**-**	**(0.1)**
Cultural and Related Services	**(16.3)**	-	3.2	-	0.1	-	**3.3**	-	-	-	-	-	(1.2)	**(1.2)**	-	4.6	0.6	-	8.8	**14.1**	**-**	**-**	**-**
Environment and Regulatory Services	**(14.3)**	-	-	-	-	0.5	**0.5**	-	-	-	-	-	(3.5)	**(3.5)**	-	0.1	0.5	-	16.8	**17.2**	**-**	**-**	**(0.1)**
Planning Services	**(1.6)**	-	-	-	0.2	-	**0.2**	-	-	-	-	0.1	(2.5)	**(2.4)**	0.4	3.7	0.9	-	-	**4.9**	**-**	**-**	**1.2**
Public Health	**(1.5)**	-	-	-	-	1.5	**1.5**	-	-	-	-	-	-	**0.0**	-	-	-	-	-	**0.0**	**-**	**-**	**-**
Highways and Transport Services	**(19.2)**	-	-	-	0.2	-	**0.2**	-	-	-	-	-	(0.1)	**(0.1)**	-	0.1	30.4	-	2.8	**33.2**	**-**	**-**	**14.1**
Housing Services	**(10.3)**	-	1.1	0.9	1.4	-	**3.4**	-	-	-	-	1.7	-	**1.7**	-	-	2.3	1.9	-	**4.2**	**0.1**	**46.2**	**45.3**
Non-Distributed Costs	**5.2**	-	-	-	-	-	**0.0**	-	-	-	-	-	(5.2)	**(5.2)**	-	-	-	-	-	**-**	**-**	**-**	**-**
Recharges	**0.0**	-	(4.3)	(2.6)	(4.7)	(0.4)	**(12.0)**	-	-	7.7	1.6	4.8	-	**14.1**	-	(2.2)	6.0	-	(3.8)	**-**	**(1.6)**	**-**	**0.4**
Prior year adjustment	**0.0**	-	-	-	-	-	**0.0**	-	-	-	-	-	-	**0.0**	-	-	(60.6)	-	-	**(60.6)**	**-**	**-**	**(60.6)**
Total 2015/16 as restated in the Comprehensive Income and Expenditure Statement 2016/17	**(235.6)**	**0.4**	**30.1**	**40.1**	**67.0**	**3.3**	**140.9**	**-**	**0.4**	**12.4**	**5.6**	**12.6**	**(11.3)**	**19.7**	**0.5**	**8.7**	**(14.0)**	**2.0**	**26.8**	**23.9**	**5.2**	**46.2**	**0.3**

Note 3 Prior Period Adjustments

The balance sheet reflects prior period restatements relating to: -

(a) A correction to non-current borrowing following IFRS restatement;

(b) A correction to an imbalance between the General Fund and the Collection Fund

As these amounts related to prior years they have been treated as a prior period adjustments and reflected over the years effected. These prior period adjustments have been accounted for as follows:

	2014/15		2015/16	
	Council £m	Group £m	Council £m	Group £m
Balance Sheet				
Current Assets				
Current Assets				
Current Receivables				
As previously reported	67.8	*66.1*	73.5	*72.9*
Prior year adjustment in respect of (b)	0.2	*0.2*	0.2	*0.2*
Restated balance	68.0	*66.3*	73.7	*73.1*
Current Liabilities				
As previously reported	(96.4)	*(95.9)*	(87.9)	*(88.8)*
Prior year adjustment in respect of (b)	3.6	*3.6*	3.6	*3.6*
Restated balance	(92.8)	*(92.3)*	(84.3)	*(85.2)*
Long-term Liabilities				
Long-term borrowing				
As previously reported	(509.1)	*(509.1)*	(578.7)	*(578.7)*
Prior year adjustment in respect of (a)	(1.4)	*(1.4)*	(1.4)	*(1.4)*
Restated balance	**(510.5)**	***(510.5)***	**(580.1)**	***(580.1)***

Reserves				
Earmarked Reserves				
As previously reported	(66.4)	*(66.4)*	(70.1)	*(70.1)*
Prior year adjustment in respect of (b)	(2.9)	*(2.9)*	(2.9)	*(2.9)*
Restated balance	**(69.3)**	***(69.3)***	**(73.0)**	***(73.0)***
Capital Adjustment Account				
As previously reported	(375.3)	*(375.3)*	(338.8)	*(338.8)*
Prior year adjustment in respect of (a)	1.4	*1.4*	1.4	*1.4*
Restated balance	**(373.9)**	***(373.9)***	**(337.4)**	***(337.4)***
Collection Fund Adjustment Account				
As previously reported	3.9	*3.9*	5.2	*5.2*
Prior year restatement in respect of (b)	(0.8)	*(0.8)*	(0.8)	*(0.8)*
Restated balance	**3.1**	***3.1***	**4.4**	***4.4***

Note 4 – Income and Expenditure

4A - Acquired and Discontinued Operations

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

4B – 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. Following a review of trading operations in 2016/17, street cleaning (previously disclosed in this note) is no longer classed as a trading operation.

2015/16 Turnover £m	2015/16 Deficit/ (Surplus) £m	2016/17	2016/17 Turnover £m	2016/17 Deficit/ (Surplus) £m
(2.0)	(0.1)	Markets	(1.7)	0.5
(4.2)	0.5	Cleaning of Buildings	(4.6)	0.4
(7.9)	(0.8)	Schools and Welfare Catering	(8.6)	(0.8)
(0.3)	-	Civic Centre and Other Catering	(0.3)	0.1
(14.4)	**(0.4)**	**Total**	**(15.2)**	**0.2**

4C – Pooled Budgets

The Council takes part in two pooled budget schemes with Wolverhampton Clinical Commissioning Group (CCG). The first scheme relates to the integrated service for Child Placements with External Agencies for children with social care, education and health needs. The scheme is administered by the Council and is summarised in the following table.

2015/16 Council Contribution £m	2015/16 CCG Contribution £m	2015/16 Total Expenditure £m	Scheme	2016/17 Council Contribution £m	2016/17 CCG Contribution £m	2016/17 Total Expenditure £m
2.5	1.6	4.1	Child Placements with External Agencies	2.5	1.6	4.1

The second scheme relates to a pooled budget arrangement with Wolverhampton Clinical Commissioning Group (CCG) entered on 1st April 2015. This is a section 75 (NHS Act 2006) partnership agreement relating to the commissioning of health and social care services under the Better Care Fund (BCF). The BCF has been established by the Government and it is a requirement of the Fund that that the CCG and the Council establish a pooled fund for this purpose. The Host Partner is the City of Wolverhampton Council. The partners' contribution to the Fund is outlined below. The share of any over/ (under) spend is allocated according to the Section 75 agreement.

2015/16 £m	Better Care Fund	2016/17 £m
	Expenditure	
21.3	Community & Primary Care	46.5
4.6	Dementia	2.9
9.7	Mental Health	10.1
36.0	Intermediate Care/ Reablement	-
71.6	**Total Expenditure**	**59.5**
	Gross Funding	
46.6	Wolverhampton Clinical Commissioning Group	35.1
24.2	City of Wolverhampton Council	21.7
70.8	**Total Funding**	**56.8**

2015/16 £m	Better Care Fund	2016/17 £m
0.8	**Net Over Spend**	**2.7**
	Allocation of Over Spend	
0.5	Wolverhampton Clinical Commissioning Group	1.7
0.3	City of Wolverhampton Council	1.0
0.8	**Total Allocation**	**2.7**

4D – Councillors' Allowances

The Council paid £908,000 in Councillors' allowances during 2016/7 (2015/16: £909,000).

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4E – 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 £
Managing Director (Head of Paid Service)[1]	**2016/17**	**143,925**	**-**	**-**	**-**	**33,391**	**177,316**
	2015/16	140,000	-	-	-	30,100	170,100
Strategic Director of People[2]	**2016/17**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
Strategic Director of People - Interim[3]	**2016/17**	**-**	**186,672**	**-**	**-**	**-**	**186,672**
Strategic Director of People - Interim	2015/16	-	237,956	-	-	-	237,956
Strategic Director of Place	**2016/17**	**133,136**	**-**	**-**	**-**	**30,888**	**164,024**
	2015/16	130,000	-	-	-	27,950	157,950
Strategic Director of Pensions[4]	**2016/17**	**133,136**	**-**	**-**	**-**	**30,888**	**164,024**
	2015/16	130,000	-	-	-	27,950	157,950
Strategic Director of Housing[5]	**2016/17**	**68,831**	**-**	**-**	**-**	**10,256**	**79,087**
	2015/16	34,075	-	-	-	5,077	39,152
Director of Finance (Section 151 Officer)[6]	**2016/17**	**104,284**	**-**	**-**	**-**	**24,217**	**128,501**
	2015/16	100,000	-	-	-	21,500	121,500
Director of Governance (Monitoring Officer)[7]	**2016/17**	**107,767**	**-**	**-**	**-**	**10,417**	**118,184**
	2015/16	103,350	-	-	-	22,220	125,570
Director of Education - Interim[8]	**2016/17**	**-**	**154,560**	**-**	**-**	**-**	**154,560**
Director of Education - Interim	2015/16	-	98,440	-	-	-	98,440
Director of Education[9]	2015/16	60,288	-	-	-	1,852	62,140

Post Title		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Exit Package £	Employers' Pension Contribution £	Total Remuneration £
Service Director Children and Young People	**2016/17**	**89,330**	**-**	**-**	**-**	**20,725**	**110,055**
	2015/16	86,993	-	-	-	18,704	105,697
Service Director Older People [10]	**2016/17**	**46,115**	**-**	**-**	**2,729**	**10,699**	**59,543**
	2015/16	91,317	-	-	-	19,633	110,950
Service Director Disability and Mental Health [11]	**2016/17**	**44,665**	**-**	**13**	**2,056**	**10,362**	**57,096**
	2015/16	88,446	-	-	-	19,016	107,462
Service Director Adult Social Care [12]	**2016/17**	**42,148**	**-**	**-**	**-**	**9,778**	**51,926**
	2015/16	-	-	-	-	-	-
Service Director Public Health and Well-Being	**2016/17**	**95,314**	**-**	**963**	**-**	**13,630**	**109,907**
	2015/16	93,944	-	963	-	13,434	108,341
Service Director City Assets [13]	**2016/17**	**16,226**	**-**	**-**	**-**	**3,764**	**19,990**
	2015/16	96,390	-	-	-	20,724	117,114
Head of Corporate Landlord [14]	**2016/17**	**74,026**	**-**	**-**	**-**	**17,174**	**91,200**
	2015/16	-	-	-	-	-	-
Service Director City Economy	**2016/17**	**92,230**	**-**	**-**	**-**	**21,397**	**113,627**
	2015/16	88,446	-	-	-	19,016	107,462
Service Director City Environment	**2016/17**	**84,366**	**-**	**-**	**-**	**19,573**	**103,939**
Service Director City Environment	2015/16	898	-	-	-	193	1,091
Service Director City Environment - Interim	2015/16	-	155,088	-	-	-	155,088
Chief Investment Officer [4 & 15]	**2016/17**	**52,733**	**-**	**-**	**-**	**12,234**	**64,967**
	2015/16	-	-	-	-	-	-

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Post Title		Salary, Fees and Allowances £	Contractor Costs £	Expenses Allowances £	Exit Package £	Employers' Pension Contribution £	Total Remuneration £
Assistant Director Investments[4 & 16]	**2016/17**	**58,575**	**-**	**-**	**53,034**	**13,590**	**125,199**
	2015/16	86,993	-	-	-	18,704	105,697
Director of Pensions/Assistant Director Actuarial and Pensions[4 & 17]	**2016/17**	**114,838**	**-**	**-**	**-**	**26,642**	**141,480**
	2015/16	60,053	-	-	-	12,911	72,964
Chief Accountant	**2016/17**	**68,057**	**-**	**-**	**-**	**15,789**	**83,846**
	2015/16	65,025	-	-	-	13,980	79,005
Head of Corporate Communications[18]	**2016/17**	**62,606**	**-**	**-**	**-**	**14,525**	**77,131**
Head of Communications	2015/16	56,057	-	-	-	12,052	68,109
Service Director Commercial Services - Interim[19]	**2016/17**	**-**	**134,142**	**-**	**-**	**-**	**134,142**
	2015/16	-	-	-	-	-	-
Head of Service Improvement[20]	**2016/17**	**40,093**	**-**	**-**	**-**	**9,302**	**49,395**
	2015/16	-	-	-	-	-	-
Head of Service - Strategic Commissioning, People - Interim[21]	**2016/17**	**-**	**76,799**	**-**	**-**	**-**	**76,799**
	2015/16	-	-	-	-	-	-
Head of Service - Safeguarding	**2016/17**	**62,902**	**-**	**-**	**-**	**14,593**	**77,495**
	2015/16	62,279	-	-	-	11,158	**73,437**
Future Space Programme Director - Interim[22]	**2016/17**	**-**	**120,750**	**-**	**-**	**-**	**120,750**
	2015/16	-	-	-	-	-	-

Note 1: Between April 2016 and March 2017 pay costs of £21,630, included in the table against the Managing Director, were funded by West Midlands Pension Fund, and not from the City of Wolverhampton Council General Fund.

Note 2: The post of Strategic Director of People has been held on a fixed term contract since 1 January 2017 and the amount shown includes a Market Forces Supplement of £6,291. The post had an annualised salary of £134,835.

Note 3: The Strategic Director of People post was held on an interim basis between 1 April 2016 and 31 December 2016 and the costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 4: The pay costs of these officers were fully funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 5: The Chief Executive of Wolverhampton Homes Limited also holds the City of Wolverhampton Council post of Strategic Director of Housing. The Strategic Director Housing is formally employed by Wolverhampton Homes Limited and 50% of the 2016/17 pay costs are recharged to the City of Wolverhampton Council; £137,662 (2015/16: £136,300) of which the Council's annualised share is £68,831 (2015/16: £68,150). The Strategic Director of Housing post was created on 1 October 2015.

Note 6: Between April 2016 and March 2017 pay costs of £12,900, included in the table against the Director of Finance, were funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 7: Between April 2016 and March 2017 pay costs of £13,320, included in the table against the Director of Governance, were funded by West Midlands Pension Fund, and not by the City of Wolverhampton Council.

Note 8: The post of Director of Education has been held on an interim basis since 1 October 2015. The costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 9: The post of Director of Education became vacant on 31 October 2015 and had an annualised salary of £103,350 for 2015/16.

Note 10: The Service Director Older People post became vacant on 30 September 2016 and was deleted. £2,729 relates to pay in lieu of leave and the post had an annualised salary of £92,230 for 2016/17.

Note 11: The Service Director Disability and Mental Health post became vacant on 30 September 2016 and was deleted. £2,056 relates to pay in lieu of leave and the post had an annualised salary of £89,330 for 2016/17.

Note 12: The Service Director Adult Social Care post was created on 17 October 2016 from the deleted Service Director Older People and Service Director Disability and Mental Health posts. The post had an annualised salary of £92,230 for 2016/17.

Note 13: The Service Director City Assets post became vacant on 31 May 2016 and was deleted. The post had an annualised salary of £97,354 for 2016/17.

Note 14: The Head of Corporate Landlord post was created on 1 April 2016.

Note 15: The Chief Investment Officer took up position on 16 September 2016 and had an annualised salary of £97,354 during 2016/17.

Note 16: The Assistant Director Investments post became vacant on 30 November 2016 and was replaced with the Chief Investment Officer post. The Assistant Director Investments post had an annualised salary of £87,863 during 2016/17.

Note 17: The Assistant Director Actuarial and Pensions acted-up to the Director of Pensions post with effect from 1 July 2016. The Assistant Director Actuarial and Pensions took up position on 1 July 2015 during 2015/16 and had an annualised salary of £80,070.

Note 18: The Head of Corporate Communications post holder is required to report directly to the head of the authority's paid service, the Managing Director.

Note 19: The Service Director Commercial Services post holder is required to report directly to the head of the authority's paid service, the Managing Director. The post has been held on an interim basis since 23 May 2016 and costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 20: The Head of Service Improvement post holder is required to report directly to the head of the authority's paid service, the Managing Director. The post was created on 1 August 2016 and the post holder had an annualised salary of £60,140 during 2016/17.

Note 21: The Head of Service Strategic Commissioning, People post has been held on an interim basis since 1 October 2016 and costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

Note 22: The Future Space Programme Director post has been held on an interim basis since 1 June 2016 and costs shown are the full fees paid to the interim management agency and not the payment to the post holder.

The following tables shows the number of other employees, excluding Senior Officers, whose remuneration for the year (excluding employer's pension contributions) exceeded £50,000. During the year, a total of 11 schools had their payroll prepared by external providers and, as this data owned by the respective schools, it is not reported in the table below.

	2016/17				
	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	40	2	53	95	4
£55,000 - £59,999	18	4	18	40	4
£60,000 - £64,999	23	2	26	51	4
£65,000 - £69,999	15	-	2	17	1
£70,000 - £74,999	6	-	2	8	2
£75,000 - £79,999	3	-	4	7	1
£80,000 - £84,999	4	-	-	4	-
£85,000 - £89,999	2	-	-	2	-
£90,000 - £94,999	-	-	-	-	-
£95,000 - £99,999	1	-	-	1	-
£100,000 - £104,999	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-
£135,000 - £135,999	1	-	-	1	1
Total	**113**	**8**	**105**	**226**	**17**

2015/16					
	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	44	5	33	82	5
£55,000 - £59,999	25	3	19	47	2
£60,000 - £64,999	27	1	21	49	3
£65,000 - £69,999	9	-	5	14	5
£70,000 - £74,999	7	-	3	10	3
£75,000 - £79,999	5	-	1	6	-
£80,000 - £84,999	6	-	-	6	-
£85,000 - £89,999	-	-	-	-	-
£90,000 - £94,999	1	-	-	1	-
£95,000 - £99,999	1	-	-	1	-
£100,000 - £104,999	1	-	-	1	-
£105,000 - £109,999	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-
£130,000 - £134,999	-	-	1	1	1
Total	**126**	**9**	**83**	**218**	**19**

4F – 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.

2015/16*						Value of Individual Package	2016/17					
Compulsory		Other		Total			Compulsory		Other		Total	
Number	£m	Number	£m	Number	£m		Number	£m	Number	£m	Number	£m
-	-	-	-	-	-	£200,001 to £250,000	-	-	1	0.2	1	0.2
-	-	2	0.4	2	0.4	£150,001 to £200,000	-	-	4	0.7	4	0.7
3	0.3	5	0.6	8	0.9	£100,001 to £150,000	3	0.4	-	-	3	0.4
1	0.1	1	0.1	2	0.2	£80,001 to £100,000	1	0.1	3	0.3	4	0.4
1	0.1	9	0.6	10	0.7	£60,001 to £80,000	2	0.1	2	0.1	4	0.2
9	0.5	15	0.8	24	1.3	£40,001 to £60,000	6	0.3	6	0.2	12	0.5
13	0.4	65	1.8	78	2.2	£20,001 to £40,000	20	0.5	25	0.7	45	1.2
99	0.6	438	2.8	537	3.4	Less than £20,000	106	0.8	228	0.9	334	1.7
126	**2.0**	**535**	**7.1**	**661**	**9.1**	**Total**	**138**	**2.2**	**269**	**3.1**	**407**	**5.3**

* The 2015/16 comparative has been restated due to pension strain costs not being notified until 2016/17.

4G – Amounts Payable to the Auditors

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

2015/16 £m		2016/17 £m
	Grant Thornton UK LLP	
0.189	External audit (Council)	0.189
-	Certification of Grant Claims and Returns	0.021
0.024	Additional work (*)	0.126
0.213	**TOTAL**	**0.336**

* The fees payable Grant Thornton UK LLP for additional work relate to an income generation project - £61,000, consultancy regarding utility bills - £23,000, 3 delegates in attendance at the Opportunity West Midlands Programme 2016 - £11,000. Included in the Additional Work's figure is also £31,000 in respect of the agreed variation of 2015-16 Audit Fee.

4H - Grants

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

2015/16 £m		2016/17 £m
	Credited to Net Cost of Services	
(136.8)	Dedicated Schools Grant	(122.5)
(56.1)	Mandatory Rent Allowance	(54.1)
(56.6)	Mandatory Rent Rebates Subsidy	(53.9)
(20.2)	Public Health Grant	(21.9)
(11.5)	Pupil Premium	(10.1)
(7.3)	Standards Fund Capital	(9.2)
(3.9)	6th Form Funding	-
0.1	16-18 Bursary Fund	(3.1)
(3.0)	Education Support Grant	(2.4)
(2.6)	Housing & Council Tax Benefit Administration	(2.2)
(2.0)	Universal Infant Free School Meals	(1.9)
(1.3)	Further Education	(1.6)
(1.7)	PCDL -Adult Learning	(1.2)
(13.1)	Other Grants	(10.9)
(316.0)	**Total Credited to Net Cost of Services**	**(295.0)**

4H - Grants (Continued)

2015/16 £m		2016/17 £m
	Credited to Taxation and Non-Specific Grant Income	
	Non-Ring Fenced Government Grants	
(63.4)	Revenue Support Grant	(50.3)
(3.4)	New Homes Bonus (including adjustment grant)	(4.2)
(2.7)	Business Rates Autumn Statement Compensation	0.1
(35.9)	Local Business Rates Top Up Grant	(36.2)
(105.4)		**(90.6)**
	Capital Grants and Contributions	
(11.6)	Standards Fund Capital	(7.6)
(7.1)	Local Growth Fund – Interchange	(6.4)
(2.2)	Local Growth Fund - Access to Growth	(4.2)
(3.9)	Section 31 Grant - Department of Transport	(5.1)
(0.8)	HM Challenge Fund (Network Renewal)	(2.3)
(2.8)	Local Growth Fund - Bilston Urban Village	(2.1)
(1.9)	Local Growth Fund - Civic Halls Improvement	(2.0)
(1.3)	Disabled Facilities Grant	(2.5)
(5.2)	Other Grants and Contributions	(4.6)
(36.8)		**(36.8)**
(458.2)	**Total Grants Credited to the CIES**	**(422.4)**

4I – 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.

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2015/16 Central Expenditure £m	2015/16 Individual Schools Budget £m	2015/16 Total £m		2016/17 Central Expenditure £m	2016/17 Individual Schools Budget £m	2016/17 Total £m
(12.4)	(191.0)	(203.4)	Final DSG for the year before academy recoupment	(13.5)	(196.6)	(210.1)
-	66.8	66.8	Academy figure recouped		86.5	86.5
(12.4)	**(124.2)**	**(136.6)**	**Total DSG after academy recoupment for the year**	**(13.5)**	**(110.1)**	**(123.6)**
0.4	0.7	1.1	Brought forward from previous year	2.0	-	2.0
0.1	-	0.1	Carry-forward to following year agreed in advance	-	-	-
(11.9)	**(123.5)**	**(135.4)**	**Agreed initial budgeted distribution in the year**	**(11.5)**	**(110.1)**	**(121.6)**
(11.9)	**(123.5)**	**(135.4)**	**Final budgeted distribution for the year**	**(11.5)**	**(110.1)**	**(121.6)**
13.9	-	13.9	Less actual central expenditure	11.5	-	11.5
-	123.5	123.5	Less actual ISB deployed to schools	-	111.9	111.9
2.0	**-**	**2.0**	**Overspend carried forward to following year**	**-**	**1.8**	**1.8**

Note 4J – Exceptional Items

There were no exceptional items of expense or income in 2016/17.

4K – Events after the Reporting Period

Academy Conversions

On 1 June 2017 Parkfield Primary School and St Stephen's C of E Primary School converted to Academy status. As a result, the assets of these schools, with a carrying value totalling £2.8 million, will be de-recognised in the Council's 2017/18 accounts. This de-recognition will be treated as a disposal and will be recognised in the Losses/(gains) on the Disposal of Non-Current Assets line in the Comprehensive Income and Expenditure Statement.

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

Note 5 – Other Operating Expenditure

2015/16 Gross Expenditure £m	2015/16 Gross Income £m	2015/16 Net Expenditure £m		2016/17 Gross Expenditure £m	2016/17 Gross Income £m	2016/17 Net Expenditure £m
11.9	0.0	11.9	Levies	11.3	0.0	11.3
2.3	0.0	2.3	Payments to the Housing Capital Receipts Pool	2.1	0.0	2.1
63.4	(14.2)	49.2	Losses/(gains) on the Disposal of Non-Current Assets	47.6	(16.2)	31.4
77.5	**(14.2)**	**63.3**		**61.0**	**(16.2)**	**44.8**

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Note 6 – Financing and Investment Income and Expenditure

2015/16 Gross Expenditure £m	2015/16 Gross Income £m	2015/16 Net Expenditure £m		2016/17 Gross Expenditure £m	2016/17 Gross Income £m	2016/17 Net Expenditure £m
2.0	(2.0)	0.0	External Training Organisations	2.4	(1.7)	0.7
32.7	0.0	32.7	Interest Payable	36.0	0.0	36.0
18.1	0.1	18.2	Net Interest Expense-Pensions	18.2	0.0	18.2
0.0	(0.3)	(0.3)	Interest Receivable	0.0	(0.5)	(0.5)
0.0	0.0	0.0	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	0.0	0.0	0.0
0.0	(4.5)	(4.5)	Other Investment Income	0.0	(1.5)	(1.5)
52.8	**(6.7)**	**46.1**		**56.6**	**(3.7)**	**52.9**

Note 7 - Taxation and Non-Specific Grant Income and Expenditure

2015/16 Gross Expenditure £m	2015/16 Gross Income £m	2015/16 Net Expenditure £m		2016/17 Gross Expenditure £m	2016/17 Gross Income £m	2016/17 Net Expenditure £m
0.0	(37.4)	(37.4)	National Non-Domestic Rates	0.0	(37.8)	(37.8)
0.0	(79.7)	(79.7)	Council tax	0.0	(81.7)	(81.7)
0.0	(105.4)	(105.4)	Unringfenced Revenue Grants Receivable	0.0	(90.6)	(90.6)
0.0	(36.8)	(36.8)	Capital Grants Receivable	0.0	(36.9)	(36.9)
0.0	**(259.3)**	**(259.3)**	**Taxation and non-specific grant income and expenditure**	**0.0**	**(247.0)**	**(247.0)**

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Note 8 – 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.

8A – Current Receivables

31 March 2016 Council £m	31 March 2016 *Group £m*	Type of Organisation	31 March 2017 Council £m	31 March 2017 *Group £m*
5.1	*5.1*	Central government bodies	5.7	*5.7*
1.2	*1.2*	Other local authorities	1.2	*1.2*
9.1	*9.1*	NHS bodies	8.4	*8.4*
-	-	Public corporations and trading funds	-	-
58.3	*57.7*	Bodies external to general government	48.6	*47.8*
73.7	***73.1***	**Total**	**63.9**	***63.1***

8B – Current Payables

31 March 2016 Council £m	31 March 2016 *Group £m*	Type of Organisation	31 March 2017 Council £m	31 March 2017 *Group £m*
(4.1)	*(5.5)*	Central government bodies	(4.9)	*(6.1)*
(3.3)	*(3.3)*	Other local authorities	(1.4)	*(1.4)*
(2.9)	*(2.9)*	NHS bodies	(1.0)	*(1.0)*
(77.6)	*(77.1)*	Bodies external to general government	(77.2)	*(77.6)*
(87.9)	***(88.8)***	**Total**	**(84.5)**	***(86.1)***

Note 9 – Provisions and Contingent Liabilities

9A – Provisions

Balance at 31 March 2016 £m	Provision Name	Provision Details	Amounts Used in 2016/17 £m	Contribution to/from Provisions 2016/17 £m	Balance at 31 March 2016/17 £m
(8.4)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. An adjustment has been made to reduce the provision to reflect information available to the Council at the 31 March 2017. It is currently uncertain when payments might need to be made, and the value of any such payments.	3.6	2.3	(2.5)
(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)

Balance at 31 March 2016 £m	Provision Name	Provision Details	Amounts Used in 2016/17 £m	Contribution to/from Provisions 2016/17 £m	Balance at 31 March 2016/17 £m
(0.7)	Termination Benefits	During 2016/17, the Council undertook a further voluntary redundancy exercise. As a result of this initiative, there were a number of employees and former employees to whom termination benefits were due, but had not yet been made, at the end of the year.	0.7	(0.1)	(0.1)
(0.2)	Midlands Housing Consortium (MHC)	MHC was previously a member of the West Midlands Pension Fund. It paid a lump sum to the Council to support pension payments to fund members. This provision will reduce gradually over time as pension payments are made.	0.1	-	(0.1)
(0.1)	Housing Revenue Account	There are three separate provisions: for legal disrepair claims, for tenant management organisation expenditure and for rent bonds.	0.1	-	-
(6.1)	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 2017.	9.2	(9.3)	(6.2)
(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)
(17.9)	**Total**		**13.7**	**(7.1)**	**(11.3)**

9B – Contingent Liabilities

At 31 March 2017, 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 2017 is £6.1 million (31 March 2016 - £7.1 million).

- A contingent liability exists for the costs of Equal Pay compensation. The Council has established a provision for £2.5 million (31 March 2016: £8.4 million). The potential costs of any further cases not addressed by this provision cannot be reliably quantified at this stage.

- There are several instances where the Council has acquired title to assets of land and buildings due to the use of compulsory purchase orders or an interest in land and buildings subject to blight notices. In these situations, there has been no transfer of economic benefits due to difficulties in either establishing the original owner or in reaching an agreement to the level of compensation to be transferred. The existence of a recognisable liability can only be confirmed at the point that the owner comes forward to claim reimbursement or the formal acknowledgment of blight has been established. The total value of these cases as at 31 March 2017 is estimated at £0.9 million (31 March 2016: £0.9 million).

- During 2016/17, the Council undertook a further voluntary redundancy exercise. There were a number of applications for voluntary redundancy that were approved prior to the balance sheet date for payment during 2017/18 for which a provision of £0.1 million (31 March 2016: £0.7 million) has been raised. There are, however, a number of applications for voluntary redundancy in progress which had not received sufficient approvals as at the Balance Sheet date to make it reasonably certain that a redundancy would ultimately result. It is not possible to place a reliable estimate on the number of such applications that will ultimately result in redundancy, and therefore the value of any resulting liability.

- Advantage West Midlands (AWM) arranged for the land at i54 to be remediated in 2004 and any contamination found at that time was removed from the site. At the time of purchasing part of the land at i54 from Severn Trent Water, AWM (now succeeded by the Housing and Community Agency (HCA)) agreed to indemnify Severn Trent against any future contamination claims from third parties. When Staffordshire County Council purchased the land at i54 from the HCA, Staffordshire County Council was required to agree to the same indemnity relating to the former Severn Trent land. Under the Joint Venture Agreement relating to i54, City of Wolverhampton Council would be required to fund 50% of any liability arising from this indemnity, subject to a cap of £2.0 million.

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

- The Council was previously insured by Municipal Mutual Insurance (MMI). MMI is subject to a contingent Scheme of Arrangement, the terms of which were triggered in November 2012. As a result, there is the possibility that the Council may be subject to clawback of both previous and future paid claims. A payment of £208,836 was made in 2015/16 based on a 25% levy applied taking the total paid to date to £503,587. Further payments are anticipated. If the levy was increased to 50% the clawback is estimated to be approximately £568,000

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

Contingent Assets

At 31 March 2017, the Council did not have any contingent assets.

Note 10 – Non-Current Assets

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Property Plant and Equipment Subtotal £m	Investment Properties £m	Intangible Assets £m	Heritage Assets £m	Assets Held for Sale £m	Total £m
Gross Value												
At 31 March 2016												
-As previously reported	620.0	615.1	78.2	282.9	15.4	27.3	1,638.9	27.3	8.3	11.5	-	**1,686.0**
-Prior year adjustment	-	-	-	-	-	-	-	-	-	-		**-**
-As restated	**620.0**	**615.1**	**78.2**	**282.9**	**15.4**	**27.3**	1,638.9	**27.3**	**8.3**	**11.5**	**-**	**1,686.0**
Additions	33.6	29.3	2.8	12.8	0.4	0.2	79.1	14.3	3.3	-	-	**96.7**
Disposals	(7.4)	(39.8)	(0.1)	-	-	(1.9)	(49.2)	-	-	-	-	**(49.2)**
Revaluations / Fair Value Gains/(Losses)												**-**
-Recognised in revaluation reserve	-	(35.0)	-	-	-	(2.8)	(37.8)	-	-	-	-	**(37.8)**
-Recognised in surplus/(deficit) on provision of services	41.6	(47.4)	-	-	-	(5.8)	(11.6)	(1.0)	-	-	-	**(12.6)**
Impairments	-	-	-	-	-	(0.1)	(0.1)	-	-	-	-	**(0.1)**
Other Changes - Gross Value	-	(5.4)	-	-	-	6.1	0.7	1.2	-	-	0.3	**2.2**
Gross Value as at 31 March 2017	**687.8**	**516.8**	**80.9**	**295.7**	**15.8**	**23.0**	**1,620.0**	**41.8**	**11.6**	**11.5**	**0.3**	**1,685.2**
Accumulated Depreciation / Impairment												
At 31 March 2016												
-As previously reported	21.8	65.6	67.2	152.1	0.8	4.0	311.5	1.8	3.7	-	-	**317.0**
-Prior year adjustments	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**		**-**
-As restated	**21.8**	**65.6**	**67.2**	**152.1**	**0.8**	**4.0**	**311.5**	**1.8**	**3.7**	**-**	**-**	**317.0**
Disposals	-	(1.2)	-	-	-	(0.5)	(1.7)	-	-	-	-	**(1.7)**
Depreciation/amortisation	21.8	23.6	3.3	7.9	-	0.7	57.3	-	1.5	-	-	**58.8**
Depreciation writeback on revaluation												**-**
-Recognised in the Revaluation Reserve	-	(27.7)	-	-	-	-	(27.7)	-	-	-	-	**(27.7)**
-Recognised in the Surplus/Deficit on the Provision of Services	(43.6)	(40.0)	-	-	-	(1.9)	(85.5)	-	-	-	-	**(85.5)**
Other Changes	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Depreciation / Impairment at 31 March 2017	**-**	**20.3**	**70.5**	**160.0**	**0.8**	**2.3**	**253.9**	**1.8**	**5.2**	**-**	**-**	**260.9**
Net Book Value As at 31 March 2017	**687.8**	**496.5**	**10.4**	**135.7**	**15.0**	**20.7**	**1,366.1**	**40.0**	**6.4**	**11.5**	**0.3**	**1,424.3**
Net Book Value As at 31 March 2016	**598.2**	**549.5**	**11.0**	**130.8**	**14.6**	**23.3**	**1,327.4**	**25.5**	**4.6**	**11.5**	**-**	**1,369.0**

	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	Total £m
Gross Value											
At 31 March 2015											
-As previously reported	**1,267.7**	**756.2**	**77.6**	**286.7**	**21.1**	**48.9**	**2,458.2**	**20.9**	**6.8**	**11.5**	**2,497.4**
-Prior year adjustment	(658.4)	(0.7)	(1.4)	(13.3)	-	-	**(673.8)**	-	-	-	**(673.8)**
-As restated	**609.3**	**755.5**	**76.2**	**273.4**	**21.1**	**48.9**	**1,784.4**	**20.9**	**6.8**	**11.5**	**1,823.6**
Additions	50.6	76.8	2.1	9.5	0.5	2.2	**141.7**	7.1	1.5	-	**150.3**
Assets reclassified	-	(0.1)	-	-	-	-	**(0.1)**	0.1	-	-	**-**
Disposals	(8.2)	(53.4)	(0.1)	-	-	(8.8)	**(70.5)**	-	-	-	**(70.5)**
Revaluation Gains/(Losses)											
-Recognised in revaluation reserve	-	(1.7)	-	-	-	0.2	**(1.5)**	-	-	-	**(1.5)**
-Recognised in surplus/(deficit) on provision of services	(33.7)	-	-	-	-	0.1	**(33.6)**	1.8	-	-	**(31.8)**
Impairments	-	(3.1)	-	-	-	-	**(3.1)**	(1.8)	-	-	**(4.9)**
Reversal of accumulated impairments	-	(158.9)	-		(6.2)	(18.0)	**(183.1)**	(0.6)	-	-	**(183.7)**
Other Changes - Gross Value	2.0	-	-	-	-	2.7	**4.7**	(0.2)	-	-	**4.5**
Gross Value as at 31 March 2016	**620.0**	**615.1**	**78.2**	**282.9**	**15.4**	**27.3**	**1,638.9**	**27.3**	**8.3**	**11.5**	**1,686.0**
Accumulated Depreciation / Impairment											
At 31 March 2015											
-As previously reported	**613.1**	**202.7**	**62.5**	**144.7**	**7.0**	**20.0**	**1,050.0**	**2.6**	**2.3**	**-**	**1,054.9**
-Prior year adjustments	**(613.1)**	**-**	**-**	**-**	**-**	**-**	**(613.1)**	**-**	**-**	**-**	**(613.1)**
-As restated	**-**	**202.7**	**62.5**	**144.7**	**7.0**	**20.0**	**436.9**	**2.6**	**2.3**	**-**	**441.8**
Disposals	(2.0)	(4.4)	(0.1)	-	-	(0.7)	**(7.2)**	-	-	-	**(7.2)**
Depreciation/amortisation	21.8	25.5	4.8	7.4	-	0.7	**60.2**	-	1.4	-	**61.6**
Reversal of accumulated impairments	-	(158.9)	-	-	(6.2)	(18.0)	**(183.1)**	(0.6)	-	-	**(183.7)**
Other Changes - Accumulated depreciation	2.0	0.7	-	-	-	2.0	**4.7**	(0.2)	-		**4.5**
Accumulated Depreciation / Impairment at 31 March 2016	**21.8**	**65.6**	**67.2**	**152.1**	**0.8**	**4.0**	**311.5**	**1.8**	**3.7**	**-**	**317.0**
Net Book Value As at 31 March 2016	**598.2**	**549.5**	**11.0**	**130.8**	**14.6**	**23.3**	**1,327.4**	**25.5**	**4.6**	**11.5**	**1,369.0**
Net Book Value As at 31 March 2015	**609.3**	**552.8**	**13.7**	**128.7**	**14.1**	**28.9**	**1,347.5**	**18.3**	**4.5**	**11.5**	**1,381.8**

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Asset Disposals

The total net book value of assets disposed of in the year of £47.5 million (2015/16: £63.3 million) includes £36.2 million (2015/16: £44.8 million) in respect of assets derecognised in respect of schools that have converted to Academies for which no consideration was received.

Depreciation/Amortisation

Property, plant and equipment assets are depreciated on a straight-line basis over the estimated useful economic life of the asset, with the exception of Council dwellings, for which the Major Repairs Allowance is used as a proxy for depreciation. Intangible assets are amortised on the straight-line basis over the estimated useful economic life of the asset. No depreciation is charged on investment properties, heritage assets or land. The following asset lives are used to determine the depreciation charge:

Council Dwellings	Up to 30 years
Infrastructure assets	0-49 years
Surplus assets	0-49 years
Other buildings	0-57 years
Plant and equipment	0-37 years
Vehicles	0-7 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 31st March 2017. The valuations were carried out by external valuers. The housing stock valuation was carried out by the Valuation Office Agency while the other valuations were carried out by Bruton Knowles, registered RICS valuers, using the guidance and methodology set out in the following paragraphs.

Legislation and guidance

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

Basis of Valuation

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2016/17, infrastructure, community assets, and assets under construction are valued at depreciated historical cost. All other classes of asset are measured at current value. For vehicles, plant, furniture and equipment current value is determined by depreciated historical cost due to the short useful life of these assets (2-7 years depending on the asset). The current value of Council dwellings is measured using existing use value (social housing). For all other asset classes, where there is no market-based evidence of current value, the Council estimates current value using the depreciated replacement cost approach. The following table describes the measurement basis used to determine the gross carrying value of each of the Council's classes of non-current assets.

Asset Class	Measurement Base
Council Dwellings	Current value based on existing use value (social housing) (EUV-SH).
Other Land and Buildings	Current value based on existing use value (EUV) or depreciated replacement cost (DRC) using the "instant build" approach if EUV cannot be determined.
Vehicles, Plant, Furniture and Equipment	Current value based on depreciated historical cost due to the short useful life of the asset.
Infrastructure Assets	Depreciated historical cost.
Community Assets	Depreciated historical cost or valuation.
Surplus Assets	Fair value estimated at highest and best use from a market participant's perspective using level 2 inputs.
Assets Under Construction	Depreciated historical cost.
Investment Properties	Initially measured at cost (defined as the purchase price plus any directly attributable cost of preparing the asset for its intended use) and subsequently measured at fair value. Fair values have been determined by multiplying estimated net income by an appropriate investment yield or by reference to the value of similar assets. All investment properties have been valued using level 2 inputs.
Intangible Assets	Amortised Cost
Heritage Assets	Where the Council has information on the cost or value of the asset, the asset is recognised at this amount.

Inspection

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

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 2017, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years with an estimated total value of £56.4 million (31 March 2016: £31.3 million). The major commitments are: Civic and Wulfrun Halls (£14.2 million), Future Spaces (£11.3 million), Interchange (£8.7 million), Heath Town Regeneration (£4.4 million), Tapworks (£4.3 million), Farndale Site Remediation (£2.1 million) and Merridale Court (£2.1 million).

Investment Properties

During the year, the Council had £2.3 million of income receivable from investment properties (2015/16: £0.9 million) and spent £0.5 million on managing and maintaining those properties (2015/16: £0.2 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

During 2016/17 the only impairments recognised were related to the demolition of council dwellings.

Capital Financing Requirement

The Council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £863.2 million at 31 March 2017 (31 March 2016: £842.2 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.

The opening figure for 2015/16 has been amended following a review of the CFR calculations.

2015/16 £m (Restated)		2016/17 £m
788.5	**Opening Capital Financing Requirement**	**842.2**
	Capital Investment	
142.3	Property, Plant and Equipment	79.2
7.1	Investment Properties	14.2
1.4	Intangible Assets	3.3
12.5	Revenue Expenditure Funded from Capital under Statute	19.1
	Sources of finance	
(19.9)	Capital Receipts	(12.5)
(38.7)	Government Grants and other Contributions	(36.0)
	Sums set aside from Revenue:	-
(28.8)	Direct Revenue Contributions	(23.8)
(22.2)	MRP/Loans Fund Principal	(22.5)
842.2	**Closing Capital Financing Requirement**	**863.2**
	Explanation of movements in year	
9.6	Increase in underlying need to borrow (unsupported by government financial assistance)	20.9
-	Assets acquired under finance leases	-
44.0	Assets acquired under PFI contracts	0.1
53.6	**Increase/(decrease) in Capital Financing Requirement**	**21.0**

Note 11 – Employee Pensions

Participation in Pension Schemes

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

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

- The Local Government Pension Scheme, administered locally by the West Midlands Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' 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 £6.3 million which was a contribution rate of 16.48% (2015/16: £6.9 million; 14.1% April – August and 16.48% September - March).

- There are a number of employees transferred from the NHS, when certain public health services were transferred to the Council 2 years ago, who are members of the NHS pension scheme.

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

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

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

Transactions Relating to Post-Employment Benefits

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

2015/16				2016/17		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
£m	£m	£m		£m	£m	£m
			COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT			
			Cost of Services:			
(26.5)	-	(4.0)	- Current service cost	(24.7)	-	(3.5)
-	-	-	- Past service costs	-	-	-
0.2	-	(0.6)	- Settlements and curtailments	5.1	-	-
(0.4)	-	(0.1)	- Administration Expenses	(0.4)	-	(0.1)
			Financing and Investment Income and Expenditure:			
(16.4)	(1.8)	(1.0)	- Net Interest cost	(16.7)	(1.6)	(1.1)
(43.1)	**(1.8)**	**(5.7)**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(36.7)**	**(1.6)**	**(4.7)**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
65.2	(1.9)	4.8	- Remeasurements (liabilities and assets)	(120.1)	(1.9)	(4.8)
22.1	**(3.7)**	**(0.9)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(156.8)**	**(3.5)**	**(9.5)**
			MOVEMENT IN RESERVES STATEMENT			
(43.1)	(1.8)	-	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(36.7)	(1.6)	-
			Actual amount charged against the General Fund Balance for pensions in the year:			
31.5		3.0	- Employer's contributions payable to scheme	29.1		3.1
	3.9		- Retirement benefits payable to pensioners		3.8	
(11.6)	**2.1**	**3.0**	**Total Movement in Reserves**	**(7.6)**	**2.2**	**3.1**

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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:

2015/16		Assets	2016/17	
Council £m	Subsidiary £m		Council £m	Subsidiary £m
857.2	**117.9**	**Opening balance at 1 April**	**843.7**	**118.7**
27.3	4.0	Interest Income	30.1	4.5
(30.1)	(4.4)	Remeasurement Gain/(Loss)	198.2	26.5
31.5	3.0	Employer contributions	29.1	3.1
6.7	1.1	Contributions by scheme participants	6.8	1.0
(48.1)	(2.8)	Benefits paid	(47.4)	(2.5)
(0.4)	-	Settlements	(0.8)	-
(0.4)	(0.1)	Admin Expenses	(0.4)	(0.1)
843.7	**118.7**	**Closing balance at 31 March**	**1,059.3**	**151.2**

2015/16					2016/17			
Council			Subsidiary		Council			Subsidiary
Funded: LGPS £m	Unfunded: LGPS £m	Unfunded: Teachers £m	Funded: LGPS £m	Liabilities	Funded: LGPS £m	Unfunded: LGPS £m	Unfunded: Teachers £m	Funded: LGPS
(1,362.8)	**(23.8)**	**(59.2)**	**(149.3)**	**Opening balance at 1 April**	**(1,298.3)**	**(21.4)**	**(58.9)**	(148.0)
(26.6)	-	-	(4.0)	Current service cost	(24.7)	-	-	(3.5)
(42.9)	(0.7)	(1.8)	(5.1)	Interest cost	(46.0)	(0.7)	(1.6)	(5.6)
(6.7)	-	-	(1.1)	Contributions - participants	(6.8)	-	-	(1.0)
93.7	1.5	(1.8)	9.2	Remeasurement Gain/(Loss)	(315.7)	(2.6)	(1.9)	(31.3)
46.4	1.6	3.9	2.9	Benefits paid	45.8	1.6	3.7	2.6
-	-	-	-	Past service costs	-	-	-	-
(6.4)	-	-	(0.6)	Curtailments	(2.9)	-	-	-
7.0	-	-	-	Settlements	8.9	-	-	-
(1,298.3)	**(21.4)**	**(58.9)**	**(148.0)**	**Closing balance at 31 March**	**(1,639.7)**	**(23.1)**	**(58.7)**	**(186.8)**

2015/16 LGPS Council £m	2015/16 LGPS Subsidiary £m	Asset Category	2016/17 LGPS Council £m	2016/17 LGPS Subsidiary £m
510.6	71.8	Equities	682.3	97.4
65.7	9.3	Government Bonds	86.0	12.3
39.3	5.5	Other Bonds	43.9	6.3
69.6	9.8	Property	81.6	11.6
38.6	5.4	Cash/ liquidity	30.2	4.3
119.9	16.9	Other	135.3	19.3
843.7	**118.7**	**Total**	**1,059.3**	**151.2**

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £180.2 million (2015/16: Loss £2.8 million).

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £662.3 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 £96.4 million (based on the 2013 triennial valuation) will be recovered over the period from 2014/15 to 2019/20. Work on the 2016 triennial valuation was completed by 31 March 2017, with new contribution plans effective from 1 April 2017.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 are £30.2 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2018 are £3.1 million.

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

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years' dependent on assumptions about variables such as mortality rates and salary levels. Both the Teachers' Discretionary Pension Scheme and the West Midlands Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the West Midlands Pension Fund are based on the latest full valuation of the scheme as at 31 March 2016. The principal assumptions used by the actuary are set out in the following table.

2015/16				2016/17		
Council		Subsidiary		Council		Subsidiary
LGPS	Teachers			LGPS	Teachers	
			Mortality assumptions:			
			Longevity at 65 for current pensioners (years):			
23.0	23.0	23.0	- Men	21.8	21.8	21.8
25.7	25.7	25.7	- Women	24.2	24.2	24.2
			Longevity at 65 for future pensioners (years):			
25.3	n/a	25.3	- Men	23.9	23.9	23.9
28.0	n/a	28.0	- Women	26.5	26.5	26.5
2.0%	2.0%	2.2%	Rate of inflation	2.7%	2.3%	2.7%
3.8%	n/a	4.0%	Rate of increase in salaries	4.2%	n/a	4.2%
2.0%	2.0%	2.2%	Rate of increase in pensions	2.7%	2.3%	2.7%
3.6%	2.8%	3.8%	Rate for discounting scheme liabilities	2.7%	2.1%	2.8%

Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2016			31 March 2017	
Local Government Pension Scheme	Discretionary Pension Scheme		Local Government Pension Scheme	Discretionary Pension Scheme
£m	£m		£m	£m
		Estimated Liabilities in Scheme		
(1,319.7)	(58.9)	City of Wolverhampton Council	(1,662.8)	(58.7)
(148.0)	-	Wolverhampton Homes Limited	(186.9)	-
(1,467.7)	**(58.9)**	**Total Liabilities**	**(1,849.7)**	**(58.7)**
		Estimated Assets in Scheme		
843.7	-	City of Wolverhampton Council	1,059.3	-
118.7	-	Wolverhampton Homes Limited	151.2	-
962.4	**-**	**Total Assets**	**1,210.5**	**-**
(505.3)	**(58.9)**	**Net Liabilities**	**(639.2)**	**(58.7)**

Note 12 – Financial Instruments

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

31 March 2016 Long-Term £m	31 March 2016 Current £m		31 March 2017 Long-Term £m	31 March 2017 Current £m
		Investments		
1.4	-	Loans and Receivables – Finance Leases	1.3	-
19.8	-	Available-for-sale Financial Assets - Birmingham Airport Shareholding	24.2	-
21.2	**-**	**Total Investments**	**25.5**	**-**
		Current Assets		
-	43.0	Loans and Receivables -Investments	-	7.9
-	1.6	Loans and Receivables - Cash and Cash Equivalents	-	1.1
-	73.5	Loans and Receivables – Current Receivables	-	63.4
-	0.5	Inventories-non-financial instruments	-	0.5
-	**118.6**	**Total Current Assets**	**-**	**72.9**
		Borrowings		
(580.1)	(85.0)	Financial Liabilities at Amortised Cost	(573.2)	(91.6)
(580.1)	**(85.0)**	**Total Borrowings**	**(573.2)**	**(91.6)**
		Other Non-Current Liabilities		
(15.8)		Debt arising from the County Council Reorganisation	(14.8)	
(100.9)		PFIs	(97.9)	
(0.1)		Finance Leases	(0.1)	
(6.9)	-	Non-financial instruments	(6.3)	
(123.7)	**-**	**Total Other Non-Current Liabilities**	**(119.1)**	
		Payables		
-	(87.9)	Financial liabilities carried at contract amount		(84.5)
-	**(87.9)**	**Total Payables**		**(84.5)**

12A - 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.

2015/16					2016/17			
Amounts Payable		Amounts Receivable			Amounts Payable		Amounts Receivable	
Finance Leases	Operating Leases	Finance Leases	Operating Leases		Finance Leases	Operating Leases	Finance Leases	Operating Leases
£m	£m	£m	£m		£m	£m	£m	£m
0.1	**0.5**	**-**	**1.8**	**Payable/receivable in the year**	**-**	**0.4**	**-**	**4.5**
0.1	0.5	-	1.4	Due within one year	-	0.4	-	3.4
0.1	0.7	-	2.9	Due in one to five years	0.1	0.5	-	10.5
-	0.5	6.0	25.2	Due after five years	-	0.4	5.9	31.4
0.2	**1.7**	**6.0**	**29.5**	**Total due in future years**	**0.1**	**1.3**	**5.9**	**45.3**

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

31 March 2016 £m		31 March 2017 £m
0.1	Vehicles, Plant, Furniture and Equipment	0.1
0.1	**Total**	**0.1**

12B - Available-for-Sale Financial Assets - 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 2 Inputs using an Earnings Based Approach. Earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry. The valuation review resulted in an increase of £4.4 million in the shareholding of the Council.

12C – Debtors

It is determined that the carrying amount for short term investments, cash and cash equivalents and trade receivables is a reasonable approximation of fair value. Further information on Accounts Receivable can be found in Note 8

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

2015/16 £m		2016/17 £m
15.3	**Allowance for Bad and Doubtful Debts Brought Forward**	**16.7**
(1.5)	Amounts Written Off during the Year	(3.2)
2.9	Increase in Allowance during the Year	8.0
16.7	**Allowance for Bad and Doubtful Debts Carried Forward**	**21.5**

12D – 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 2006/07 the Council signed a thirty-year contract for a new leisure facility. The scheme was for the design, build, funding and operation of a major new regional leisure facility. The facility includes a leisure pool with a river run, wave pool and flumes, a 25 metre 6 lane traditional pool, a studio pool, a 140 station fitness suite, a dance/aerobics suite, children's play feature and a café. The facility cost £13.3 million and opened on 12 December 2006. The facility is operated by Places for People Leisure Ltd on behalf of the Council. The contract period is for 30 years, with an end date of 31 October 2036. The total amount payable by the Council over the life of the contract is £52.5 million. Over the remaining life of the project the commitments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	0.6	1.0	0.1	1.7
Payable within two to five years	2.0	3.9	1.0	6.9
Payable within six to ten years	3.5	4.6	1.1	9.2
Payable within eleven to fifteen years	3.3	4.4	2.2	9.9
Payable within sixteen to twenty years	2.6	3.3	3.9	9.8
Payable within twenty-one years	-	-	-	-
Total	12.0	17.2	8.3	37.5

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

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**7.4**	**(8.4)**	**(1.0)**
Depreciation/Revaluation	2.4	-	**2.4**
Capital Expenditure/Principal Redemption	0.1	0.2	**0.3**
Balance at 31 March 2017	**9.9**	**(8.2)**	**1.7**

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2015	**7.7**	**(8.6)**	**(0.9)**
Depreciation	(0.3)	-	**(0.3)**
Capital Expenditure/Principal Redemption	-	0.2	**0.2**
Balance at 31 March 2016	**7.4**	**(8.4)**	**(1.0)**

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

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	5.1	2.5	1.3	**8.9**
Payable within two to five years	16.5	7.6	4.4	**28.5**
Total	**21.6**	**10.1**	**5.7**	**37.4**

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

	Property, Plant and Equipment £m	Deferred Income £m	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**3.1**	**(1.7)**	**(6.9)**	**(5.5)**
Depreciation/Revaluation	(0.2)	0.3	-	**0.1**
Capital Expenditure/Principal Redemption	-	-	1.2	**1.2**
Balance at 31 March 2017	**2.9**	**(1.4)**	**(5.7)**	**(4.2)**

	Property, Plant and Equipment £m	Deferred Income £m	Long-Term Liability £m	Total £m
Balance at 31 March 2015	**3.8**	**(2.1)**	**(8.0)**	**(6.3)**
Depreciation and amortisation	(0.7)	0.4	-	**(0.3)**
Capital Expenditure/Principal Redemption	-	-	1.1	**1.1**
Balance at 31 March 2016	**3.1**	**(1.7)**	**(6.9)**	**(5.5)**

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 £192.7 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	1.9	4.7	0.8	7.4
Payable within two to five years	8.1	17.8	4.2	30.1
Payable within six to ten years	11.5	19.6	7.9	39.0
Payable within eleven to fifteen years	13.6	14.4	12.7	40.7
Payable within sixteen to twenty years	17.5	6.2	19.0	42.7
Payable within twenty-one to twenty-two years	1.5	0.2	2.1	3.8
Total	**54.1**	**62.9**	**46.7**	**163.7**

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

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**15.5**	**(42.3)**	**(26.8)**
Depreciation/Revaluation	(4.6)	-	**(4.6)**
Capital Expenditure/Principal Redemption	0.1	0.4	**0.5**
Balance at 31 March 2017	**11.0**	**(41.9)**	**(30.9)**

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2015	**16.3**	**(42.9)**	**(26.6)**
Depreciation	(0.8)	-	**(0.8)**
Capital Expenditure/Principal Redemption	-	0.6	**0.6**
Balance at 31 March 2016	**15.5**	**(42.3)**	**(26.8)**

During 2015/16 Highfields School converted to an academy and entered into a 125 year lease with the Council. This lease has been recognised as a finance lease and, accordingly, the Highfields School has been derecognised as an asset of the Council. The remaining carrying asset value relates to 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 2016-17 the Council received a contribution of £2.1 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 into 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 £153.5 million. Over the remaining life of the contract the estimated payments are:

	Payment for Services £m	Interest £m	Capital Expenditure /Principal Redemption £m	Total £m
Payable within one year	1.4	2.9	1.3	5.6
Payable within two to five years	6.4	11.2	5.6	23.2
Payable within six to ten years	9.7	12.5	7.9	30.1
Payable within eleven to fifteen years	11.2	10.5	10.0	31.7
Payable within sixteen to twenty years	16.2	7.4	9.7	33.3
Payable within twenty-one to twenty-five years	12.5	3.7	7.7	23.9
Total	**57.4**	**48.2**	**42.2**	**147.8**

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

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2016	**19.7**	**(43.3)**	**(23.6)**
Depreciation/Revaluation	3.4	-	**3.4**
Capital Expenditure/Principal Redemption	0.5	1.1	**1.6**
Balance at 31 March 2017	**23.6**	(42.2)	**(18.6)**

	Property, Plant and Equipment £m	Long-Term Liability £m	Total £m
Balance at 31 March 2015	**-**	**-**	**-**
Depreciation	-	-	**-**
Capital Expenditure/Principal Redemption	44.0	(43.3)	**0.7**
Disposals	(24.3)	-	**(24.3)**
Balance at 31 March 2016	**19.7**	**(43.3)**	**(23.6)**

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 into. 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 2015-16 the Council received a contribution of £1.0 million from Heath Park Academy representing the balance of the unitary payment not funded by capital grants from Central Government.

12E 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 2016					31 March 2017			
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
(580.1)	(85.0)	(724.9)	(85.6)	Financial Liabilities at Amortised Cost	(573.2)	(91.6)	(784.9)	(92.2)

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.

12F 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.

12G 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.

Birmingham Airport

2015/16					2016/17			
Financial Assets: Loans and Receivables £m	Financial Asset: Available for Sale £m	Financial Liabilities Measured at Amortised Cost £m	Total £m		Financial Assets: Loans and Receivables £m	Financial Asset: Available for Sale £m	Financial Liabilities Measured at Amortised Cost £m	Total £m
-	-	32.7	**32.7**	Interest Expense	-	-	36.0	**36.0**
(0.3)	-	-	**(0.3)**	Interest Income	(0.5)	-	-	**(0.5)**
-	(1.8)	-	**(1.8)**	Gain or loss on valuation of unquoted equity investment	-	(4.4)	-	**(4.4)**
(0.3)	**(1.8)**	**32.7**	**30.6**	**Net (Income)/Expense**	**(0.5)**	**(4.4)**	**36.0**	**31.1**

12H – Risks Arising from Financial Instruments

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

- Treasury Management Strategy
- Annual Investment Strategy
- Prudential and Treasury Management Indicators

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

Credit and Counterparty Risk Management

The security of principal sums invested is the Council's top priority when making investment decisions: accordingly, it only places sums with institutions for whom credit risk is assessed as very low. In order to form this assessment, the Council applies a creditworthiness model supplied by its external treasury advisors Capita Asset Services, which takes into account credit watches and credit outlooks from credit rating agencies, credit default swap spreads, and sovereign ratings. The Council also uses market data and market information, information on government support for banks and the credit ratings of the government in question. The Council has combined these factors to develop a range of creditworthiness criteria which it applies strictly when making investment decisions.

The Council's maximum exposure to credit risk at 31 March 2017 was £74.2 million (31 March 2016: £116.5 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 2016/17 or 2015/16.

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

2015 £m	Time until Repayment	2016/17 £m
80.6	Payable next year	87.1
105.6	Payable within two to five years	18.5
35.6	Payable within six to ten years	41.8
55.1	Payable within eleven to fifteen years	58.9
-	Payable within sixteen to twenty years	-
31.0	Payable within twenty-one to twenty-five years	31.0
44.3	Payable within twenty-six to thirty years	44.3
27.5	Payable within thirty-one to thirty-five years	26.5
97.6	Payable within thirty-six to forty years	112.6
26.6	Payable within forty-one to forty-five years	66.6
48.0	Payable within forty-six to fifty years	166.8
103.8	Payable within fifty-one to sixty years	-
655.7	**Total**	**654.1**

The figures for 2015/16 have been amended to include the Regional Infrastructure loan.

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 2016/17, the Council's interest payable would have increased by £6.5 million, and its interest receivable would have increased by £259,000, resulting in an increase in net expenditure of £6.2 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £6.2 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 £24.1 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 13 – Members of the City of Wolverhampton Council Group and other Related Parties

Subsidiaries

The Council has three subsidiary entities: Wolverhampton Homes Limited, Yoo Recruit Limited 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 £38.0 million in 2016/17 (2015/16: £38.2 million). There are a number of other transaction streams between the two entities, including capital works carried out by Wolverhampton Homes Limited for the Council, support services provided by the Council, and premises leases payable by Wolverhampton Homes Limited. Payments by the Council to Wolverhampton Homes Limited amounted to £44.1 million in 2016/17 (2015/16: £44.6 million), whilst payments by Wolverhampton Homes Limited to the Council totalled £5.0 million (2015/16: £4.5 million). At the year end, Wolverhampton Homes Limited owed the Council £2.3 million (2015/16: £1.3 million), and the Council owed Wolverhampton Homes Limited £1.9 million (2015/16: £3.4 million).

Yoo Recruit Limited 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 Limited amounted to £9.9 million (2015/16: £7.3 million) while payments by Yoo Recruit Limited to the Council totalled £410,200 (2015/16: £192,570). A further payment of £300,000 was also made to the Council representing repayment of the loan made to Yoo Recruit Limited in the previous financial year.

At 31 March 2017, the amount owing to Yoo Recruit Limited, included in current payables, was £0.4 million (2015/16: £1.2 million) while an amount, included in current receivables, of £0.1 million (2015/16: £0.2 million) was owed to the Council.

WV Living was formed as a wholly-owned subsidiary of the Council in 2016/17. Set-up costs of £460k have been incurred, funded from reserves, which will be recharged to the company during the 2017/18 financial year. As the impact on the group accounts is considered by the Council, to be not material they have not been consolidated in the Group Accounts.

Central Government

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

2015/16 £m	Grant	2016/17 £m
(135.9)	Dedicated Schools Grant	(123.2)
(63.4)	Revenue Support Grant	(50.3)
(55.6)	Mandatory Rent Allowance	(53.0)
(16.5)	Standards Fund Capital	(19.2)
(55.4)	Mandatory Rent Rebates Subsidy	(53.9)
(35.9)	Top Up Grant	(36.2)
(20.2)	Public Health Grant	(21.9)
(3.4)	Decent Homes Backlog Grant	-
(4.0)	6th Form Funding	-
(3.0)	Education Support Grant	(2.4)
(5.5)	Section 31 Grant	(3.8)
(2.6)	Housing & Council Tax Benefit Administration	(2.2)
(3.4)	New Homes Bonus	(4.2)
(1.7)	Adult Community Learning PCDL	(0.6)
(1.2)	Further Education 19+	(2.4)
(1.3)	Disabled Facilities Grant	(2.4)
(0.8)	Troubled Families Grant	(1.2)
(11.4)	Pupil Premium	(10.3)
(1.4)	Universal Infant Free School Meals	(1.9)
(2.7)	Business Rates Section 31 Grant	-
(2.0)	Bilston Urban Village - Local Growth Fund	(1.3)
(1.4)	Care Act Implementation Grant	-
(0.8)	Civic Halls Improvement - Local Growth Fund	(2.4)
(4.2)	Interchange - Local Growth Fund	(9.3)
(0.4)	Access to Growth - Local Growth Fund	(4.4)
(9.0)	Other grants (each less than £1.0 million)	(8.7)
-	16-18 Bursary Fund	(3.1)
(443.1)	**Total**	**(418.3)**

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 4D. The register of Councillors' interests is available on the Council's website:
http://www.wolverhampton.gov.uk/article/7495/Local-councillors

Other Related Parties

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

2015/16 Expenditure £m	2015/16 Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	2016/17 Income £m
-	(4.7)	**Birmingham Airport Holdings Limited** The Council holds 4.7% of the total ordinary shares and 9.58% of the preference shares of the company. In 2016/17 the Council received a preference dividend of £93,000, ordinary dividends of £1,343,000 and rental income of £80,000.	-	(1.5)
0.4	-	**Wolverhampton Grand Theatre** The Grand Theatre is managed by Wolverhampton Grand Theatre (1982) Limited. The Council continues to own the building and can appoint 40% of the members of the company of which 2 can be directors. The Council provides grant funding to support the net cost of operating the theatre.	0.2	(0.4)
0.3	(0.1)	**Wolverhampton Schools' Improvement Partnership** The Wolverhampton Schools' Improvement Partnership is a company limited by guarantee established to advance educational opportunities and outcomes for children and young people in Wolverhampton. The board of directors comprises of representatives from each school cluster and phase and the senior substantive Council officer for schools.	0.2	-
3.0	(0.7)	**i54** The Council is party to a joint arrangement with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	1.5	-
12.7	(0.2)	**Inspired Spaces Wolverhampton Limited** The Council is a 10% shareholder in this company as well as a 9% shareholder in each of the operating companies (Inspired Spaces Wolverhampton (Project Co 1) Limited and Inspired Spaces Wolverhampton (Project Co 2) Limited set up for the administration of the 2 schools (Highfields and Penn Fields Schools and St. Matthias and Heath Park Academy). These companies were set up as part of the LEP for the building of the new schools. The board of all 3 companies have representatives of the Council.	14.9	(0.2)

2015/16 Expenditure £m	Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	Income £m
		Entities in which Members/Senior Officers Have Declared an Interest and other Government Bodies		
-	-	African Caribbean Community Initiative	0.3	-
0.2	(0.3)	Base 25	0.2	-
-	-	Bilston Business Improvement District Ltd	0.1	-
0.1	(0.4)	Birmingham City Council	-	-
0.5	-	Black Country Consortium Limited	0.4	(0.1)
0.5	-	Black Country Partnership NHS Foundation Trust	0.5	-
-	-	Bristol City Council	0.2	-
-	-	Bury Metropolitan Borough Council	0.1	-
-	-	Buckinghamshire County Council	0.1	-
1.3	-	Bushbury Hill EMB	1.3	-
-	-	Canal & River Trust	0.8	-
0.2	(0.5)	Central Learning Partnership Trust t/a Woden Primary School	0.1	(1.0)
-	-	City of Wolverhampton College	1.0	(0.1)
-	(0.3)	Coventry City Council	-	-
0.4	-	Department of Energy & Climate Change	0.4	-
1.1	-	Dovecotes TMO	1.1	-
0.9	(1.1)	Dudley Metropolitan Borough Council	1.4	(0.9)
-	-	Edge Hill University	0.1	-
0.1	-	Environment Agency	0.1	-
-	-	FBC Manby Bowdler LLP	-	(0.2)
0.1	-	Gazebo Theatre in Education Company Ltd	0.1	-
0.1	(0.1)	Heath Town Senior Citizens Welfare Project	0.1	-
-	(0.1)	Herefordshire County Council	-	-
-	-	Kingswood Trust	0.1	-
-	(2.6)	Lancaster University	-	-
-	-	Local Government Information Unit	0.1	-
-	-	Milton Keynes Council	0.1	-
0.4	-	New Park Village TMC	0.4	-
-	(0.1)	NHS Dudley CCG	-	-

2015/16 Expenditure £m	2015/16 Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	2016/17 Income £m
-	(0.2)	NHS Shropshire CCG	-	-
48.0	(54.7)	NHS Wolverhampton CCG	34.4	(47.3)
-	(0.1)	NHS Walsall CCG	-	-
-	(0.4)	North East Wolverhampton Academy	0.1	(0.1)
0.1	-	Public Health England	0.2	-
-	-	Pump Services	0.1	-
9.2	(0.9)	Royal Wolverhampton Hospitals NHS Trust	10.8	(0.7)
-	-	The Royal Wolverhampton School	0.1	-
1.8	(0.5)	Sandwell Metropolitan Borough Council	0.9	(0.1)
0.2	-	Shropshire County Council	0.3	-
-	(0.4)	Solihull Metropolitan Borough Council	0.1	(0.1)
-	(1.9)	South Staffordshire District Council	-	(1.6)
-	-	South Wolverhampton & Bilston Academy	-	(0.2)
-	-	Southend-On-Sea Borough Council	0.1	-
0.4	-	Springfield Horseshoe Co-op/Burton Rd.	0.4	-
-	-	St Martins Multi Academy Trust	0.3	(0.1)
1.00	(0.4)	Staffordshire County Council	0.7	(0.2)
-	-	Telford & Wrekin Council	-	(0.1)
-	-	The Dudley Group of Hospitals NHS Foundation Trust	0.1	-
-	-	University Hospitals Birmingham NHS Trust	0.1	-
-	-	University of Birmingham	0.1	(0.1)
0.8	-	University of Wolverhampton	0.3	(0.1)
-	(0.8)	Walsall Metropolitan Borough Council	0.3	(0.8)
0.1	-	Walsall Healthcare NHS Trust	0.1	-
-	-	West Midlands Combined Authority	0.6	(0.3)
3.2	-	West Midlands Fire Service	3.5	-
12.3	(0.1)	West Midlands Integrated Transport Authority	11.2	-
11.5	(1.6)	West Midlands Pension Fund	5.4	(0.6)
6.3	(0.6)	West Midlands Police Authority	6.8	(0.1)
-	-	Wolverhampton Bid Company Ltd	0.6	(0.1)
-	(0.2)	Wolverhampton Girls' High Academy	-	(0.1)

2015/16 Expenditure £m	2015/16 Income £m	Entity and Nature of Relationship	2016/17 Expenditure £m	2016/17 Income £m
-	-	Worcestershire County Council	0.2	-
117.2	**(74.0)**	**Total**	**103.7**	**(57.1)**

Note 14 – 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.

2015/16 Income £000	2015/16 Expenditure £000	2015/16 Fund Value at 31 March 2015 £000	Fund Name and Purpose	2016/17 Income £000	2016/17 Expenditure £000	2016/17 Fund Value at 31 March 2016 £000
1	-	43	**Springfield Reading Room** In its capacity as trustee, the Council is authorised to apply income in various ways.	-	-	43
-	-	29	**Greenway Benefaction** Established for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley.	-	-	29
-	-	17	**Butler Bequest Music in the Parks** To provide music in the parks.	-	-	17
29	16	13	**Mayoral Charities** Funds raised by the Mayor for their chosen local charities	16	16	13
1	-	12	**Monica Lloyd** To provide assistance with further education.	-	-	12
-	-	26	Other smaller funds	-	-	26
31	**16**	**140**	**Total**	**16**	**16**	**140**

Note 15 – Reconciliation of the Financial Statements to the Statutory Accounts

15A – Detailed Analysis of Movement in Reserves Statement:

2016/17 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance £m	General Fund Earmarked Reserves £m	HRA Balance £m	Major Repairs Reserve £m	Usable Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	*Reserves of Subsidiary £m*	Total Usable Reserves £m
Balance Brought Forward								
-As previously reported	(10.0)	(70.1)	(5.0)	(0.1)	(7.4)	(2.0)	19.9	(74.7)
-Prior year adjustment (Refer to Note 1)	-	(2.9)	-	-	-	-	-	*(2.9)*
-As restated	**(10.0)**	**(73.0)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(77.6)**
Surplus or Deficit on Provision of Services	**81.7**	**-**	**(108.4)**	**-**	**-**	**-**	**(0.4)**	**(27.1)**
Other Comprehensive Income and Expenditure								**-**
Revaluations - Gains and losses	**-**	-	1.0	-	-	-	-	1.0
Gains on Available-for-Sale Financial Assets	**-**	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	**-**	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	**-**	-	-	-	-	-	4.8	4.8
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	**-**	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**81.7**	**-**	**(107.4)**	**-**	**-**	**-**	**4.4**	**(21.3)**
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation & impairment of non-current assets	**(47.7)**	-	(0.1)	(22.1)	-	-	-	(69.9)
Difference between HRA depreciation and Major Repairs Allowance	**-**	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	**-**	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	**(0.9)**	-	84.1	-	-	-	-	83.2
Revenue Expenditure Funded from Capital under Statute	**(19.5)**	-	-	-	-	-	-	(19.5)
Net Gain/Loss on sale of non-current assets (net book value of assets)	**(37.7)**	-	(7.4)	-	-	-	-	(45.1)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	**2.1**	-	11.6	-	(13.7)	-	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	**(0.3)**	-	(0.3)	-	-	-	-	(0.6)
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	**(38.1)**	-	-	-	-	-	-	(38.1)
Capital Expenditure charged in the year to the General Fund	**1.7**	-	-	-	-	-	-	1.7
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	**(2.1)**	-	-	-	2.1	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	**32.9**	-	-	-	-	-	-	32.9
Transfers of HRA Balance	**-**	-	-	-	-	-	-	-

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	*Reserves of Subsidiary*	Total Usable Reserves
Reversal of financing of unequal pay back provision	**-**	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	**36.0**	-	-	-	-	-	-	36.0
Capital grants and contributions unapplied credited to CIES	**0.9**	-	-	-	-	(0.9)	-	-
Movement in the Donated Assets Account	**-**	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**0.1**	-	-	-	-	-	-	0.1
Capital Expenditure Financed from Usable Capital Receipts	**-**	-	-	-	12.5	-	-	12.5
Other income that cannot be credited to the General Fund	**0.3**	-	-	-	-	-	-	0.3
Revenue provision for the repayment of debt	**4.2**	-	19.3	-	-	-	-	23.5
Transfer of HRA Settlement Receipts to UCR	**-**	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	**-**	-	-	22.1	-	-	-	22.1
Use of Major Repairs Allowance to Finance Capital Spend	**0.4**	-	-	-	-	-	-	0.4
Use of Major Repairs Allowance to Finance Capital Spend	**-**	-	-	-	(0.3)	-	-	(0.3)
Net Increase/Decrease before Transfers & Other Movements	**11.9**	**-**	**(0.2)**	**-**	**0.6**	**(0.9)**	**4.4**	**15.8**
Group contributions to/from Reserves (Group a/cs only)								
Transfers to/from other Earmarked Reserves	(11.8)	11.7	0.1	-	-	-	-	-
Balance Carried Forward	**(9.9)**	**(61.3)**	**(5.1)**	**(0.1)**	**(6.8)**	**(2.9)**	**24.3**	**(61.8)**

2016/17 Part 2 – Unusable Reserves

	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Unusable Reserves £m	TOTAL (Council) £m	*TOTAL (Group) £m*
Balance Brought Forward										
-As previously reported	3.3	(13.3)	(338.8)	5.2	4.5	534.8	(181.8)	13.9	(80.7)	*(60.8)*
-Prior year adjustment (Refer to Note 1)	-	-	1.4	(0.8)	-	-	-	0.6	(2.3)	*(2.3)*
-As restated	**3.3**	**(13.3)**	**(337.4)**	**4.4**	**4.5**	**534.8**	**(181.8)**	**14.5**	**(83.0)**	***(63.1)***
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26.7)**	***(27.1)***
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	9.9	9.9	10.9	*10.9*
Gains on Available-for-Sale Financial Assets	-	(4.4)	-	-	-	-	-	(4.4)	(4.4)	*(4.4)*
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	122.1	-	122.1	122.1	*126.9*
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**-**	**(4.4)**	**-**	**-**	**-**	**122.1**	**9.9**	**127.6**	**101.9**	**106.3**
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation & impairment of non-current assets	(0.0)	-	62.4	-	-	-	7.5	69.9	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	(83.3)	-	-	-	-	(83.3)	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	19.5	-	-	-	-	19.5	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	37.7	-	-	-	7.4	45.1	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-

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	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Unusable Reserves £m	TOTAL (Council) £m	*TOTAL (Group) £m*
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	0.1	-	0.5	-	-	0.6	-	-
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	-	-	-	-	-	38.1	-	38.1	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(1.7)	-	-	-	-	(1.7)	-	-
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	-	-	-	-	-	(32.9)	-	(32.9)	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-
Reversal of financing of unequal pay back provision	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(36.0)	-	-	-	-	(36.0)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.1)	-	-	-	-	-	-	(0.1)	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(12.5)	-	-	-	-	(12.5)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-
Revenue provision for the repayment of debt	-	-	(23.5)	-	-	-	-	(23.5)	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(22.1)	-	-	-	-	(22.1)	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(0.4)	-	-	-	-	(0.4)	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	0.3	-	-	-	-	0.3	-	-

	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Unusable Reserves £m	TOTAL (Council) £m	*TOTAL (Group) £m*
Net Increase/Decrease before Transfers & Other Movements	**(0.1)**	**(4.4)**	**(59.8)**	**2.1**	**0.5**	**127.3**	**24.8**	**90.4**	**101.9**	**106.3**
Group contributions to/from Reserves (Group a/cs only)										
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-
Balance Carried Forward	**3.2**	**(17.7)**	**(397.2)**	**6.5**	**5.0**	**662.1**	**(157.0)**	**104.9**	**18.9**	**43.2**

2015/16 Part 1 – Usable Reserves and Reserves of Subsidiary

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	*Reserves of Subsidiary*	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	*£m*	£m
Balance Brought Forward								
-As previously reported	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(37.1)**	***24.3***	**(115.4)**
-Prior year adjustment (Refer to Note 1)	**-**	**-**	**-**	**-**	**-**	**33.3**	**-**	**33.3**
-As restated	**(10.0)**	**(66.4)**	**(5.0)**	**(5.9)**	**(15.3)**	**(3.8)**	**24.3**	**(82.1)**
Surplus or Deficit on Provision of Services	**75.4**	**-**	**10.2**	**-**	**-**	**-**	***0.4***	**86.0**
Other Comprehensive Income and Expenditure								**-**
Revaluations - Gains and losses	-	-	-	-	-	-	-	**-**
Gains or losses 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	-	-	-	-	-	-	*(4.8)*	**(4.8)**
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	**-**
Total Comprehensive Income and Expenditure	**75.4**	**-**	**10.2**	**-**	**-**	**-**	***(4.4)***	**81.2**
Adjustments between Accounting Basis & Funding Basis under Regulations								
Depreciation, amortisation & impairment of non-current assets	(43.2)	-	(33.0)	(22.1)	-	-	-	**(98.3)**
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	**-**
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	**-**
Movement in the market value of Investment Properties	(1.5)	-	1.5	-	-	-	-	**-**
Revenue Expenditure Funded from Capital under Statute	(11.4)	-	(0.2)	-	-	-	-	**(11.6)**
Net Gain/Loss on sale of non-current assets (net book value of assets)	(56.5)	-	(6.7)	-	-	-	-	**(63.2)**
Net Gain/Loss on sale of non-current assets (disposal proceeds)	4.9	-	9.1	-	(14.0)	-	-	**-**
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.2)	-	(0.3)	-	-	-	-	**(0.5)**
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(1.3)	-	-	-	-	-	-	**(1.3)**

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	*Reserves of Subsidiary*	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	*£m*	£m
Net Charges made for retirement benefits in accordance with IAS 19	(44.9)	-	-	-	-	-	-	**(44.9)**
Capital Expenditure charged in the year to the General Fund	0.9	-	-	-	-	-	-	**0.9**
Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(2.3)	-	-	-	2.3	-	-	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	35.4	-	-	-	-	-	-	**35.4**
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	38.7	-	-	-	-	-	-	**38.7**
Capital grants and contributions unapplied credited to CIES	(1.8)	-	-	-	-	1.8	-	**-**
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	0.1	-	-	-	-	-	-	**0.1**
Capital Expenditure Financed from Usable Capital Receipts	-	-	-	-	19.6	-	-	**19.6**
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	-	**0.3**
Revenue provision for the repayment of debt	3.5	-	19.6	-	-	-	-	**23.1**
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	27.9	-	-	-	**27.9**
Net Increase/Decrease before Transfers & Other Movements	**(3.9)**	**-**	**0.2**	**5.8**	**7.9**	**1.8**	***(4.4)***	**7.4**
Transfers to/from other Earmarked Reserves	3.9	(3.7)	(0.2)	-	-	-	-	**(0.0)**
Balance Carried Forward	**(10.0)**	**(70.1)**	**(5.0)**	**(0.1)**	**(7.4)**	**(2.0)**	**19.9**	**(74.7)**

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2015/16 Part 2 – Unusable Reserves

	Short-term Accumulating Compensated Absences Account	Available-for-sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	*TOTAL (Group)*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*
Balance Brought Forward										
-As previously reported	3.4	(11.5)	(435.8)	3.9	4.0	588.6	(209.4)	(56.8)	(196.5)	*(172.2)*
-Prior year adjustment (Refer to Note 1)	-	-	60.5	-	-	-		60.5	93.8	*93.8*
-As restated	**3.4**	**(11.5)**	**(375.3)**	**3.9**	**4.0**	**588.6**	**(209.4)**	**3.7**	**(102.7)**	***(78.4)***
Surplus or Deficit on Provision of Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**85.6**	***86.0***
Other Comprehensive Income and Expenditure										
Revaluations - Gains and losses	-	-	-	-	-	-	1.5	1.5	1.5	*1.5*
Gains on Available-for-Sale Financial Assets	-	(1.8)	-	-	-	-	-	(1.8)	(1.8)	*(1.8)*
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(63.3)	-	(63.3)	(63.3)	*(68.1)*
Share of other CI&E of Associates & Joint Ventures (Group a/cs only)	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	**-**	**(1.8)**	**-**	**-**	**-**	**(63.3)**	**1.5**	**(63.6)**	**22.0**	***17.6***
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation, amortisation & impairment of non-current assets	-	-	91.4	-	-	-	11.1	102.5	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-
HRA Share of Contribution to Pension Reserve	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	(4.2)	-	-	-	-	(4.2)	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	11.6	-	-	-	-	11.6	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	48.2	-	-	-	15.0	63.2	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-

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	Short-term Accumulating Compensated Absences Account £m	Available-for-sale Financial Instruments Reserve £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m	TOTAL (Council) £m	*TOTAL (Group) £m*
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.5	-	-	0.5	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	1.3	-	-	-	1.3	-	-
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	44.9	-	44.9	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.9)	-	-	-	-	(0.9)	-	-
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	-	-	-	-	-	(35.4)	-	(35.4)	-	-
Transfers of HRA Balance	-	-	-	-	-	-	-	-	-	-
Reversal of financing of unequal pay back provision	-	-	-	-	-	-	-	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	-	-	(38.7)	-	-	-	-	(38.7)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.1)	-	-	-	-	-	-	(0.1)	-	-
Capital Expenditure Financed from Usable Capital Receipts	-	-	(19.6)	-	-	-	-	(19.6)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-
Revenue provision for the repayment of debt	-	-	(23.1)	-	-	-	-	(23.1)	-	-
Transfer of HRA Settlement Receipts to UCR	-	-	-	-	-	-	-	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(27.9)	-	-	-	-	(27.9)	-	-
Net Increase/Decrease before Transfers & Other Movements	(0.1)	(1.8)	36.5	1.3	0.5	(53.8)	27.6	10.2	22.0	17.6
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	(0.0)	(0.0)
Balance Carried Forward	3.3	(13.3)	(338.8)	5.2	4.5	534.8	(181.8)	13.9	(80.7)	(60.8)

15B – Description of Reserves

Usable Reserves	
Revenue	
General Fund Balance	The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year (however, the balance is not available to be applied to funding HRA services: see Housing Revenue Account Balance below).
Housing Revenue Account Balance	The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.
General Fund Earmarked Reserves	General Fund Earmarked Reserves represent amounts that the Council has chosen to set aside to fund specific items of expenditure in the future. The most significant earmarked reserves are the Efficiency Reserve (£6.8 million), the Budget Contingency Reserve (£5.6 million), the Job Evaluation Reserve (£2.1 million) and the Budget Strategy Reserve (£12.6 million).
Capital	
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capital Grants Unapplied Account	The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

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

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

15C Movement in Specific Earmarked Reserves

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

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2015/16				Reserve	2016/17			
31 March 2015 £m	Transfers Out £m	Transfers In £m	31 March 2016 £m		31 March 2016 £m	Transfers Out £m	Transfers In £m	31 March 2017 £m
				Specific Earmarked Reserves				
(5.9)	0.1	(2.0)	(7.8)	Efficiency Reserve (Corporate)	(7.8)	1.7	(0.7)	(6.8)
(9.8)	-	(1.2)	(11.0)	Budget Contingency Reserve (Corporate)	(11.0)	5.4	-	(5.6)
(2.6)	0.1	-	(2.5)	Job Evaluation Reserve (Corporate)	(2.5)	0.4	-	(2.1)
(9.0)	-	(3.6)	(12.6)	Budget Strategy Reserve (Corporate)	(12.6)	-	-	(12.6)
				Other Earmarked Reserves				
(5.0)	3.0	(0.3)	(2.3)	People	(2.3)	1.1	(0.7)	(1.9)
(4.0)	0.7	(1.9)	(5.2)	Place	(5.2)	1.4	(1.7)	(5.5)
(4.6)	0.5	(0.6)	(4.7)	Corporate Services (incl. Education)	(4.7)	1.0	(0.1)	(3.8)
(12.4)	2.8	(6.2)	(15.8)	Corporate Budgets	(15.8)	2.9	(3.7)	(16.6)
(16.0)	7.8	(2.9)	(11.1)	Schools'	(11.1)	10.8	(6.4)	(6.7)
(69.3)	**15.0**	**(18.7)**	**(73.0)**	**Total Earmarked Reserves**	**(73.0)**	**24.7**	**(13.3)**	**(61.6)**

Note 16 – Notes to the Cash Flow Statement

16A – Adjustment for Non-Cash Movements

2015/16 (As Restated) Council £m	*Group £m*		2016/17 Council £m	*Group £m*
-	-	Increase in Inventories	-	-
5.7	*6.8*	Decrease/(Increase) in Current Receivables	(9.8)	*(10.0)*
9.5	*7.1*	(Decrease)/Increase in Current Payables	(0.2)	*(0.9)*
(98.3)	*(98.3)*	Depreciation, amortisation and impairment of non-current assets	(56.7)	*(56.7)*
-	-	Downwards valuations of non-current assets	74.1	*74.1*
(63.3)	*(63.3)*	Net book value on disposal of property, plant and equipment, investment property and intangible assets	(45.4)	*(45.4)*
(44.9)	*(46.6)*	Net Charges made for retirement benefits in accordance with IAS 19	(38.1)	*(38.6)*
35.3	*35.3*	Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	32.9	*32.9*
1.4	*1.4*	Net Movement in Provisions	6.6	*6.6*
(154.6)	***(157.6)***		**(36.6)**	***(38.0)***

16B – Adjustment for Items that are Investing and Financing Activities

2015/16 (As Restated) Council £m	*Group £m*		2016/17 Council £m	*Group £m*
14.2	*14.2*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13.9	*13.9*
14.2	***14.2***		**13.9**	***13.9***

16C – Net Cash Flows from Operating Activities

The cash flows from operating activities include the following items:

2015/16 (As Restated) Council £m	***Group £m***		**2016/17 Council £m**	***Group £m***
42.9	*42.9*	Interest paid	36.0	*36.0*
(0.3)	*(1.2)*	Interest received	(0.5)	*(0.5)*
(4.6)	*(4.6)*	Dividends received	(1.5)	*(1.5)*
38.0	***37.1***		**34.0**	***(34.0)***

Note 17 – Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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

2. Recognition of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract.

- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Manual Accruals are only processed for amounts of £10,000 or more except where the expenditure is by schools, funded directly from external grants or where the accrual is deemed necessary to accurately reflect the outturn position.

3. Accounting for Council Tax

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Authority's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is an Authority's precept or demand for the year, plus or minus the Authority's share of the surplus/deficit on the Collection Fund for the previous year.

- The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

- The cash collected by the Authority from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

4. Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non-Domestic Rates (NNDR) 1 return.

- The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the

General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

- The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

5. Cash and Cash Equivalents

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

6. Exceptional Items

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

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

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

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

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

8. Charges to Revenue for Non-Current Assets

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

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

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

9. Employee Benefits

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

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

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

Service cost comprising:

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

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

- 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

10. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31 March 2017, and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

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

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

11. Financial Instruments

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

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

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

Financial Assets - Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets - assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables – Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans the Council has made the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investments Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available–for-Sale Assets - Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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

12. Foreign Currency Translation

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

13. Government Grants and Contributions

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

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

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

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

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 is the sole owner of a company where its interest has the nature of a subsidiary (Wolverhampton Homes Limited), which requires it to prepare group accounts. It has no other material interests in companies or other entities that have the nature of a subsidiary, associate or jointly-controlled entity.

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

16. Inventories

Inventories are included on the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average costing formula. Any changes arising are adjustment in the surplus or deficit on provision of services.

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 current 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 property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in the SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

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

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

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, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

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

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

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

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

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

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

- Infrastructure - straight-line allocation over 50 years.

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

Disposals 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 on the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals under Right to Buy 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 current value, based on the cost to purchase the property, plant and equipment, was balanced by the recognition of a liability for amounts due to the scheme operator, from the Council and third parties where relevant, to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.
The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** - charged to the relevant service in the Comprehensive Income and Expenditure Statement;

- **Finance cost** - an interest charge on the outstanding Balance Sheet liability, charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Contingent rent** - increases in the amount to be paid for the property arising during the contract, charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Payment towards liability** - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);

- **Lifecycle replacement costs** – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

23. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure, to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision for Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

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

Note 17A – Changes in Accounting Policies from Previous Year

CIES Presentation
The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents).

Until 2016/17, all local authorities have been required to report these figures in accordance with service headings specified by the Service Reporting Code of Practice (SeRCOP), which mapped all local authority income and expenditure into prescribed groupings aimed to aid comparability between authorities through a consistent reporting framework.

CIPFA's 'Telling the Story' consultation on improving the presentation of Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative has introduced changes to the format of the accounts in 2016/17, to reconnect the financial statements of local authorities with the way those authorities are both organised and funded. The format of the CIES has changed and a a new Expenditure and Funding Analysis has been introduced (which provides a direct reconciliation between the way local authorities are funded and monitor their budget and the CIES. These changes represent a change of accounting policy that requires the publication of a restated CIES for 2015/16.

For the Council, this means that our directorate grouping e.g. People, Place, Corporate and Education has been used to present our CIES for this year.

Note 17B – Critical Judgements Made When Applying the Accounting Policies
In applying the accounting policies set out in this note, the Council has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

Group Accounts

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

Yoo Recruit Limited was formed as a wholly-owned subsidiary of the Council in 2013/14. The turnover of this company for 2016-17 was approximately £10.0 million, of which £9.9 million was derived from the Council, with a net income after tax of £298,000. As the impact on the group accounts are considered, by the Council, to be not material they have not been consolidated in the Group Accounts.

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

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

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

WV Living was formed as a wholly-owned subsidiary of the Council in 2016/17. Set-up costs of £460k have been incurred, funded from reserves, which will be recharged to the company during the 2017/18 financial year. 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.

West Midlands Pension Fund (WMPF) is working with seven other LGPS funds across the Midlands to set up LGPS Central Limited, an FCA authorised investment manager which will manage the investment assets of the nine funds (including WMPF Transport Authority). The company was incorporated in October 2016, although it will not begin trading until April 2018. On incorporation and at 31 March 2017, WMPF was the only shareholder. During the 2017/18 financial year, shares will be issued to the other seven pension funds (on an equal shares basis). There were no transactions of the company during 2016/17 and no balances at 31 March 2017. The initial investment costs are shared equally between the eight participating LGPS funds and at 31 March 2017, the WMPF's share was £0.1m. This is disclosed in WMPF's financial statements as a long-term investment and therefore has not been consolidated in the Council's 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 2014/15 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 2015/16. 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.

Equal Pay Back Pay

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

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

Property, Plant and Equipment Relating to Voluntary Aided Schools

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

Property, Plant and Equipment Relating to Academy Schools

When a school to converts to Academy status the Council enters into a long-term lease which is classified as a finance lease since substantially all associated risks and rewards of ownership of the asset have been transferred to the Academy. As the Council, would no longer control or maintain the asset for the majority of its economic life the buildings are removed from the balance sheet as a disposal with effect from when the Council's control over the services provided by the school ceases.

Accounting for the Voluntary Redundancy Programme
The Council undertook a further voluntary redundancy exercise during 2016/17, and there were a number of employees who were part-way through the approval process at the year end. The Council has taken a prudent approach to the treatment of the anticipated costs of such employees, recognising those costs as a provision in 2016/17 where it seemed likely that approval would be given and a redundancy would result.

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

Schools

Schools within Wolverhampton are managed in a variety of ways including Council Community Schools, Voluntary Aided, Voluntary Controlled and Academies. The Council has reviewed each category of school and considered the extent to which the Council has control over the school in respect to the employment of staff, governance arrangements, maintenance of the land and buildings and admissions.

Academy Schools – Academies are entirely separate entities of the Council and therefore the Council has no control over the operation of the school. Land and buildings are transferred to the academies through a standard 125 year lease. It is anticipated that these arrangements will continue and, therefore, substantially all associated risks and rewards of ownership are transferred. As a result, the leases are classed as finance leases.

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

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

Note 17C– Major Assumptions about the Future

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Net Liability

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

Variation to Assumptions	Impact on Net Liability	
	Council	*Group*
Discount Rate 0.1% higher	Decrease of £29.6 million	*Decrease of £33.4 million*
Rate of Inflation 0.1% p.a. higher	Increase of £26.5 million	*Increase of £29.4 million*
Rate of increase in salaries 0.1% p.a. higher	Increase of £3.6 million	*Increase of £4.4 million*
Life expectancy of scheme members 1 year higher	Increase of £66.5 million	*Increase of £73.0 million*

Property, Plant and Equipment

The Council has all property, plant and equipment assets required to be valued at current value and with a current Net Book value in excess of £1.0 million valued annually and carries out a rolling programme that ensures the remainder are revalued at least every five years. The Council seeks assurance for the assets not valued that there is no material change to their value. The valuations are carried out by external valuers. The housing stock is valued by the Valuation Office Agency and the remaining assets by registered RICS valuers 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.

Arrears

At 31 March 2017, the Council had a receivables balance, before the bad debt provision, of £63.4m. A provision has been made against these receivables based on the age of the debt outstanding and historical collection rates with a resultant doubtful debts provision of £19.1m that was considered to be appropriate. In the current economic climate, however, it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

Note 17D – Accounting Standards Issued but Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard or interpretation that has been issued but not yet adopted. There are none to report for the 2016/17 accounts.

Housing Revenue Account Income and Expenditure Statement

2015/16 (Restated) £m		Notes	2016/17 £m
(94.1)	Gross Rents - Dwellings		(93.2)
(0.9)	Gross Rents - Non-Dwellings		(1.0)
(5.1)	Charges to Tenants for Services and Facilities		(5.2)
-	Contributions		-
(100.1)	**Total Income**		**(99.4)**
25.8	Repairs and Maintenance		25.8
19.0	Supervision and Management		18.6
0.3	Rents, Rates and Taxes		0.1
0.6	Increase in Allowance for Bad Debts		2.4
22.2	Depreciation of Property, Plant and Equipment	**H1**	22.2
33.0	Revaluation/impairment of Property, Plant and Equipment	**H2**	(85.0)
100.9	**Total Expenditure**		**(15.9)**
0.8	**Net Cost of HRA Services as included in Council Comprehensive Income and Expenditure Statement**		**(115.3)**
0.2	HRA Share of Corporate and Democratic Core		0.2
1.0	**Net Cost of HRA Services**		**(115.1)**
0.2	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code		-
(2.4)	(Gain) on Sale of Property, Plant and Equipment		(4.2)
(1.5)	(Gain) on the Fair Value of Investment Assets		-
13.0	Interest Payable		11.1
(0.1)	Interest and Investment Income		(0.1)
10.2	**(Surplus)/Deficit for the Year**		**(108.3)**

5. THE HOUSING REVENUE ACCOUNT STATEMENTS

Movement on the Housing Revenue Account Balance Statement

2015/16 (Restated) £m		Notes	2016/17 £m
(5.0)	**Opening HRA Balance**		**(5.0)**
	(Increase)/Decrease in the HRA balance for the year analysed between:		
10.2	- (Surplus)/Deficit for the year on the Income and Expenditure Account		(108.3)
(10.2)	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	**H3**	108.3
-	**(Increase)/Decrease in the HRA balance for the year**		**-**
(5.0)	**Closing HRA Balance**		**(5.0)**

Notes to the Housing Revenue Account Statements

Note H1 – Depreciation

2015/16 £m		2016/17 £m
21.8	Council Dwellings	21.8
0.2	Other Land and Buildings	0.2
0.2	Vehicles, Plant, Furniture and Equipment	0.2
22.2	**Total Depreciation Charge for the Year**	**22.2**

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

2015/16 (Restated) £m		2016/17 £m
33.0	Council Dwellings	(85.0)
-	Other Land and Buildings	-
33.0	**Total revaluation/Impairment Charge for the Year**	**(85.0)**

The revaluation is made up of a £20 million impairment due to a change in the treatment of enhancements and new build to recognise this spend at Existing Use Value – Social Housing on an annual basis, and a £105 million revaluation due to a change in the local value factor which has uplifted the value of the dwellings to 40% of the market value from the previous factor of 34%.

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

2015/16 (Restated) £m		Note	2016/17 £m
(10.2)	**Net additional amount required to be debited or credited to the HRA Balance**		**108.3**
	Comprising:		
	Amounts included in the Income and Expenditure Account but not in the HRA Balance		
2.4	- Net Gain on Sale of Property, Plant and Equipment		4.2
(33.0)	- Impairment/revaluation of Property, Plant and Equipment	**H2**	85.0
(0.2)	- Capital Expenditure Funded by the HRA		
1.5	- Net Gain / (Loss) on the Fair Value of Investment Assets		
(29.3)	**Subtotal**		**89.2**
	Amounts not in the Income and Expenditure Account but included in the HRA Balance		
-	- HRA Share of Contribution to Pension Reserve	**H4**	
(0.3)	- Adjustment for Premiums and Discounts		(0.3)
19.6	- Amount Set Aside for the Repayment of Debt		19.3
(0.2)	- Transfer to/(from) Earmarked Reserves		0.1
19.1	**Subtotal**		**19.1**
(10.2)	**Total**		**108.3**

Note H4 – Contribution to the Pension Reserve

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

Note H5 – Housing Stock

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

31 March 2016		31 March 2017
4,924	Low Rise Flats	4,892
2,937	Medium Rise Flats	2,914
2,122	High Rise Flats	2,116
12,749	Houses and Bungalows	12,555
22,732	**Total Dwellings Owned by the Council**	**22,477**
14	Homeless Dwellings (Leased)	14
22,746		**22,491**

Note H6 – Housing Revenue Account Property, Plant and Equipment

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

31 March 2016 £m		31 March 2017 £m
598.2	- Council Dwellings	687.8
8.6	- Other Land and Buildings	8.1
-	- Vehicles, Plant, Furniture and Equipment	-
0.2	- Intangible Assets	-
607.0	**Total Property, Plant and Equipment**	**695.9**

Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2017 (at 1 April 2016 prices) amounted to £1,719.6 million (31 March 2016: £1,759.4 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.

2015/16 £m		2016/17 £m
	Sources of Funding	
(5.9)	- Borrowing	(3.2)
(16.5)	- Usable Capital Receipts	(7.6)
(27.9)	- Major Repairs Reserve	(22.1)
(0.2)	- Government and EU Grants	(0.7)
(50.5)	**Total Capital Expenditure**	**(33.6)**

Capital receipts generated during 2016/17 from the disposal of HRA assets are detailed in the following table.

2015/16 £m		2016/17 £m
(8.9)	Sale of Council Houses (including Right-to-Buy)	(10.2)
(0.1)	Sale of Other Land and Buildings	(1.4)
(0.1)	Repaid Discounts	-
(9.1)	**Total Capital Receipts**	**(11.6)**

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

2015/16 £m		2016/17 £m
2.3	Paid over to Government	2.1
(11.4)	Available to Finance Capital Expenditure	(13.7)
(9.1)	**Total Capital Receipts**	**(11.6)**

Note H9 – Rent Arrears

During 2016/17, total rent arrears increased by £0.1 million. Within total rent arrears, current tenants' arrears as a proportion of net rental income was 1.3%, as in 2015/16. The comparative total figures are shown in the following table.

31 March 2016 £m		31 March 2017 £m
1.2	Current Tenants	1.2
0.8	Former Tenants	0.9
2.0	**Total Arrears**	**2.1**

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

2015/16 £m		2016/17 £m
1.8	**Allowance for Bad and Doubtful Debts Brought Forward**	**1.6**
(0.8)	Amounts Written Off during the Year	(0.8)
0.6	Increase in Allowance Charged to the HRA during the Year	1.1
1.6	**Allowance for Bad and Doubtful Debts Carried Forward**	**1.9**

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.

2015/16 £m		2016/17 £m
(5.9)	**Balance Brought Forward**	**(0.2)**
(22.1)	Transfer of MRA from the Capital Adjustment Account	(22.2)
27.9	Capital Expenditure on Land and Property in the HRA	22.2
(0.1)	**Balance Carried Forward**	**(0.2)**

6. THE COLLECTION FUND STATEMENT

The Collection Fund Statement

2015/16 £m		Note	2016/17 £m
	Deficit/(Surplus) Brought Forward		
2.5	City of Wolverhampton Council		3.7
(0.1)	West Midlands Police and Crime Commissioner		(0.2)
-	West Midlands Fire and Rescue Authority		-
3.9	Central Government		6.4
6.3			**9.9**
	Income		
(94.4)	Council Tax	**C1**	(99.9)
(75.6)	Non-Domestic Rates	**C2**	(75.3)
0.3	Transition Protection Payments - NDR		2.3
(169.7)	**Total Income**		**(172.9)**
	Expenditure		
	Precepts and Demands		
81.0	City of Wolverhampton Council		86.0
6.3	West Midlands Police and Crime Commissioner		6.7
3.2	West Midlands Fire and Rescue Authority		3.4
	Non-Domestic Rates		
38.0	Central Government		38.6
0.7	West Midlands Fire and Rescue Authority		0.8
37.4	City of Wolverhampton Council		37.8
0.3	Cost of Collection Allowance		0.3

6. THE COLLECTION FUND STATEMENT

2015/16 £m		Note	2016/17 £m
	Distribution of Council Tax Surplus/(Payment of Deficit)		
1.0	City of Wolverhampton Council		2.3
0.1	West Midlands Police and Crime Commissioner		0.2
-	West Midlands Fire and Rescue Authority		0.1
	Distribution of Business Rates Surplus/(Payment of Deficit)		
(0.9)	City of Wolverhampton Council		(4.6)
(0.9)	Central Government		(4.6)
-	West Midlands Fire and Rescue Authority		(0.1)
	Allowance for Bad and Doubtful Debts		
1.6	Council Tax		3.2
1.4	Non-Domestic Rates		5.0
4.1	Provision for appeals		1.1
173.3	**Total Expenditure**		**176.2**
3.6	**Deficit/(Surplus) for the Year**		**3.3**
	Deficit/(Surplus) Carried Forward		
3.7	City of Wolverhampton Council		6.2
(0.2)	West Midlands Police and Crime Commissioner		(0.1)
-	West Midlands Fire and Rescue Authority		0.1
6.4	Central Government		7.0
9.9			**13.2**

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	91.08	5/9	50.60	663.29	884.38
A	32,853.22	6/9	21,902.15	795.94	1,061.25
B	17,788.91	7/9	13,835.82	928.60	1,238.13
C	13,475.03	8/9	11,977.81	1,061.25	1,415.00
D	5,670.12	9/9	5,670.12	1,193.90	1,591.87
E	2,602.74	11/9	3,181.13	1,459.22	1,945.62
F	1,534.14	13/9	2,215.98	1,724.53	2,299.37
G	840.04	15/9	1,400.07	1,989.84	2,653.12
H	86.13	18/9	172.26	2,387.81	3,183.74
			60,405.94		

Note C2 – Non-Domestic Rates

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

Local authorities retain a proportion of the total collectable rates due. In Wolverhampton, the Council retain 49%, 50% is paid to Central Government and the remaining 1% is paid to West Midlands Fire Service and Rescue Authority.

The total non-domestic rateable value was £189.7 million as at 31 March 2017 (£191.3 million as at 31 March 2016). The national multipliers for 2016/17 were 48.4p for qualifying small businesses, and the standard multiplier was 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOLVERHAMPTON CITY COUNCIL

TO BE INSERTED

Fund Account

2015/16 £m		Note	2016/17 £m
	Contributions & Benefits		
(504.3)	Contributions Receivable	**P8**	(529.8)
(11.1)	Transfers In	**P9**	(16.6)
(15.5)	Other Income	**P10**	(15.1)
(530.9)	**Total Contributions and Other Income**		**(561.5)**
514.7	Benefits Payable	**P11**	531.3
35.6	Payments to and on Account of Leavers	**P12**	27.7
0.3	Other Payments		0.4
550.6	**Total Benefits and Other Expenditure**		**559.4**
74.9	**Management Expenses**	**P13**	**71.0**
	Returns on Investments		
(168.6)	Investment Income	**P14**	(205.8)
429.4	Changes in Value of Investments		(2,115.1)
(552.1)	Profits and Losses on Disposal of Investments		(381.7)
(291.3)	**Net Return on Investments**		**(2,702.6)**
(196.7)	**Net (Increase) in the Fund During the Year**		**(2,633.7)**
11,464.0	**Net Assets of the Fund at the Beginning of the Year**		**11,660.7**
11,660.7	**Net Assets of the Fund at the End of the Year**		**14,294.4**

Net Assets Statement

31 March 2016 £m		Note	31 March 2017 £m
	Investment Assets (at Market Value)	**P15**	
180.1	Fixed Interest Bonds		192.4
1,036.2	UK Equities		1,368.4
4,137.2	Overseas Equities		5,920.3
4,921.5	Pooled Investment Vehicles		5,574.4
694.5	Property		756.4
171.1	Foreign Currency Holdings		111.8
459.8	Cash Deposits		304.1
-	Other Investment Assets		0.2
35.7	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		24.7
11,636.1	**Investment Assets**		**14,252.7**
	Investment Liabilities (at Market Value)		
(2.6)	Other Investment Liabilities		-
(2.6)	**Investment Liabilities**		**-**
11,633.5	**Net Investment Assets**	**P15**	**14,252.7**
-	**Long Term Investments**	**P27**	**0.1**
12.6	**Other Long-term Assets**	**P19**	**16.2**
52.6	**Current Assets**	**P20**	**58.2**
(38.0)	**Current Liabilities**	**P21**	**(32.8)**
11,660.7	**Net Assets of the Fund at the End of the Year**		**14,294.4**

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

The notes form part of these financial statements.

Notes to the Pension Fund Statements

Note P1 – General

The description in this note is a high-level summary of the Fund's activities, and more detail is available in the Fund's Annual Report 2017, which can be found on its website at: http://www.wmpfonline.com/article/4764/Annual-Reports

West Midlands Pension Fund is part of the Local Government Pension Scheme, and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region, together with employees of admitted bodies. At 31 March 2017, the Fund had 607 participating employers, and 302,092 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 2016 No.		31 March 2017 No.
107,984	Active Members	117,005
85,558	Pensioner Members	88,496
94,332	Deferred Members	96,591
287,874	**Total**	**302,092**

The Council's Pensions Committee has delegated responsibility for administering the Fund. It meets at approximately quarterly intervals, and has members from each of the seven metropolitan district councils in the West Midlands. An Investment Advisory Sub-Committee and a Pensions Board were also in operation during 2016/17.

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

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 2017. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2016/17 contribution rates was conducted at 31 March 2013 and the last such valuation was at 31 March 2016. Employer contribution rates during 2016/17 ranged from 5.0% to 45.3% of pensionable pay.

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

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector.

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

Note P3 - Statement of Accounting Policies

A. Fund Account

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

B. Contribution Income

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

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

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

C. Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who had either joined or left the scheme as at 31 March 2017, calculated in accordance with the Local Government Pension Scheme Regulations (see Notes P9 and P12). Transfers in respect of individuals are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

D. Investment Income

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 amounts not received by the end of the reporting period, where known to be due, have been accrued for in the accounts.

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

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

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

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 2017. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial Assets

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

The 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 IFRS13 (see Note 17). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

H. Freehold and Leasehold Properties

These have been valued at their open market value. Property is valued by the Fund's valuers on an annual basis. The market values included in these accounts are contained in a valuation report by Knight Frank LLP, chartered surveyors, as at 31 March 2017. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Savills plc, agricultural valuers, at the same date.

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 2017.

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 2017

J. 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.

K. 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.

L. 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.

M. 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 council.

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

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

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

N. Actuarial Present Value of Promised Retirement Benefits

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

O. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note P21).

Note P4 - Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2017 was £1,343.6million (£1,319.1 million at 31 March 2016).

Pension Fund Liability

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

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

Actuarial Present Value of Promised Retirement Benefits

Uncertainties
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, the Fund's consulting actuaries, are engaged to provide expert advice about the assumptions to be applied.

Effect if Actual Results Differ from Assumptions

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, however an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's consulting Actuary below:

Change in assumptions – year ended 31 March 2017	Approx % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	9%	2,060.0
1 year increase in member life expectancy	4%	824.0
0.5% p.a. increase in salary increase rate	1%	305.2
0.5% p.a. increase in CPI inflation	8%	1,744.3

Private Equity

Uncertainties
Private equity investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Effect if Actual Results Differ from Assumptions
The total private equity investments in the financial statements are £1,343.6 million. There is a risk that this investment may be under-or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £67.2million.

Note P6 - Actuarial Valuation of the Fund

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

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

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

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

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

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2014. For comparison purposes, the figures for the two preceding years are also shown. The rates payable by the seven councils were certified as follows:

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

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

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

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

The assets were assessed at market value.

The latest triennial actuarial valuation of the Fund was completed at 31 March 2016 and this was conducted by the Fund's Actuary Barnett Waddingham. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017. The Actuarial Valuation 2016 report can be found on the Fund's website by following the link:

http://www.wmpfonline.com/CHttpHandler.ashx?id=12682&p=0

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

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

	31 March 2016	31 March 2017
Rate of return on investments (discount rate)	3.7% per annum	2.7% per annum
Rate of pay increases	3.85% per annum*	4.2% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% per annum	2.7% per annum

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

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2016 was estimated as £16,796.5 million. The effect of the changes in actuarial assumptions between 31 March 2016 and 31 March 2017 as described above is to increase the liabilities by £4,712.6 million. Adding interest over the year increases the liabilities by £614.0 million, and allowing for net benefits accrued/paid over the period increases the liabilities by £48.4 million which includes any increase in liabilities arising as a result of early retirements/augmentations.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £22,171.5 million.

Note P7 - Taxation

1. Value Added Tax

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

2. Taxation of Overseas Investment Income

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

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).
There are also markets where relief is not possible - either no double taxation agreements exists (e.g. Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g. Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

Note P8 – Contributions Receivable

Contributions Receivable by Type

2015/16 £m		2016/17 £m
	From Employers	
365.6	Contributions	387.1
0.2	Augmented Membership	0.1
28.4	Additional Cost of Early Retirement	31.9
394.2		**419.1**
	From Members	
109.4	Basic Contributions	110.1
0.7	Additional Contributions	0.6
110.1		**110.7**
504.3	**Total Contributions**	**529.8**

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

Contributions Receivable by Type of Member

2015/16 £m		2016/17 £m
33.1	Administering Authority	33.3
447.2	Other Scheduled Employers	470.5
24.0	Admitted Employers	26.0
504.3	**Total**	**529.8**

Note P9 – Transfers In

2015/16 £m		2016/17 £m
11.1	**Individual transfers in from other schemes**	**16.6**

Note P10 – Other Income

2015/16 £m		2016/17 £m
	Benefits Recharged to Employers	
8.5	Compensatory Added Years	8.2
7.0	Pensions Increases	6.9
15.5	**Total**	**15.1**

Note P11 – Benefits Payable

Benefits Payable by Type

2015/16 £m		2016/17 £m
	Pensions	
375.9	Retirement Pensions	390.6
28.0	Widows’ Pensions	28.1
0.9	Children’s’ Pensions	0.9
4.3	Widowers’ Pensions	4.6
0.1	Ex-Spouse	0.1
0.1	Equivalent Pension Benefits	0.2
0.1	Co-habiting Partners	0.1
409.4	**Total Pensions**	**424.6**
	Lump Sum Benefits	
93.1	Retiring Allowances	94.1
12.2	Death Grants	12.6
105.3	**Total Lump Sum Benefits**	**106.7**
514.7	**Total Benefits Payable**	**531.3**

Benefits Payable by Type of Employer

2015/16 £m		2016/17 £m
45.7	Administering Authority	45.7
434.7	Other Scheduled Employers	448.6
34.3	Admitted Employers	37.0
514.7	**Total**	**531.3**

Note P12 – Payments To and On Account of Leavers

2015/16 £m		2016/17 £m
25.7	Individual Transfers	23.0
5.7	Group Transfers	-
1.0	Refunds of Contributions	1.6
0.4	State Scheme Premiums	0.5
2.8	Bulk Transfer Pension Increases	2.6
35.6	**Total**	**27.7**

Note P13 – Management Expenses

2015/16 £m			2016/17 £m	
	3.3	Administrative costs		3.3
	69.4	Investment management expenses, comprising:		65.2
47.6		- Management Fees	48.9	
19.5		- Performance-Related Fees	14.5	
2.3		- Transaction Costs	1.8	
	0.4	Custody Fees		0.5
	1.8	Oversight and governance costs		2.0
	74.9	**Total Management Costs**		**71.0**

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £14.5million in 2016/17 and £19.5 million in 2015/16.

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, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information.

Note P14 – Investment Income

2015/16 £m		2016/17 £m
	Dividends and Interest	
	Fixed Interest Bonds	
8.5	UK Private Sector – Quoted	8.1
	Equities	
37.2	UK	45.2
94.6	Overseas	118.8
	Pooled Investment Vehicles	
3.3	UK	9.4
1.0	Overseas Equities	0.5
2.7	Interest on Cash Deposits	3.0
1.7	Stock Lending	2.5
-	UK Tax, Irrecoverable	(0.1)
(4.0)	Overseas Taxation	(7.0)
-	Other Investment Income	1.7
145.0	**Total Dividends and Interest**	**182.1**
31.6	Property Management Income	36.6
(8.0)	Property Management Expenses	(12.9)
23.6	**Total Property Management**	**23.7**
168.6	**Total Investment Income**	**205.8**

Stock Lending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £512.6 million (2016: £406.0 million) in exchange for which the custodian held collateral worth £547.6 million (2016: £442.3 million). Collateral consists of acceptable securities and government debt.

Note P15 - Net Investment Assets

31 March 2016 £m		31 March 2017 £m
	Fixed Interest Bonds	
180.1	UK Companies – Segregated (external)	192.4
180.1		**192.4**
	UK Equities	
1,036.2	Quoted	1,368.4
1,036.2		**1,368.4**
	Overseas Equities	
2,901.8	Quoted	4,265.7
1,235.4	Quoted – Segregated (external)	1,654.6
4,137.2		**5,920.3**
	Pooled Investment Vehicles	
	Managed Funds	
505.1	UK Fixed Interest	554.2
669.2	Other Fixed Interest	726.8
723.1	UK Quoted, Index Linked	867.0
263.1	UK Unquoted Equities	300.4
1,396.5	Overseas Unquoted Equities	1,437.4
480.4	UK Absolute Returns	549.1
129.7	Overseas Absolute Returns	178.8
52.8	UK Property	47.2
156.3	Foreign Property	161.5
	Unit Trusts	
96.8	UK Quoted Equities	154.2
442.5	Overseas Equities	591.0

31 March 2016 £m		31 March 2017 £m
6.0	Overseas Property	6.8
4,921.5		**5,574.4**
	Property	
638.6	UK Freehold	703.1
55.9	UK Leasehold*	53.3
694.5		**756.4**
	Foreign Currency Holdings	
3.5	Australian Dollars	1.0
2.3	Canadian Dollars	0.6
0.7	Czech Koruna	0.6
1.5	Danish Kroner	0.8
7.4	Euro	3.4
0.6	Hong Kong Dollars	0.7
0.5	Hungarian Forints	0.4
1.9	Japanese Yen	1.1
0.2	New Zealand Dollars	0.6
1.3	Norwegian Kroner	-
0.4	Polish Zloty	0.6
0.4	Singapore Dollars	1.0
0.7	Swedish Kroner	0.5
2.8	Swiss Francs	0.7
0.6	Turkish Lira	0.5
146.3	United States Dollars	99.3
171.1		**111.8**

31 March 2016 £m		31 March 2017 £m
	Cash Deposits	
459.8	UK	304.1
	Other Investments	
(2.6)	Broker Balances	0.2
35.7	Outstanding Dividend Entitlement and Recoverable with-holding Tax	24.7
11,633.5	**Total Net Investment Assets**	**14,252.7**

* All leasehold properties are held on long leases

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

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

31 March 2016			31 March 2017	
Market Value £M	% of total Market Value %		Market Value £M	% of total Market Value %
		Security		
723.1	6.2	Legal & General - All Stocks Index-Linked Gilts Fund	769.3	5.4

The proportion of the market value of investment assets managed in-house and by each external manager at the year-end is set out below:

31 March 2016 Market Value £m	31 March 2016 % of total Market Value %		31 March 2017 Market Value £m	31 March 2017 % of total Market Value %
5,260.9	45.3	In-house	6,810.2	47.9
35.1	0.3	Managers: UK Quoted	42.9	0.3
859.7	7.4	Managers: Emerging Markets	1,168.6	8.2
818.2	7.1	Managers: Global Equities	1,077.0	7.6
2,077.5	17.9	Managers: Fixed Interest	2,340.4	16.4
276.8	2.4	Managers: Indirect Property	323.1	2.3
340.4	2.9	Managers: Infrastructure Funds	394.3	2.8
610.1	5.3	Managers: Absolute Return	727.9	5.1
1,319.1	11.4	Managers: Private Equity	1,343.6	9.4
11,597.8	**100.0**		**14,228.0**	**100.0**
35.7		Outstanding Dividend Entitlement and Recoverable With-Holding Tax	24.7	
11,633.5		**Total Investment Assets**	**14,252.7**	

Note P16 – Investment Market Value Movements Analysis

	Value at 31 March 2016 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2017 £m
Fixed Interest Bonds	180.1	-	(0.2)	12.5	192.4
UK Equities	1,036.2	227.7	(30.1)	134.6	1,368.4
Overseas Equities	4,137.2	717.8	(170.9)	1,236.2	5,920.3
Pooled Investment Vehicles	4,921.5	496.6	(566.8)	723.1	5,574.4
Property	694.5	68.7	(15.6)	8.8	756.4
	10,969.5	**1,510.8**	**(783.6)**	**2,115.2**	**13,811.9**
Broker Balances	(2.6)				0.2
Outstanding dividend entitlement and recoverable With-holding tax	35.7				24.7
Foreign Currency	171.1				111.8
Cash Deposits	459.8				304.1
Total Investments	**11,633.5**				**14,252.7**

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profits and losses on the sale of investments shown in the Fund Account include an additional £381.7 million which represents profit realised on sale of the Fund's assets.

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £1.8 million (2015/16: £2.3 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

31 March 2016 £m		31 March 2017 £m
2.3	Equities - Overseas Quoted	1.8
2.3		**1.8**

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 2015/16 is set out below:

	Value at 31 March 2015 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2016 £m
Bonds	185.9	-	(0.2)	(5.6)	180.1
UK Equities	1,019.6	83.5	(102.6)	35.7	1,036.2
Overseas Equities	3,861.3	692.4	(141.2)	(275.3)	4,137.2
Pooled Investment Vehicles	5,102.5	1,237.0	(1,188.3)	(229.7)	4,921.5
Property	656.4	16.2	(23.6)	45.5	694.5
	10,825.7	**2,029.1**	**(1,455.9)**	**(429.4)**	**10,969.5**
Broker Balances	1.6				(2.6)
Outstanding dividend entitlement and recoverable With-holding tax	44.3				35.7
Foreign Currency	91.9				171.1
Cash Deposits	458.3				459.8
Total Investments	**11,421.8**				**11,633.5**

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profits and losses on the sale of investments shown in the Fund Account include an additional £532.6 million which represents profit realised on sale of the Fund's assets.

Note P17 – Fair Value - Basis of Valuation

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

Asset Type	Valuation Level	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2017.	N/A	N/A
Quoted bonds	1	Market bid price based on current yields	N/A	N/A
Unquoted bonds	2	Average of broker prices	N/A	N/A
Pooled Investments- overseas unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	NAV based pricing set on a forward pricing basis	N/A
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of Knight Frank LLP. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties are valued by Savills PLC at the year end.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations.
Unquoted equity (including private equity, infrastructure and absolute return / diversified growth funds	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	EBITDA multiple, Revenue multiple, discount for lack of marketability	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and by any differences between un audited and audited accounts.

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 following ranges and has set out below the potential impact on the closing value of investments at 31 March 2017.

Level 3 Assets	Valuation Range	Valuation at 31 March 2017 £m	Valuation Increase £m	Valuation Decrease £m
Freehold and Leasehold Property	14.2	756.4	863.9	649.0
Private Equity	28.5	1,343.6	1,726.5	960.6
Infrastructure	20.4	394.3	474.7	313.8
Absolute Return/Diversified Growth	12.5	727.9	818.9	636.9
Total		3,222.2	3,884.0	2,560.3

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:

Level1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level2
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.

Level3
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 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 2017	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	8,901.0	1,688.7	2,465.8	**13,055.5**
Non- Financial Assets at Fair Value Through Profit and Loss			756.4	**756.4**
Net Financial Assets	**8,901.0**	**1,688.7**	**3,222.2**	**13,811.9**

Value at 31 March 2016	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total (Re-stated) £m
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	7,142.2	884.4	2,248.5	**10,275.1**
Non- Financial Assets at Fair Value Through Profit and Loss		694.5		**694.5**
Net Financial Assets	**7,142.2**	**1,578.9**	**2,248.5**	**10,969.6**

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

Period 2016/17	Market Value 01 April 2016 £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 31 March 2017 £m
Freehold and Leasehold Property*	-	694.5	-	68.7	(15.6)	8.3	0.5	756.4
Private Equity	1,298.0	-	-	92.5	(164.1)	(34.6)	151.7	1,343.6
Infrastructure	340.4	-	-	84.8	(79.2)	33.6	14.7	394.3
Absolute Return/Diversified Growth	610.1	-	-	218.7	(140.9)	(18.8)	58.8	727.9
Total	**2,248.5**	**694.5**	**0.0**	**464.7**	**(399.8)**	**(11.5)**	**225.7**	**3,222.2**

*transferred from level 2 to 3 due to reappraisal of property valuation techniques.

Note P18 – Investment Capital Commitments

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

31 March 2016 £m		31 March 2017 £m
692.2	Non-Equities	831.7
132.8	Property	122.1
825.0	**Total**	**953.8**

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

Note P19 - Other Long-Term Assets

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

31 March 2016 £m		31 March 2017 £m
-	Administering Authority	-
12.6	Other Local Authorities	16.2
12.6	**Total**	**16.2**

Note P20 – Current Assets

31 March 2016 £m		31 March 2017 £m
	Receivables and Prepayments	
	Contributions Receivable	
17.6	- Employers	18.3
6.2	- Members	5.8
27.8	Other Receivables	25.1
51.6	**Total Receivables and Prepayments**	**49.2**
1.0	Cash	9.0
52.6	**Total Current Assets**	**58.2**

Note: Following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it was calculated by Mercer Limited that the Fund is due to receive a total of £27.7 million. This is to be paid in 10 equal and annual instalments commencing on 15 April 2011 and finishing on 15 April 2020 together with interest payments resulting in annual income of £3.3 million. The balance due included in Other Receivables at 31 March 2017 is £9.6 million (31 March 2016: £12.9 million).

31 March 2016 £m		31 March 2017 £m
	Analysis of Receivables	
3.2	Administering Authority	3.1
14.9	Other Local Authorities	15.7
33.5	Other Entities and Individuals	30.4
51.6	**Total**	**49.2**

Note P21 – Current Liabilities

31 March 2016 £m		31 March 2017 £m
	Payables and Receipts in Advance	
(2.0)	Pensions and Lump Sum Benefits	-
(36.0)	Other Payables	(32.8)
(38.0)	**Total**	**(32.8)**

31 March 2016 £m		31 March 2017 £m
	Analysis of Payables	
(3.8)	Central Government Bodies	(3.6)
(7.9)	Administering Authority	(4.6)
-	Other Local Authorities	(5.7)
(26.3)	Other Entities and Individuals	(18.9)
(38.0)	**Total**	**(32.8)**

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 2016. The table below shows the activity for each AVC provider in the year.

31 March 2016			31 March 2017	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
2.1	**38.7**	**Opening Value of the Fund**	**1.9**	**37.4**
0.1	6.2	Income	-	6.8
(0.3)	(7.7)	Expenditure	(0.2)	(8.1)
-	0.2	Change in Market Value	0.2	2.6
1.9	**37.4**	**Closing Value of the Fund**	**1.9**	**38.7**

Note P23 – Post Year End Transactions

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

Note P24 – Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2016 (Re-stated) £m		31 March 2017 £m
	Financial Assets	
474.9	Fair value through profit and loss	(2,106.4)
474.9	**Total**	**(2,106.4)**

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.

Financial Assets	2015/16	2016/17
Financial Assets at Fair Value Through Profit and Loss	10,275.1	13,055.5
Loans and Receivables	730.3	515.3
Financial Liabilities at Amortised Cost	(36.7)	(32.8)
Net Financial Assets	**10,968.7**	**13,538.0**

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

Risk Management

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

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

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

Investment Risk

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

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

Counterparty Risk

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

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by Fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund specific requirements.

Credit Risk

The Fund's deposits with financial institutions as at 31 March 2017 totalled £287.6 million in respect of temporary loans and treasury management instruments (31 March 2016: £452.6 million). The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Proposed counterparties are assessed using an amalgamation of credit ratings and market research with the resulting 'score' determining the suitability and individual limit in each case. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite. A credit rating sensitivity analysis as at 31 March 2017 is shown below:

Credit Rating Sensitivity Analysis Summary	Long Term Fitch Rating*	Value at 31 March 2016 £m	Value at 31 March 2017 £m
Money Market Funds			
AIM STIC Global Sterling Portfolio		35.0	-
HSBC Sterling Liquidity Fund		230.2	-
LGIM Liquidity Fund		-	115.0
Short-Term Deposits			
Nationwide Building Society	A+	2.4	-
Principality Building Society	BBB	10.0	25.0
Nottingham Building Society		10.0	15.0
Leeds Building Society	A-	10.0	20.00
Newcastle Building Society		10.0	-
Barclays	A	35.0	35.0
Skipton Building Society	A-	-	25.0
West Bromwich Building Society		5.0	-
Santander UK	A	35.0	-
Lloyds Bank Plc	A+	-	-
Coventry Building Society	A	-	10.0
Northamptonshire County Council			10.0
Mid Suffolk County Council			5.0
Swindon City Council			8.0
Bank Deposit Accounts			
NatWest Corporate Cash Manager Account		50.0	-
GBP Current Accounts		1.0	9.1
HSBC Global Active		19.0	10.5
Total		**452.6**	**287.6**

**Moody's rating*

Liquidity Risk

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

Foreign Exchange Risk

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

Securities Lending

As at 31 March 2017, £512.6 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 2016: £406.4 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £547.6 million, giving a margin of 6.8% (2015/16, £442.3 million, margin of 8.8%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stock lending amounted to £2.5 million during the year (2015/16: £1.7 million) and is detailed in Note P14 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers; therefore, its value is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

Reputational Risk

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

Other Price Risk

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period:

Market Risk – Other Price Risk

Asset Type	Value as at 31 March 2017 £m	% Change	Value on Increase £m	Value on Decrease £m
UK Equities	1,522.6	15.8%	1,763.2	1,282.0
Global Equities (ex UK)	6,511.3	18.4%	7,709.4	5,313.2
Property	972.0	14.2%	1,110.0	834.0
Fixed Interest*	2,340.4	8.3%	2,534.7	2,146.1
Private Equity	1,343.6	28.5%	1,726.5	960.7
Alternatives**	1,122.2	15.0%	1,290.5	953.9
Total Fund (See Note Below)	**13,812.1**		**16,134.3**	**11,489.9**

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

** Includes exposure to absolute return (£727.9 million) and infrastructure (£394.3 million, of which £77.4 million relates to forestry)

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 11.7%. On this basis, the total value on increase is £16,134.3 million, and the total value on decrease is £11,489.9 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Currency Risk - Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2017:

Currency Risk (by Asset Class)

Asset Type	Value as at 31 March 2017 £m	% Change	Value on Increase £m	Value on Decrease £m
Global Equities (ex. UK)	6,511.3	10.0%	7,162.4	5,860.2
Private Equity	1,343.6	10.0%	1,478.0	1,209.2
Fixed Interest	2,340.4	10.0%	2,574.4	2,106.4
Alternatives	1,122.2	10.0%	1,234.4	1,010.0
Property Funds	215.6	10.0%	237.2	194.0
Liquid Assets	111.8	10.0%	123.0	100.6
Total	**11,644.9**		**12,809.4**	**10,480.4**

Interest Rate Risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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

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

Asset Type	Carrying Amount as at 31 March 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+100BPS	-100BPS
	£m	£m	£m
Index-linked Gilts	867.0	(199.4)	199.4
Gilts	165.7	(18.1)	18.1
Corporate Bonds	580.8	(50.9)	50.9
Total	**1,613.5**	**(268.4)**	**268.4**

Note P26 – Impairment for Bad and Doubtful Debts

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

Additions Analysis		
Individual Value	**Number**	**Total £**
Less than £100	15	565.49
£100 - £500	0	0.00
Over £500	0	0.00
Total	**15**	**565.49**

Write off Analysis		
Individual Value	**Number**	**Total £**
Less than £100	2	130.84
£100 - £500	50	11,653.19
Over £500	16	40,181.12
Total	**68**	**51,965.15**

Note P27 - Related Parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council, and the costs shown in Note P13 above are recharged to the Fund. Contributions of £33.3 million were receivable from the City of Wolverhampton Council for 2016/17 (2015/16: £33.1 million). 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 (including one substitute member), as set out below:

Pensioner: Councillors Inston, Page, Thompson, Sparks and Mutton

Active: Councillors Brookfield, Hevican and T Singh

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

There are five employing bodies of the Fund in which a member of the Committee has declared an interest for 2016/17. Contributions from each of these are set out below:

Contributions Receivable 2015/16 £m		Contributions Receivable 2016/17 £m
3,331	West Midlands Fire and Rescue Service	3,478
4,211	Wolverhampton Homes Limited	4,497
20	Kingswood Trust	18
161	Wolverhampton Girls High School	174
115	Black Country Housing Group	82

<u>LGPS Central Limited</u>

The Fund is working with eight other LGPS funds across the Midlands to set up LGPS Central Limited. A FCA-authorised investment manager which will manage the investment assets of the nine funds. The company was incorporated in October 2016, although it will not begin trading until April 2018. On incorporation and at 31 March 2017, West Midlands Pension Fund was the only shareholder. During the 2017/18 financial year shares will be issued to seven other pension funds (on an equal shares basis). There were no transactions of the company during 2016/17 and no balances at 31 March 2017. The initial investment costs are shared equally between the eight participating LGPS funds and at 31 March 2017 the Fund's share was £0.1 million and this is disclosed in the financial statements as a Long-Term Investment.

<u>Key Management Personnel</u>

The Fund's senior management comprises six individuals: the Strategic Director of Pensions, the Director of Pensions, the Chief Investment Officer, the Head of Client and Funding Management, the Head of Governance and the Head of Finance. The total salary paid to the senior management team in 2016/17 was £536,000 (2015/16: £454,000, for six individuals). In addition to this, employer's pension contributions of £125,000 (2015/16: £98,000) were met from the Fund in respect of these individuals.

Scope of Responsibility

The City of Wolverhampton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has a Local Code of Corporate Governance, which is now being revised in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The new principles have been adopted in this statement.

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

Wolverhampton Homes Limitedis 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 Limited which sets out the contractual and governance arrangements between the parties.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

The Council has a Corporate Plan with the following aims and themes:

Place — Stronger Economy

Delivering effective core services that people want
- Keeping the city clean
- Keeping the city moving
- Improving the city housing offer

An environment where new and existing businesses thrive
- Developing a vibrant city
- Supporting businesses, encouraging enterprise and attracting inward investment

People develop the skills to get and keep work
- Improving our critical skills and employability approach

People — Stronger Communities

People live longer, healthier lives
- Promoting and enabling healthy lifestyles
- Promoting independence for older people
- Promoting independence for people with disabilities

Adults and children are supported in times of need
- Safeguarding people in vulnerable situations
- Strengthening families where children are at risk

People and communities achieve their full potential
- Challenging and supporting schools to provide the best education for children and young people
- Enabling communities to support themselves
- Keeping the city safe

Confident, Capable Council — Stronger Organisation

Future Council - stronger council ready and able to deliver change

Future Customer	Future People	Future Performance	Future Works	Future Practice	Future Money	Future Space

← Equality Objectives →

These are underpinned by the governance environment. This environment is consistent with the core principles of the new CIPFA/ SOLACE framework. In reviewing the Council's priorities and the implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

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

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
• 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.	• 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	• The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Council, Cabinet and Committees • Audit and Risk Committee • Scrutiny function • Standards Committee • Internal and External Audit • Strategic Executive Board • Wider Leadership Team • Directors Assurance Statements • Corporate and Business plans • Medium Term Financial Strategy • Corporate Risk Register and Assurance Map • Codes of Conduct • Business Planning and Performance Management Framework	• 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 Full Council • 2017 LGA Corporate Peer Review – positive outcome • 2017 Ofsted inspection of Children's Services – judged "Good". • Annual Statement of Accounts • Local Government Ombudsman Report • Scrutiny reviews	• Medium Term Financial Strategy • Procurement, Contract Management and Monitoring • Combined Authority

• Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	• Published information is accurate and reliable • Implementation of previous governance issues	• Whistleblowing and other anti-fraud related policies • Complaints System • Financial Procedures Rules • Contract Procedure Rules • modern.gov (the council's committee management information system)	• Annual Governance Statement – including the follow up of previous year issues	

The Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework including Internal Audit's annual report, the Scrutiny function and also by reports made by the Council's external auditors and other review agencies and inspectorates. The above table helps illustrate this framework, where assurance is provided and the processes through which the effectiveness of these arrangements are reviewed.

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

- Maintained the focus of the Committee on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its risks well. This also involved the Committee 'calling-in' certain risks and their risk owners, for a more detailed review.
- Developed a strong working relationship, through regular progress meetings, with the Council's External Auditors Grant Thornton, the Internal Auditors, key Cabinet Members and Senior Officers. They also had further engagement with Grant Thornton, through regular consideration of their informative Audit Committee Update publications at Committee meetings.
- Members of the Committee attended several high-profile Audit Committee Institute events run by top accountancy firms and the Council, in partnership with Grant Thornton, arranged and hosted a well-attended Midlands-wide Audit Committee forum, which focussed upon key themes for Audit Committees and their governance responsibilities.

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 can 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".

Managing the Risk of Fraud and Corruption

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

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

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

Key Changes to the Governance Framework

There were no key changes to the governance framework during the year. However, in March 2017 the Cabinet approved a new senior management structure which will come into effect during 2017/18. Also, the Council continues to play an active role in the governance arrangements for the West Midlands Combined Authority, including the Council's Managing Director in their role as Monitoring Officer for the Combined Authority.

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 Limited

Wolverhampton Homes Limited have included a Statement of Corporate Governance within the Company's Financial Statements for 2016/17. This states that the control framework has been reviewed by the Company's Audit Committee on behalf of the Board of Wolverhampton Homes Limited and found to be effective. The review included an assurance statement from the Company's internal auditors.

Progress on the Governance Issues from 2015/16

The table below describes the governance issues identified during 2015/16 and the progress made against these during 2016/17. While a limited number of issues have been carried forward to 2017/18, these often relate to a range of on-going activities that develop as issues are addressed and programmes continue.

2015/16 - Key areas for Improvement	In-year update provided as at 30 October 2016	End of year update
Savings Targets This continues to be a key area for the Council to manage as it is faced with finding savings of £56.4 million by 2019/20. As part of this process £22.2 million of additional savings is to be identified for 2017/18 and reported to Cabinet, to demonstrate that a balanced budget can be achieved in 2017/18.	On 19 October Cabinet approved that: • Budget reduction and income generation proposals amounting to £13.5 million in 2017/18 proceed to the formal consultation and scrutiny stages of the budget process. • That Financial Transaction and Base Budget Revisions totalling a net reduction of £10.0 million in 2017/18 be incorporated into the 2017/18 draft budget.	Following the Local Government Finance Settlement and completion of detailed budget work, Council approved a balanced budget for 2017/18 without the use of general reserves. It is estimated that further savings of £14.8 million will need to be identified for 2018/19 and another £5.7 million for 2019/20.

	Cabinet also approved several changes to items in the MTFS. Because of the recommendations approved by Cabinet the Council is projected to be able to set a balanced budget for 2017/18. Budget consultation and scrutiny will be undertaken during November and December the outcome of which will be reported back to Cabinet. An initial review of the assumptions and projections built into the Draft Budget and MTFS 2017/18 - 2019/20 has been undertaken, with further work to be completed during the 2017/18 budget setting process. A further report will be taken to Cabinet on 22 February 2017.	Council approved that work starts on developing budget reductions for 2018/19 and that progress be reported to Cabinet in July 2017. It is important to note that the updated projected budget deficit assumes the achievement of budget reduction proposals amounting to £33.8 million over the three-year period to 2019/20.
Combined Authority The West Midlands Combined Authority (WMCA) has been formally vested. The Council needs to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that WMCA is a success and that it benefits the City of Wolverhampton. Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro	The Council needs to continue to work effectively with its partners - including other local authorities and Local Enterprise Partnerships – to ensure that the WMCA successfully delivers the devolution deal, and its success benefits the City of Wolverhampton. The Council continues to play a major role in the Combined Authority. The appointment of the Leader of the Council, Councillor as the Transport portfolio lead for the WMCA was confirmed at its AGM in June 2016. The appointment of the Managing Director to the role of Monitoring Officer of the Combined Authority (on a part time basis) was also	Preparation for the Mayoral position to be incorporated into the WMCA continues, WMCA constitutional arrangements have been made to incorporate the Mayoral WMCA arrangements into the Combined Authority. There is no requirement on Wolverhampton to amend its constitution as the WMCA is the vehicle for devolution and therefore holds the powers and functions, some of which are exercised by the Mayor. The Statutory Order to confer the devolution deal functions was signed on 31 March 2017.

Mayor in May 2017. This will include public consultation (in the Summer of 2016) on the powers to be conferred on the Mayor by Central Government. Continuing officer and member involvement WMCA is crucial to making it a success, in delivering the first devolution deal, and developing future deals.	confirmed at its AGM, on an interim basis until May 2017. Next steps include strengthening and embedding the governance arrangements required to deliver the first devolution deal and preparation for a West Midlands Metro Mayor in May 2017. This to date has included a public consultation (summer 2016) on the functions to be conferred on the Combined Authority by government, to deliver the devolution deal. The formalising of that process will be underway in December 2016, through the constituent council's consideration of the statutory 'Order' (detailing the devolution agreement functions). The governance structures of the Combined Authority, consisting of boards, committees, working groups and commissions, were reflected upon and amended following the development of the devolution agenda and the updated structures were approved at the Combined Authority Board meeting on 28 October 2016. Constitutional arrangements are also being made to incorporate the Mayoral WMCA arrangements into the Combined Authority, and following the consideration by Parliament of the Mayoral WMCA functions, the required changes will be embedded.	The Order and the amended constitution will come into force on 8 May 2017. Five observer organisations will progress to non-constituent membership. These authorities are highlighted below: Shropshire Council, Stratford on Avon District Council, Rugby Borough Council, Warwickshire County Council and North Warwickshire Borough Council WMCA is currently recruiting four permanent full time senior management posts: Chief Executive, Director of Strategy, Director of Finance and Director of Public Service Reform. Preparation for the election of the Mayor on 4 May 2017 is being carried out in Wolverhampton and across all the West Midlands Metropolitan Borough Councils. This includes preparing for the election count itself and raising awareness of the election amongst residents, employees and businesses. On 3 March 2017, the WMCA Board approved the creation of the West Midlands Growth Company. The WMCA and seven Metropolitan Borough Councils will appoint the company directors by mid May 2017.

	Continuing officer and member involvement in the Combined Authority is crucial to delivering the first devolution deal, and developing future deals.	The growth company will channel opportunities for regional investment which in turn will benefit the West Midlands Combined Authority area.
Corporate Landlord A Strategic Asset Plan for the Council is to be developed. Detailed service reviews to ensure the new service delivery is relevant and effective in supporting the Council's priorities and objectives are underway and due to be completed in-year.	A dedicated project manager is now in place to finalise scopes of work, prepare briefs and commission external consultancy support. Work packages to be supported are summarised as follows: **Strategic Asset Plan** Duration: six months' consultancy (completion June 2017) To assist in the production of the Strategic Asset Plan (suite of three documents – Asset Policy, Asset Strategy and Action Plan). This documentation will set out the long-term strategy/goals for where the Council's asset portfolio needs to be in the future. **Commercial Portfolio: review of leases/licences/ service charges/debt management** Duration: 6-12 months (completion November 2017)	**Strategic Asset Plan** CIPFA are engaged and will be assisting with the development of the Strategic Asset Plan. Due to complete by October 2017 and full implementation by March 2018 **Commercial** The income target exceeded in 2016/17 as leases, licences and service charges were updated. Investment in the commercial portfolio has also commenced to improve the offer. **Asset Challenge** The Project Manager is developing a utilisation template and life-cycle condition surveys are being considered as part of the future FM Delivery Model.

	To review all leases, licences and service charges in line with the Royal Institute of Chartered Surveyors requirements. **Asset Challenge: Utilisation and Life-cycle Assessment** Duration: 12 months (completion December 2017) To undertake utilisation surveys and life-cycle (circa 25 years) condition surveys on all buildings enabling Corporate Landlord to assess the performance of the asset portfolio and ensure it supports the Council's strategic and operational objectives. **Data Management** Duration: 6-12 months (completion November 2017) A Project Manager, Data Support Officer and access to scanning facilities will be required to map, identify, cleanse and capture baseline land and property data. Centralised data is at the core of the Corporate Landlord service delivery model and this work will enable analysis and reporting.	**Data Management** All estates files now scanned and a data intelligence solution currently being evaluated. Processes are being reviewed together with staff capability with a view to systems rationalisation.
Procurement, Contract Management and Monitoring A standard approach to Contract Management will be implemented, with a	The Procurement team has started to offer contract management support to service teams. The first areas where this has commenced is Environmental Services and Public Health.	The Contract Management System was implemented in February 2017. The Contract Management of the Waste collection and treatment contracts is being supported by the

programme of training developed to support a consistent approach to realising the benefits from contracts.	The first dedicated Contract Manager post has been agreed and is currently being recruited to. A new contract management system (Accord) is being implemented and will be live in early 2017. This will give visibility of each contract and a standardised approach to performance monitoring and contract administration.	Procurement Team. A Contract Manager post has been recruited to with a start date of May 2017 and a standard approach to performance monitoring and contract administration is to be developed during 2017/18.
Partnership Governance The Council is embarking on a systematic review of Governance arrangements with partner organisations and has already implemented revised protocols for all newly drafted arrangements. The Black Country Joint Committee, set up in Summer 2015, has established a clear governance structure for collaborative arrangements across the Black Country, which the Council has committed to. The City Board oversees the Economic Growth Board, Inclusion Board and the recently set up Employment and Skills Board. The governance for each is reviewed annually and amendments made, if required.	At the City level, work is underway to review the strategic approach for City Economy and how this is reflected in our partnerships. This work is expected to complete around spring 2017. New reporting formats for projects being championed by the Economic Growth Board and Skills and Employment Board have now been developed and approved. This will help to tighten governance and impact from partnership working. The Council is also the accountable body for the delivery of the Black Country Growth Hub. Again, the governance has been reviewed and tightened to enable effective governance of a wider remit that includes delivery of the new ERDF funded AIM for the Black Country project.	The City Board has agreed to focus on sustainability and smart city during 2017, and has completed an audit of sustainable development activities across the core partners that contribute to the millennium goals. A refresh of the City Strategy 2011 – 2026: Prosperity for All is underway, to better align it with the Black Country and West Midlands Combined Authority SEPs. Initial work to review and update the economic evidence base has been commissioned and will be completed in spring 2017. Revised reporting process have now been introduced with the Economic Growth, Employment and Skills and Inclusion Boards. This is helping to identify and focus on areas relevant to the influence of the board members, and be able to track activity. Clear reporting structures are in place for the Black Country Growth Hub and the EU funded project AIM, both of which the City of

		Wolverhampton holds the role of accountable body. The city has also developed a clear delivery approach to ensure value from these partnership programmes is secured in the city.

Action Plan for the Significant Governance Issues identified during 2016/17 which will need addressing in 2017/18

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2016/17 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken.

2016/17 - Key areas and actions for implementation	Responsibility and expected implementation date
Savings Targets This continues to be a key area for the Council to manage as it is faced with finding savings of £20.5 million by 2019/20. As part of this process £14.9 million of additional savings is to be identified for 2018/19 and reported to Cabinet, in order to demonstrate that a balanced budget can be achieved in 2018/19.	Chief Accountant July 2017
Procurement, Contract Management and Monitoring Following the recruitment of the Contract Manager post a standard approach to performance monitoring and contract administration is to be developed during 2017/18.	Service Director – Commercial Services December 2017
Combined Authority Following the election of the new Mayor in May 2017, the Council will start working with their office in order to maximise the benefits the Combined Authority will bring to the city.	Managing Director September 2017

Corporate Landlord • Strategic Asset Plan - to develop the Strategic Asset Plan with CIPFA. • Asset Challenge- to develop a utilisation template and consider life-cycle condition surveys as part of the future FM Delivery Model Data Management - to rationalise systems and introduce a data intelligence solution.	Head of Corporate Landlord October – December 2017

Future Assurance

A progress report on the implementation of the above actions from the key areas will be produced by Audit Services and reported to the Audit and Risk Committee during 2017/18.

8. ANNUAL GOVERNANCE STATEMENT

Certification

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

Roger Lawrence, Leader of the Council

Date:

Keith Ireland, Managing Director

Date:

Academy
A school which chooses to opt out of a local authority's control and maintain its own funding.
Accruals (Accrual Accounting)
Refers to the fundamental accounting principle that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
See Receivables, Payables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Code of Practice on Local Authority Accounting

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

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

9. GLOSSARY

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

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

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

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

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

Earmarked Reserve
A sum set aside for a specific purpose.
See Usable and Unusable Reserves

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

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

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

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

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

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

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

Financial Year
This runs from 1 April to 31 March.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related Party
There is a detailed definition of related parties in FRS 8. For the Council's purposes, related parties are deemed to include:
(i) The elected members of the Council and their partners.
(ii) The senior officers of the Council.
(iii) The companies in which the Council has an interest.
(iv) Central Government and preceptors of Wolverhampton's Collection Fund.
(v) Other entities which the Council has the ability to control or influence.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either;
(i) An employer's decision to terminate an employee's employment before the normal retirement date; or
(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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

Revenue Expenditure Funded from Capital Under Statute
Spending on assets that have a lasting value but are not owned by the Council, for example, improvement grants.

Revenue Support Grant (RSG)
Grant from central government towards the cost of providing General Fund services.

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

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

See Income and Expenditure Account/Statement

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

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

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

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

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

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

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Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

18 September 2017

Report title	Strategic Risk Register and Strategic Assurance Map		
Accountable director	Claire Nye, Finance		
Originating service	Audit		
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 Peter.farrow@wolverhampton.gov.uk	
Report to be/has been considered by	Strategic Executive Board		5 September 2017

Recommendations for noting:

The Committee is asked to note:

1. The strategic risk register at Appendix A.

2. The increase in the risk score for risk 9 – City Centre Regeneration, due to cost and programme control issues, relating to a small number of significant City Centre regeneration projects.

3. The reduction in the risk score for risk 26 – Community Cohesion, due to the reduction in the likelihood of an incident occurring.

4. The main sources of assurance available to the Council against its strategic risks at Appendix B.

1.0 Purpose

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

2.0 Background

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

2.2 The strategic risk register was last presented to the Committee in July 2017 and included an update on the progress made on the mitigation of these risks. As a result of the short period since this update, there have only been a small number of changes to the register. A summary of the register is included at Appendix A of this report which sets out the assessment of the risks as at August 2017.

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

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

The three lines of defence model:

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

3.0 Progress, options, discussion, etc.

3.1 The strategic risk register will be updated as required, and presented at approximately quarterly intervals to the Committee. The Committee can also take the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee requested risk 21 – Transforming Adult Social Care and risk 27 - Safety concerns around the City's tower blocks to be called in for the September 2017 meeting. Further details regarding these risks are included in the risk register at appendix A and the risk owners will be attending the meeting to discuss the risks with the Committee.

4.0 Financial implications

4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the strategic risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual corporate risks, but these will be evaluated and reported separately if required. [SR/25082017/R]

5.0 Legal implications

5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct legal implications arising from this report.
[TS/300082017/Q]

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

8.1 Although there may be some human resource implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct human resource implications arising from this report.

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

10. None.

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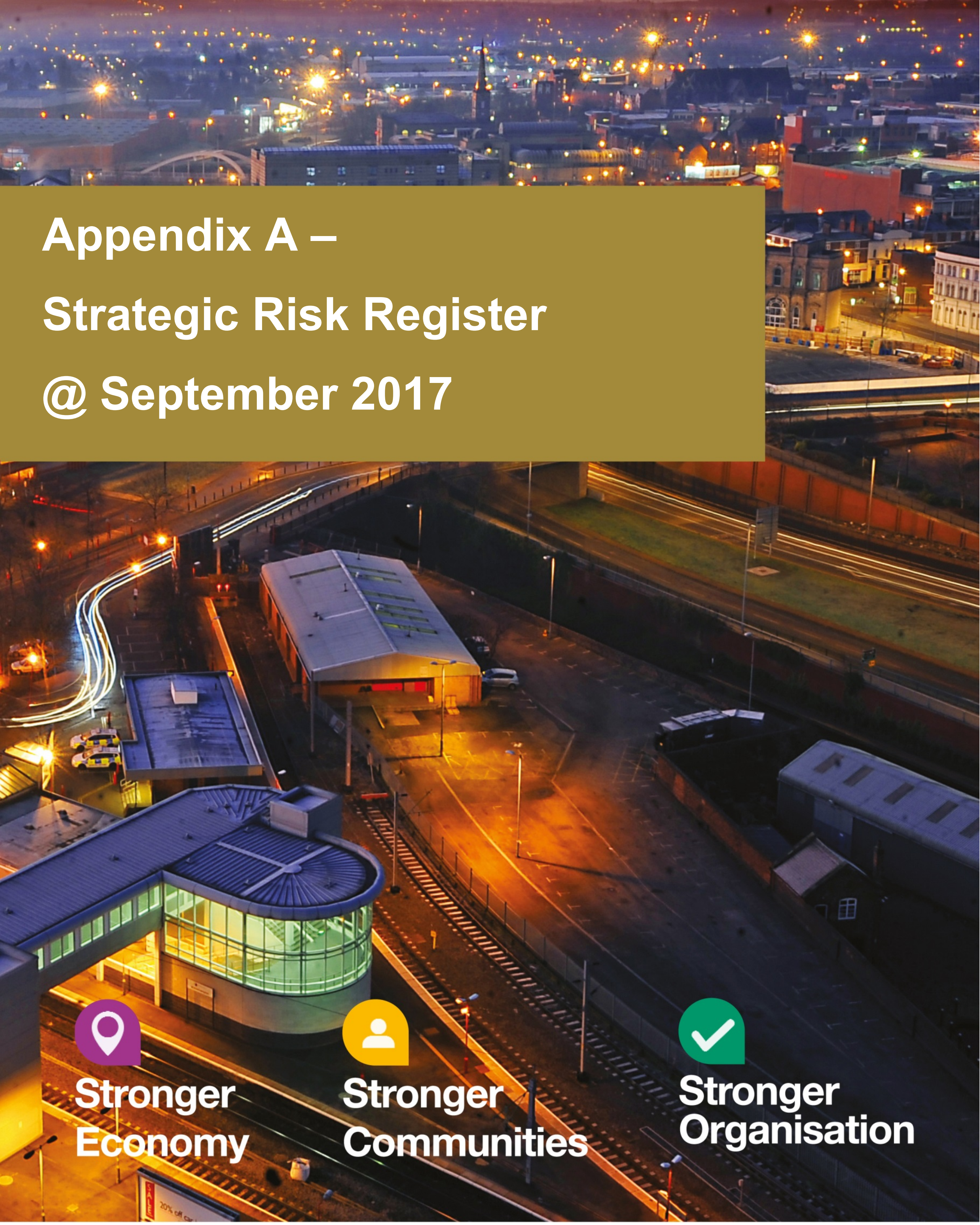
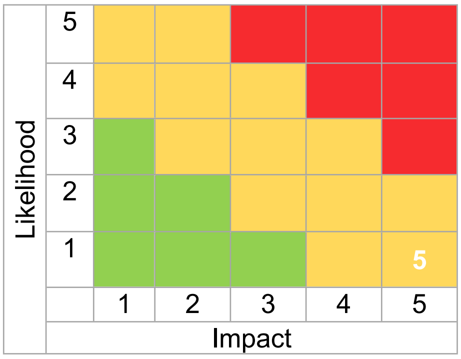
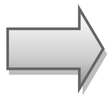
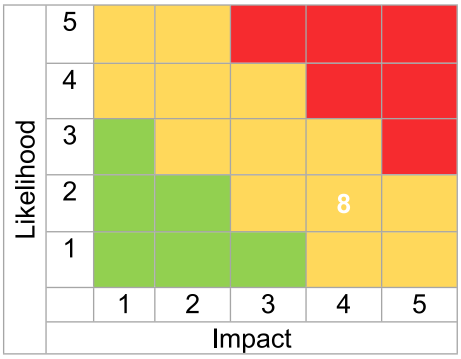
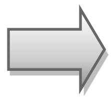
Appendix A –
Strategic Risk Register
@ September 2017

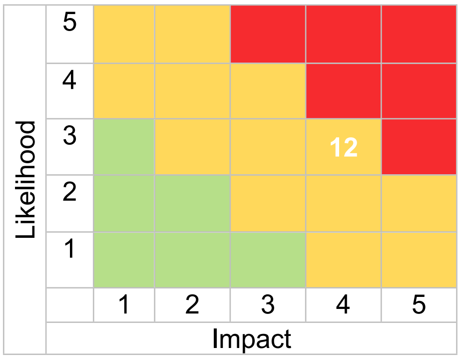
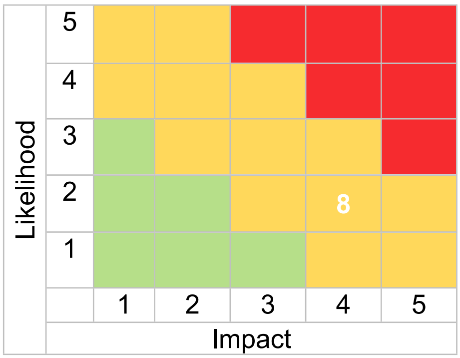


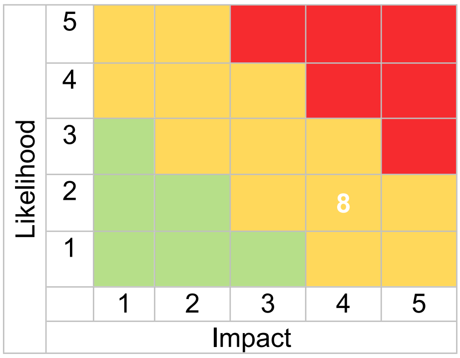
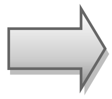
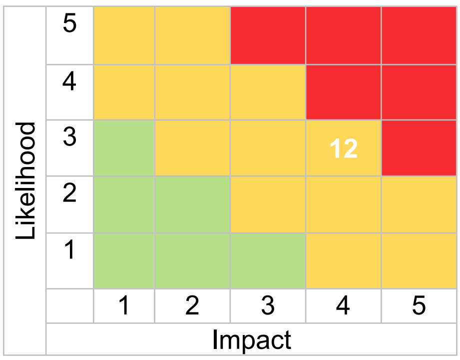
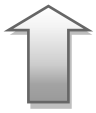
Profile of current strategic risks

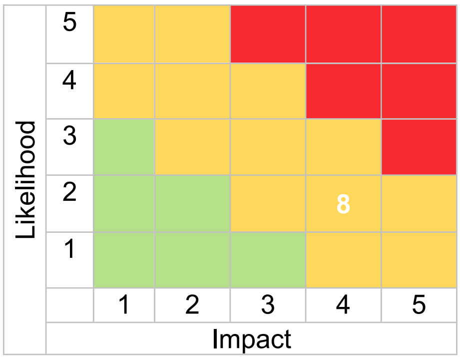
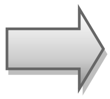
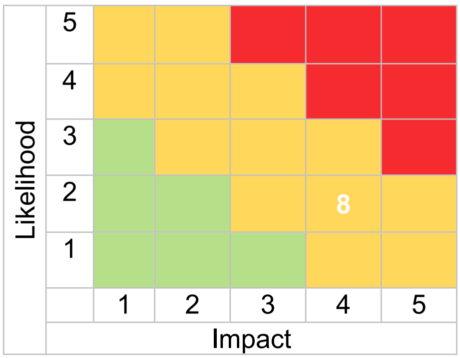
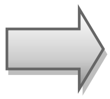
Red	23
Amber	1, 3, 4, 7, 8, 9, 14, 15, 21, 22, 24, 25, 26, 27

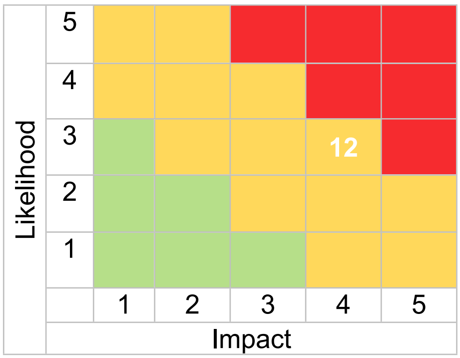
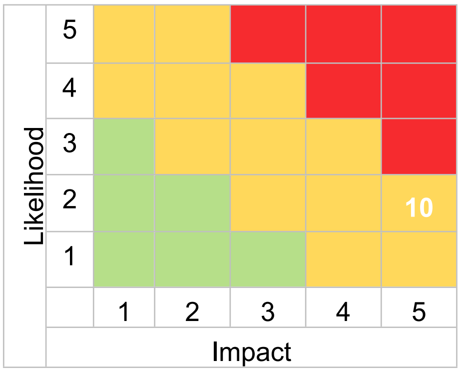
Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
1 01/14	**Looked After Children (LAC)** If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services. Risk owner: Emma Bennett Cabinet Member: Cllr Val Gibson 	5 Amber		5 Amber	5 Amber Target achieved

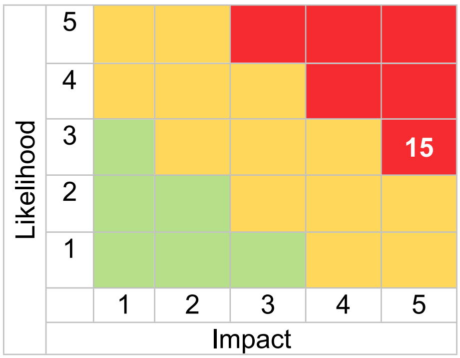
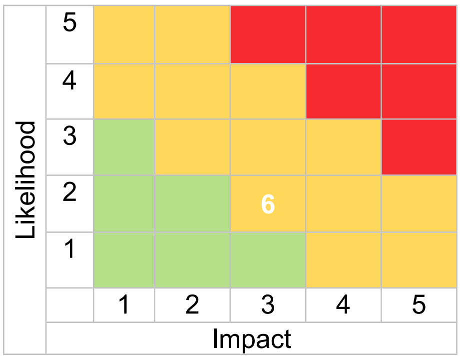
Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
3 01/14	**Information Governance (IG)** If the Council does not put in place appropriate policies, procedures and technologies to ensure: • that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018; • compliance with the Freedom of Information Act and Environmental Information Regulations; then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information. Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal 	8 Amber		8 Amber	4 Amber May 2018

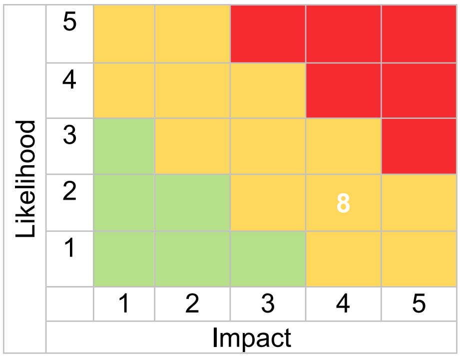
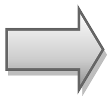
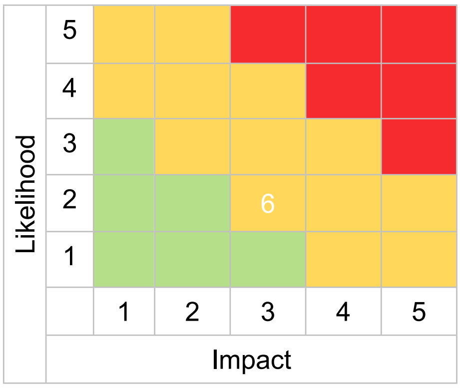
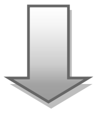
Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
4 01/14	**Medium Term Financial Strategy** If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects 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: Keith Ireland Cabinet Member: Cllr Andrew Johnson  	12 Amber		12 Amber	8* Amber On-going
7 01/14	**Safeguarding** If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage. Risk owner: Emma Bennett Cabinet Member: Cllr Val Gibson and Cllr Sandra Samuels OBE  	8 Amber		8 Amber	5 Amber March 2018

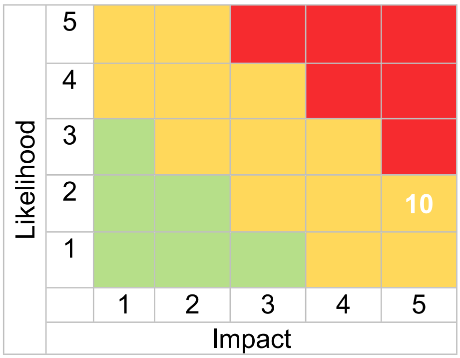
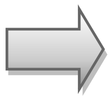
Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
8 01/14	**Business Continuity Management (BCM)** Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services. Risk owner: Susan Milner Cabinet Member: Cllr Paul Sweet 	8 Amber		8 Amber	8* Amber
9 01/14	**City Centre Regeneration** If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including: • the attraction of private sector investment • the creation of space to accommodate new businesses and economic growth • the enhancement and creation of visitor attractions • the creation of well-paid employment • retention of skilled workers • the creation of residential opportunities • a functioning city centre offer that serves the residents of the City • increased prosperity and • a reduced demand on Council services Risk owner: Tim Johnson Cabinet Member: Cllr John Reynolds 	8 Amber		12 Amber	12* Amber On-going

Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
14 01/14	**School Improvement** If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence. Risk owner: Mark Taylor Cabinet Member: Cllr Claire Darke 	8 Amber		8 Amber	5 Amber 90% schools @ good or above
15 01/14	**Emergency Planning** Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council. Risk owner: Susan Milner Cabinet Member: Cllr Roger Lawrence and Cllr Paul Sweet 	8 Amber		8 Amber	4 Amber April 2018

Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
21 11/16	**Transforming Adult Social Care (TASC) programme** If the Council does not have robust management and governance arrangements in place for the Transforming Adult Social Care Programme, then it may be unable to effectively manage demand and deliver the targets of the significant savings challenge the service needs to make as part of the MTFS. Risk owner: David Watts Cabinet Member: Cllr Sandra Samuels OBE 	12 Amber		12 Amber	8* Amber
22 01/17	**Skills for Work and Economic Inclusion** If the city's residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for Council Services. Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds 	10 Amber		10 Amber	5 Amber March 2018

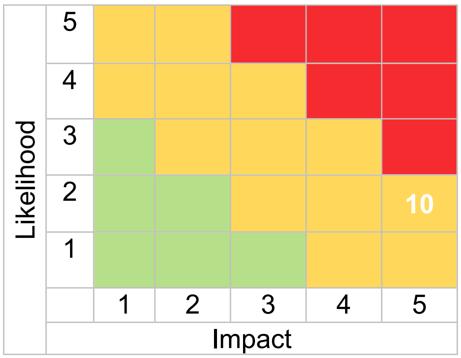
Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
23 01/17	**Cyber Security** Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence. Risk owner: Andy Hoare Cabinet Member: Cllr Milkinderpal Jaspal 	15 Red		15 Red	10 Amber December 2017 (providing no further cyber incidents)
24 01/17	**Maximising Benefits from West Midlands Combined Authority** If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it. Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence 	6 Amber		6 Amber	3 Green December 2017

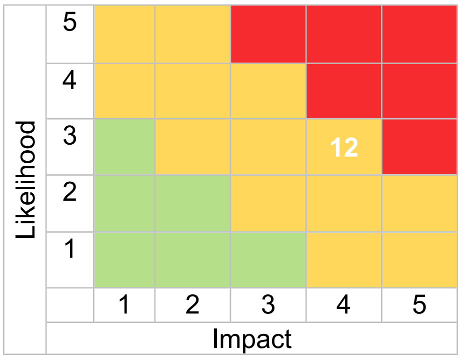
Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
25 03/17	**Payment Card Industry Data Security Standard** If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard, there is a risk of data breaches which may result in regulatory action, financial penalties and reputational damage. Risk owner: Claire Nye Cabinet Member: Cllr Andrew Johnson 	8 Amber		8 Amber	4 Amber April 2018
26 05/17	**Community Cohesion** There is a risk of an escalation in community tensions in response to external influences i.e. terrorism, national policy changes e.g. Brexit and national events such as riots. Risk owner: Mark Taylor (Karen Samuels) Cabinet Member: Cllr Paul Sweet 	8 Amber		6 Amber	4 Amber December 2017 (provided no further instances)

Risk ref	Risk title and description	Previous score (June 2017)	Direction of travel	Current score (August 2017)	Target score and date
27 06/17	**Safety concerns around the City's tower blocks** Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this. Risk Owner: Lesley Roberts Cabinet Member: Cllr Peter Bilson 	10 Amber		10 Amber	5 Amber December 2017

* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such also may not have target dates.

** Further details to support the risks called in by Committee are included below.

Risk ref	Risk title and description	Comment
27 06/17	**Safety concerns around the City's tower blocks** Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this. Risk Owner: Lesley Roberts Cabinet Member: Cllr Peter Bilson 	Since last reported the following is noted; • Testing by a Government approved laboratory has been completed and confirmed, the three tower-blocks in Heath Town with rain screen cladding have fully passed fire safety tests. Further information from the test house confirmed that the panels at the Graiseley blocks do not warrant further testing as they are sufficiently certified. Further checks have confirmed that the necessary fire breaks are in place, as required by Building Regulations. • In conjunction with Wolverhampton Homes, the Fire Service has now reviewed access for emergency vehicles at all 36 residential tower blocks. No major issues have been identified, although work is on-going with the Highways Department to overcome a minor obstruction identified at the Graiseley site. • In accordance with Wolverhampton Homes procedures, daily fire-safety checks are carried out in all tower blocks, the staff responsible for these checks are receiving additional training. Any non-conformances are reported to and addressed by Wolverhampton Homes. • Wolverhampton Homes continues to hold weekly fire safety meetings, attended by the Director of Operations and other senior officers to review progress on all fire safety actions. To date, the focus of activity has been on ensuring that safety measures that prevent fires from spreading within the blocks of flats (the compartmentation) is fit for purpose and controls are improved. • To ensure that the Council's tower blocks do not face the same risks that were apparent at Grenfell Tower, Wolverhampton Homes is implementing more extensive Fire Risk Assessments (Type 4 FRA's), which will be much more intrusive. • Wolverhampton Homes has confirmed that all 36 tower-blocks within the City, continue to be compliant with the Fire Regulatory (Fire Safety) Reform Order 2005. Smoke alarms are installed in individual flats and fire doors are in place where required. • Consultation with residents is on-going. Residents in tower blocks have previously been provided with advice (including a multi-lingual DVD prepared in conjunction with the Fire Service). At the two recent tenant 'Get Togethers', they were shown this DVD (that is entitled 'Stay Put, Stay Safe'). This reinforces the national message, that in the event of a fire, residents should stay put in their flats unless the fire is in their flat or they are told to leave by the Fire Service. • Fire safety advice and copies of the Fire Risk Assessments are available on the Wolverhampton Homes website. In addition, there is a facility in place to allow tenants to submit questions online (or via the telephone), and receive answers. • An 'Audit Tool Kit' has been developed by Wolverhampton Homes (from one that was devised by the London Fire Brigade), which will provide their Board Members with the information required to fully scrutinise the fire safety arrangements for new building projects. The first use of this toolkit will be on the Heath Town refurbishment project; to ensure that the correct choices have been made about the cladding on that project. • Exploratory work is on-going to prepare for any likely changes that may arise from the Grenfell Enquiry (e.g. the use of sprinklers and fire alarms in both flats and communal areas). This will be considered once the Government's report and recommendations are published into the fire at Grenfell Tower.

Risk ref	Risk title and description	Comment
21 11/16	**Transforming Adult Social Care (TASC) programme** If the Council does not have robust management and governance arrangements in place for the Transforming Adult Social Care programme, then it may be unable to effectively manage demand and deliver the targets of the significant savings challenge the service needs to make as part of the MTFS. Risk owner: Linda Sanders (David Watts) Cabinet Member: Cllr Sandra Samuels OBE 	Included below is a summary of the work being undertaken during 2017/18 to support the transformation of Adult Social Care and meet savings targets included in the MTFS: • Development of efficient and timely financial processes for the payment of care, to enable choice and promote safeguarding. • Continue developing a robust Community Offer, utilising all key resources and improving links within the voluntary sector to make the best use of community support functions. This includes trialling the use of voluntary community co-ordinators to extend the reach of the Community Support Team, to support Wolverhampton citizens by boosting their understanding of available services and building confidence in accessing those services. • Re-modelling the ‘front-door’ to ensure individuals are given the best possible advice and information when they contact the service. • Continuing Adult Social Care’s digital transformation, including extending the functionality of the Wolverhampton Information Network to ensure customers are provided with appropriate information, advice and low level support. • Development of co-located health and social care teams through Better Care Fund work streams. • Establishing a new approach to the management and delivery of community based equipment within the City of Wolverhampton. • Continuing to increase the number of people receiving reablement support, either within their own homes, or residential settings. Whilst at the same time minimising the amount of time spent in receipt of these services, to maximise personal independence. • Continued work with the ‘Discharge 2 Assess’ programme to develop a home first integrated model of support. • Promotion of independence through new ways of working which include; telecare, assisted technology and increasing the capacity of the Council’s reablement offer. • Promotion of financial health checks for individuals across the city, to support financial independence and prevent or delay social care needs. • Reduce the number of adults with Learning Disabilities and/or mental ill health in residential nursing care and enable moves to independent living, through assessment and support by the Supporting Life Choices team. • Supporting people towards employment, independent travel and supported living in partnership with the Supporting Life Choices team and the Employment Service. • Engagement with relevant stakeholders to ensure that employment is an expectation for young people with a disability. • Continued development of the ‘Law Student Representation Project’ with training and mentoring of Law Students, in partnership with the University of Wolverhampton, to provide representation to vulnerable citizens at social security appeal tribunals and enhance students' skills for employment via real life advocacy experience. All work is continually tracked and monitored via performance/finance reporting mechanisms, management group meetings, and the Transforming Adult Social Care Programme Board.

CITY OF WOLVERHAMPTON COUNCIL

Appendix B

Strategic Risk Assurance Map – September 2017

Risk Ref	Risk Title and Description	Current Score	Types of Assurance External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure

Risk Ref	Risk Title and Description	Current Score	Types of Assurance External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
1	**Looked After Children (LAC)** If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.	5 Amber	Performance indicator- number of LAC per 10,000 population Audit and Risk Committee review of risk – September 2015 Internal audit review 2015/16 – External Placements (substantial assurance) Children's Services Ofsted Inspection January / February 2017 (Good Rating)	Scrutiny review of Corporate Parenting and Children in Care Council – September 2015 Resources panel reviews Update to Children's Trust Board- September 2014 Care panel reviews of placement costs Report to Cabinet (Performance Management Panel) September 2014 Scrutiny review of LAC February 2014	Children's Services self- assessment December 2015 Reports to LAC Budget Monitoring Group (every two months) Controls Assurance Statement	Present sources will continue to provide assurance regarding the changes in number of LAC. Assurances through the budgetary process regarding the cost of LAC need to be continually provided to ensure effective management of the budgetary pressures associated with this risk.

Risk Ref	Risk Title and Description	Current Score	Types of Assurance External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
3	**Information Governance (IG)** If the Council does not put in place appropriate policies, procedures and technologies to ensure: • that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018; • compliance with the Freedom of Information Act and Environmental Information Regulations; then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.	8 Amber	Internal audit review 2014/15 – Information sharing agreements (Satisfactory assurance) Internal audit review– Protective marking compliance, September 2014 (Limited assurance) Internal audit review 2016/17 – Freedom of Information Requests (Substantial Assurance) Internal audit review 2016/17 – Information Governance (Satisfactory assurance)	Information risk register and reports to Information Governance Board Performance reports to Cabinet, Scrutiny Board and SEB Performance indicators reported to Cabinet- Number of data breaches Performance indicator - % of Freedom of Information (FOI) requests met within timescales Performance indicator- % of Subject Access Requests (SAR) met within timescales	Senior Information Risk Officer Annual Report Controls Assurance Statements	The Council’s on-going dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to inform the level of assurance over the effectiveness and adequacy of the controls in place to manage this risk.

Risk Ref	Risk Title and Description	Current Score	Types of Assurance External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
4	**Medium Term Financial Strategy** If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects 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.	12 Amber	PwC report: Report to those charged with governance (ISA 260) September 2016 Independent review of process for MTFS and budget- E Sullivan, May 2014 Internal audit review Budgetary Control - 2015/16 (Satisfactory assurance) Internal audit review – 2014/15 Assumptions of the MTFS LGA Finance Peer review- June 2016 Audit and Risk Committee review of risk – December 2016 Internal audit review Budgetary Control – 2016/17 (Satisfactory assurance) LGA Finance Peer review follow up – September 2017	MTFS risk register Reports to Budget Working Party Reports to Cabinet Scrutiny reviews of budget strategy Outcome of Local Government Finance Peer Review Report –Report to 3C Scrutiny Board 14 September 2016 Scrutiny review, 3C Scrutiny Board - Update on the implementation on the Local Government Finance Peer Review Report 15 March 2017	Management accounts Controls Assurance Statements	Ongoing internal and external reviews will continue to provide assurances over the successful delivery of the MTFS and the achievement of efficiency savings.
7	**Safeguarding** If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.	8 Amber	West Midlands Association of Directors of Adult Social Services peer review – Adult safeguarding September 2014 West Midlands Association of Directors of Children's Services peer review- children's safeguarding September 2014 Internal audit review 2015/16 – Independent Reviewing Officer Service (satisfactory assurance) Internal audit review 2015/16 – Safeguarding in schools (satisfactory assurance) S.11 (Safeguarding self-Assessment) Audit 2016/17 Internal audit review 2016/17 – MASH (satisfactory assurance) Children's Services Ofsted Inspection January / February 2017 (Requires Improvement Rating)	Scrutiny review- Child Sexual Exploitation 2015/16 Adults and Safer City Scrutiny Panel Review- Violence against women and girls strategy September 2015 Annual reports from adults and children's local safeguarding boards 'Our Story' report to Cabinet Member for Children and Families National and local Wolverhampton performance indicators in relation to social care Self- audits confirmation by schools of s175 compliance Annual Reports from: IRO Service, Local Authority Designated Officer, Foster Home Reviewing Officer Safeguarding Adults Board Annual Review – Report to Adult and Safer City Scrutiny Panel 31 January 2017	Children's Services self- assessment December 2015 Adults safeguarding self- assessment and action plan – June 2016 Quality Assurance Framework and assessments Controls Assurance Statement WSCB Self-Assessment against Ofsted Descriptors	Regular updates to the both the Children's and Adult's Board(s) and People management teams with regards to the implementation of recommendations made by Ofsted will provide further assurance.
8	**Business Continuity Management** Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.	8 Amber	Internal audit review 2015/16 – Business continuity and resilience management (satisfactory assurance) Audit and Risk Committee review of risk – July 2016	Reports from Wolverhampton Resilience Board to SEB Strategic Business Continuity Plan, approved by SEB	Controls Assurance Statement Implementation of the Apprise Co-ordination system Completed Priority 1 Business Continuity Plans Development of tactical loss of building plan	The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. Given the continual reductions in the Council's workforce, ongoing testing will be required to provide assurance over the resilience of the provision of Council services.

Risk Ref	Risk Title and Description	Current Score	Types of Assurance External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
9	**City Centre Regeneration** If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including: • creation of well-paid employment • retention of skilled workers • sector and economic growth • increased prosperity and • reduced demand on council services	12 Amber	Internal audit review 2015/16- City centre development (Satisfactory assurance)	Programme and project risk registers / risk monitoring through Verto Monthly reporting to the City Centre Regeneration Programme Board Stronger City Economy Scrutiny Panel Review 2016/17 – Regeneration programmes	Reports to Programme Board from project managers Controls Assurance Statement	Regular update reports to Programme Board(s) and Cabinet continue to provide assurance on the management of this risk.
14	**School Improvement** If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.	8 Amber	Ofsted annual report – Schools 2014/15, December 2015 Ofsted inspections 2015/16, 2016/17 and 2017/18 to date. School internal audit reviews 2015/16, 2016/17 and 2017/18 to date. Internal audit review 2015/16 – School Improvement and Governance Strategy (satisfactory assurance) Audit and Risk Committee review of risk – February 2017 Internal audit review 2016/17 – Vulnerable Pupils	Performance indicator – gaps in educational performance Performance indicator – end of key stage outcomes Report to Children and Young People and Families Scrutiny Panel – School Improvement Strategy July 2016 Report to Children and Young People and Families Scrutiny Panel - Local Authority School Improvement Inspection Self-Evaluation July 2016 Report to Children and Young People and Families Scrutiny Panel- Primary School Organisation strategy July 2015 Report to Children and Young People and Families Scrutiny Panel- Academy Partnership Protocol April 2016 Report to Children and Young People and Families Scrutiny Panel – Secondary School Sufficiency Strategy April 2016 Report to Children and Young People and Families Scrutiny Panel – Improving Our Schools Annual Report 2016 April 2016 Audits carried out by School Support Advisors and External Governance reviews	Reports to Cabinet Controls Assurance Statement Individual school SFVS statements	The Ofsted inspections and annual report(s) will continue to be the primary source of assurance for this risk.
15	**Emergency Planning** Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.	8 Amber	Follow up of internal audit recommendations, January 2014 Audit and Risk Committee review of risk – July 2017	Reports to Wolverhampton Resilience Board (WRB) Regular reports from WRB to SEB and C3 Scrutiny Panel	Controls Assurance Statement	The exercise and testing programme, once developed and implemented will provide further assurances on the management of this risk. In the meantime, unplanned incidences and the lessons learned from these exercises continue to provide some level of assurance.

Risk Ref	Risk Title and Description	Current Score	Types of Assurance External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
21	**Transforming Adult Social Care (TASC)** If the Council does not have robust management and governance arrangements in place for the Transforming Adult Social Care Programme, then it may be unable to effectively manage demand and deliver the targets of the significant savings challenge the service needs to make as part of the MTFS.	12 Amber	Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016 Financial Decision Making Audit Services Review Follow up – Wolverhampton Adult Social Care Peer Challenge, April 2017 Internal audit review(s) - Adult Social Care	Reports to Transforming Adult Social Care (TASC) Board Regular reports from TASC Board to SEB Resources Panel reviews Programme and project risk registers Various TASC KPI's and performance measures	Controls Assurance Statement	Ongoing reviews will continue to provide assurances over the successful delivery of the TASC programme and the achievement of savings targets in the MTFS.
22	**Skills for Work and Economic Inclusion** If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for Council Services.	10 Amber	Reports to the Black Country Local Enterprise Partnership and City Board National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc. Wolverhampton Skills Commission Review – November 2014 to April 2015 Skills and Employment Board Audit and Risk Committee review of risk – September 2016 and December 2015 Wolverhampton Skills Commission Review – November 2014 to April 2015 Internal audit review – City of Wolverhampton College- Learners with learning difficulties post 16, December 2014 Black Country performance management framework	Stronger City Economy Scrutiny Panel Review – Investment and Funding July 2016 Report to SEB – City Board – Monthly unemployment briefings Scrutiny review of "Employability and Skills in Wolverhampton" report to Cabinet 11 March 2015 Scrutiny review of "Employability and Skills" September 2014 – January 2015 Performance indicator - % of residents with no qualification Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided Monthly unemployment briefings Scrutiny Skills and Employment Update – Report to Stronger City Economy Scrutiny Panel – 20 September 2016 Skills and Employment Update(s) regularly presented to Stronger City Scrutiny Panel	Reports to the Wolverhampton Skills and Employment Board growth board Inclusion board Controls Assurance Statement	National indicators will demonstrate the effectiveness of the measures in place to manage this long-term risk. In addition, assurances received at a regional level (e.g. through the West Midlands Combined Authority) will also inform the adequacy and effectiveness of the regional initiatives being employed to manage this risk.
23	**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.	15 Red	Annual Public Service Network (PSN) certification Independent testing of cyber security technical defences Use of 3rd party software to stimulate email phishing attacks Audit and Risk Committee review of risk – July 2017 Internal audit review - ICTS Strategic Planning	Information risk register and reports to Information Governance Board Reports to SEB and Cabinet (Performance Monitoring)	Regular maintenance and review of technical defence's i.e. fire walls and virus software. Senior Information Risk Officer Annual Report Appointment of Chief Cyber Security Officer Controls Assurance Statements	Independent testing of the Council's cyber security defences will continue to provide assurance.

Risk Ref	Risk Title and Description	Current Score	Types of Assurance External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
24	**Maximising Benefits form West Midlands Combined Authority** If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.	6 Amber	SEP monitoring via WMCA SEP Board and Black Country LEP. WMCA Assurance framework Reports to WMCA Board and various Committees City of Wolverhampton Council providing the internal audit service for WMCA	Regular reports to SEB Representation on WMCA Boards and Committee's including Audit Risk and Assurance Committee and Overview and Scrutiny Committee. Update on the West Midlands Combined Authority – Report to Scrutiny Board 17 January 2017	Appointment of Business Support Officer Controls Assurance Statement	Council representation on key WMCA Boards and Committees will continue to provide assurance.
25	**Payment Card Industry Data Security Standard** If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard there is a risk of data breaches and which may result in regulatory action, financial penalties and reputational damage.	8 Amber	Advice provided by the Payment Card Industry	Progress reporting to the Hub Management / Customer Services Management Teams Compliance with contract procedure rule / liaison with Corporate Procurement	Controls Assurance Statement	The implementation of a 3rd party solution to take and process payment details on behalf of the Council will ensure compliance with the Payment Card Industry standard and transfer the risk of fraud to the 3rd party.
26	**Community Cohesion** There is a risk of an escalation in community tensions in response to external influences i.e. Terrorism, national policy changes e.g. Brexit and national events such as riots.	6 Amber	Partnership working with West Midlands Police and various community groups / faith leaders	Regular meetings of the Community Cohesion Forum Quarterly returns to Police and Crime Commissioner SWP Board monitoring of the objectives within the Community Safety and Harm Reduction Strategy	Daily monitoring of hate crime figures and reports of community unrest	The low numbers of reported instances continue to provide assurance that this area is well managed.
27	**Safety concerns around the City's tower blocks** Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this.	10 Amber	Independent testing by a Government approved laboratory – confirming that tower-bocks have passed fire safety tests. Review of emergency access to tower-blocks by the Fire-Service Audit and Risk Committee review of risk – July 2017	Regular reporting of fire safety issues to weekly fire safety meetings Reports from fire safety meetings to Senior Officers / SEB Reports to Scrutiny Scoping Group – Fire Safety in tower-blocks	Daily fire safety checks Implementation of Fire Risk Assessments (Type 4 FRS's) Continuing compliance with Fire Regulatory (Fire Safety) Reform Order 2005 On-going consultation with residents	Joint work with Wolverhampton Homes, the Fire Service and specialist contractors is on-going to review fire safety and provide assurance to residents.

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Agenda Item No: 7

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

18 September 2017

Report title	Internal Audit Charter – Annual Review	
Accountable director	Clare Nye	Finance
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for action or decision:

The Committee is recommended to:

1. Perform an annual review of, and approve the Internal Audit Charter.

1.0 Purpose

1.1 The Charter was originally approved by the Committee in September 2013 and is now due for its latest review. The Charter was last updated in September 2016 to reflect the introduction of a Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing added to the latest version of the Public Sector Internal Audit Standards. There have been no changes since the last review.

2.0 Background

2.1 There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards' and the Internal Audit Charter reflects this.

3.0 Progress, options, discussion

3.1 The Internal Audit Charter will continue to be subject to annual review by the Audit and Risk Committee.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. (GE/01092017/U)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. (TS/01092017/W)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

Internal Audit Charter

Definition of internal auditing

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.

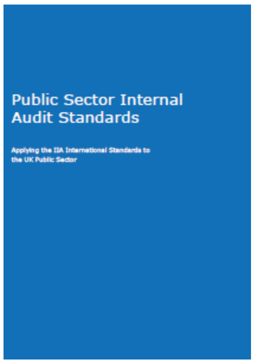
Mission of internal audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles for the Professional Practice of Internal Auditing

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement

Authority and standards



Internal audit is a statutory service in the context of the Accounts and Audit Regulations (Amendment)(England) 2015. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements

The Local Government, England and Wales, Accounts and Audit Regulations 2015 also states that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".* These Standards have been adopted by the Council's internal audit section.

The responsibility for ensuring that the Council has an effective internal audit has been delegated to the Chief Financial Officer/Section 151 Officer.

In the Council's Financial Procedure Rules, the Section 151 Officer has the responsibility to ensure that an adequate and effective internal audit of all Council activities is carried out in accordance with the most recent CIPFA Statements on Internal Audit Practice and relevant legislation.

Internal audit have the right of access to all records, assets, personnel and premises, including those of partner organisations, and has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Throughout the Public Sector Internal Audit Standards, reference is made to the terms ‘Chief Audit Executive’, ‘board’ and ‘senior management’. For the purposes of this Charter, the ‘Chief Audit Executive’ is defined as the Head of Audit the ‘board’ as the Audit and Risk Committee and ‘senior management’ as the Strategic Executive Board.

Scope and objectives of internal audit activities

The scope of work of internal audit is to determine whether the Council’s risk management, control, and governance processes are adequate and effective in order to ensure that:

- Key risks are identified and managed;
- Key financial, managerial, and operating information is accurate, reliable, and timely;
- Employees’ actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Council’s control process; and
- Key legislative and regulatory issues impacting the Council are identified and addressed appropriately.

Internal audit’s remit extends to the entire control environment of the Council and not just financial controls. Where other internal or external assurance providers may have undertaken relevant assurance and audit work, internal audit will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so.

Responsibilities

Internal audit has a responsibility to:

- Provide a cost effective and value added full internal audit service;
- Develop a flexible annual audit plan using a risk-based methodology;
- Implement the annual audit plan;
- Track status of outstanding management actions;
- Provide regular updates on the work of internal audit to the Audit and Risk Committee and where appropriate, senior officers;
- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation; and
- Work with the External Auditor and other review bodies to share assurance and minimise duplication.

Organisational independence

Internal audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Audit has direct access and freedom to report in his own name to all officers and councillors and particularly to those charged with governance. If required the Head of Audit may request to meet privately with the Audit and Risk Committee.

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.

Accountability, reporting lines and relationships

The Head of Audit reports on an administrative basis to the Section 151 Officer and reports functionally to the Audit and Risk Committee, the Managing Director and other senior management. An Annual report will also be produced and presented to the Audit and Risk Committee which will include an 'opinion' from the Head of Audit on the adequacy and effectiveness of internal control, risk management and governance within the Council.

A written report will be prepared by internal audit for every internal audit review. The report will be subject to an internal quality review before being issued to the responsible officer and, where appropriate, will include an 'opinion' on the adequacy of controls in the area that has been audited. The responsible officer will be asked to respond to the report in writing. The written response must show what actions have been taken or are planned in relation to each recommendation. Accountability for the response to the advice and recommendation of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

The full role and responsibilities of the Audit and Risk Committee are detailed in their terms of reference, which are based on the model provided by CIPFA in their "Audit Committees – Practical Guidance for Local Authorities".

Internal audit resourcing

Internal audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal auditors need to be properly trained to fulfill their responsibilities and should maintain their professional competence. The Section 151 Officer is responsible for the appointment of the Head of Audit, who must be suitably qualified and experienced. The Head of Audit is responsible for appointing all of the other staff to internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Head of Audit is also responsible for ensuring that the resources of internal audit are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient, this must be formally reported to the Section 151 Officer, and, if the position is not resolved, to the Audit and Risk Committee.

Fraud

Managing the risk of fraud is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal audit may be requested by management to assist with fraud related work. It is a requirement of the council's Anti-Fraud and Corruption Policy that any concerns over suspected fraud and corruption should be raised initially with the Head of Audit Services. Internal audit will then control any such investigations.

Advisory work

The standards allow that internal audit effort may, where considered to have the right skills, experience and available resource, sometimes be more usefully focused towards providing advice rather than assurance over key controls. Any such internal audit involvement in consultancy and advisory work, would only take place where it would not constitute a conflict of interest in keeping an independent stance. Any significant additional consulting services will be approved by the Audit and Risk Committee beforehand.

Review of the internal audit charter

This charter will be reviewed annually by the Head of Audit Services and the Audit and Risk Committee.

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Agenda Item No: 8

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

18 September 2017

Report title	Internal Audit Update – Quarter One	
Accountable director	Claire Nye, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

1. The contents of the latest internal audit update as at the end of quarter one.

1.0 Purpose

1.1 The purpose of this report is to update the Committee on the progress made against the 2017 - 2018 internal audit plan and to provide information on recent work that has been completed.

2.0 Background

2.1 The internal audit update report as at 30 June 2017 (quarter one) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

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 recommendations in this report. (GE/05092017/W)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. (TS/05092017/W)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

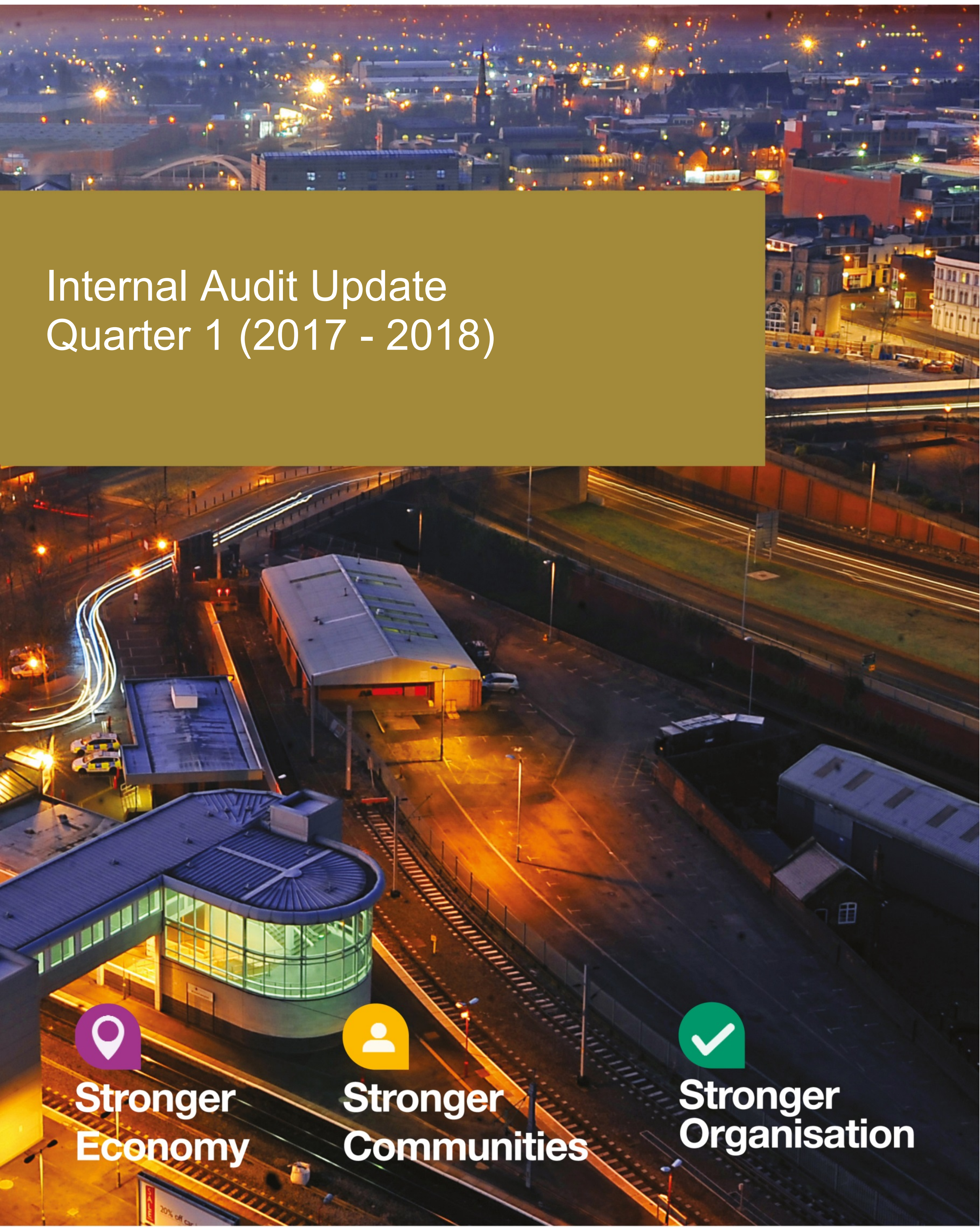
8.1 There are no human resources implications arising from the recommendations in this report.

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

Internal Audit Update
Quarter 1 (2017 - 2018)



1 *Introduction*

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2017 - 2018 internal audit plan.

The Audit and Risk Committee has a responsibility to review the effectiveness of the system of internal controls and also to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

The information included in this progress report will feed into, and inform our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

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

12 pieces of audit work have been completed so far in the current year, where an audit opinion has been provided. A summary of the audit opinions given, with a comparison over previous years, is set out below:

Opinion	2017/18 (@ Q1)	2016/17	2015/16
Substantial	3	19	13
Satisfactory	5	10	35
Limited	4	8	14

2 *Summary of audit reviews completed*

The following audit reviews were completed by the end of the first quarter of the current year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Reported this quarter for the first time:							
Senior Officers Remuneration	High	-	-	-	-	-	N/A
WV Active Income Banking and E-returns	Medium	2	3	2	7	7	Limited
Management IR35 and Interims	Medium	-	4	4	8	8	Satisfactory
Use of Pharmaoutcomes	Medium	-	2	2	4	4	Limited
Bushbury Nursery	Medium	-	1	4	5	5	Substantial
Uplands Junior School	Medium	-	2	8	10	10	Satisfactory
Spring Vale Primary School	Medium	-	1	10	11	11	Substantial
Bushbury Hill Primary School	Medium	-	2	7	9	9	Satisfactory
Stow Heath Primary School (enhanced Service)	Medium	-	8	4	12	12	Satisfactory
Goldthorne Primary School	Medium	-	2	-	2	2	Satisfactory
St Patricks Primary School	Medium	7	24	2	33	33	Limited
Whitgreave Infants School	Medium	-	2	-	2	2	Substantial
Contract Management Arrangements - Transport Capital Programme	Medium	1	2	-	3	3	Limited

Key:
AAN Assessment of assurance need.
* One-off piece of work undertaken by request or certification/non-risk based reviews etc. – therefore an audit opinion may not always be provided/required.

3 *On-going assurance where reports are not issued*

We provide on-going assurance throughout the year in the following areas:

Equal Pay
A member of the audit team is embedded in the project to provide advice on project governance and management of risks associated with the management of equal pay claims. Audit assurance is also provided around the calculation of settlement offers and the payment of claims.

Information Governance
We have a member of the team who sits on the Council's Information Governance Board.

Digital Transformation Programme (DTP)
We also have a member of the team involved in this programme which covers the Customer Engagement Platform, Master Data Management, and Business Intelligence projects. During the lifecycle of the programme we provide on-going advice on the governance of the programme and management of associated risks. We have also provided on-going support in respect of user acceptance testing in respect of each of the programme's projects.

Pay Strategy
Finally, we have representation 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.

Counter Fraud Activities
We continue to investigate all allegations of suspected fraudulent activity, during the year. Details of these have 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.

4 *Audit reviews underway*

There were a number of other reviews underway as at 30 June 2017 and these will be reported upon in later update reports.

5 *Any key issues arising from our work completed in Quarter 1*

There were a number of limited reports issued during quarter one details of which are provided below:

WV Active Income Banking and E-returns
E-returns relate to the process of coding income banked to the Council's bank account to the respective income budget codes for each WV active site. This audit was requested following the implementation of the new Gladstone till system. The audit identified that the various WV Active sites were not promptly coding income to their respective budgets resulting in a shortfall of income. The audit also identified that despite having a new system outdated/inefficient practices were being followed. Following the findings of this review Audit Services are supporting the service in re-engineering processes.

Use of Pharmoutcomes
A review of the online system within Public Health to process the payment to pharmacies electronically for enhanced services was completed. This includes services for needle exchange, nicotine replacement therapy, supervised consumption of prescribed opiate substitution therapy and stop smoking services. We found that the approval of claims was not subject to an adequate verification process. Further, there was insufficient evidence for the calculation, monitoring and reporting of key performance indicators in accordance with the agreed contract. Management accepted the audit recommendations and agreed an action plan.

Contract Management Arrangements - Transport Capital Programme
The purpose of this review was to ensure that the procurement and contract management arrangements for Transport Capital projects utilising the Midland Highways Alliance Framework Agreement 2014 - 2018 were undertaken in accordance with Public Procurement Regulations and the Council's Contract Procedures Rules and contract management good practice. We found instances of non-compliance with Contract Procedure Rules regarding the review and signing of contracts, and retention of supporting documentation for procurement exercises undertaken.

However, it is recognised that Strategic Transportation have recently had greater involvement with Corporate Procurement regarding use of the Framework which should provide more assurance going forward. In addition, Procurement are working with the Alliance regarding establishment of the next Framework arrangements.

St Patricks Primary
An enhanced review of the key financial controls at St Patricks Primary School was undertaken, following a request from the School Improvement Team. This covered governance, protection of people, assets, data, expenditure and income. There had been recent management arrangement changes at the school with the appointment of a new Headteacher in March 2017 and a new Office Manager in December 2016.

However, the former Business Manager (who left the school's employment in December 2016) continued to access the school and carry out transactions within the school management information systems. The Business Manager was also a school governor. A limited audit assurance rating was given due to the significant number of weaknesses identified in all of the areas reviewed. The key issues were that governance arrangements within the school did not meet the standards required, potential conflicts of interest were identified which had not formally declared, Financial Rules and Contract Rules were not being adhered to, Data Protection requirements were not being met and school fund and trip accounts for 2015-2016 and 2016-2017 had not been independently audited or approved by the Governing Body.

The Governing Body and the Head Teacher accepted the audit recommendations and action plans have been agreed.

Follow up of previous recommendations
We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee. During this quarter we have followed up recommendations in respect of the following reports:

- Payment arrangements for Court Costs
- Volunteer Drivers
- St. Paul's Primary School

Our follow up on the payment of Court Costs identified one of our red recommendations in respect of reconciliations had yet to be fully implemented. The issue was therefore escalated to the Director of Governance who took action to ensure that additional training and support was provided to the employee in question.

6 *Changes to the Audit Plan*

Audit Area	Audits on the Original Plan	Audits added or removed up to Quarter 1	Revised number of audits
Corporate	14	(1)	**13**
Key Financial Systems	12	0	**12**
People	9	0	**9**
Education	18	2	**20**
Place	9	2	**11**
Housing	2	0	**2**
Total	**64**	**3**	**67**

The audit plan is re-profiled throughout the year as and when the risk profile of the Council changes, and in order to react to emerging issues and specific management requests. The following changes have taken place in the current year:

Valuation of the Council's Highway Assets	This audit was removed as CIPFA no longer require Councils to value their highway assets.

In addition to the changes above the following audit areas were added to the plan during quarter 1:

Vulnerable Pupils	This audit was deferred from the previous financial year.
Whitgreave Infants School	This audit was requested by the Council's School Improvement Team.
Accountable Body Role	This audit was deferred from the previous financial year.
Contract Management Arrangements - Transport Capital Programme	This audit was deferred from the previous financial year.

Agenda Item No: 9

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

18 September 2017

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

Recommendation for noting:

The Committee is asked to note:

1. The 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:

- Following the introduction of Agresso, the Council now publishes its own spend data, instead of using a third party.
- The data is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- Since last reported to the Audit Committee in July 2017, 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/01902017/I)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. (TS/01902017/R)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

Agenda Item No: 10

Audit and Risk Committee

18 September 2017

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

Recommendations for noting:
The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

2.1 The cost of fraud to local government is estimated at £2.1 billion a year. This is money that could be used for local services.

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

3.0 Progress, options, discussion, etc.

3.1 At the last meeting of the Audit and Risk Committee in July 2017, 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/05092017/E)

5.0 Legal implications

5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations. (TS/05092017/T)

6.0 Equalities implications

6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from this report.

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

10.1 None.

Audit Services
Counter Fraud Report
@ August 2017

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

1 *Introduction*

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

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

2 *The Counter Fraud Unit*

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

3 *Counter Fraud Update*

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

Registers of Employee Interests
Employees are required to register any interests they or their families and friends may have that may impact on their role at the council. The Council's Director of Governance maintains both the Officers Register of interests and the Councillors Register of Interests, the later available for public scrutiny.

During August 2017, the Council's Director of Governance, reminded senior managers that the Council's Constitution requires a register of employees who may have business or similar interests to be maintained. The requirement and rationale is contained in the Code of Conduct for Employees, where the relevant section provides:-

"5.3 Contractors
All relationships of a business or private nature with external contractors, or potential contractors, should be made known to a senior manager. Orders and contracts must be awarded on merit, by fair competition against other tenderers, and no special favour should be shown to businesses run by, for example, friends, partners or relatives in the tendering process. No part of the local community should be discriminated against."

This ethos is also reflected within the Council's Contract Procedure Rules, where a procurement is being undertaken to notify the procurement team of any potential conflicts of interest. These conflicts should either be advised to the relevant Procurement Officer or the Service Director Commercial Services. The circumstances will be recorded and advice will be given by the Service Director Commercial Services who will seek advice from the Legal team if necessary.

The Code of Conduct for Employees goes on to provide that: -

"8. Personal Interests
8.1 The Director of Governance will maintain a register of employees' interests outside their contract of employment. All employees should, without delay, notify the Director of Governance and their Chief Officer of outside interests which cover:-
(a) Any non-financial interests that they consider could bring about conflict with the Council's interests;
(b) Any financial interests which could conflict with the Council's interests;
(c) Membership of any organisation not open to the public without formal membership and commitment of allegiance and which has secrecy about rules or membership or conduct.
8.2 The register of employees' interests will be kept on a confidential basis."

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. Since the last Counter Fraud Report in July 2017 there have been 15 alerts issued by NAFN, which either involved suppliers used by the Council or are applicable to all Councils. The appropriate sections of the Council have been alerted and in each case, it was confirmed that there was no impact at Wolverhampton. The most common alerts related to Bank Mandate fraud and cyber fraud including ransomware.

National Fraud Initiative
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 current exercise commenced January 2017 and a total of 13,481 matches have been released of which the Cabinet Office identified 4,523 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. Over 2100 matches have been opened for investigation. Details of the progress made will be brought before the Committee as it becomes known. Examples of the progress made since the last Counter Fraud Report in July 2017 are shown below:

- *Tenancy*
  One property recovered due to the tenant not living at the property and one property recovered for incorrect succession.

- *Blue Parking Badges*
  A total of 438 deceased blue badge holders have been removed from the Blue Badge data base.

BBC One's Council House Crackdown

Wolverhampton Homes and the work they do in tackling social housing fraud across the City will be featuring in the latest series of the BBC One programme 'Council House Crackdown' which is airing each morning on BBC One at 9.15am and should be available on the BBC iPlayer.

Fraud Data Warehouse

As reported previously, Birmingham City Council has been operating a data warehouse for several years.

Data warehouse: storing data sets from across organisations and used for data matching purposes to identify and prevent potential fraud.

For the last six years, their data warehouse has been used to hold tenancy data provided by 15 organisations including Wolverhampton Homes. The Council has been invited to participate in an initiative to expand the scope of the warehouse to include data which can be used to detect other types of fraud, starting with Council Tax fraud. To enable the data to be shared a data sharing agreement has been signed. Council Tax data has been uploaded through a secure web site and will be uploaded on a regular basis. Further details of the progress made in developing the use of the data warehouse will be brought before the Committee as it becomes known.

Partnership Working

As part of the partnership arrangements with Sandwell Metropolitan Borough Council the Fraud Team at Sandwell continues to assist in the implementation of the Council's Counter Fraud Plan. This work began in September 2015 and has involved carrying out investigations, addressing National Fraud Initiative matches and hosting fraud awareness seminars and surgeries. This joint approach will see an increase in shared information, working practices and the introduction of new counter fraud initiatives.

Fraud Risk Register

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

Midland Fraud Group

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in July 2017, topics discussed included new homes Bonus, open source intelligence, fraud risk registers, scams and 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 by Natwest Bank June 2017
	Develop on line fraud training for staff.	To be refreshed autumn 2017
	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.	Winter 2018
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Autumn 2017
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries 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 2017
	Complete the annual TEICCAF and CIPFA fraud surveys.	CIPFA Survey completed June 2017 TEICCAF survey completed September 2016
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match Summer 2016
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting June 2017 next meeting Oct 2017
	Attend external fraud seminars and courses.	TEICCAF Conference – June 2017 Home Office Immigration Training –

Issue	Action	Timescale
		May 2017 Royal Bank of Scotland Fraud Seminar – May 2017 CIPFA ISO 37001 Anti Bribery Workshop – March 2017
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)
	• The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the English Public Purse	Annually
	• 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.	Corporate Fraud Group established
	Maintain an overview of the progress made with the tenancy data sharing agreement between Wolverhampton Homes and Birmingham City Council.	On-going
	Develop the sharing of data following the establishment of a fraud data sharing agreement between Wolverhampton Council and Birmingham City Council.	Signed July 2016
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; The TEICCAF Annual Protecting the English Public Purse report, Cipfa's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going

Issue	Action	Timescale
	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 investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 2017
	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 – July 2016
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the Council.	Fraud surgeries planned for Autumn 2017
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	Corporate Fraud Group established
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

Appendix 2

Fraud Risk Register @ August 2017

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

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Agenda Item No: 11

CITY OF WOLVERHAMPTON COUNCIL

Audit and Risk Committee

18 September 2017

Report title	CIPFA Audit Committee Update – Issue 22
Accountable director	Claire Nye, Finance
Originating service	Audit
Accountable employee(s)	Peter Farrow — Head of Audit Tel — 01902 554460 Email — peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable

Recommendations for noting:

The Committee is asked to note:

The contents of the latest CIPFA Audit Committee Update, Issue 22 – developing an effective Annual Governance Statement, a briefing on current developments and Audit Committee training.

1.0 Purpose

1.1 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 incudes developing an effective Annual Governance Statement, a briefing on current developments and Audit Committee training.

3.0 Progress, options, discussion

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. (GE/01902017/E)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. (TS/01092017/T)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

10.1 CIPFA Audit Committee Update – Issue 22
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Agenda Item No: 13

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