

# Statement of Accounts

2013/14



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# 1. INTRODUCTION TO THE STATEMENTS

## **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 things which have to be in the accounts according to 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, and 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. In particular, it should be remembered that figures which have been prepared under the accounting rules may have no practical meaning or use in the context of how the council actually manages its finances.

## **The 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 things that may affect the council's financial performance in the future.

Section 2 provides a summary of the council's financial performance for 2013/14, and key items of interest in the accounts. Section 3 provides an outline of the council's medium term financial strategy, including its budget for 2014/15 and forecasts through to 2018/19.

Section 4 contains the statement of responsibilities, and sets out the roles and responsibilities of the council and of the Assistant Director Finance in preparing the statement of accounts. The independent auditors' report is included at section 5. This report draws readers' attention to any important information they might need to take into account when reading the statements.

## 1. INTRODUCTION TO THE STATEMENTS

Section 6 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. It is important to remember that this statement is prepared entirely in accordance with accounting rules, which differ in several ways from the legal rules used to calculate budgets and available balances.

The Balance Sheet – this shows all of the council's assets, liabilities and reserves at the end of the financial year. Assets are either things that the council owns and can use or sell in the future, or money that it is owed by other people. Liabilities are money owed by the council to other people. 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 of the council's payments and receipts over the course of the year. The fundamental difference between this statement and the Comprehensive Income and Expenditure Statement is that it doesn't include adjustments to comply with the accounting concept of accruals.

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

Note 1 – Financial Performance for 2013/14 – this note provides more information on the council's financial performance for 2013/14. Crucially, it provides figures in the format that councillors and senior officers use when making decisions about the running of the council (none of the four main statements described above are ever used in decision-making because of the numerous discrepancies between them and the legal accounts).

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

## 1. INTRODUCTION TO THE STATEMENTS

Note 3 – 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 people.

Note 4 – 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 people, 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 5 – 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 6 – 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 7 – Financial Instruments – this note provides information about the council's financial instruments, which are assets or liabilities entered into under contracts.

Note 8 – Members of the Wolverhampton City 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, and this note provides information about those relationships.

Note 9 – Trust Funds – this note provides information about the trust funds that the council manages on behalf of other people.

Note 10 – 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 actually uses to manage its finances. This detailed note analyses all of those differences for interested readers.

Note 11 – 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 about applying the policies that had to be made when preparing the statements.

## 1. INTRODUCTION TO THE STATEMENTS

Section 7 provides a set of financial statements and associated notes relating to the Housing Revenue Account. By law, the council has to 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 8 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.

Section 9 provides the financial statements of West Midlands Pension Fund. These are completely separate from the council's accounts, but because the council is the administering body it has 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 10 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 11, which describes many of the technical accounting terms and abbreviations used in these statements.

### **Note on Group Accounts**

Because the council owns another organisation (Wolverhampton Homes Limited), it has to produce group accounts. These combine the accounts of the two organisations and show them as if they were one. Throughout the financial statements (Section 6), numbers in italics relate to the group, while non-italic numbers relate to the council only. Usually, these are combined in the same table, but occasionally, owing to space they are shown in completely separate tables. Where there is only one figure given, this means that the figure is the same for the group and the council.

## 2. FINANCIAL PERFORMANCE 2013/14

### Outturn 2013/14

#### General Fund

2013/14 continued to be another challenging year for the council's General Fund, with a savings target of £16.5 million included in the approved budget. Furthermore, the use of General Fund reserves totalling £3.7 million was planned for 2013/14. Taking this into account, the council's outturn position for the year was a £2.3 million budget deficit. £4.6 million was attributable to the cost of redundancy. The following table analyses the outturn for 2013/14, compared to budget, by directorate. It should be noted that the figures used in this table include certain accounting charges, such as impairment of non-current assets, which are reversed under statutory provisions and are therefore not budgeted for. These can give rise to significant variations for this reason alone.

Service	2013/14 Net Budget £m	2013/14 Net Outturn £m	Total Variation Over/(Under) £m
Community	157.6	159.5	1.9
Delivery	40.2	32.7	(7.5)
Education and Enterprise	25.8	33.4	7.6
Office of the Chief Executive	2.0	1.8	(0.2)
Corporate Budgets	30.0	31.1	1.1
<b>Net Budget Requirement</b>	<b>255.6</b>	<b>258.5</b>	<b>2.9</b>
Funding:			
Government Grant (General)	(178.4)	(179.0)	(0.6)
Council Tax	(73.3)	(73.3)	-
Collection Fund Surplus	(0.2)	(0.2)	-
Budgeted Use of Reserves	(3.7)	(3.7)	-
2013/14 Deficit - Use of Reserves	-	(2.3)	(2.3)
<b>Total Funding</b>	<b>(255.6)</b>	<b>(258.5)</b>	<b>(2.9)</b>
<b>Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 2. FINANCIAL PERFORMANCE 2013/14

### Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £14.7 million, compared to a budgeted surplus of £11.6 million. Of this £11.6 million, £11.4 million had originally been earmarked for debt redemption. However based on the outturn the council was able to use £14.5 million on making a 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 over the budgeted level of surplus was generated primarily by savings on interest payable and receivable. This was due to the council's treasury management policy of using internally-generated cash balances ahead of external borrowing wherever possible.

	Budget 2013/14 £m	Outturn 2013/14 £m	Variance Over/(Under) £m
Income	(95.8)	(95.5)	0.3
Expenditure	68.5	67.5	(1.0)
<b>Net Cost of Services</b>	<b>(27.3)</b>	<b>(28.0)</b>	<b>(0.7)</b>
Net Cost of Borrowing and Investments	15.7	13.3	(2.4)
<b>Surplus for the Year</b>	<b>(11.6)</b>	<b>(14.7)</b>	<b>(3.1)</b>
<b>Allocation of Surplus for the Year</b>			
Provision for Redemption of Debt	11.4	14.5	3.1
Transfer to Reserves	0.2	0.2	-
<b>Total</b>	<b>11.6</b>	<b>14.7</b>	<b>(3.1)</b>



## 2. FINANCIAL PERFORMANCE 2013/14

### Capital Programme

Capital expenditure by the council during 2013/14 totalled £160.6 million, as set out in the following table. This was £56.6 million under budget primarily due to slippage into future years and cost reductions.

Expenditure	Approved Budget	Outturn	Variation Over/(Under)
	£m	£m	£m
<b>General Fund</b>			
Community	7.1	4.5	(2.6)
Delivery	10.4	8.3	(2.1)
Education and Enterprise	117.7	102.5	(15.2)
Private Sector Housing	6.8	2.2	(4.6)
<b>Total General Fund</b>	<b>142.0</b>	<b>117.5</b>	<b>(24.5)</b>
<b>Housing Revenue Account</b>	75.2	43.1	(32.1)
<b>Total Expenditure</b>	<b>217.2</b>	<b>160.6</b>	<b>(56.6)</b>

### 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 £5.1 million (net) over the course of the year. This was almost entirely due to the use of £7.8 million of the Capitalisation Risks provision. Total provisions at 31 March 2014 stood at £25.5 million: further details are provided at Note 4A to the Financial Statements.

## 2. FINANCIAL PERFORMANCE 2013/14

### Capital Expenditure

The council once again successfully managed a large capital expenditure programme in 2013/14, resulting in additions to non-current assets of £93.1 million, along with other capital expenditure of £67.5 million. The main additions were on council dwellings (£43.1 million), mostly due to spend under the council's Decent Homes programme, and other land and buildings (£31.2 million), which reflects a number of major investments including Building Schools for the Future and the i54 development. There is more information on capital expenditure for the year in Note 1 to the Financial Statements, while information about non-current assets held by the council can be found in Note 5.

### Net Pensions Liability

In accordance with the Code, the council has adopted the amendments to IAS 19 Employee Benefits. The 2012/13 figures have been restated, but there is no impact on the net pension liability or the Pensions Reserve.

The amended requirements relate to the new classes of components of defined benefit cost:

- a) Interest cost and expected return on assets are replaced with the net interest cost
- b) Administration expenses are categorised separately
- c) Actuarial gains and losses on assets are replaced with re-measurements (assets)
- d) Actuarial gains and losses on liabilities are replaced with re-measurements (liabilities)

The council's net pensions liability shows the extent to which its existing pension commitments to employees and former employees exceed the assets currently available to meet those commitments. This liability decreased by £89.8 million during 2013/14, made up of a reduction of £74.0 million in liabilities, and a growth of £15.8 million in assets. The main reasons for the net movement were gains of £109.6 million resulting from changes in actuarial assumptions, net interest payable of £22.1 million, and other net expenditure of £2.3 million. Note 6 to the Financial Statements provides further information on employee pensions.

In practice, the value of the net pensions liability is not entirely meaningful, because pensions 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 11D to the Financial Statements.

## 2. FINANCIAL PERFORMANCE 2013/14

### **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 2014, its total borrowing portfolio stood at £563.2 million, of which £399.4 million was owed to the Public Works Loan Board, £103.8 million to private sector lenders and £60.0 million to other local authorities. The council's borrowing activities are governed by the Prudential Code for Capital Finance in Local Authorities (CIPFA).

### **Revaluation of Property, Plant and Equipment**

The council values its property, plant and equipment on a rolling five-year cycle. During 2013/14, assets with a combined value of £101.1 million (post 2013/14 depreciation) became due for revaluation. The impact of this exercise were an upwards revaluation of £18.7 million, a downwards revaluation of £15.2 million and a net impairment of £18.6 million. An additional £3.2 million of impairments arose during the course of the year and was not part of the revaluation exercise. Statutory provisions require the council to transfer an equivalent amount from its Capital Adjustment Account to its revenue accounts, meaning that there is no impact of this impairment on council tax or housing rents.

### **Losses on Disposal**

The losses on the disposal of non-current assets in 2013/14 have increased due to the increase in conversion of schools to Academy status. 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.

### 3. THE MEDIUM TERM FINANCIAL STRATEGY

#### The Medium Term Financial Strategy 2014/15 to 2018/19

##### General Fund

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

##### Economic Conditions

The UK economy, along with the US and other major EU economies, 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 249,470 people living in its 26.8 square miles. In addition the latest Indices of Deprivation (2010) indicate that Wolverhampton is more deprived than it was three years before (2007), a decline from the 28<sup>th</sup> most deprived to the 20<sup>th</sup> (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 10,300 (4.1%) between 2011 and 2021. This growth rate is below the national, regional and Black Country averages,

### 3. THE MEDIUM TERM FINANCIAL STRATEGY

which therefore suggests that if population remains a dominant factor for the distribution of Government grant 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 five 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 2014, is summarised in the table below.

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Net Expenditure Budget	584.5	573.5	579.5	593.2	593.7
Specific Grants	(335.1)	(332.3)	(332.2)	(332.1)	(332.1)
<b>Net Budget</b>	<b>249.4</b>	<b>241.2</b>	<b>247.3</b>	<b>261.1</b>	<b>261.6</b>
General Funding	(237.6)	(220.0)	(214.4)	(210.6)	(202.4)
<b>Projected Deficit</b>	<b>11.8</b>	<b>21.2</b>	<b>32.9</b>	<b>50.5</b>	<b>59.2</b>

In order to balance the 2014/15 General Fund budget, the budgeted use of £11.8 million of general balances was approved by Full Council.

As is shown in the table above, the council forecasts that it will need to save a further £59.2 million over the next five years, in addition to £72.6 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

### 3. THE MEDIUM TERM FINANCIAL STRATEGY

excess of £100 million over the last four financial years. The extent of the financial challenge over the medium term is the most significant the council has ever faced.

Current projections indicate that the council's general balances could be exhausted by the beginning of 2015/16. Urgent action is therefore required and the following budget strategy to identify further savings has been approved by Cabinet:

- A minimum of £25 million of additional savings for 2015/16 should be identified and reported to Cabinet in June 2014, in order to demonstrate that a balanced budget can be achieved and that general reserves can be partially replenished.
- That additional savings for 2014/15 should be identified and reported to Cabinet in June 2014 and then Council in July 2014 in order to revise the 2014/15 budget and reduce the call on general reserves.
- That a further £35 million of additional savings should be identified, taking the total additional savings to be identified to £60 million, in order to address the projected budget deficit over the medium term to 2018/19.

Significant work has taken place during the early part of 2014/15 which has resulted in the identification of savings proposals amounting to £18.1 million for 2015/16; reported to Cabinet in June 2014. Of those savings, £1.7 million can be achieved during 2014/15. Further savings proposals, as yet unquantified will go some way towards achieving the remaining £7 million for 2015/16. The table below identifies the impact of identified savings proposals on the Medium Term Financial Strategy.

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
<b>Projected Remaining Budget Deficit – as reported February 2014</b>	<b>11.8</b>	<b>21.3</b>	<b>32.9</b>	<b>50.5</b>	<b>59.2</b>
Savings Proposals Identified/Accelerated Savings	(1.7)	(16.4)	0.7	0.4	0.1
<b>Projected Remaining Budget Deficit – as reported June 2014</b>	<b>10.1</b>	<b>3.2</b>	<b>15.5</b>	<b>33.5</b>	<b>42.3</b>

### 3. THE MEDIUM TERM FINANCIAL STRATEGY

#### Housing Revenue Account

A number of significant developments are planned for the Housing Revenue Account (HRA) in 2014/15. The council is planning to utilise the new freedoms and resources resulting from the introduction of self-financing in April 2012 to develop new affordable housing in the city.

An updated HRA business plan was approved in January 2014, which reflected the council's plans to invest £1.8 billion in its houses over the next 30 years, and demonstrated that under current forecasts there is sufficient funding for this. In terms of 2014/15, the plan included an average rent increase of 6.23%, and a freeze in management and maintenance allowances for managing agents. The table below shows the approved budget for 2014/15, along with forecasts for the next two years.

	Budget 2014/15 £m	Forecast 2015/16 £m	Forecast 2016/17 £m
<b>Income</b>			
Gross Rents - Dwellings	(91.5)	(93.8)	(96.3)
Gross Rents - Non Dwellings	(1.6)	(1.7)	(1.7)
Charges to Tenants for Services and Facilities	(5.2)	(5.3)	(5.4)
<b>Total Income</b>	<b>(98.3)</b>	<b>(100.8)</b>	<b>(103.4)</b>
<b>Expenditure</b>			
Management and Maintenance	47.6	47.8	48.0
Depreciation of Long Term Assets	33.8	36.1	38.8
Net Financing Costs	16.9	16.9	16.6
<b>Total Expenditure</b>	<b>98.3</b>	<b>100.8</b>	<b>103.4</b>
<b>Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>



### 3. THE MEDIUM TERM FINANCIAL STRATEGY

#### Capital Programme

Capital expenditure is investment in the council's property, plant, equipment and other long-life assets. It can also include investment in assets owned by other people, in certain circumstances. Capital funding has declined significantly at a national level, but nonetheless the council has been able to put together a capital programme that includes major projects such as Building Schools for the Future, Decent Homes, Physical Regeneration and the i54 business park. The table below shows the council's capital programme for the next five years, as approved by the council in March 2014.

	2014/15	2015/16	2016/17	2017/18	2018/19	TOTAL
	£m	£m	£m	£m	£m	£m
<b>Forecast Expenditure</b>	<b>168.7</b>	<b>67.4</b>	<b>51.5</b>	<b>43.1</b>	<b>-</b>	<b>330.7</b>

The following table lists some of the main projects in 2014/15:

Project	Forecast Expenditure 2014/15 £m
<b>Delivery</b>	
Facilities Management	10.7
ICT Developments	7.8
Fleet Services	3.4
Energy Efficiency Measures	2.7
FutureWorks	0.9
Markets Investment	0.3
	<b>25.8</b>
<b>Community</b>	
Sports Investment Strategy	2.5
Community Hubs	2.1
Parks Refurbishment Programme	0.8
Review of Children's Homes	0.8
Early Education for Two Year Olds	0.5
Social Inclusion	0.4
Electronic Social Care Records	0.3

### 3. THE MEDIUM TERM FINANCIAL STRATEGY

Project	Forecast Expenditure 2014/15 £m
	<b>7.4</b>
<b>Education and Enterprise</b>	
Schools Modernisation, Suitability and Condition	18.7
Physical Regeneration	16.0
Building Schools for the Future	10.8
i54 Access & Infrastructure	9.3
Highways - Network Development Programme	6.0
Remediation of Contaminated Land	3.2
Highways - West Midlands Major Schemes	2.8
Highways - Structural Maintenance	2.8
Wolverhampton City Centre Interchange	1.6
Targeted Disposals Programme	1.3
Corporate Asset Management Initiatives	0.7
Property Management - Other Projects	0.4
Other Projects	0.1
	<b>73.7</b>
<b>Housing Private Sector</b>	<b>3.9</b>
<b>Housing Revenue Account</b>	
Decent Homes Stock Condition	39.3
Major Stock Condition Improvements	8.8
Other Stock Condition Improvements	7.0
Other Improvements to the Public Realm	1.3
Adaptations for People with Disabilities	1.1
Service Enhancements and Miscellaneous	0.4
	<b>57.9</b>
<b>Grand Total</b>	<b>168.7</b>

### 3. THE MEDIUM TERM FINANCIAL STRATEGY

Finally, the following table shows how the council is planning to fund the projects listed above:

Source of Funding	Forecast Expenditure 2014/15 £m
Borrowing	102.7
Grants and Contributions	40.3
Reserve Funds	22.6
Capital Receipts	3.1
<b>Total</b>	<b>168.7</b>

## 4. 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 Assistant Director 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 Assistant Director Finance's Responsibilities**

The Assistant Director 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 Assistant Director 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 Assistant Director 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.

## 4. STATEMENT OF RESPONSIBILITIES

### **Certification of the Assistant Director 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 2014 and its income and expenditure for the year ended the same date.

Mark Taylor

Assistant Director Finance

30 September 2014

## 5. INDEPENDENT AUDITORS' REPORT TO THE COUNCILLORS OF WOLVERHAMPTON CITY COUNCIL

Independent auditors' report to the Councillors of Wolverhampton City Council

To follow.

## 6. THE FINANCIAL STATEMENTS

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

2012/13				2013/14		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
126.5	(57.0)	69.5	Adult Social Care	119.2	(29.5)	89.7
21.6	(4.0)	17.6	Central Services to the Public	26.4	(6.4)	20.0
401.2	(227.7)	173.5	Education and Children's Services	304.7	(218.7)	86.0
4.7	-	4.7	Corporate and Democratic Core	4.4	-	4.4
30.8	(11.6)	19.2	Cultural and Related Services	42.0	(10.8)	31.2
27.1	(8.2)	18.9	Environment and Regulatory Services	29.9	(9.4)	20.5
9.6	(3.0)	6.6	Planning Services	11.5	(3.0)	8.5
31.7	(4.7)	27.0	Highways and Transport Services	33.0	(4.5)	28.5
83.1	(94.0)	(10.9)	Housing Services	83.6	(99.9)	(16.3)
166.0	(167.6)	(1.6)	Non-Distributed Costs	144.3	(143.2)	1.1
<b>902.3</b>	<b>(577.8)</b>	<b>324.5</b>	<b>Total Continuing Operations Excluding Acquired Operations</b>	<b>799.0</b>	<b>(525.4)</b>	<b>273.6</b>
			<b>Services Acquired</b>			
-	-	-	Public Health	2A	16.4	(19.0)
<b>902.3</b>	<b>(577.8)</b>	<b>324.5</b>	<b>Net Cost of Services</b>	<b>815.4</b>	<b>(544.4)</b>	<b>271.0</b>
13.4	-	13.4	Levies	13.3	-	13.3
1.5	-	1.5	Payments to the Housing Capital Receipts Pool	1.8	-	1.8
36.9	(9.3)	27.6	Losses/(gains) on the Disposal of Non-current Assets	74.4	(12.5)	61.9



## 6. THE FINANCIAL STATEMENTS

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

2012/13				2013/14			
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
2.1	(0.8)	1.3	External Trading Organisations	2B	1.2	(1.3)	(0.1)
25.4	-	25.4	Interest Payable		31.3	-	31.3
20.8	-	20.8	Net Interest Expense	6	22.1	-	22.1
-	(0.4)	(0.4)	Interest Receivable		-	(0.4)	(0.4)
-	-	-	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value		(0.2)	-	(0.2)
-	(0.6)	(0.6)	Other Investment Income		-	(4.1)	(4.1)
(0.1)	(93.7)	(93.8)	Council Tax		-	(73.2)	(73.2)
-	(134.2)	(134.2)	National Non-domestic Rates		-	(35.1)	(35.1)
-	(7.8)	(7.8)	Unringfenced Revenue Grants Receivable		-	(143.5)	(143.5)
-	(79.5)	(79.5)	Capital Grants Receivable		-	(47.4)	(47.4)
<b>1,002.3</b>	<b>(904.1)</b>	<b>98.2</b>	<b>Deficit on the Provision of Services</b>		<b>959.3</b>	<b>(861.9)</b>	<b>97.4</b>
35.1	-	35.1	Deficit or (surplus) on Revaluation of Non-current Assets		(6.8)	-	(6.8)
94.0	-	94.0	Re-measurement of the net defined benefit liability	6	-	(109.6)	(109.6)
<b>129.1</b>	<b>-</b>	<b>129.1</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>(6.8)</b>	<b>(109.6)</b>	<b>(116.4)</b>
<b>1,131.4</b>	<b>(904.1)</b>	<b>227.3</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>952.5</b>	<b>(971.5)</b>	<b>(19.0)</b>

## 6. THE FINANCIAL STATEMENTS

### Comprehensive Income and Expenditure Statement (Group)

2012/13			Note	2013/14			
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m	
126.5	(57.0)	69.5	Adult Social Care		119.2	(29.5)	89.7
21.6	(4.0)	17.6	Central Services to the Public		26.4	(6.4)	20.0
401.2	(227.7)	173.5	Education and Children's Services		304.7	(218.7)	86.0
4.7	-	4.7	Corporate and Democratic Core		4.4	-	4.4
30.8	(11.6)	19.2	Cultural and Related Services		42.0	(10.8)	31.2
27.1	(8.2)	18.9	Environment and Regulatory Services		29.9	(9.4)	20.5
9.6	(3.0)	6.6	Planning Services		11.5	(3.0)	8.5
31.7	(4.4)	27.3	Highways and Transport Services		33.0	(4.1)	28.9
81.0	(92.6)	(11.6)	Housing Services		81.5	(100.0)	(18.5)
166.2	(167.6)	(1.4)	Non-Distributed Costs		144.3	(143.2)	1.1
<b>900.4</b>	<b>(576.1)</b>	<b>324.3</b>	<b>Total Continuing Operations excluding Acquired Operations</b>		<b>796.9</b>	<b>(525.1)</b>	<b>271.8</b>
			<b>Services Aquired</b>				
-	-	-	Public Health	2A	16.4	(19.0)	(2.6)
<b>900.4</b>	<b>(576.1)</b>	<b>324.3</b>	<b>Net Cost of Services</b>		<b>813.3</b>	<b>(544.1)</b>	<b>269.2</b>
13.4	-	13.4	Levies		13.3	-	13.3
1.5	-	1.5	Payments to the Housing Capital Receipts Pool		1.8	-	1.8
36.9	(9.3)	27.6	Losses/(gains) on the Disposal of Non- current Assets		74.4	(12.5)	61.9

## 6. THE FINANCIAL STATEMENTS

### Comprehensive Income and Expenditure Statement (Group) (Continued)

Gross Expenditure £m	2012/13		Note	Gross Expenditure £m	2013/14		
	Gross Income £m	Net Expenditure £m			Gross Income £m	Net Expenditure £m	
2.1	0.9	3.0	External Trading Organisations	2B	1.2	1.3	2.5
25.4	-	25.4	Interest Payable		31.3	-	31.3
21.7	-	21.7	Net Interest Expense	6	23.3	-	23.3
-	(0.5)	(0.5)	Interest Receivable		-	(0.4)	(0.4)
-	-	-	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value		(0.2)	-	(0.2)
-	(0.6)	(0.6)	Other Investment Income		-	(4.1)	(4.1)
(0.1)	(93.7)	(93.8)	Council Tax		-	(73.2)	(73.2)
-	(134.2)	(134.2)	National Non-domestic Rates		-	(35.1)	(35.1)
-	(7.8)	(7.8)	Unringfenced Revenue Grants Receivable		-	(143.5)	(143.5)
-	(79.5)	(79.5)	Capital Grants Receivable		-	(47.4)	(47.4)
<b>1,001.3</b>	<b>(900.8)</b>	<b>100.5</b>	<b>Deficit on the Provision of Services</b>		<b>958.4</b>	<b>(859.0)</b>	<b>99.4</b>
35.1	-	35.1	Deficit or (surplus) on Revaluation of Non-current Assets		(6.8)	-	(6.8)
101.9	-	101.9	Re-measurement of the net defined benefit liability	6	-	(126.1)	(126.1)
<b>137.0</b>	<b>-</b>	<b>137.0</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>(6.8)</b>	<b>(126.1)</b>	<b>(132.9)</b>
<b>1,138.3</b>	<b>(900.8)</b>	<b>237.5</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>951.6</b>	<b>(985.1)</b>	<b>(33.5)</b>

## 6. THE FINANCIAL STATEMENTS

### Balance Sheets

31 March 2013			Note	31 March 2014	
Council £m	Group £m			Council £m	Group £m
1,533.6	1,533.6	Property, Plant and Equipment	5	1,469.3	1,469.3
14.3	14.3	Investment Property	5	16.3	16.3
1.7	1.7	Intangible Assets	5	4.5	4.5
11.5	11.5	Heritage Assets	5	11.5	11.5
18.6	18.6	Non-current Investments		20.3	20.3
1.5	1.5	Non-current Receivables		1.4	1.4
<b>1,581.2</b>	<b>1,581.2</b>	<b>Total Non-current Assets</b>		<b>1,523.3</b>	<b>1,523.3</b>
4.5	4.5	Current Investments		12.5	12.5
0.6	0.6	Inventories		0.6	0.6
69.6	69.0	Current Receivables	3A	76.2	75.0
3.5	12.1	Cash and Cash Equivalents		4.1	15.2
<b>78.2</b>	<b>86.2</b>	<b>Total Current Assets</b>		<b>93.4</b>	<b>103.3</b>
(43.8)	(43.8)	Current Borrowing		(50.3)	(50.3)
(76.6)	(79.1)	Current Payables	3B	(71.2)	(74.8)
(30.6)	(30.6)	Current Provisions	4A	(25.5)	(25.5)
<b>(151.0)</b>	<b>(153.5)</b>	<b>Total Current Liabilities</b>		<b>(147.0)</b>	<b>(150.6)</b>
(492.4)	(492.4)	Non-current Borrowing		(530.7)	(530.7)
(551.7)	(580.0)	Net Pension Liability	6	(461.9)	(476.4)
(9.9)	(9.9)	Capital Grants Received in Advance		(6.6)	(6.6)
(86.0)	(86.0)	Other Non-current Liabilities		(83.2)	(83.2)
<b>(1,140.0)</b>	<b>(1,168.3)</b>	<b>Total Non-current Liabilities</b>		<b>(1,082.4)</b>	<b>(1,096.9)</b>
<b>368.4</b>	<b>345.6</b>	<b>Net Assets</b>		<b>387.3</b>	<b>379.1</b>

## 6. THE FINANCIAL STATEMENTS

### Balance Sheets (Continued)

31 March 2013			Note	31 March 2014	
Council £m	Group £m			Council £m	Group £m
(15.9)	(15.9)	General Fund Balance	10B, 10C	(27.0)	(27.0)
(61.1)	(61.1)	General Fund Earmarked Reserves	10B, 10C	(43.6)	(43.6)
(5.0)	(5.0)	Housing Revenue Account Balance	10B, 10C	(5.0)	(5.0)
(9.7)	(9.7)	Major Repairs Reserve	10B, 10C	(13.2)	(13.2)
(5.5)	(5.5)	Capital Receipts Reserve	10B, 10C	(9.6)	(9.6)
(31.6)	(31.6)	Capital Grants Unapplied Account	10B, 10C	(34.1)	(34.1)
-	22.8	Reserves of Subsidiary	10B, 10C	-	8.2
<b>(128.8)</b>	<b>(106.0)</b>	<b>Total Usable Reserves</b>		<b>(132.5)</b>	<b>(124.3)</b>
6.9	6.9	Short-term Accumulating Compensated Absences Account	10B, 10C	5.9	5.9
(12.1)	(12.1)	Available-for-sale Financial Instruments Reserve	10B, 10C	(12.1)	(12.1)
(575.4)	(575.4)	Capital Adjustment Account	10B, 10C	(537.3)	(537.3)
0.5	0.5	Collection Fund Adjustment Account	10B, 10C	1.2	1.2
3.2	3.2	Financial Instruments Adjustment Account	10B, 10C	3.5	3.5
551.7	551.7	Pensions Reserve	10B, 10C	461.9	461.9
(214.4)	(214.4)	Revaluation Reserve	10B, 10C	(177.9)	(177.9)
<b>(239.6)</b>	<b>(239.6)</b>	<b>Total Unusable Reserves</b>		<b>(254.8)</b>	<b>(254.8)</b>
<b>(368.4)</b>	<b>(345.6)</b>	<b>Total Reserves</b>		<b>(387.3)</b>	<b>(379.1)</b>

The notes on pages 31 to 119 form part of the financial statements.

## 6. THE FINANCIAL STATEMENTS

### Movement in Reserves Statement – 2013/14

(For a detailed breakdown of the figures in this Statement, see Notes 10B and 10C)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	Reserves of Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance Brought Forward</b>	(15.9)	(61.1)	(5.0)	(9.7)	(5.5)	(31.6)	(128.8)	(239.6)	(368.4)	22.8	(345.6)
Deficit on Provision of Services	112.8	-	(15.4)	-	-	-	97.4	-	97.4	1.9	99.3
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(116.4)	(116.4)	(16.5)	(132.9)
<b>Total Comprehensive Income and Expenditure</b>	<b>112.8</b>	<b>-</b>	<b>(15.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97.4</b>	<b>(116.4)</b>	<b>(19.0)</b>	<b>(14.6)</b>	<b>(33.6)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(106.6)	-	15.6	(3.5)	(4.1)	(2.5)	(101.1)	101.1	-	-	-
<b>Net Decrease/(Increase) before Transfers &amp; Other Movements</b>	<b>6.2</b>	<b>-</b>	<b>0.2</b>	<b>(3.5)</b>	<b>(4.1)</b>	<b>(2.5)</b>	<b>(3.7)</b>	<b>(15.3)</b>	<b>(19.0)</b>	<b>(14.6)</b>	<b>(33.6)</b>
Transfers to/from earmarked Reserves	(17.3)	17.5	(0.2)	-	-	-	-	-	-	-	-
<b>(Increase)/decrease for the Year</b>	<b>(11.1)</b>	<b>17.5</b>	<b>0.0</b>	<b>(3.5)</b>	<b>(4.1)</b>	<b>(2.5)</b>	<b>(3.7)</b>	<b>(15.3)</b>	<b>(19.0)</b>	<b>(14.6)</b>	<b>(33.6)</b>
<b>Balance Carried Forward</b>	<b>(27.0)</b>	<b>(43.6)</b>	<b>(5.0)</b>	<b>(13.2)</b>	<b>(9.6)</b>	<b>(34.1)</b>	<b>(132.5)</b>	<b>(254.9)</b>	<b>(387.4)</b>	<b>8.2</b>	<b>(379.2)</b>

## 6. THE FINANCIAL STATEMENTS

### Movement in Reserves Statement – 2012/13

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	TOTAL (Council)	Reserves of Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance Brought Forward</b>	(19.5)	(83.6)	(10.5)	(5.2)	(2.3)	(36.1)	(157.2)	(438.5)	(595.7)	12.6	(583.1)
Deficit on Provision of Services	107.5	-	(9.3)	-	-	-	98.2	-	98.2	2.3	100.5
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	129.1	129.1	7.9	137.0
<b>Total Comprehensive Income and Expenditure</b>	<b>107.5</b>	<b>-</b>	<b>(9.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98.2</b>	<b>129.1</b>	<b>227.3</b>	<b>10.2</b>	<b>237.5</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(81.6)	-	15.0	(4.5)	(3.2)	4.5	(69.8)	69.8	-	-	-
<b>Net Increase/Decrease before Transfers &amp; Other Movements</b>	<b>25.9</b>	<b>-</b>	<b>5.7</b>	<b>(4.5)</b>	<b>(3.2)</b>	<b>4.5</b>	<b>28.4</b>	<b>198.9</b>	<b>227.3</b>	<b>10.2</b>	<b>237.5</b>
Transfers from/to other Reserves	(22.3)	22.5	(0.2)	-	-	-	-	-	-	-	-
<b>Decrease/(Increase) for the Year</b>	<b>3.6</b>	<b>22.5</b>	<b>5.5</b>	<b>(4.5)</b>	<b>(3.2)</b>	<b>4.5</b>	<b>28.4</b>	<b>198.9</b>	<b>227.3</b>	<b>10.2</b>	<b>237.5</b>
<b>Balance Carried Forward</b>	<b>(15.9)</b>	<b>(61.1)</b>	<b>(5.0)</b>	<b>(9.7)</b>	<b>(5.5)</b>	<b>(31.6)</b>	<b>(128.8)</b>	<b>(239.6)</b>	<b>(368.4)</b>	<b>22.8</b>	<b>(345.6)</b>



## 6. THE FINANCIAL STATEMENTS

### Cash Flow Statement

2012/13			2013/14	
Council £m	Group £m		Council £m	Group £m
98.2	100.5	Net deficit on the provision of services	97.4	99.4
(148.3)	(146.6)	Adjust for non-cash movements	(162.0)	(166.4)
9.3	9.3	Adjust for items that are investing and financing activities	12.5	12.5
<b>(40.8)</b>	<b>(36.8)</b>	<b>Net cash flows from operating activities</b>	<b>(52.1)</b>	<b>(54.5)</b>
		Comprising:		
25.4	25.2	Interest paid	31.3	30.2
(0.4)	(0.4)	Interest received	(0.4)	(0.4)
(0.6)	(0.6)	Dividends received	(4.1)	(4.1)
(65.2)	(61.0)	Other operating activities	(78.9)	(80.2)
<b>(40.8)</b>	<b>(36.8)</b>	<b>Net cash flows from operating activities</b>	<b>(52.1)</b>	<b>(54.5)</b>
		Investing activities		
147.2	147.2	Purchase of property, plant and equipment, investment property and intangible assets	93.1	93.1
571.2	571.2	Purchase of short-term and long-term investments	584.6	584.6
(9.3)	(9.3)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12.5)	(12.5)
(576.2)	(576.2)	Other receipts from investing activities	(571.7)	(571.7)
<b>132.9</b>	<b>132.9</b>	<b>Net cash flows from investing activities</b>	<b>93.5</b>	<b>93.5</b>

## 6. THE FINANCIAL STATEMENTS

### Cash Flow Statement (continued)

2012/13			2013/14	
Council £m	Group £m		Council £m	Group £m
		Financing activities		
(171.5)	(171.5)	Cash receipts of short- and long-term borrowing	(164.5)	(164.5)
1.0	1.0	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	1.7	1.7
85.4	85.4	Repayments of short-and long-term borrowing	120.8	120.8
<b>(85.1)</b>	<b>(85.1)</b>	<b>Net cash flows from total financing activities</b>	<b>(42.0)</b>	<b>(42.0)</b>
<b>7.0</b>	<b>11.0</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(0.6)</b>	<b>(3.0)</b>
		Cash and cash equivalents at the start of the year:		
0.2	0.2	- Cash held by the council	0.2	0.2
2.4	13.9	- Bank current accounts	3.3	11.9
<b>2.6</b>	<b>14.1</b>		<b>3.5</b>	<b>12.1</b>
		Cash and cash equivalents at the end of the year:		
0.2	0.2	- Cash held by the council	0.2	0.2
3.3	11.9	- Bank current accounts	3.9	15.0
<b>3.5</b>	<b>12.1</b>		<b>4.1</b>	<b>15.2</b>

## 6. THE FINANCIAL STATEMENTS

### Note 1 – Financial Performance for 2013/14

The purpose of this note is to show how the council's financial performance for 2013/14 was reported to its management (senior officers and councillors).

#### General Fund

The following table compares the council's General Fund outturn for 2013/14 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, there was a £2.3 million deficit on the council's net General Fund expenditure for the year. £4.6 million was attributable to the cost of redundancy. After taking into account net transfers to/from earmarked reserves, there was a reduction in the General Fund Balance of £6 million, with remaining funds totalling £27 million at the end of the financial year.

Service	2013/14 Net Budget £m	2013/14 Net Outturn £m	Total Variation Over/(Under) £m
Community	157.6	159.5	1.9
Delivery	40.2	32.7	(7.5)
Education and Enterprise	25.8	33.4	7.6
Office of the Chief Executive	2.0	1.8	(0.2)
Corporate Budgets	30.0	31.1	1.1
<b>Net Budget Requirement</b>	<b>255.6</b>	<b>258.5</b>	<b>2.9</b>
Funding:			
Government Grant (General)	(178.4)	(179.0)	(0.6)
Council Tax	(73.3)	(73.3)	-
Collection Fund Surplus	(0.2)	(0.2)	-
Budgeted Use of Reserves	(3.7)	(3.7)	-
2013/14 Deficit - Use of Reserves	-	(2.3)	(2.3)
<b>Total Funding</b>	<b>(255.6)</b>	<b>(258.5)</b>	<b>(2.9)</b>
<b>Budget (Surplus)/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 6. THE FINANCIAL STATEMENTS

### Housing Revenue Account (HRA)

The outturn position for the year was an operating surplus of £14.7 million, compared to a budgeted surplus of £11.6 million. The following table shows the outturn position on the HRA during the year. The table excludes any transactions which are required by the Code but are not a charge or credit to the HRA under law.

	2013/14 Approved Budget £m	2013/14 Outturn £m	Variation £m
<b>Income</b>			
Gross Rents - Dwellings	(88.9)	(88.9)	-
Gross Rents - Non Dwellings	(1.6)	(1.6)	-
Charges to Tenants for Services and Facilities	(5.0)	(5.0)	-
<b>Total Income</b>	<b>(95.5)</b>	<b>(95.5)</b>	<b>-</b>
<b>Expenditure</b>			
Repairs and Maintenance	26.2	25.9	(0.3)
Supervision and Management	18.4	18.4	-
Rents, Rates and Taxes	0.2	0.4	0.2
Increase in Provision for Bad Debts	1.5	0.9	(0.6)
Depreciation of Long Term Assets	21.9	21.9	-
<b>Total Expenditure</b>	<b>68.2</b>	<b>67.5</b>	<b>(0.7)</b>
<b>Net Cost of HRA Services</b>	<b>(27.3)</b>	<b>(28.0)</b>	<b>(0.7)</b>
Interest Payable	15.8	13.4	(2.4)
Interest and Investment Income	-	(0.1)	(0.1)
Adjustment for Premiums & Discounts	-	-	-
<b>Surplus before Transfers to/from Reserves and Provision for</b>	<b>(11.6)</b>	<b>(14.7)</b>	<b>(3.1)</b>

## 6. THE FINANCIAL STATEMENTS

	2013/14 Approved Budget £m	2013/14 Outturn £m	Variation £m
<b>Redemption of Debt</b>			
<b>Allocation of Surplus</b>			
Provision for Redemption of Debt	11.4	14.5	3.1
Transfer to/(from) Reserves	0.2	0.2	-
<b>Balance for the Year</b>	-	-	-

### Capital Programme

The following tables show capital expenditure for the year, and how that expenditure was financed. As with the General Fund revenue account, this is presented according to the breakdown used internally by councillors and senior managers when making decisions about capital budgets.

Expenditure	Approved Budget £m	2013/14 Outturn £m	Variation Over/(Under) £m
<b>General Fund</b>			
Community	7.1	4.5	(2.6)
Delivery	10.4	8.3	(2.1)
Education and Enterprise	117.7	102.5	(15.2)
Private Sector Housing	6.8	2.2	(4.6)
	<b>142.0</b>	<b>117.5</b>	<b>(24.5)</b>
<b>Housing Revenue Account</b>	75.2	43.1	(32.1)
<b>Total Expenditure</b>	<b>217.2</b>	<b>160.6</b>	<b>(56.6)</b>

## 6. THE FINANCIAL STATEMENTS

Funding	Approved Funding £m	Outturn Funding £m	Variation Over/(Under) £m
<b>General Fund</b>			
<b>External Funding</b>			
Grants & Contributions	91.6	87.7	(3.9)
	<b>91.6</b>	<b>87.7</b>	<b>(3.9)</b>
	64.51%	74.64%	
<b>Council Funding</b>			
Capital Receipts	4.1	4.8	0.7
Prudential Borrowing	46.4	25.1	(21.3)
Revenue Contributions	(0.1)	(0.1)	-
	<b>50.4</b>	<b>29.8</b>	<b>(20.6)</b>
	35.49%	25.36%	
<b>Total General Fund Funding</b>	<b>142.0</b>	<b>117.5</b>	<b>(24.5)</b>
<b>Housing Revenue Account</b>			
<b>External Funding</b>			
Grants & Contributions	12.0	12.0	-
	<b>12.0</b>	<b>12.0</b>	-
	15.90%	27.85%	
<b>Council Funding</b>			
Capital Receipts	2.5	1.8	(0.7)
Prudential Borrowing	35.0	10.9	(24.1)

## 6. THE FINANCIAL STATEMENTS

Funding	Approved Funding £m	Outturn Funding £m	Variation Over/(Under) £m
Major Repairs Reserve	25.8	18.4	(7.4)
	<b>63.3</b>	<b>31.1</b>	<b>(32.2)</b>
	84.10%	72.15%	
<b>Total Housing Revenue Account Funding</b>	<b>75.2</b>	<b>43.1</b>	<b>(32.1)</b>

### Reserves

The table below analyses the council's usable reserves, in the format reported to the Cabinet.

	Balance at 31 March 2013 £m	Approved Transfer to General Fund Balance 23 October 2013 £m	Other Net Movements 2013/14 £m	Balance at 31 March 2014 £m
<b>Earmarked Reserves</b>				
Community	2.6	(0.4)	1.6	3.8
Education and Enterprise (Non-Schools)	7.5	(1.1)	(1.7)	4.7
Office of the Chief Executive and Delivery	4.9	(0.1)	0.2	5.0
Corporate	28.5	(5.5)	(8.9)	14.1
<b>Total Earmarked Reserves</b>	<b>43.5</b>	<b>(7.1)</b>	<b>(8.8)</b>	<b>27.6</b>
<b>Other Reserves</b>				
Schools' Balances	17.6	-	(1.6)	16.0
General Fund Balance	15.9	7.1	*4.0	27.0
Housing Revenue Account Balance	5.0	-	-	5.0
<b>Total Usable Revenue Reserves</b>	<b>82.0</b>	<b>-</b>	<b>(6.4)</b>	<b>75.6</b>

\*This includes the transfer of £10 million generated from an adjustment to "Factor E" which had a positive impact on the General Fund Balance as approved by Cabinet on 23 October 2013, in addition to the drawdown of £6 million to meet General Fund expenditure in 2013/14.

## 6. THE FINANCIAL STATEMENTS

### Note 2 – Income and Expenditure

#### 2A - Acquired Operations

With effect from 1 April 2013, responsibility for Public Health transferred from the former Primary Care Trust (PCT) to the council. The council received a ring-fenced grant of £18.8 million for 2013/14, as well as contributions from other agencies of £237,000, and its expenditure on Public Health activities in the year amounted to £16.4 million. The balance of £2.6 million has been identified for Public Health activities in 2014/15, and was transferred to earmarked reserves at the year end.

#### 2B – Trading Operations

2012/13		Operation	2013/14	
(Turnover) £m	Deficit/ (Surplus) £m		Turnover £m	Deficit/ (Surplus) £m
(2.3)	2.3	Markets	(2.3)	(0.1)
(4.0)	(0.3)	Cleaning of Buildings	(3.8)	0.3
(3.2)	-	Ground Maintenance	(4.6)	-
(3.0)	-	Street Cleaning	(2.9)	(0.3)
(7.4)	-	Schools and Welfare Catering	(7.5)	-
(0.3)	-	Other Catering	(0.3)	-
(9.4)	(0.6)	Transport Services	(5.7)	-
(0.9)	-	Former DSO Depots	(0.9)	-
<b>(30.5)</b>	<b>1.4</b>	<b>Total</b>	<b>(28.0)</b>	<b>(0.1)</b>

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 (e.g. Street Cleaning), 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.

The deficit/(surplus) shown in the table above are generated from the council's external trading operations and are therefore not apportioned at year end.



## 6. THE FINANCIAL STATEMENTS

### 2C – Pooled Budgets

The council takes part in pooled budget schemes with Wolverhampton Clinical Commissioning Group (CCG). In 2012/13, these arrangements were with the former Wolverhampton Primary Care Trust (PCT). The table below provides a summary of these schemes, with the administering body's name in brackets.

2012/13			Scheme	2013/14		
Council Contribution £m	PCT Contribution £m	Total Expenditure £m		Council Contribution £m	CGG Contribution £m	Total Expenditure £m
2.3	1.5	3.8	Child Placements with External Agencies (Council) - An integrated service to provide placements for children with social care, education and health needs	2.5	1.7	4.2
25.4	1.0	26.4	Learning Disability Services (Council) - Covers the provision and purchase of residential and nursing, domiciliary and day care placements	-	-	-
4.6	16.4	21.0	Mental Health Service (Council and CGG) - Covers the provision and purchase of residential and nursing, domiciliary and day care placements	-	-	-

### 2D – Councillors' Allowances

The council paid £991,000 in councillors' allowances during 2013/14 (2012/13: £989,000).

## 6. THE FINANCIAL STATEMENTS

### 2E – Senior Officers’ Remuneration

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

Post Title / Name		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits	Employers' Pension Contribution	West Midlands Pension Fund Responsibilities <sup>1</sup>	TOTAL REMUNERATION
		£	£	£	£	£	£	£
<b>Senior Officers with a salary of £150,000 or more per year</b>								
Chief Executive, Simon Warren <sup>2</sup>	2013/14	153,833	-	-	-	30,217	4,370	188,420
	2012/13	140,958	-	1,989	-	30,165	17,505	190,617
<b>Senior Officers with a salary of less than £150,000 per year</b>								
Strategic Director Delivery <sup>2&amp;3</sup>	2013/14	130,000	-	-	-	24,830	-	154,830
	2012/13	162,063	-	497	-	6,203	-	168,763
Strategic Director Delivery <sup>4</sup>	2013/14	-	-	-	-	-	-	-
	2012/13	9,420	-	-	-	-	-	9,420
Strategic Director Education and Enterprise <sup>2&amp;5</sup>	2013/14	112,527	-	-	-	21,493	-	134,020
	Strategic Director Education and Enterprise, Charles Green <sup>5</sup>	2012/13	187,223	-	-	-	-	187,223
Strategic Director Community <sup>2</sup>	2013/14	131,818	-	-	-	25,177	-	156,995
	2012/13	130,818	-	1,989	-	24,968	-	157,775
Director of Public Health <sup>6</sup>	2013/14	87,747	-	963	-	12,285	-	100,995
	2012/13	-	-	-	-	-	-	-
Chief Human Resources Officer <sup>7</sup>	2013/14	66,225	-	-	-	12,649	-	78,874
	2012/13	55,703	-	-	-	10,472	-	66,175
Chief Legal Officer <sup>8</sup>	2013/14	131,467	-	-	-	-	-	131,467
	2012/13	-	-	-	-	-	-	-

## 6. THE FINANCIAL STATEMENTS

6. THE FINANCIAL STATEMENTS								
Post Title / Name		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits	Employers' Pension Contribution	West Midlands Pension Fund Responsibilities <sup>1</sup>	TOTAL REMUNERATION
		£	£	£	£	£	£	£
Assistant Chief Executive <sup>9</sup>	<b>2013/14</b>	-	-	-	-	-	-	-
	2012/13	73,012	-	722	48,984	12,628	-	135,346
Assistant Director Governance <sup>8</sup>	<b>2013/14</b>	-	-	-	-	-	-	-
	2012/13	63,503	-	599	139,200	10,974	5,307	219,583
Assistant Director Business Change <sup>10</sup>	<b>2013/14</b>	<b>89,535</b>	-	<b>963</b>	-	<b>17,101</b>	-	<b>107,599</b>
	2012/13	29,854	-	321	-	6,174	2,985	39,334
Assistant Director Regeneration	<b>2013/14</b>	<b>86,712</b>	-	<b>963</b>	-	<b>16,562</b>	-	<b>104,237</b>
	2012/13	85,287	-	963	-	16,034	-	102,284
Assistant Director Central Services	<b>2013/14</b>	<b>86,712</b>	-	<b>963</b>	-	<b>16,562</b>	-	<b>104,237</b>
	2012/13	85,287	-	963	-	16,034	-	102,284
Assistant Director Finance (Section 151 Officer) <sup>11</sup>	<b>2013/14</b>	<b>85,287</b>	-	<b>963</b>	-	<b>16,290</b>	-	<b>102,540</b>
	2012/13	71,427	-	963	-	13,428	-	85,818
Assistant Director Corporate Services (Section 151 Officer) <sup>11</sup>	<b>2013/14</b>	-	-	-	-	-	-	-
	2012/13	59,708	-	642	-	12,347	5,971	78,668
Assistant Director Safeguarding, Business Support and Community Services <sup>12</sup>	<b>2013/14</b>	<b>82,317</b>	-	<b>979</b>	-	<b>15,723</b>	-	<b>99,019</b>
	2012/13	85,287	-	963	-	16,034	-	102,284
Assistant Director Health, Wellbeing and Disabilities	<b>2013/14</b>	<b>86,712</b>	-	<b>963</b>	-	<b>16,562</b>	-	<b>104,237</b>
	2012/13	85,287	-	963	-	16,034	-	102,284
Assistant Director Older People and Personalisation	<b>2013/14</b>	<b>86,712</b>	-	<b>963</b>	-	<b>16,562</b>	-	<b>104,237</b>
	2012/13	85,287	-	963	-	16,034	-	102,284
Assistant Director Partnership, Economy and Culture	<b>2013/14</b>	<b>86,712</b>	-	<b>963</b>	-	<b>16,562</b>	-	<b>104,237</b>
	2012/13	85,287	-	963	-	16,034	-	102,284

## 6. THE FINANCIAL STATEMENTS

Post Title / Name		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits	Employers' Pension Contribution	West Midlands Pension Fund Responsibilities <sup>1</sup>	TOTAL REMUNERATION
		£	£	£	£	£	£	£
Assistant Director Schools, Skills and Learning - Interim	2013/14	96,052	-	-	-	-	-	96,052
Assistant Director Schools, Skills and Learning <sup>13</sup>	2013/14	26,502	-	254	63,415	4,363	-	94,534
	2012/13	85,287	-	963	-	16,034	-	102,284
Assistant Director Children, Young People and Families	2013/14	86,712	-	963	-	16,562	-	104,237
	2012/13	85,287	-	963	-	16,034	-	102,284

- Note 1: The costs of West Midlands Pension Fund responsibilities are funded by the West Midlands Pension Fund and not by Wolverhampton City Council.
- Note 2: Travel allowance for 2013/14 of £1,989 (2012/13 £1,989) has been voluntarily waived by the Chief Executive, Strategic Director Delivery, Strategic Director Education and Enterprise and Strategic Director Community with effect from 1 April 2013. This allowance has ceased permanently at the request of each of the postholders.
- Note 3: The post of Strategic Director Delivery was held on an interim basis for part of 2012/13, with the post holder taking the post on a permanent basis from 1 January 2013.
- Note 4: The post of Strategic Director Delivery was held on an interim basis for part of 2012/13, by a different interim to the individual referred to in note 3.
- Note 5: The post of Strategic Director Education and Enterprise was held on an interim basis throughout 2012/13 until March 2013. The figures for 2012/13 include a later payment of £13,737.50 in relation to 2011/12 which has not been reported previously. The post was filled on a permanent basis on 20 May 2013 with an annual salary of £130,000.
- Note 6: The post of Director of Public Health was created on 1 April 2013, in readiness for the transfer of the Public Health budget and responsibilities from Central Government.
- Note 7: The post of Chief Human Resources Officer was created on 1 April 2013. The post of Head of Human Resources was deleted.
- Note 8: The post of Assistant Director Governance became vacant on 14 November 2012 and had an annual salary of £85,287. This post was deleted. A new post of Chief Legal officer was created on 1 April 2013.
- Note 9: The post of Assistant Chief Executive became vacant on 31 December 2012 and had an annual salary of £89,560. This post has since been deleted.
- Note 10: The post of Assistant Director Business Change was created on 26 November 2012.

## 6. THE FINANCIAL STATEMENTS

- Note 11: The role of Section 151 Officer was held by two individuals during 2012/13. The amounts disclosed in this note relate to the full year's salary for both of these individuals, with transfer of responsibilities having taken place in November 2012.
- Note 12: The post of Assistant Director Safeguarding, Business Support and Community Services became vacant on 6 August 2013 and had an annual salary of £86,712. This post was filled on 7 August 2013 on a secondment basis to 30 April 2014, at an annual salary of £78,500. Due to a restructure this post is to be deleted on 1 May 2014 with management responsibilities redistributed between the remaining posts at Assistant Director level within the Community Directorate.
- Note 13: The post of Assistant Director Schools Skills and Learning became vacant on 5 July 2013 and had an annual salary of £86,712. This post has since been held on an interim basis from 22 July 2013.

## 6. THE FINANCIAL STATEMENTS

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

Remuneration Band	Number of Employees		2013/14	
	Schools	Rest of Council	Total Number of Employees In Band	Employees receiving termination packages (included in total)
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	1	1	1
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£115,000 - £119,999	1	-	1	-
£110,000 - £114,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£100,000 - £104,999	1	-	1	-
£95,000 - £99,999	1	-	1	-
£90,000 - £94,999	3	1	4	1
£85,000 - £89,999	6	2	8	2
£80,000 - £84,999	2	1	3	-
£75,000 - £79,999	3	4	7	4
£70,000 - £74,999	7	4	11	4
£65,000 - £69,999	23	5	28	4
£60,000 - £64,999	31	14	45	9
£55,000 - £59,999	32	28	60	5
£50,000 - £54,999	56	31	87	3
<b>Total</b>	<b>166</b>	<b>91</b>	<b>257</b>	<b>33</b>

## 6. THE FINANCIAL STATEMENTS

Remuneration Band	2012/13			
	Number of Employees		Total Number of Employees In Band	Employees receiving termination packages (included in total)
	Schools	Rest of Council		
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£115,000 - £119,999	1	-	1	-
£110,000 - £114,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£95,000 - £99,999	2	-	2	-
£90,000 - £94,999	1	-	1	-
£85,000 - £89,999	5	1	6	1
£80,000 - £84,999	2	2	4	1
£75,000 - £79,999	3	2	5	1
£70,000 - £74,999	11	5	16	5
£65,000 - £69,999	23	3	26	3
£60,000 - £64,999	30	5	35	3
£55,000 - £59,999	44	32	76	5
£50,000 - £54,999	64	43	107	4
<b>Total</b>	<b>186</b>	<b>93</b>	<b>279</b>	<b>23</b>

## 6. THE FINANCIAL STATEMENTS

### 2F – Exit Packages

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

2012/13		2013/14				Value of Individual Package		2012/13		2013/14		Total	
Compulsory Number	£m	Voluntary Number	£m	Compulsory Number	£m	Voluntary Number	£m	Compulsory Number	£m	Voluntary Number	£m	Compulsory Number	£m
1	0.2	-	-	1	0.2	£150,001 to £200,000	-	-	-	-	-	-	-
-	-	-	-	-	-	£100,001 to £150,000	-	-	-	-	-	-	-
1	0.1	1	0.1	2	0.2	£80,001 to £100,000	-	-	2	0.2	0.2	2	0.2
-	-	2	0.1	2	0.1	£60,001 to £80,000	3	0.2	1	0.1	0.1	4	0.3
2	0.1	4	0.1	6	0.2	£40,001 to £60,000	2	0.1	9	0.5	0.5	11	0.6
10	0.2	7	0.1	17	0.3	£20,001 to £40,000	10	0.3	73	1.9	1.9	83	2.2
50	0.3	40	0.3	90	0.6	Less than £20,000	82	0.5	510	4.0	4.0	592	4.5
<b>64</b>	<b>0.9</b>	<b>54</b>	<b>0.7</b>	<b>118</b>	<b>1.6</b>	<b>Total</b>	<b>97</b>	<b>1.1</b>	<b>595</b>	<b>6.7</b>	<b>6.7</b>	<b>538</b>	<b>7.8</b>



## 6. THE FINANCIAL STATEMENTS

### 2G – Amounts Payable to the Auditor

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

2012/13 £m		2013/14 £m
	<b>Audit Commission – statutory inspections:</b>	
-	- Audit inspection fee	-
(0.022)	- Rebates for arrangements relating to the abolition of the Audit Commission (*)	(0.034)
<b>(0.022)</b>	<b>Sub Total Audit Commission</b>	<b>(0.034)</b>
	<b>PricewaterhouseCoopers LLP</b>	
0.251	- External audit (council)	0.251
0.049	- External audit (West Midlands Pension Fund)	0.049
0.088	- Certification of grant claims and returns	0.049
0.147	- Additional work (**)	0.186
<b>0.535</b>	<b>Sub Total PricewaterhouseCoopers LLP</b>	<b>0.535</b>
<b>0.513</b>	<b>TOTAL</b>	<b>0.501</b>

\* The rebates of £22,000 in 2012/13 and £34,000 in 2013/14 were intended to smooth any financial impact of the abolition of the Audit Commission on local authorities.

\*\* The fees to PricewaterhouseCoopers LLP in 2012/13 for additional work relate to £70,000 risk based work, £36,000 estates review, £32,000 FutureSpace Programme Advisory Service and £9,000 HRA delivery options review. In 2013/14 the additional work relates to £34,000 risk based work, £85,000 estates review, £62,000 FutureSpace Business Case Support, £3,000 multi tax helpline and £2,000 Decent Home certification.

## 6. THE FINANCIAL STATEMENTS

### 2H – 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). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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.

Central Expenditure £m	2012/13 Individual Schools Budget £m	Total £m		Central Expenditure £m	2013/14 Individual Schools Budget £m	Total £m
		(189.8)	DSG as issued by the Department in July 2013 (This does not include the Early Years January 2014 adjustment)			(196.7)
		22.1	Academy figure recouped			35.1
		<b>(167.7)</b>	<b>Total DSG after academy recoupment for the year</b>			<b>(161.6)</b>
		-	Brought forward from previous year			-
		-	Carry-forward to following year agreed in advance			-
<b>(10.4)</b>	<b>(157.3)</b>	<b>(167.7)</b>	<b>Agreed initial budgeted distribution in the year</b>	<b>(14.0)</b>	<b>(147.6)</b>	<b>(161.6)</b>
<b>(10.4)</b>	<b>(157.3)</b>	<b>(167.7)</b>	<b>Final budgeted distribution for the year</b>			
10.8		10.8	Less actual central expenditure	14.2		14.2
	157.3	157.3	Less actual ISB deployed to schools		148.2	148.2
(0.4)	-	(0.4)	Plus local authority contribution	-	-	-
-	-	-	<b>Overspend carried forward to following year</b>	<b>0.2</b>	<b>0.6</b>	<b>0.8</b>

## 6. THE FINANCIAL STATEMENTS

### **2I – Exceptional Items**

There were no new exceptional items of expense or income in 2013/14.

In 2012/13, there were no exceptional items of expense or income.

### **2J – Events after the Reporting Period**

There have been no significant events after the reporting period for 2013/14.

## 6. THE FINANCIAL STATEMENTS

### Note 3 – 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.

#### 3A – Current Receivables

31 March 2013			31 March 2014	
Council £m	Group £m	Type of organisation	Council £m	Group £m
32.4	32.4	Central government bodies	41.4	41.4
37.2	36.6	Bodies external to general government	34.8	33.6
<b>69.6</b>	<b>69.0</b>	<b>Total</b>	<b>76.2</b>	<b>75.0</b>

#### 3B – Current Payables

31 March 2013			31 March 2014	
Council £m	Group £m	Type of organisation	Council £m	Group £m
(4.3)	(5.4)	Central government bodies	(4.3)	(5.4)
(0.2)	(0.2)	Other local authorities	(1.0)	(1.0)
(0.7)	(0.7)	NHS bodies	(0.1)	(0.1)
(71.4)	(72.8)	Bodies external to general government	(65.8)	(68.3)
<b>(76.6)</b>	<b>(79.1)</b>	<b>Total</b>	<b>(71.2)</b>	<b>(74.8)</b>

## 6. THE FINANCIAL STATEMENTS

### Note 4 – Provisions and Contingent Liabilities

#### 4A – Provisions

Balance at 31 March 2013 £m	Provision Name	Provision Details	Amounts Used in 2013/14 £m	Provisions Made in 2013/14 £m	Balance at 31 March 2014 £m
(26.5)	Capitalisation Risks	This provision is in respect of potential claims under equal pay legislation. The council had approval from the Government to capitalise payments it may need to make in respect of Equal Pay Back Pay claims. It is currently uncertain when payments might need to be made, and the value of any such payments.	8.2	(0.4)	(18.7)
(2.6)	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.	0.3	-	(2.3)
(0.5)	Termination Benefits	During 2012/13 and 2013/14, the council undertook a 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.	0.5	(1.8)	(1.8)
(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.	-	-	(0.2)
(0.5)	Carbon Reduction Commitment	This provision is in respect of the council's liability under the national, compulsory Carbon Reduction Commitment scheme. It represents the council's estimate of the amount it will have to pay to purchase allowances for its use of carbon in 2013/14.	0.5	(0.6)	(0.6)
(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)

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Balance at 31 March 2013 £m	Provision Name	Provision Details	Amounts Used in 2013/14 £m	Provisions Made in 2013/14 £m	Balance at 31 March 2014 £m
-	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 2014. This is the first year of this provision.	-	(1.7)	(1.7)
(0.2)	Other	These are small amounts relating to ex-members of the pension fund and refunds of aftercare payments made by residents subsequently falling within Section 117 of the Mental Health Act 1983 and from whom charges are not due.	0.1	-	(0.1)
<b>(30.6)</b>	<b>Total</b>		<b>9.6</b>	<b>(4.5)</b>	<b>(25.5)</b>

## 6. THE FINANCIAL STATEMENTS

### 4B – Contingent Liabilities

At 31 March 2014, 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 2014 is £9.1 million (31 March 2013 - £10.1 million).
- There is a future payment to be paid under the council's well-being powers, which has arisen as a result of investigations into contamination of the site previously occupied by Courtaulds upon which there now stands a mix of private and social housing. The technical investigations into the land contamination affecting 84 properties is now complete. The council is in the process of assigning liabilities with a view to requiring those responsible to address the contamination. This however is a complex and lengthy legal process with a high likelihood of challenge from any of the parties considered by the council as to be responsible. The ability of the council to progress remediation is directly linked to the legal framework in place.
- A contingent liability exists for the costs of Equal Pay compensation. The council has established a provision for £18.7 million (31 March 2013: £26.5 million). The potential costs of any further cases not addressed by this provision cannot be reliably quantified at this stage.
- There are a number of 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 2014 is estimated at £629,000 (31 March 2013: £556,000).
- Under recent guidance issued by the Department for Environment Food and Rural Affairs in respect of the Environmental Information Regulations 2004, it has been suggested that local authorities do not have the power to charge fees for 'personal' local land register searches, and that they may be liable to repay fees they have received since 2005. For the council, this would equate to £200,000. If all property search fees are taken into account, the total liability is £2.1 million. However, the legal position remains unclear, meaning that the existence of a liability cannot be confirmed until the relevant legal issues are resolved.

## 6. THE FINANCIAL STATEMENTS

- During 2013/14, the council undertook a voluntary redundancy exercise. There were a number of applications for voluntary redundancy that were approved prior to the balance sheet date for payment during 2014/15. A provision for £1.8 million was therefore established. However there were 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 Seven 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 were required to agree to the same indemnity relating to the former Severn Trent land. Under the Joint Venture Agreement relating to i54, Wolverhampton City 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, Wolverhampton City Council 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 claw back of both previous and future paid claims. The value of any such claw back is estimated to be approximately £200,000.



## 6. THE FINANCIAL STATEMENTS

### Note 5 – Non-Current Assets

The following tables analyse movements in the carrying values of non-current assets during the year.

	Carrying Value at 1 April 2013			2013/14										Carrying Value at 31 March 2014		
	Gross Value	Accumulated Depreciation/Impairment	Net Value	Additions	Disposals (Gross Value)	Disposals (Accumulated Depreciation/Impairment)	Revaluations/ Fair Value Gains/(Losses)	Depreciation Writeback on Revaluation	Impairments	Impairments Reversed	Depreciation/ Amortisation	Other Changes - Gross Value	Other Changes - Accumulated Depreciation/ Impairment	Gross Value	Accumulated Depreciation/Impairment	Net Value
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council Dwellings	1,261.8	(574.0)	<b>687.8</b>	43.1	(7.0)	-	-	-	(0.2)	0.2	(21.9)	-	-	1,297.9	(595.9)	<b>702.0</b>
Other Land and Buildings	866.6	(216.7)	<b>649.9</b>	31.2	(75.6)	11.1	(33.4)	44.5	(24.2)	11.0	(24.1)	(9.4)	0.9	779.4	(197.5)	<b>581.9</b>
Vehicles, Plant, Furniture and Equipment	66.8	(51.9)	<b>14.9</b>	5.1	-	-	-	-	-	-	(5.6)	-	-	71.9	(57.5)	<b>14.4</b>
Infrastructure Assets	256.0	(125.7)	<b>130.3</b>	6.8	-	-	-	-	-	-	(10.3)	-	-	262.8	(136.0)	<b>126.8</b>
Community Assets	27.5	(4.9)	<b>22.6</b>	1.1	-	-	(7.8)	3.4	(5.5)	-	-	-	-	20.8	(7.0)	<b>13.8</b>
Surplus Assets	43.1	(15.0)	<b>28.1</b>	0.3	(2.1)	(0.8)	(1.5)	1.6	(3.2)	0.1	(0.9)	9.7	(0.9)	49.5	(19.1)	<b>30.4</b>
Assets Under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Properties	16.9	(2.6)	<b>14.3</b>	2.3	-	-	-	-	-	-	-	(0.3)	-	18.9	(2.6)	<b>16.3</b>
Intangible Assets	2.5	(0.8)	<b>1.7</b>	3.2	-	-	-	-	-	-	(0.4)	-	-	5.7	(1.2)	<b>4.5</b>
Heritage Assets	11.5	-	<b>11.5</b>	-	-	-	-	-	-	-	-	-	-	11.5	-	<b>11.5</b>
<b>Total</b>	<b>2,552.7</b>	<b>(991.6)</b>	<b>1,561.1</b>	<b>93.1</b>	<b>(84.7)</b>	<b>10.3</b>	<b>(42.7)</b>	<b>49.5</b>	<b>(33.1)</b>	<b>11.3</b>	<b>(63.2)</b>	<b>-</b>	<b>-</b>	<b>2,518.4</b>	<b>(1,016.8)</b>	<b>1,501.6</b>

## 6. THE FINANCIAL STATEMENTS

	Carrying Value at 1 April 2012			2012/13										Carrying Value at 31 March 2013		
	Gross Value	Accumulated Depreciation/Impairment	Net Value	Additions	Disposals (Gross Value)	Disposals (Accumulated Depreciation)	Revaluations/ Fair Value Gains/(Losses)	Depreciation Writeback on Revaluation	Impairments	Impairments Reversed	Depreciation/ Amortisation	Other Changes - Gross Value	Other Changes - Accumulated Depreciation/ Impairment	Gross Value	Accumulated Depreciation/Impairment	Net Value
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council Dwellings	1,224.2	(552.1)	<b>672.1</b>	41.4	(3.8)	-	-	-	-	-	(21.9)	-	-	1,261.8	(574.0)	<b>687.8</b>
Other Land and Buildings	951.2	(212.9)	<b>738.3</b>	92.9	(42.6)	12.5	(105.1)	68.8	(67.0)	3.5	(23.6)	(29.8)	2.0	866.6	(216.7)	<b>649.9</b>
Vehicles, Plant, Furniture and Equipment	62.5	(46.0)	<b>16.5</b>	4.1	-	-	-	-	-	-	(5.9)	0.2	-	66.8	(51.9)	<b>14.9</b>
Infrastructure Assets	250.2	(115.2)	<b>135.0</b>	6.8	-	-	-	-	-	-	(10.5)	(1.0)	-	256.0	(125.7)	<b>130.3</b>
Community Assets	27.4	(4.9)	<b>22.5</b>	0.3	(0.1)	-	(0.1)	-	-	-	-	-	-	27.5	(4.9)	<b>22.6</b>
Surplus Assets	13.2	(5.2)	<b>8.0</b>	1.0	(0.7)	-	(7.3)	8.6	(11.2)	1.3	(1.1)	36.9	(7.4)	43.1	(15.0)	<b>28.1</b>
Assets Under Construction	0.9	-	<b>0.9</b>	-	-	-	-	-	-	-	-	(0.9)	-	-	-	<b>-</b>
Investment Properties	19.2	(2.9)	<b>16.3</b>	0.1	(2.4)	0.3	-	-	-	-	-	-	-	16.9	(2.6)	<b>14.3</b>
Intangible Assets	1.9	(0.5)	<b>1.4</b>	0.6	-	-	-	-	-	-	(0.3)	-	-	2.5	(0.8)	<b>1.7</b>
Heritage Assets	11.5	-	<b>11.5</b>	-	-	-	-	-	-	-	-	-	-	11.5	-	<b>11.5</b>
<b>Total</b>	<b>2,562.2</b>	<b>(939.7)</b>	<b>1,622.5</b>	<b>147.2</b>	<b>(49.6)</b>	<b>12.8</b>	<b>(112.5)</b>	<b>77.4</b>	<b>(78.2)</b>	<b>4.8</b>	<b>(63.3)</b>	<b>5.4</b>	<b>(5.4)</b>	<b>2,552.7</b>	<b>(991.6)</b>	<b>1,561.1</b>

## 6. THE FINANCIAL STATEMENTS

### **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 a straight-line basis over the estimated useful economic life of the asset. No depreciation is charged on investment properties, heritage assets or land.

### **Revaluation**

During 2013/14 the council re-valued a number of assets. The effective date of this revaluation was 1 April 2013. These valuations were carried out by the council's in-house valuation team 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 2013/14, infrastructure, community assets, and assets under construction are valued at depreciated historical cost. All other classes of asset are measured at fair value. For vehicles, plant, furniture and equipment fair value is determined by depreciated historical cost due to the short useful life of these assets (2-7 years depending on the asset). The fair 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 fair value the council estimates fair value using the depreciated replacement cost approach. The following table describes the measurement bases used to determine the gross carrying value of each of the council's classes of non-current assets.

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Asset Class	Measurement Base
Council Dwellings	Fair value based on existing use value (social housing) (EUV-SH).
Other Land and Buildings	Fair 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	Fair 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 based on existing use value (EUV) applying the same assumptions relating to the level of usage, etc, as those of the most recent revaluation as an operational asset.
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
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.

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### **Capital Commitments**

At 31 March 2014, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years with an estimated total value of £47.2 million (31 March 2013: £100.9 million). The major commitments are: Building Schools for the Future (£15.3 million), i54 (£10.2 million), Interchange Block 10 development (£7.6 million) and Decent Homes (£6.0 million).

### **Investment Properties**

During the year the council had £1.3 million of income receivable from investment properties (2012/13: £1.0 million) and spent £226,000 on managing and maintaining those properties (2012/13: £140,000). There are no restrictions on the council's ability to realise the value of its investment property, the remittance of income or the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property, or for repairs, maintenance or enhancements.

### **Impairment**

During 2013/14, the council identified a number of impairments as part of the regular review of its properties. The total value of those impairments was £21.8 million. There were no impairments that were individually material during 2013/14.

### **Capital Financing Requirement**

The council's capital financing requirement, which represents the underlying need to borrow to pay for past capital expenditure, was £768.4 million at 31 March 2014 (31 March 2013: £750.5 million).

## 6. THE FINANCIAL STATEMENTS

### Note 6 – 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 two 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' Pensions 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 £3.8 million which was a contribution rate of 14.1% (2012/13: £3.7 million; 14.1%).
- 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.

From April 2014, pensions will be 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:

## 6. THE FINANCIAL STATEMENTS

2012/13		2013/14	
LGPS £m	Teachers £m	LGPS £m	Teachers £m
		<b>Comprehensive Income And Expenditure Statement</b>	
		Cost of Services:	
(22.2)	-	(28.9)	-
(0.2)	-	(0.1)	-
2.1	(0.1)	3.5	(0.3)
(0.3)	-	(0.4)	-
		Financing and Investment Income and Expenditure:	
(18.4)	(2.4)	(20.0)	(2.1)
<b>(39.0)</b>	<b>(2.5)</b>	<b>(45.9)</b>	<b>(2.4)</b>
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:	
(87.0)	(7.1)	106.9	2.7
<b>(126.0)</b>	<b>(9.6)</b>	<b>61.0</b>	<b>0.3</b>
		<b>Movement In Reserves Statement</b>	
<b>(31.1)</b>	<b>(2.5)</b>	<b>(45.9)</b>	<b>(2.4)</b>
		<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
23.4		24.8	
	3.7		3.8

## 6. THE FINANCIAL STATEMENTS

### Assets and Liabilities in Relation to Post-employment Benefits

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

2012/13 LGPS £m	Assets	2013/14 LGPS £m
<b>675.0</b>	<b>Opening balance at 1 April</b>	<b>747.9</b>
32.8	Interest Income	31.3
49.8	Re-measurement Gain/(Loss)	(7.4)
23.4	Employer contributions	24.8
7.3	Contributions by scheme participants	7.8
(38.3)	Benefits paid	(40.0)
(1.8)	Settlements	(0.3)
(0.3)	Admin expenses	(0.4)
<b>747.9</b>	<b>Closing balance at 31 March</b>	<b>763.7</b>

2012/13 Funded: LGPS £m	2012/13 Unfunded: LGPS £m	2012/13 Unfunded: Teachers £m	Liabilities	2013/14 Funded: LGPS £m	2013/14 Unfunded: LGPS £m	2013/14 Unfunded: Teachers £m
<b>(1,043.0)</b>	<b>(21.4)</b>	<b>(54.0)</b>	<b>Opening balance at 1 April</b>	<b>(1,217.3)</b>	<b>(22.6)</b>	<b>(59.8)</b>
(22.2)	-	-	Current service cost	(28.9)	-	-
(50.2)	(1.0)	(2.4)	Interest cost	(50.4)	(0.9)	(2.1)
(7.3)	-	-	Contributions - participants	(7.8)	-	-
(135.0)	(1.8)	(7.0)	Re-measurement Gain/(Loss)	114.8	(0.5)	2.7
36.7	1.6	3.7	Benefits paid	38.4	1.6	3.8
(0.2)	-	-	Past service costs	(0.1)	-	-
(1.2)	-	(0.1)	Curtailments	(1.6)	-	(0.3)
5.1	-	-	Settlements	5.4	-	-
<b>(1,217.3)</b>	<b>(22.6)</b>	<b>(59.8)</b>	<b>Closing balance at 31 March</b>	<b>(1,147.5)</b>	<b>(22.4)</b>	<b>(55.7)</b>



## 6. THE FINANCIAL STATEMENTS

2012/13 LGPS £m	Asset Category	2013/14 LGPS £m
	<b>Equities</b>	
73.9	- UK quoted	79.4
1.4	- UK unquoted	14.6
37.6	- Global quoted	40.2
92.5	- Global unquoted	79.1
43.9	- Europe	51.2
14.4	- Japan	14.1
32.4	- Pacific Basin	30.7
71.9	- North America	73.5
46.5	- Emerging Markets	61.8
	<b>Bonds</b>	
14.9	- UK Government fixed	14.7
50.6	- UK Government indexed	48.1
36.1	- UK other	36.7
24.8	- Overseas other	19.9
24.5	- Other	25.4
	<b>Property</b>	
46.1	- UK	45.3
2.5	- Overseas	1.7
15.3	- Property Funds	21.8
	<b>Alternatives</b>	
15.8	- Commodities	14.4
24.9	- Infrastructure	21.8
53.2	- Absolute Return	48.7
18.2	- Cash instruments	15.2
6.5	- Cash accounts	5.4
<b>747.9</b>	<b>Total</b>	<b>763.7</b>

## 6. THE FINANCIAL STATEMENTS

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 £22.8 million (2012/13: (£82.3 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 £461.9 million has a substantial impact on the net worth of the council as recorded in the Balance Sheet, reducing it from £849.2 million to £387.3 million. 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 actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2015 is £25.9 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2015 are £3.9 million.

The Discretionary Benefits arrangements have no assets to cover their liabilities. The Local Government Pension Scheme's assets are set out in the following table.

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

## 6. THE FINANCIAL STATEMENTS

### 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 things such as mortality rates and salary levels. Both the Teachers' Discretionary Pension Scheme and the West Midlands Pension Fund liabilities have been assessed by Mercer Limited, 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 2010. The principal assumptions used by the actuary are set out in the following table.

2012/13			2013/14	
LGPS	Teachers		LGPS	Teachers
		Long-term expected rate of return on assets in the scheme:		
7.0%	n/a	Equity investments	7.0%	n/a
2.8%	n/a	Government Bonds	3.4%	n/a
3.9%	n/a	Other Bonds	4.3%	n/a
5.7%	n/a	Property	6.2%	n/a
0.5%	n/a	Cash/current assets	0.5%	n/a
7.0%	n/a	Other	7.0%	n/a
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
22.1	22.1	- Men	22.9	22.9
24.8	24.8	- Women	25.5	25.5
		Longevity at 65 for future pensioners:		
23.9	n/a	- Men	25.1	n/a
26.7	n/a	- Women	27.8	n/a
2.4%	2.4%	Rate of inflation	2.4%	2.4%
4.2%	-	Rate of increase in salaries	4.2%	-
2.4%	2.4%	Rate of increase in pensions	2.4%	2.4%
4.2%	3.7%	Rate for discounting scheme liabilities	4.4%	4.3%

## 6. THE FINANCIAL STATEMENTS

### Analysis of Group Net Pension Liability

The following table analyses the net liability for the group.

31 March 2013			31 March 2014	
Local Government Pension Scheme £m	Discretionary Pension Scheme £m		Local Government Pension Scheme £m	Discretionary Pension Scheme £m
		<i>Estimated Liabilities in Scheme</i>		
(1,239.9)	(59.8)	<i>Wolverhampton City Council</i>	(1,169.9)	(55.7)
(122.1)	-	<i>Wolverhampton Homes Limited</i>	(114.8)	-
<b>(1,362.0)</b>	<b>(59.8)</b>	<b>Total Liabilities</b>	<b>(1,284.7)</b>	<b>(55.7)</b>
		<i>Estimated Assets in Scheme</i>		
747.9	-	<i>Wolverhampton City Council</i>	763.7	-
93.8	-	<i>Wolverhampton Homes Limited</i>	100.3	-
<b>841.7</b>	<b>-</b>	<b>Total Assets</b>	<b>864.0</b>	<b>-</b>
<b>(520.3)</b>	<b>(59.8)</b>	<b>Net Liabilities</b>	<b>(420.7)</b>	<b>(55.7)</b>

## 6. THE FINANCIAL STATEMENTS

### Note 7 – Financial Instruments

#### Note 7A – Leases and Lease-Type Arrangements

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.

2012/13				2013/14				
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	
0.5	0.8	-	3.4	<b>Payable/receivable in the year</b>	0.2	0.8	-	2.9
0.1	0.6	-	2.3	Due within one year	0.1	0.5	-	2.3
0.2	1.5	-	6.1	Due in one to five years	0.1	1.6	-	7.3
-	0.6	6.0	26.7	Due after five years	-	0.5	6.0	27.1
0.3	2.7	6.0	35.1	<b>Total due in future years</b>	0.2	2.6	6.0	36.7

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

31 March 2013		31 March 2014
£m		£m
0.5	Vehicles, Plant, Furniture and Equipment	0.3
0.5	<b>Total</b>	<b>0.3</b>

## 6. THE FINANCIAL STATEMENTS

### Note 7B – Private Finance Initiative and Similar Contracts

The council has three contracts which are PFIs or similar in nature and which are accounted for as ‘on balance sheet’: the Bentley Bridge leisure centre, the waste disposal facility, and Highfields and Penn Fields School.

**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 Management Limited on behalf of the council. The contract period is for 30 years, with an end date of 31 October 2036. The total amount payable by the council over the life of the contract is £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 in 2014/15	0.3	0.9	0.2	1.4
Payable within two to five years	1.5	3.4	0.9	5.8
Payable within six to ten years	2.1	3.7	1.4	7.2
Payable within eleven to fifteen years	2.4	3.1	1.7	7.2
Payable within sixteen to twenty years	1.9	2.1	3.2	7.2
Payable within twenty-one to twenty-four years	1.0	0.4	2.4	3.8
<b>Total</b>	<b>9.2</b>	<b>13.6</b>	<b>9.8</b>	<b>32.6</b>

## 6. THE FINANCIAL STATEMENTS

The table below shows the balances that existed in respect of the contract at the end of the year, and how they have changed over the course of the year.

	Balance at 31 March 2013	Depreciation	Capital Expenditure /Principal Redemption	Balance at 31 March 2014
	£m	£m	£m	£m
Property, Plant and Equipment	10.9	(0.4)	-	10.5
Long-term Liability	(9.0)	-	0.2	(8.8)
<b>Total</b>	<b>1.9</b>	<b>(0.4)</b>	<b>0.2</b>	<b>1.7</b>

**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 retender, 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	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£m
Payable in 2014/15	6.3	0.8	1.0	8.1
Payable within two to five years	28.1	1.9	4.9	34.9
Payable within six to eight years	15.9	0.3	3.0	19.2
<b>Total</b>	<b>50.3</b>	<b>3.0</b>	<b>8.9</b>	<b>62.2</b>

## 6. THE FINANCIAL STATEMENTS

The table below shows the balances that existed in respect of the contract at the end of the year, and how they have changed over the course of the year.

	Balance at 31 March 2013	Depreciation/ Amortisation	Capital Expenditure /Principal Redemption	Balance at 31 March 2014
	£m	£m	£m	£m
Property, Plant and Equipment	9.9	(1.2)	-	8.7
Deferred Income	(2.8)	0.3	-	(2.5)
Long-term Liability	(9.9)	-	0.9	(9.0)
<b>Total</b>	<b>(2.8)</b>	<b>(0.9)</b>	<b>0.9</b>	<b>(2.8)</b>

**Highfields & Penn Fields School:** As part of the Building Schools for the Future Programme the council entered in to a PFI contract for the construction and management of a new building for the Highfields 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	Interest	Capital Expenditure /Principal Redemption	Total
	£m	£m	£m	£m
Payable in 2014/15	1.8	4.8	0.6	7.2
Payable within two to five years	7.7	18.8	2.9	29.4
Payable within six to ten years	11.0	21.3	5.8	38.1
Payable within eleven to fifteen years	11.9	18.0	9.7	39.6
Payable within sixteen to twenty years	15.4	11.1	15.0	41.5
Payable within twenty-one to twenty-five years	12.1	3.2	14.4	29.7
<b>Total</b>	<b>59.9</b>	<b>77.2</b>	<b>48.4</b>	<b>185.5</b>

The table below shows the balances that existed in respect of the contract at the end of the year, and how they have changed over the course of the year.



## 6. THE FINANCIAL STATEMENTS

	Balance at 31 March 2013	Depreciation	Capital Expenditure /Principal Redemption	Balance at 31 March 2014
	£m	£m	£m	£m
Property, Plant and Equipment	46.1	(1.8)	-	44.3
Long-term Liability	(44.0)	-	0.5	(43.5)
<b>Total</b>	<b>2.1</b>	<b>(1.8)</b>	<b>0.5</b>	<b>0.8</b>

## 6. THE FINANCIAL STATEMENTS

### Note 7C – Financial Instruments

The table below shows the carrying values and fair values of financial instruments held by the council at the year end.

31 March 2013				31 March 2014				
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	
				<b>Financial Assets</b>				
1.5	74.1	1.5	74.1	Loans and Receivables	1.4	88.7	1.4	88.7
18.6	-	18.6	-	Unquoted Equity Investment at Cost	20.3	-	20.3	-
-	3.5	-	3.5	Cash and Cash Equivalents	-	4.1	-	4.1
<b>20.1</b>	<b>77.6</b>	<b>20.1</b>	<b>77.6</b>	<b>Total Financial Assets</b>	<b>21.7</b>	<b>92.8</b>	<b>21.7</b>	<b>92.8</b>
				<b>Financial Liabilities</b>				
(588.3)	(120.4)	(644.6)	(122.2)	Financial Liabilities at Amortised Cost	(620.5)	(121.5)	(651.5)	(121.6)
<b>(588.3)</b>	<b>(120.4)</b>	<b>(644.6)</b>	<b>(122.2)</b>	<b>Total Financial Liabilities</b>	<b>(620.5)</b>	<b>(121.5)</b>	<b>(651.5)</b>	<b>(121.6)</b>
				<b>Net Financial Liabilities</b>				
<b>(568.2)</b>	<b>(42.8)</b>	<b>(624.5)</b>	<b>(44.6)</b>		<b>(598.8)</b>	<b>(28.7)</b>	<b>(629.8)</b>	<b>(28.8)</b>

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

2012/13				2013/14			
Financial Assets: Loans and Receivables	Financial Assets: Unquoted Equity Investment at Cost	Financial Liabilities Measured at Amortised Cost	Total	Financial Assets: Loans and Receivables	Financial Assets: Unquoted Equity Investment at Cost	Financial Liabilities Measured at Amortised Cost	Total
£m	£m	£m	£m	£m	£m	£m	£m
-	-	25.4	25.4	-	-	31.3	31.3
(0.4)	-	-	(0.4)	(0.4)	-	-	(0.4)
(0.4)	-	25.4	25.0	(0.4)	-	31.3	30.9
				<b>Net (Income)/Expense</b>			

The council holds a small amount of HM Treasury loans, which have been valued according to published quotations in an active market. The fair values of all other financial instruments have been derived from valuation techniques based on assumptions that are not supported by prices from observable current market transactions in the same instrument, and not based on available observable market data.

The fair values of the council's long-term financial liabilities at amortised cost have been calculated using the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender, being the rate applicable in the market on the date of valuation, for an instrument with the same duration: that is, equal to the outstanding period from valuation date to maturity.

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### **Note 7D – 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 the 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 2014 was £88.7 million (31 March 2013: £74.1 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 2013/14 or 2012/13.

#### **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

## 6. THE FINANCIAL STATEMENTS

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

2012/13 £m	Time until Repayment	2013/14 £m
39.0	Payable next year	45.0
103.2	Payable within two to five years	118.2
10.2	Payable within six to ten years	17.3
22.6	Payable within eleven to fifteen years	20.0
13.3	Payable within sixteen to twenty years	8.9
31.0	Payable within twenty-one to twenty-five years	31.0
39.9	Payable within twenty-six to thirty years	44.3
31.9	Payable within thirty-one to thirty-five years	27.5
53.2	Payable within thirty-six to forty years	97.6
44.3	Payable within forty-one to forty-five years	26.6
26.6	Payable within forty-six to fifty years	23.0
103.8	Payable within fifty-one to sixty years	103.8
<b>519.0</b>	<b>Total</b>	<b>563.2</b>

### 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 2013/14, the council's interest payable would have increased by £5.5 million, and its interest receivable would have increased by £353,000, resulting in an increase in net expenditure of £5.1 million. Had interest rates been 1% lower, equivalent decreases would have occurred, leading to a decrease in net expenditure of £5.1 million.

In 2012/13, if interest rates had been 1% higher the council's interest payable would have increased by £4.8 million, and its interest receivable would have increased by £307,000, resulting in an increase in net expenditure of £4.5 million.

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### **Inflation Risk Management**

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on the council's treasury management activities, are controlled as an integral part of the council's strategy for managing its overall exposure to inflation.

The council achieves this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. These are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

### **Price Risk**

The council does not generally invest in equity shares but does have shareholdings to the value of £18.7 million in Birmingham International Airport as well as an investment of £1.6 million in the SPV for Highfields PFI scheme. 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.

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### **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 8 – Members of the Wolverhampton City Council Group and other Related Parties**

#### **Subsidiary**

The council has one subsidiary entity: Wolverhampton Homes 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, and is wholly owned by the council. The company's accounts have been wholly consolidated in 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 2013/14 (2012/13: £37.0 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 £46.1 million in 2013/14 (2012/13: £45.2 million), whilst payments by Wolverhampton Homes Limited to the council totalled £4.3 million (2012/13: £5.0 million). At the year end, Wolverhampton Homes Limited owed the council £1.6 million (2012/13: £1.2 million), and the council owed Wolverhampton Homes Limited £0.8 million (2012/13: £1.8 million).

#### **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.

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2012/13 £m	Grant	2013/14 £m
(174.1)	Dedicated Schools Grant	(177.3)
(2.6)	Revenue Support Grant	(105.2)
(56.8)	Mandatory Rent Allowance	(59.0)
(54.5)	Standards Fund Capital	(58.6)
(56.0)	Mandatory Rent Rebates Subsidy	(56.4)
-	Top Up Grant	(34.6)
-	Public Health Grant	(18.8)
(15.5)	Decent Homes Backlog Grant	(14.1)
(9.8)	6th Form Funding	(7.7)
(13.6)	Section 31 Grant	(6.6)
(2.9)	Housing & Council Tax Benefit Administration	(2.8)
(1.1)	New Homes Bonus	(2.2)
(1.5)	Adult Community Learning PCDL	(1.6)
(1.2)	Further Education 19+	(1.3)
-	Social Fund Programme Grant	(1.3)
-	Weekly Collection Support Scheme	(1.3)
(1.3)	Disabled Facilities Grant	(1.1)
-	Adoption Reform Grant	(1.1)
(0.2)	Council Tax Freeze Grant	(1.0)
(134.2)	NNDR	-
(13.8)	Early Intervention Grant	-
(11.0)	Learning Disability & Health Reform	-
(27.6)	Council Tax Benefit	-
(7.6)	Other grants (each less than £1.0m)	(6.4)
<b>(585.3)</b>	<b>Total</b>	<b>(558.4)</b>

### Councillors

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

<http://www2.wolverhampton.gov.uk/council/councillors/name>



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### 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.

2012/13		Entity and Nature of Relationship	2013/14	
Expenditure £m	Income £m		Expenditure £m	Income £m
-	(0.7)	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 2013/14 the council received a preference dividend of £93,000, special dividend of £3.3 million, ordinary dividend of £641,000 and rental income of £78,000.	-	(4.1)
0.5	-	The Wolverhampton Grand Theatre (1982) Limited The Grand Theatre is managed by Wolverhampton Grand Theatre Limited. The council continues to own the building and retains the right to appoint or remove the majority of the members of the board of directors. The council provides grant funding to support the net cost of operating the theatre.	0.4	-
1.2	(1.2)	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.	1.6	(1.6)
0.2	-	Lighthouse Media Centre The Lighthouse Media Centre is an independent company that develops and supports the creative industries. The council provides grant funding to support the net cost of operating the centre. The Lighthouse Media Centre leases premises within the Chubb Building which is owned by the council.	0.1	-
5.6	(1.7)	i54 The council is party to a joint venture with Staffordshire County Council for the development of i54 at Wobaston Road, Wolverhampton.	10.0*	(0.7)
		Entities in which Councillors have declared an interest:		
13.6	(0.4)	West Midlands Integrated Transport Authority	14.8	(3.6)
6.7	(0.1)	West Midlands Police Authority	6.2	-
3.4	-	West Midlands Fire Service	3.9	-
-	-	Advanced Childcare Limited	3.3	-

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2012/13		Entity and Nature of Relationship	2013/14	
Expenditure £m	Income £m		Expenditure £m	Income £m
0.2	-	City of Wolverhampton College	0.6	-
0.4	-	Wolverhampton Citizens Advice Bureau	0.6	-
0.2	-	Mencap	0.3	-
-	-	Royal Mail	0.3	-
-	-	FBC Manby Bowdler LLP	0.3	-
-	-	Base 25	0.3	-
0.2	(0.2)	North East Wolverhampton Academy (prev. Heath Park)	0.2	(0.2)
0.3	-	All Saints Action Network	0.2	-
-	-	Central Learning Partnership Trust	0.2	(0.3)
-	-	Mid Counties Co-op	0.1	-
-	-	Gazebo Theatre in Education Company Limited	0.1	-
-	-	Perry Hall Academy	-	(0.1)
-	-	Woden Academy	-	(0.1)
-	-	Our Lady and St Chad Catholic Sports College	-	(0.1)
-	-	Smestow School	-	(0.1)
-	-	Wolverhampton Girls High School	-	(0.1)
0.2	-	South Wolverhampton and Bilston Academy	-	-
0.1	-	Black Country Housing Group	-	-
0.1	-	Heath Town Senior Citizens Welfare Project	-	-

\*There is an outstanding balance of £1.6 million payable to the i54.

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### Note 9 – Trust Funds

Wolverhampton City 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.

2012/13			Fund Name and Purpose	2013/14		
Income	Expenditure	Fund Value at 31 March 2013		Income	Expenditure	Fund Value at 31 March 2014
£000	£000	£000		£000	£000	£000
-	-	42	<b>Springfield Reading Room</b> In its capacity as trustee, the council is authorised to apply income in various ways.	-	-	42
-	-	29	<b>Greenway Benefaction</b> Established for the convalescence, enjoyment, pleasure and amusement of poor children of Bradley.	-	-	29
-	-	16	<b>Butler Bequest Music in the Parks</b> To provide music in the parks.	1	-	17
-	-	10	<b>Monica Lloyd</b> To provide assistance with further education.	-	-	10
-	-	25	Other smaller funds	1	-	26
-	-	<b>122</b>	<b>Total</b>	<b>2</b>	-	<b>124</b>

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### Note 10 – Reconciliation of the Financial Statements to the Statutory Accounts

#### 10A – Subjective Analysis of the Surplus or Deficit on the Provision of Services, and Reconciliation to Outturn for the Year

The table below shows the surplus or deficit on the provision of services, as shown in the group comprehensive income and expenditure statement, analysed by the categories of income and expenditure specified by the Code.

2012/13 £m	Category	2013/14 £m
(166.0)	<i>Fees, charges and other service income</i>	(248.0)
(1.1)	<i>Interest and investment income</i>	(4.5)
(93.7)	<i>Income from council tax</i>	(73.2)
(630.7)	<i>Government grants and contributions</i>	(520.8)
294.3	<i>Employee expenses</i>	315.5
515.7	<i>Other service expenses</i>	459.0
114.1	<i>Depreciation, amortisation and impairment</i>	63.1
25.4	<i>Interest payments</i>	31.3
13.4	<i>Precepts and levies</i>	13.3
1.5	<i>Payments to the national housing capital receipts pool</i>	1.8
27.6	<i>Loss or (gain) on the disposal of non-current assets</i>	61.9
<b>100.5</b>	<b><i>Deficit on the provision of services</i></b>	<b>99.4</b>

## 6. THE FINANCIAL STATEMENTS

The following table shows the adjustments needed to get from the surplus or deficit on the provision of services as shown in the Group Comprehensive Income and Expenditure statement, to the surplus or deficit for the year calculated in line with the legal requirements, as shown in the segmental analysis in Note 1.

<b>2012/13</b>		<b>2013/14</b>
<b>£m</b>		<b>£m</b>
100.5	<i>Deficit on the provision of services</i>	99.3
(89.1)	<i>Less: items included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement</i>	(108.5)
(2.3)	<i>Less: Deficit attributable to subsidiaries</i>	(1.9)
<b>9.1</b>	<b><i>Deficit or (surplus) for the year</i></b>	<b>(11.1)</b>

The table below shows the adjustments needed to get from the net cost of services as shown in the Group Comprehensive Income and Expenditure statement, to the surplus or deficit for the year calculated in line with the legal requirements, as shown in the segmental analysis in Note 1.

<b>2012/13</b>		<b>2013/2014</b>
<b>£m</b>		<b>£m</b>
324.3	<i>Net Cost of Services</i>	269.2
(312.9)	<i>Less: items included in the segmental analysis but not included in the Net Cost of Services</i>	(278.3)
(2.3)	<i>Less: Deficit attributable to subsidiaries</i>	(1.9)
<b>9.1</b>	<b><i>Deficit or (surplus) for the year</i></b>	<b>(11.0)</b>

## 6. THE FINANCIAL STATEMENTS

### 10B – Detailed Analysis of Movement in Reserves Statement: 2013/14 Part 1 – Usable Reserves

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance Brought Forward</b>	(15.9)	(61.1)	(5.0)	-	(9.7)	(5.5)	(31.6)	(128.8)
<b>Surplus or Deficit on Provision of Services</b>	112.8	-	(15.4)	-	-	-	-	97.4
<b>Other Comprehensive Income and Expenditure</b>								
Revaluations - Gains and losses	-	-	-	-	-	-	-	-
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	112.8	-	(15.4)	-	-	-	-	97.4
<b>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</b>								
Depreciation, amortisation & impairment of non-current assets	(62.6)	-	(0.5)	-	(21.9)	-	-	(85.0)
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	0.2	-	-	-	-	0.2
Revenue Expenditure Funded from Capital under Statute	(66.1)	-	-	-	-	-	-	(66.1)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(67.3)	-	(7.0)	-	-	-	-	(74.3)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	4.1	-	8.4	-	-	(12.5)	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.3)	-	-	-	-	-	-	(0.3)
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(0.7)	-	-	-	-	-	-	(0.7)

## 6. THE FINANCIAL STATEMENTS

### 2013/14 Part 1 – Usable Reserves (Continued)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Net Charges made for retirement benefits in accordance with IAS 19	(48.3)	-	-	-	-	-	-	(48.3)
Capital Expenditure charged in the year to the General Fund	0.1	-	-	-	-	-	-	0.1
Transfer from UCR to meet payments to Housing Capital Receipts Pool	(1.8)	-	-	-	-	1.8	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	28.6	-	-	-	-	-	-	28.6
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	-	99.5	99.5
Capital grants and contributions unapplied credited to CIES	102.0	-	-	-	-	-	(102.0)	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.9	-	-	-	-	-	-	0.9
Capital Expenditure Financed from UCR	-	-	-	-	-	6.6	-	6.6
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	-	0.3
Revenue provision for the repayment of debt	4.5	-	14.5	-	-	-	-	19.0
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	-	18.4	-	-	18.4
<b>Net Increase/Decrease before Transfers &amp; Other Movements</b>	<b>6.2</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>(3.5)</b>	<b>(4.1)</b>	<b>(2.5)</b>	<b>(3.7)</b>
Transfers to/from other Earmarked Reserves	(17.3)	17.5	(0.2)	-	-	-	-	-
<b>Balance Carried Forward</b>	<b>(27.0)</b>	<b>(43.6)</b>	<b>(5.0)</b>	<b>-</b>	<b>(13.2)</b>	<b>(9.6)</b>	<b>(34.1)</b>	<b>(132.5)</b>

## 6. THE FINANCIAL STATEMENTS

### 2013/14 Part 2 – Unusable Reserves and Reserves of Subsidiary

	Short-term Accumulating Compensated Absences Account	Available-for- sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	Reserves of Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance Brought Forward</b>	6.9	(12.1)	(575.4)	0.5	3.2	551.7	(214.4)	(239.6)	(368.4)	22.8	(345.6)
<b>Surplus or Deficit on Provision of Services</b>	-	-	-	-	-	-	-	-	97.4	1.9	99.3
<b>Other Comprehensive Income and Expenditure</b>											
Revaluations - Gains and losses	-	-	-	-	-	-	(6.8)	(6.8)	(6.8)	-	(6.8)
Amounts recycled (AFS Reserve) to the I&E Account after impairment or derecognition	-	-	-	-	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	(109.6)	-	(109.6)	(109.6)	(16.5)	(126.1)
<b>Total Comprehensive Income and Expenditure</b>	-	-	-	-	-	(109.6)	(6.8)	(116.4)	(19.0)	(14.6)	(33.6)
<b>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</b>											
Depreciation, amortisation & impairment of non-current assets	-	-	78.3	-	-	-	6.7	85.0	-	-	-
Difference between HRA depreciation and Major Repairs Allowance	-	-	-	-	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	-	-	(0.2)	-	-	-	-	(0.2)	-	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	66.1	-	-	-	-	66.1	-	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	37.7	-	-	-	36.6	74.3	-	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	-	-	-	-	-	-	-	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.3	-	-	0.3	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	0.7	-	-	-	0.7	-	-	-



## 6. THE FINANCIAL STATEMENTS

### 2013/14 Part 2 – Unusable Reserves and Reserves of Subsidiary (Continued)

	Short-term Accumulating Compensated Absences Account	Available-for- sale Financial Instruments Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves	TOTAL (Council)	Reserves of Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	48.3	-	48.3	-	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.1)	-	-	-	-	(0.1)	-	-	-
Transfer from UCR to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(28.6)	-	(28.6)	-	-	-
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(99.5)	-	-	-	-	(99.5)	-	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.9)	-	-	-	-	-	-	(0.9)	-	-	-
Capital Expenditure Financed from UCR	-	-	(6.6)	-	-	-	-	(6.6)	-	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-	-
Revenue provision for the repayment of debt	-	-	(19.0)	-	-	-	-	(19.0)	-	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(18.4)	-	-	-	-	(18.4)	-	-	-
<b>Net Increase/Decrease before Transfers &amp; Other Movements</b>	<b>(0.9)</b>	<b>-</b>	<b>38.0</b>	<b>0.7</b>	<b>0.3</b>	<b>(89.9)</b>	<b>36.5</b>	<b>(15.3)</b>	<b>(19.0)</b>	<b>(14.6)</b>	<b>(33.6)</b>
Transfers to/from other Earmarked Reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Balance Carried Forward</b>	<b>6.0</b>	<b>(12.1)</b>	<b>(537.4)</b>	<b>1.2</b>	<b>3.5</b>	<b>461.8</b>	<b>(177.9)</b>	<b>(254.9)</b>	<b>(387.4)</b>	<b>8.2</b>	<b>(379.2)</b>

## 6. THE FINANCIAL STATEMENTS

### 2012/13 Part 1 – Usable Reserves

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m
<b>Balance Brought Forward</b>	(19.5)	(83.6)	(10.5)	(5.2)	(2.3)	(36.1)	(157.2)
<b>Deficit on Provision of Services</b>	107.5	-	(9.3)	-	-	-	98.2
<b>Other Comprehensive Income and Expenditure</b>							
Revaluations - Gains and losses	-	-	-	-	-	-	-
Re-measurements in the pensions reserve	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	107.5	-	(9.3)	-	-	-	98.2
<b>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</b>							
Depreciation, amortisation & impairment of non-current assets	(114.1)	-	-	(22.0)	-	-	(136.1)
Movement in the market value of Investment Properties	-	-	-	-	-	-	-
Revenue Expenditure Funded from Capital under Statute	(61.7)	-	-	-	-	-	(61.7)
Net Gain/Loss on sale of non-current assets (net book value of assets)	(32.1)	-	(4.8)	-	-	-	(36.9)
Net Gain/Loss on sale of non-current assets (disposal proceeds)	4.0	-	5.5	-	(9.0)	-	0.5
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	(0.3)	-	-	-	-	-	(0.3)
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	(0.4)	-	-	-	-	-	(0.4)

## 6. THE FINANCIAL STATEMENTS

### 2012/13 Part 1 – Usable Reserves (Continued)

	General Fund Balance	General Fund Earmarked Reserves	HRA Balance	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£m	£m	£m	£m	£m	£m	£m
Net Charges made for retirement benefits in accordance with IAS 19	(41.5)	-	-	-	-	-	(41.5)
Capital Expenditure charged in the year to the General Fund	0.2	-	-	-	-	-	0.2
Transfer from UCR to meet payments to Housing Capital Receipts Pool	(1.5)	-	-	-	1.5	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	27.2	-	-	-	-	-	27.2
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	-	-	-	117.9	117.9
Capital grants and contributions unapplied credited to CIES	113.4	-	-	-	-	(113.4)	-
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	(0.7)	-	-	-	-	-	(0.7)
Capital Expenditure Financed from UCR	-	-	-	-	4.3	-	4.3
Other income that cannot be credited to the General Fund	0.3	-	-	-	-	-	0.3
Revenue provision for the repayment of debt	25.6	-	14.3	-	-	-	39.9
Use of Major Repairs Allowance to Finance Capital Spend	-	-	-	17.5	-	-	17.5
<b>Net Increase/Decrease before Transfers &amp; Other Movements</b>	<b>25.9</b>	<b>-</b>	<b>5.7</b>	<b>(4.5)</b>	<b>(3.2)</b>	<b>4.5</b>	<b>28.4</b>
Transfers from/to other Reserves	(22.3)	22.5	(0.2)	-	-	-	-
<b>Balance Carried Forward</b>	<b>(15.9)</b>	<b>(61.1)</b>	<b>(5.0)</b>	<b>(9.7)</b>	<b>(5.5)</b>	<b>(31.6)</b>	<b>(128.8)</b>

## 6. THE FINANCIAL STATEMENTS

### 2012/13 Part 2 – Unusable Reserves and Reserves of Subsidiary

	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	Reserves of Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance Brought Forward</b>	<b>6.2</b>	<b>(12.1)</b>	<b>(603.8)</b>	<b>0.1</b>	<b>2.9</b>	<b>443.4</b>	<b>(275.2)</b>	<b>(438.5)</b>	<b>12.6</b>	<b>(583.1)</b>
<b>Surplus or Deficit on Provision of Services</b>	-	-	-	-	-	-	-	-	<b>2.3</b>	<b>100.5</b>
<b><u>Other Comprehensive Income and Expenditure</u></b>										
Revaluations - Gains and losses	-	-	-	-	-	-	35.1	<b>35.1</b>	-	<b>35.1</b>
Actuarial Gain/Loss in the pensions reserve	-	-	-	-	-	94.0	-	<b>94.0</b>	7.9	<b>101.9</b>
<b>Total Comprehensive Income and Expenditure</b>	-	-	-	-	-	<b>94.0</b>	<b>35.1</b>	<b>129.1</b>	<b>10.2</b>	<b>237.5</b>
<b><u>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</u></b>										
Depreciation, amortisation & impairment of non-current assets	-	-	121.9	-	-	-	14.2	<b>136.1</b>	-	-
Movement in the market value of Investment Properties	-	-	-	-	-	-	-	-	-	-
Revenue Expenditure Funded from Capital under Statute	-	-	61.7	-	-	-	-	<b>61.7</b>	-	-
Net Gain/Loss on sale of non-current assets (net book value of assets)	-	-	25.4	-	-	-	11.5	<b>36.9</b>	-	-
Net Gain/Loss on sale of non-current assets (disposal proceeds)	-	-	(0.5)	-	-	-	-	<b>(0.5)</b>	-	-
Difference between statutory debit/credit and amount recognised as income and expenditure in respect of financial instruments	-	-	-	-	0.3	-	-	<b>0.3</b>	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	-	-	-	0.4	-	-	-	<b>0.4</b>	-	-

## 6. THE FINANCIAL STATEMENTS

### 2012/13 Part 2 – Unusable Reserves and Reserves of Subsidiary (Continued)

	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	Reserves of Subsidiary	TOTAL (Group)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net Charges made for retirement benefits in accordance with IAS 19	-	-	-	-	-	41.5	-	41.5	-	-
Capital Expenditure charged in the year to the General Fund	-	-	(0.2)	-	-	-	-	(0.2)	-	-
Transfer from UCR to meet payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	-	-	-	-	-	(27.2)	-	(27.2)	-	-
Application of Capital Grants and Contributions to capital financing transferred to the CAA	-	-	(117.9)	-	-	-	-	(117.9)	-	-
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-	-	-
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	0.7	-	-	-	-	-	-	0.7	-	-
Capital Expenditure Financed from UCR	-	-	(4.3)	-	-	-	-	(4.3)	-	-
Other income that cannot be credited to the General Fund	-	-	(0.3)	-	-	-	-	(0.3)	-	-
Revenue provision for the repayment of debt	-	-	(39.9)	-	-	-	-	(39.9)	-	-
Use of Major Repairs Allowance to Finance Capital Spend	-	-	(17.5)	-	-	-	-	(17.5)	-	-
<b>Net Increase/Decrease before Transfers &amp; Other Movements</b>	<b>0.7</b>	<b>-</b>	<b>28.4</b>	<b>0.4</b>	<b>0.3</b>	<b>108.3</b>	<b>60.8</b>	<b>198.9</b>	<b>10.2</b>	<b>237.5</b>
Transfers to/from other Earmarked Reserves								-	-	-
<b>Balance Carried Forward</b>	<b>6.9</b>	<b>(12.1)</b>	<b>(575.4)</b>	<b>0.5</b>	<b>3.2</b>	<b>551.7</b>	<b>(214.4)</b>	<b>(239.6)</b>	<b>22.8</b>	<b>(345.6)</b>

## 6. THE FINANCIAL STATEMENTS

### 10C – Description of Reserves

Name of Reserve	Description
<b>Usable Reserves</b>	
<b>Revenue</b>	
General Fund Balance	The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, and out of which all liabilities of the authority 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.
Earmarked Reserves	Earmarked Reserves represent amounts that the council has chosen to set aside to fund specific items of expenditure in the future. The most significant earmarked reserves are the Efficiency Reserve (£5.4 million), the Insurance Reserve (£3.3 million), the Job Evaluation Reserve (£2.6 million) and the FutureWorks Reserve (£2.4 million). A detailed breakdown is provided below.
<b>Capital</b>	
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.

## 6. THE FINANCIAL STATEMENTS

Name of Reserve	Description
<b>Unusable Reserves</b>	
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 and gains recognised on donated assets that have yet to be consumed by the council. 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.

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



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### Transfers to/from Earmarked Reserves

The table below provides a breakdown of the transfers to/from earmarked reserves as detailed in the Movement in Reserves Statement

Balance at 31 March 2012 £m	Net Movement 2012/13 £m	Balance at 31 March 2013 £m	Specific Reserve	Balance at 31 March 2013 £m	Net Movement 2013/14 £m	Balance at 31 March 2014 £m
19.5	(3.6)	15.9	<b>General Fund Balance</b>	15.9	(6.1)	27.0
			<b>General Fund Earmarked Reserves Community</b>			
0.3	(0.3)	-	Additional Learning Disability Funding Reserve	-	-	-
0.3	(0.3)	-	Adult Services Learning Disabilities Budget Pressures Reserve	-	-	-
0.1	-	0.1	Adult Services Market Plaza Reserve	0.1	(0.1)	-
0.1	0.9	1.0	Adult Services Residential & Nursing Reserve	1.0	(1.0)	-
-	-	-	Building Resilience Reserve - Community	-	-	-
0.1	0.1	0.2	HRA Homelessness	0.1	-	0.1
0.2	0.1	0.3	Library Equipment	0.2	(0.1)	0.1
0.8	(0.8)	-	Learning Disability Continuing Healthcare Pressures Reserve	-	-	-
-	-	-	Looked After Children Transformation Reserve	-	0.3	0.3
-	-	-	Public Health	-	2.7	2.7
-	0.1	0.1	Social Inclusion IT Reserve	0.1	(0.1)	-
0.2	(0.1)	0.1	Sport and Recreation Leisure Trust Reserve	0.1	(0.1)	-
0.1	(0.1)	-	Tettenhall Wood Short Break Provision Reserve	-	-	-
0.1	(0.1)	-	Third Sector Development	0.1	(0.1)	-
0.1	-	0.1	Troubled Families	0.1	(0.1)	-
-	0.1	0.1	Troubled Families Programme	0.1	-	0.1
0.1	-	0.1	Voluntary Sector Employment Support	0.1	(0.1)	-
0.6	(0.6)	-	Winter Pressures Reserve	0.1	(0.1)	-
0.3	(0.1)	0.2	Youth Cafe Reserve	0.3	(0.1)	0.2
-	0.1	0.1	Youth Offending IT Reserve	0.1	-	0.1
0.3	-	0.3	Youth Zone	0.3	(0.1)	0.2
0.1	(0.2)	(0.1)	Reserves less than £0.1million	(0.2)	0.1	(0.1)
<b>3.8</b>	<b>(1.2)</b>	<b>2.6</b>	<b>Community Sub Total</b>	<b>2.6</b>	<b>1.1</b>	<b>3.7</b>

## 6. THE FINANCIAL STATEMENTS

Balance at 31 March 2012 £m	Net Movement 2012/13 £m	Balance at 31 March 2013 £m	Specific Reserve	Balance at 31 March 2013 £m	Net Movement 2013/14 £m	Balance at 31 March 2014 £m
			<b>Education and Enterprise</b>			
-	0.1	<b>0.1</b>	Apprenticeship Scheme Reserve	0.1	-	<b>0.1</b>
-	-	-	Art Gallery Touring Exhibitions Reserve	-	-	-
-	-	-	Building Control Account	-	-	-
0.1	-	<b>0.1</b>	Building Control Service Improvements	0.1	-	<b>0.1</b>
1.6	(1.0)	<b>0.6</b>	Building Schools for the Future Reserve (BSF)	0.6	(0.6)	-
0.1	-	<b>0.1</b>	Economic Development Reserve	0.1	0.1	<b>0.2</b>
0.1	-	<b>0.1</b>	Leisure Funds and Bequests Reserve	-	-	-
-	-	-	Licensing Reserve	-	0.1	<b>0.1</b>
0.5	0.2	<b>0.7</b>	Pupil Referral Units Reserve	0.7	0.2	<b>0.9</b>
1.2	(0.2)	<b>1.0</b>	Regeneration Reserve	1.0	0.9	<b>1.9</b>
21.2	(3.6)	<b>17.6</b>	Schools Balances	17.6	(1.6)	<b>16.0</b>
0.5	(0.5)	-	School Improvement Partnership Reserve	-	-	-
1.0	(0.7)	<b>0.3</b>	School Service Level Agreements Reserve (SLA)	0.3	(0.3)	-
0.1	-	<b>0.1</b>	Schools Arts Service Reserve	0.1	-	<b>0.1</b>
0.2	-	<b>0.2</b>	Showell Road Travellers Site Reserve	0.2	-	<b>0.2</b>
-	-	-	Showell Road Travellers Site - Residents Deposits	-	-	-
4.4	(0.5)	<b>3.9</b>	Southside Reserve	4.0	(3.2)	<b>0.8</b>
0.1	-	<b>0.1</b>	Surface Water Management Plan Reserve	0.1	(0.1)	-
0.3	(0.2)	<b>0.1</b>	Voluntary Sector and Community Partnership Reserve	0.2	-	<b>0.2</b>
0.2	(0.1)	<b>0.1</b>	Reserves less than £0.1million	-	-	-
<b>31.6</b>	<b>(6.5)</b>	<b>25.1</b>	<b>Education and Enterprise Sub Total</b>	<b>25.1</b>	<b>(4.5)</b>	<b>20.6</b>

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Balance at 31 March 2012 £m	Net Movement 2012/13 £m	Balance at 31 March 2013 £m	Specific Reserve	Balance at 31 March 2013 £m	Net Movement 2013/14 £m	Balance at 31 March 2014 £m
			<b>Office of the Chief Executive and Delivery</b>			
0.1	-	<b>0.1</b>	Cemeteries and Crematorium Reserve	0.1	0.1	<b>0.2</b>
0.1	-	<b>0.1</b>	Cemeteries Surplus Reserve	0.1	(0.1)	-
0.1	-	<b>0.1</b>	Corporate Advertising Reserve	0.1	(0.1)	-
-	-	-	Crematorium Environmental Reserve	-	-	-
0.2	0.1	<b>0.3</b>	Energy Efficiency Reserve	0.3	0.2	<b>0.5</b>
0.1	-	<b>0.1</b>	Feasibility Study Civic Centre Car Park Reserve	0.1	(0.1)	-
0.1	-	<b>0.1</b>	Furniture Reserve	0.1	-	<b>0.1</b>
4.4	(0.3)	<b>4.1</b>	Insurance Reserve	4.1	(0.7)	<b>3.4</b>
-	-	-	Markets Reserve	-	-	-
-	-	-	Transformation Reserve	-	0.9	<b>0.9</b>
<b>5.1</b>	<b>(0.2)</b>	<b>4.9</b>	<b>OCE and Delivery Sub Total</b>	<b>4.9</b>	<b>0.2</b>	<b>5.1</b>
			<b>Corporate</b>			
-	-	-	Blocks 10 & 11 Treasury Management Reserve	-	0.8	<b>0.8</b>
3.0	-	<b>3.0</b>	Budget Contingency Reserve	3.0	(2.5)	<b>0.5</b>
1.0	(1.0)	-	Budget 2012/13 Support Reserve	-	-	-
20.0	(20.0)	-	Budget Future Years Support	-	-	-
3.5	2.9	<b>6.4</b>	Efficiency Reserve	6.4	(0.9)	<b>5.5</b>
0.6	(0.3)	<b>0.3</b>	Jennie Lee Centre Disposal Reserve	0.4	(0.2)	<b>0.2</b>
4.2	3.1	<b>7.3</b>	Job Evaluation Reserve	7.3	(4.7)	<b>2.6</b>
0.4	(0.1)	<b>0.3</b>	Local Strategic Partnership Reserve	0.3	(0.2)	<b>0.1</b>
0.5	-	<b>0.5</b>	Professional Support and Advice Reserve	0.5	(0.5)	-
4.2	(0.4)	<b>3.8</b>	Revenue Grants Unapplied (IFRS) Reserve	3.7	(1.8)	<b>1.9</b>
5.7	0.9	<b>6.6</b>	FutureWorks Reserve	6.6	(4.2)	<b>2.4</b>
-	0.3	<b>0.3</b>	Systems Thinking and Lean Interventions	0.3	(0.3)	-
-	-	-	Reserves less than £0.1million	-	0.2	<b>0.2</b>
<b>43.1</b>	<b>(14.6)</b>	<b>28.5</b>	<b>Corporate Sub Total</b>	<b>28.5</b>	<b>(14.3)</b>	<b>14.2</b>
<b>83.6</b>	<b>(22.5)</b>	<b>61.1</b>	<b>Total General Fund Earked Reserves</b>	<b>61.1</b>	<b>(17.5)</b>	<b>43.6</b>

## 6. THE FINANCIAL STATEMENTS

### Note 11 – Accounting Policies

#### Note 11A – Accounting Policies Applying to these Statements

##### 1. General Principles

The Statement of Accounts summarises the council's transactions for the 2013/14 financial year and its position at 31 March 2014. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS). These policies have been applied consistently throughout the year. These accounts have been prepared on a going concern basis.

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. Accruals of Income and Expenditure

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

- Revenue from the 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.

## 6. THE FINANCIAL STATEMENTS

- 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 receivable or payable for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.
- Manual Accruals are only processed for amounts of £10,000 or more. Except where the expenditure is by schools or funded directly from external grants.

### 3. 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.

### 4. 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.

### 5. 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.

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### 6. 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.

### 7. 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 Short-term Accumulating Compensated 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 council can no longer withdraw the offer of those benefits or when the council recognises the costs of the restructure.

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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 two separate pension schemes:

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

### **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;

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- 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;



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- 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.

### 8. 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 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.

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### 9. 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.

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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 derecognition 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.

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).

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Any gains and losses that arise on the derecognition 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.

### 10. Foreign Currency Translation

Where the council entered into a transaction denominated in a foreign currency, the transaction was converted into sterling at the exchange rate applicable on the date the transaction was effective.

### 11. 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 payables. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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### 12. 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 would not be capitalised if the website were 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.

### 13. 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.

### 14. Inventories

Inventories are included on the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

### 15. 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.

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Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued 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 posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **16. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### **17. 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

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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 (debited 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 receivable) 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 receivable (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

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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 receivable. 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).

### 18. 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 (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.

### 19. 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.



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

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

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

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

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

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH);
- All other assets - fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value.

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Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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.

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**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**

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 (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) 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.

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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.

### **20. Private Finance Initiative (PFI) and Similar Contracts**

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

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

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

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost - an interest charge on the outstanding Balance Sheet liability, debited 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, debited 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 - 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 – credited to the Comprehensive Income and Expenditure Statement, reflecting the extent to which the asset and the service are financed by third party income.

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### 21. 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.

### 22. 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 to score 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.

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### 23. 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.

### 24. Value Added Tax

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

### 25. 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 Assistant Director Finance, Civic Centre, Wolverhampton, WV1 1RL.

### 26. 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 fair 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.

### 27. 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 its introductory phase which will last until 31 March 2014. 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

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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 reporting 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 11B – Changes in Accounting Policies from Last Year

In accordance with the Code, the council has adopted the amendments to IAS 19 Employee Benefits and restated 2012/13 accounts.

A reconciliation of prior year amounts to the restated amounts within the Group Comprehensive Income and Expenditure Statement is shown below. It has no impact on the total comprehensive income and expenditure.

<b>Comprehensive Income and Expenditure Statement (Group)</b>	<b>2012/13 Net Expenditure £m</b>	<b>Adjustment</b>	<b>Restated 2012/13 Net Expenditure £m</b>
<i>Non-Distributed Costs</i>	(2.5)	1.1	(1.4)
<b>Net Cost of Services</b>	<b>323.2</b>		<b>324.3</b>
<i>Pensions Interest Cost and Expected Return on Pensions Assets</i>	14.0	(14.0)	-
<i>Net Interest Expense</i>	-	21.7	21.7
<b>Deficit on the Provision of Services</b>	<b>91.7</b>		<b>100.5</b>
<i>Actuarial (Gains) and Losses on Pension Assets and Liabilities</i>	110.7	(110.7)	-
<i>Re-measurements</i>	-	101.9	101.9
<b>Total Comprehensive Income and Expenditure</b>	<b>237.5</b>		<b>237.5</b>

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The council has not adopted the amendments to IAS 1 Presentation of Financial Statements (Issued in 2011), as it does not have such transactions that are re-classifiable to the Surplus or Deficit on the Provision of Services. Therefore, the items in Other Comprehensive Income and Expenditure have not been grouped into amounts that may be reclassifiable and amounts that are not.

### **Note 11C – 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.

The council is the main funder of the Grand Theatre, and in practice bears the risk of the Theatre going into overall deficit. However, it has been determined that the transactions and balances of the theatre company are not material to the council's accounts, and it has therefore 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 International Airport. However, it has been determined that the council does not have the power to influence or control the airport, and it has therefore not been consolidated in the Group Accounts.

#### **Private Finance Initiative (PFI) Contracts**

The council provides services via private sector partners under a PFI or PFI-type contract in three areas: Waste Management, Bentley Bridge Leisure Centre, and Highfields and Penn Fields School. In all three cases, it has been determined that the council controls the use of the relevant non-current assets such that they are recognised as assets of the council, and a corresponding liability has been recognised in the council's accounts.



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### **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 belonging to Voluntary Aided Schools**

The council owns land on which a number of voluntary aided schools have, with its consent, placed buildings. The 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 belonging to Academy Schools**

When an agreement in principle has been made for a school to convert to Academy status on a long term lease the lease is classified as a finance lease, since substantially all associated risks and rewards of ownership of the asset have been transferred. 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.

### **Accounting for the Voluntary Redundancy Programme**

The council undertook a voluntary redundancy exercise during 2013/14, 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 in 2013/14 where it seemed likely that approval would be given and a redundancy would result.

### **Business Rates**

As part of the changes to business rates retention, commencing 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.

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### Note 11D – 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. However, because balances 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 2014 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 pensions 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 £21.0m	<i>Decrease of £23.4m</i>
Salary Inflation 0.1% p.a. higher	Increase of £21.3m	<i>Increase of £23.8m</i>
Pay Growth 0.1% p.a. higher	Increase of £4.8m	<i>Increase of £5.7m</i>
Life expectancy of scheme members 1 year higher	Increase of £23.8m	<i>Increase of £25.9m</i>

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### Property, Plant and Equipment

In accordance with the requirements of the Code, the council re-values its property, plant and equipment assets on a five-yearly cyclical basis. As a result, it always carries a number of such assets at values which are not recent, but which are nonetheless assumed to be materially correct.

### Note 11E – Accounting Standards Issued but Not Yet Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

- In accordance with the Code, the council has not adopted IFRS 13 Fair Value Measurement, which has been deferred until 2014/15. IFRS 13 aims to provide a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The application of this standard to local government assets and liabilities will be considered in detail in the development of the 2014/15 Code.
- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The largest subsidiary of the council is Wolverhampton Homes Limited, which is already consolidated into the group accounts. From 2014/15 Yoo recruit, the council's new recruitment agency, will be consolidated into the accounts, assuming the transactions are material.
- IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The council has no material joint venture arrangements.
- IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The council has a number of arrangements with other entities under IFRS12.
- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
- IAS 32 Financial Instruments Presentation – The Code refers to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified in the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

## 7. THE HOUSING REVENUE ACCOUNT STATEMENTS

### Housing Revenue Account Income and Expenditure Statement

2012/13 £m		Notes	2013/14 £m
(83.0)	Gross Rents - Dwellings		(88.9)
(1.6)	Gross Rents - Non Dwellings		(1.6)
(5.0)	Charges to Tenants for Services and Facilities		(5.0)
-	Contributions		-
<b>(89.6)</b>	<b>Total Income</b>		<b>(95.5)</b>
26.1	Repairs and Maintenance		25.9
17.3	Supervision and Management		18.4
0.2	Rents, Rates and Taxes		0.4
0.6	Increase in Allowance for Bad Debts		0.9
22.6	Depreciation of Property, Plant and Equipment	<b>H1</b>	21.9
<b>66.8</b>	<b>Total Expenditure</b>		<b>67.5</b>
<b>(22.8)</b>	<b>Net Cost of HRA Services as Included in Council Comprehensive Income and Expenditure Statement</b>		<b>(28.0)</b>
0.2	HRA Share of Corporate and Democratic Core		0.2
<b>(22.6)</b>	<b>Net Cost of HRA Services</b>		<b>(27.8)</b>
(0.7)	(Gain) on Sale of Property, Plant and Equipment		-
-	(Gain) on the Fair Value of Investment Assets		(0.2)
14.2	Interest Payable		13.4
-	Premiums and Discounts		-
(0.2)	Interest and Investment Income		(0.1)
<b>(9.3)</b>	<b>Surplus for the Year</b>		<b>(14.7)</b>

## 7. THE HOUSING REVENUE ACCOUNT STATEMENTS

### Movement on the Housing Revenue Account Balance Statement

2012/13 £m		Notes	2013/14 £m
(10.5)	<b>Opening HRA Balance</b>		(5.0)
	(Increase)/Decrease in the HRA balance for the year analysed between:		
(9.3)	- (Surplus) for the year on the Income and Expenditure Account		(14.9)
14.8	- Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year	<b>H3</b>	14.9
<b>5.5</b>	<b>(Increase)/Decrease in the HRA balance for the year</b>		-
(5.0)	<b>Closing HRA Balance</b>		(5.0)

## 7. THE HOUSING REVENUE ACCOUNT STATEMENTS

### Notes to the Housing Revenue Account Statements

#### Note H1 – Depreciation

2012/13 £m		2013/14 £m
21.9	Council Dwellings	21.9
0.5	Other Land and Buildings	0.2
0.2	Vehicles, Plant, Furniture and Equipment	0.2
<b>22.6</b>	<b>Total Depreciation Charge for the Year</b>	<b>22.3</b>

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 – Impairment

There were no impairments in 2013/14 or 2012/13.

## 7. THE HOUSING REVENUE ACCOUNT STATEMENTS

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

2012/13 £m		Note	2013/14 £m
14.8	<b>Net additional amount required to be debited or credited to the HRA Balance</b>		14.9
	Comprising:		
	<b>Amounts included in the Income and Expenditure Account but not in the HRA Balance</b>		
0.7	- Net Gain on Sale of Property, Plant and Equipment		-
	- Net Gain / (Loss) on the Fair Value of Investment Assets		0.2
0.7	<b>Subtotal</b>		0.2
	<b>Amounts not in the Income and Expenditure Account but included in the HRA Balance</b>		
-	- HRA Share of Contribution to Pension Reserve	H4	0.2
14.3	- Amount Set Aside for the Repayment of Debt		14.5
(0.2)	- Transfer to/(from) Earmarked Reserves		-
14.1	<b>Subtotal</b>		14.7
14.8	<b>Total</b>		14.9

### Note H4 – Contribution to the Pension Reserve

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

## 7. THE HOUSING REVENUE ACCOUNT 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 2013		31 March 2014
5,032	Low Rise Flats	4,995
3,016	Medium Rise Flats	2,991
2,119	High Rise Flats	2,120
13,127	Houses and Bungalows	12,987
<b>23,294</b>	<b>Total Dwellings Owned by the Council</b>	<b>23,093</b>
14	Homeless Dwellings (Leased)	14
<b>23,308</b>		<b>23,107</b>

### 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 2013 £m		31 March 2014 £m
687.8	- Council Dwellings	702.0
9.5	- Other Land and Buildings	10.0
0.2	- Vehicles, Plant, Furniture and Equipment	0.1
0.7	- Intangible Assets	0.5
<b>698.2</b>	<b>Total Property, Plant and Equipment</b>	<b>712.6</b>



## 7. THE HOUSING REVENUE ACCOUNT STATEMENTS

### Note H7 – The Vacant Possession Value of Dwellings

The vacant possession value of the stock of dwellings at 31 March 2014 (at 1 April 2010 prices) amounted to £2,064.7 million (31 March 2013: £2,022.9 million). The value of dwellings shown on the Balance Sheet is the existing use value (social housing), which is 34% 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.

2012/13 £m	Sources of Funding	2013/14 £m
(1.4)	- Borrowing	(11.1)
(1.3)	- Usable Capital Receipts	(1.8)
(17.5)	- Major Repairs Reserve	(18.3)
(20.7)	- Government and EU Grants	(11.9)
(0.5)	- Other Grants and Contributions	-
<b>(41.4)</b>	<b>Total Capital Expenditure</b>	<b>(43.1)</b>

Capital receipts generated during 2013/14 from the disposal of HRA assets are detailed in the following table.

2012/13 £m	Sources of Funding	2013/14 £m
(4.7)	Sale of Council Houses (Right-to-Buy)	(8.0)
(0.8)	Sale of Other Land and Buildings	(0.4)
<b>(5.5)</b>	<b>Total Capital Receipts</b>	<b>(8.4)</b>

## 7. THE HOUSING REVENUE ACCOUNT STATEMENTS

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

2012/13 £m		2013/14 £m
(1.5)	Paid over to Government	(1.8)
(4.0)	Available to Finance Capital Expenditure	(6.6)
<b>(5.5)</b>	<b>Total Capital Receipts</b>	<b>(8.4)</b>

### Note H9 – Rent Arrears

During 2013/14, total rent arrears increased by £300,000 (16.7%). Within total rent arrears, current tenants' arrears as a proportion of gross rental income increased from 1.2% to 1.3%. The comparative total figures are shown in the following table.

31 March 2013 £m		31 March 2014 £m
1.0	Current Tenants	1.2
0.8	Former Tenants	0.9
<b>1.8</b>	<b>Total Arrears</b>	<b>2.1</b>

An allowance is maintained for these debts. The table below details the movement in the year.

2012/13 £m		2013/14 £m
1.5	<b>Allowance for Bad and Doubtful Debts Brought Forward</b>	<b>1.5</b>
(0.5)	Amounts Written Off during the Year	(0.4)
0.5	Increase in Allowance Charged to the HRA during the Year	0.5
<b>1.5</b>	<b>Allowance for Bad and Doubtful Debts Carried Forward</b>	<b>1.6</b>

## 7. THE HOUSING REVENUE ACCOUNT STATEMENTS

### 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.

2012/13 £m		2013/14 £m
(5.2)	<b>Balance Brought Forward</b>	(9.6)
(21.9)	Transfer of MRA from the Capital Adjustment Account	(21.9)
17.5	Capital Expenditure on Land and Property in the HRA	18.3
(9.6)	<b>Balance Carried Forward</b>	(13.2)

## 8. THE COLLECTION FUND STATEMENT

### The Collection Fund Statement

2012/13 £m		Note	2013/14 £m
-	<b>Deficit Brought Forward</b>		<b>0.6</b>
	<b>Income</b>		
(78.1)	Council Tax	<b>C1</b>	(83.4)
(27.1)	Transfers from General Fund: Council Tax Benefits		-
(72.1)	Non Domestic Rates	<b>C2</b>	(75.9)
-	Grant Income		(1.0)
<b>(177.3)</b>	<b>Total Income</b>		<b>(160.3)</b>
	<b>Expenditure</b>		
	Precepts and Demands		
94.3	Wolverhampton City Council		73.3
7.1	West Midlands Police		5.7
3.4	West Midlands Fire and Civil Defence		2.9
<b>104.8</b>			<b>81.9</b>
	Non Domestic Rates		
70.0	Payments to National Pool		-
-	Central Government		35.5
-	West Midlands Fire and Civil Defence		0.7
-	Wolverhampton City Council		35.2
0.4	Cost of Collection Allowance		0.3
<b>70.4</b>			<b>71.7</b>

## 8. THE COLLECTION FUND STATEMENT

2012/13 £m		Note	2013/14 £m
	Distribution of Council Tax Surplus		
-	Wolverhampton City Council		0.2
-	West Midlands Police		-
-	West Midlands Fire and Civil Defence		-
	Distribution of Business Rates Surplus/(Payment of Deficit)		
-	Wolverhampton City Council		-
-	Central Government		-
-	West Midlands Fire and Civil Defence		-
	Allowance for Bad and Doubtful Debts		
0.9	Council Tax		1.1
1.8	Non Domestic Rates		2.6
<b>2.7</b>	<b>Total Allowance for Bad and Doubtful Debts</b>		<b>3.7</b>
-	Provision for appeals		4.2
	5 year spread adjustment		(2.7)
<b>177.9</b>	<b>Total Expenditure</b>		<b>159.0</b>
<b>0.6</b>	<b>Deficit/(surplus) for the Year</b>		<b>(1.3)</b>
<b>0.6</b>	<b>Deficit/(surplus) Carried Forward</b>		<b>(0.7)</b>

## 8. THE COLLECTION FUND STATEMENT

### Notes to the Collection Fund Statement

#### Note C1 – The Council Tax Base

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

Band	Total Number of Chargeable Dwellings after Effect of Discount	Ratio	Band D Equivalent Dwellings	Council Tax (Single Person Household)	Council Tax (Multiple Occupancy)
				£	£
A Disabled	91	5/9	51	614	818
A	46,797	6/9	31,198	736	981
B	20,375	7/9	15,847	859	1,145
C	14,254	8/9	12,670	981	1,308
D	5,675	9/9	5,675	1,104	1,472
E	2,685	11/9	3,282	1,349	1,799
F	1,531	13/9	2,210	1,595	2,126
G	787	15/9	1,311	1,840	2,453
H	83	18/9	167	2,208	2,944
	<b>92,278</b>		<b>72,411</b>		
Add: Additional Band D Equivalent Dwellings from removing 50% Council Tax Discount for owners of long term void homes			13		
Add: Reliefs and deletions			113		
Less: Allowance for collection difficulties (98.75%)			(906)		
<b>Total Band D Tax Base</b>			<b>71,631</b>		

## 8. THE COLLECTION FUND STATEMENT

### **Note C2 – National Non-Domestic Rates**

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

In 2013/14 the administration of NNDR changed following the introduction of business rates retention. Instead of paying NNDR into a central pool, 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.

The total non-domestic rateable value was £190.3 million as at 31 March 2014 (£190.5 million as at 31 March 2013). The national multipliers for 2013/14 were 46.2p for qualifying small businesses, and the standard multiplier was 47.1p for all other businesses (45.0p and 45.8p respectively in 2012/13).

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Fund Account

2012/13 £m		Note	2013/14 £m
	<b>Contributions &amp; Benefits</b>		
410.9	Contributions Receivable	<b>P7</b>	419.3
22.6	Transfers In	<b>P8</b>	11.3
16.2	Other Income	<b>P9</b>	16.2
<b>449.7</b>	<b>Total contributions and other income</b>		<b>446.8</b>
445.1	Benefits Payable	<b>P10</b>	472.4
15.8	Payments to and on account of leavers	<b>P11</b>	23.0
0.2	Other Payments		0.3
5.3	Administration Expenses	<b>P12</b>	5.0
<b>466.4</b>	<b>Total benefits and other expenditure</b>		<b>500.7</b>
<b>(16.7)</b>	<b>Net additions from dealings with members</b>		<b>(53.9)</b>
	Returns on Investments		
136.8	Investment Income	<b>P15</b>	134.8
846.0	Changes in Value of Investments		85.4
97.7	Profit and Losses on Disposal of Investments		103.0
(11.3)	Investment Management Expenses	<b>P12</b>	(11.2)
<b>1,069.2</b>	<b>Net return on investments</b>		<b>312.0</b>
<b>1,052.5</b>	<b>Net increase in the Fund during the year</b>		<b>258.1</b>
<b>8,833.8</b>	<b>Net Assets of the Fund at the beginning of the year</b>		<b>9,886.3</b>
<b>9,886.3</b>	<b>Net Assets of the Fund at the end of the year</b>		<b>10,144.4</b>



## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Net Assets Statement

31 March 2013 £m		Note	31 March 2014 £m
	<b>Investment Assets (at Market Value)</b>	<b>P16</b>	
173.9	Fixed Interest Securities		171.3
943.5	UK Equities		971.3
2,072.5	Overseas Equities		3,155.9
5,729.4	Pooled Investment Vehicles		4,908.2
567.6	Property		629.8
82.9	Foreign Currency Holdings		42.2
241.1	Cash Deposits		211.6
-	Other Investments assets		-
15.4	Outstanding dividend entitlement and recoverable with-holding tax		4.9
<b>9,826.3</b>	<b>Investment Assets</b>		<b>10,095.2</b>
	Investment Liabilities (at Market Value)	<b>P16</b>	
(0.1)	Other Investments liabilities		(3.3)
<b>(0.1)</b>	<b>Investment Liabilities</b>		<b>(3.3)</b>
<b>9,826.2</b>	<b>Net Investment Assets</b>		<b>10,091.9</b>
<b>73.2</b>	<b>Current Assets</b>	<b>P19</b>	<b>71.1</b>
<b>(13.1)</b>	<b>Current Liabilities</b>	<b>P20</b>	<b>(18.6)</b>
<b>9,886.3</b>	<b>Net Assets of the Fund at the end of the year</b>		<b>10,144.4</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, 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 West Midlands Pension Fund is administered by Wolverhampton City Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund.

The City Council Pensions Committee administers the Pension Fund function. It meets at approximately quarterly intervals, and has members from each of the seven Metropolitan District Councils in the West Midlands Region. An Investment Advisory Sub-Committee and a Joint Consultative Panel have been established to deal with the two areas of management and administration of the Fund.

The fund is administered under the rules of the Local Government Pension Scheme as set out in the Local Government Pension Scheme Regulations. This includes:

- (i) the LGPS (Benefits, Membership and Contribution) Regulations 2007 (as amended);
- (ii) the LGPS (Administration) Regulations 2008 (as amended); and
- (iii) the LGPS (Management and Investment of Funds) Regulations 2009.
- (iv) The Local Government Pension Scheme Regulations 2013

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contribution) Regulations 2007 and range from 5.5% and 7.5% of pensionable pay for the financial year ending 31 March 2014. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employer contribution rates during 2013/14 ranged from 2.7% to 27.8% of pensionable pay.

The Fund's Statement of Investment Principles (SIP) can be found in the Annual Report and on the fund's website: [www.wmpfonline.com](http://www.wmpfonline.com).

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### **Note P2 - Basis of Preparation**

The Statement of Accounts summarises the fund's transactions for the 2013/14 financial year and its position at the year-end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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 P5 of these accounts.

### **Note P3 - Statement of Accounting Policies**

#### **Note P3A - Inclusion of Income and Expenditure**

##### 1. Membership of the Fund

Membership of the Fund is available for 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.

##### 2. 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 P8).

##### 3. Contribution Income

Contributions receivable have been included in the accounts on the accruals basis at the rates set out in Notes P1 and P5 for basic contributions. Additional contributions as notified by employers for the period have also been included.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

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

### 4. 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 2014, calculated in accordance with the Local Government Pension Scheme Regulations (see Notes P8 and P11). They are accounted for when trustees of the receiving scheme have agreed to accept the transfer.

### 5. Investment 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.

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.

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.

Property-related income - consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as in integra 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.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### 6. Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2014 relating to the financial year 2013/14.

### 7. Foreign Currency Transactions

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 2014.

### **Note P3B - Valuation of Investments**

The market values of investments as shown in the net assets statement have been determined as follows:-

#### 1. Quoted Securities

Securities have been valued at the bid-market price ruling on 31 March 2014 where a quotation was available on a recognised stock exchange or unlisted securities market.

#### 2. Unquoted Securities

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 report has not been received from the fund manager the security is valued at cost.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### 3. Pooled Investment Vehicles

Pooled Investment Vehicles are stated at the bid-point of the latest prices quoted or the latest single market prices. In the case of the pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

### 4. 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 2014. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. The valuation undertaken at 31 March 2014 was therefore one third full valuation, and the remaining two thirds desktop valuations. Agricultural properties were valued by Savills Plc, Agricultural Valuers at the same date.

### 5. Foreign Currencies

Investments held in foreign currencies have been valued as set out in paragraphs P3B1 to P3B2 above and translated at exchange rates ruling at 31 March 2014.

### 6. 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 market value of investment.

### **Note P3C - 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.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### **Note P3D - 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.

### **Note P3E - Investment and Administration Expenses**

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 performance related fees totalled £1.3 million in 2013/14 and £2.2 million in 2012/13.

Where a management fee notification has not been received by 31 March, an estimate is used for inclusion in the fund account.

The cost of using advice from external consultants is included in investment management fees.

The cost of in-house management is charged to the Fund, as is an element of the administering authority's officers time spent on management of the Pension Fund.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P3F - Membership

Overall membership of the Fund at the end of the year was as follows:-

31 March 2013 Number (000)		31 March 2014 Number (000)
97.3	Active Members	99.7
77.5	Pensioner Members	80.6
86.5	Deferred Members	90.0

A detailed list of Member bodies is available at Note P25

### 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 2014 was £1,240.5 million (£1,231.9 million at 31 March 2013).



## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note P5. This estimate is subject to significant variances based on changes to the underlying assumptions.

### **Note P4A - 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. Mercer Limited, 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:

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Change in assumptions – year ended 31st March 2014	Approx % increase in liabilities	Approx monetary value £m
0.5% p.a. decrease in discount rate	10%	1,449.0
1 year increase in member life expectancy	2%	318.0
0.5% p.a. increase in salary increase rate	2%	315.0
0.5% p.a. increase in pensions increase rate*	9%	1,375.0

### 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 £1,240.5 million. There is a risk that this investment may be under-or overstated in the accounts.

Given a tolerance of say +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/-£62.0 million.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Hedge Funds

#### Uncertainties

Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the directors or independent administrators judge necessary. Where these investments are not publicly listed there is a degree of estimation involved in the valuation.

#### Effect if actual results differ from assumptions

The total hedge funds value in the financial statements is £217.5 million. There is a risk that these investments may be under- or overstated in the accounts. Given a tolerance of say +/- 5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £10.9 million.

### Note P5 - Actuarial Valuation of the Fund

A full actuarial valuation of the Fund was made as at 31 March 2013 by the Fund's 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.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

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. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

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 Unitary Authorities were certified as follows:

<b>Future Service Rate (% of pay) plus lump sum (£)</b>					
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
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
Wolverhampton City 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

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

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:	4.6% 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 next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### 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 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.5% per annum
Rate of pay increases	4.15% per annum	4.15% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

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

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2013 was estimated as £15,611.0 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by £1,249.0 million. Adding interest over the year increases the liabilities by £656.0 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another £63.0 million (including any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual versus expected membership experience, which emerged at the 2013 valuation, gives a reduction in liabilities of £401.0 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £14,680.0 million.

### **Note P6 - Taxation**

#### 1. Value Added Tax

The Fund 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. Where relief is available it may be either in full at source (USA, Belgium, Australia, Finland and Norway), or partial relief by claim (Austria, Denmark, France, Germany, Netherlands, Switzerland and Spain).

In some markets (Poland, Canada, Italy and Sweden) tax is deducted at the treaty rate so that no further adjustment is required, and there are also markets (Malaysia, Hong Kong and Singapore) where no double taxation agreements exist and where the full amount is payable.

### **Note P7 - Contributions Receivable**

Contributions receivable are analysed below:-

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

2012/13 £m		2013/14 £m
	From Employers	
294.8	Contributions	301.4
0.5	Augmented Membership	0.3
8.3	Additional Cost of Early Retirement	8.8
<b>303.6</b>		<b>310.5</b>
	From Employees	
106.4	Basic Contributions	107.8
0.9	Additional Contributions	1.0
<b>107.3</b>		<b>108.8</b>
<b>410.9</b>	<b>Total Contributions</b>	<b>419.3</b>

The additional contributions above represent the purchase of added membership or additional benefits under the Pension Scheme and are included in the revenue accounts.

One admitted body, Black Business in Birmingham, terminated their agreement in December 2008 and is now in administration with an outstanding liability identified by the actuary of £128,200.

Payments can be analysed by type of Member Body as follows:-

2012/13 £m		2013/14 £m
30.8	Administering Authority	32.9
361.4	Scheduled Employers	367.8
18.7	Admitted Employers	18.6
<b>410.9</b>	<b>Total</b>	<b>419.3</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P8 – Transfers In

2012/13 £m		2013/14 £m
22.6	Individual transfers in from other schemes	11.3

### Note P9 – Other Income

2012/13 £m		2013/14 £m
	<b>Benefits Recharged to Employers</b>	
9.1	Compensatory Added Years	9.0
7.1	Pensions Increases	7.2
-	Magistrates Courts Committee	-
<b>16.2</b>	<b>Total</b>	<b>16.2</b>

### Note P10 – Benefits Payable

An analysis of expenditure on benefits by type is given below:-

2012/13 £m		2013/14 £m
	<b>Pensions</b>	
328.8	Retirement Pensions	346.0
25.7	Widows' Pensions	26.5
1.0	Children's' Pensions	0.9
3.1	Widowers' Pensions	3.5
0.1	Ex-Spouse	0.1
0.1	Equivalent Pension Benefits	0.1
-		-



## 9. WEST MIDLANDS PENSION FUND STATEMENTS

-		-
<b>358.8</b>	<b>Total Pensions</b>	<b>377.1</b>
	Lump Sum Benefits	
74.6	Retiring Allowances	83.5
11.7	Death Grants	11.8
<b>86.3</b>	<b>Total Lump Sum Benefits</b>	<b>95.3</b>
<b>445.1</b>	<b>Total Benefits Payable</b>	<b>472.4</b>

The total benefits payable can be analysed by type of Member Body as follows:-

2012/13 £m		2013/14 £m
38.1	Administering Authority	40.8
379.7	Scheduled Employers	400.8
27.3	Admitted Employers	30.8
<b>445.1</b>	<b>Total</b>	<b>472.4</b>

### Note P11 – Payments To and On Account of Leavers

2012/13 £m		2013/14 £m
12.8	Individual transfers out to other schemes	20.2
-	Refunds of Contributions	-
-	State Scheme Premiums	-
3.0	Bulk Transfer Pension Increases	2.8
<b>15.8</b>	<b>Total</b>	<b>23.0</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P12 - Investment and Administration Expenses

Costs incurred in the management of the investments of the Fund and the administration of the Fund have been charged to the Fund in accordance with the Local Government Pension Scheme Regulations and can be analysed as follows:

2012/13 £m		2013/14 £m
	<b>Administration</b>	
4.8	Pensions Administration	4.2
0.5	Actuarial fees	0.7
-	Audit fees	0.1
<b>5.3</b>	<b>Total Administration</b>	<b>5.0</b>
	<b>Investments</b>	
8.8	External management of investments	8.5
2.1	In-house management of investments	2.1
0.1	Property and legal fees	0.2
0.3	Safe Custody Expenses	0.4
<b>11.3</b>	<b>Total Investments</b>	<b>11.2</b>

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £1.3 million in 2013/14 and £2.2 million in 2012/13.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P13- Senior Officers' Remuneration

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

Post Title / Name		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Termination Benefits	Employers' Pension Contributions	West Midlands Pension Fund Responsibilities <sup>1</sup>	TOTAL REMUNERATION
		£	£	£	£	£	£	£
<b>Senior Officers with a salary of less than £150,000 per year</b>								
Director of Pensions	<b>2013/14</b>	<b>122,850</b>	-	-	-	<b>23,464</b>	-	<b>146,314</b>
	2012/13	120,831	-	6,627	-	23,090	-	150,548
Assistant Director Investments <sup>2</sup>	<b>2013/14</b>	<b>50,897</b>	-	<b>575</b>	-	<b>9,721</b>	-	<b>61,193</b>
	2012/13	-	-	-	-	-	-	-

Note 1: The costs of West Midlands Pension Fund responsibilities are funded by the West Midlands Pension Fund and not by Wolverhampton City Council.

Note 2: The post of Assistant Director Investments (within the West Midlands Pension Fund) was created on 27 August 2013 with an annual salary of £85,287.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

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

Remuneration Band	2013/14		
	Pension Fund	Total Number of Employees In Band	Employees receiving termination packages (included in total)
£145,000 - £149,999	-	-	-
£140,000 - £144,999	-	-	-
£135,000 - £139,999	-	-	-
£130,000 - £134,999	-	-	-
£125,000 - £129,999	-	-	-
£120,000 - £124,999	-	-	-
£115,000 - £119,999	-	-	-
£110,000 - £114,999	-	-	-
£100,000 - £104,999	-	-	-
£105,000 - £109,999	-	-	-
£95,000 - £99,999	-	-	-
£90,000 - £94,999	-	-	-
£85,000 - £89,999	-	-	-
£80,000 - £84,999	-	-	-
£75,000 - £79,999	-	-	-
£70,000 - £74,999	-	-	-
£65,000 - £69,999	-	-	-
£60,000 - £64,999	1	1	1
£55,000 - £59,999	1	1	-
£50,000 - £54,999	2	2	2
Total	4	4	3

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Remuneration Band	2012/13		
	Pension Fund	Total Number of Employees In Band	Employees receiving termination packages (included in total)
£145,000 - £149,999	-	-	-
£140,000 - £144,999	-	-	-
£135,000 - £139,999	-	-	-
£130,000 - £134,999	-	-	-
£125,000 - £129,999	-	-	-
£120,000 - £124,999	1	1	1
£115,000 - £119,999	-	-	-
£110,000 - £114,999	-	-	-
£100,000 - £104,999	-	-	-
£105,000 - £109,999	-	-	-
£95,000 - £99,999	-	-	-
£90,000 - £94,999	-	-	-
£85,000 - £89,999	-	-	-
£80,000 - £84,999	1	1	1
£75,000 - £79,999	-	-	-
£70,000 - £74,999	-	-	-
£65,000 - £69,999	-	-	-
£60,000 - £64,999	-	-	-
£55,000 - £59,999	3	3	-
£50,000 - £54,999	1	1	-
<b>Total</b>	<b>6</b>	<b>6</b>	<b>2</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P14- Exit Packages

The following table provides information about exit packages payable by the Fund during the year.

2012/13		2013/14										
Compulsory		Voluntary		Total		Value of Individual Package	Compulsory		Voluntary		Total	
Number	£m	Number	£m	Number	£m		Number	£m	Number	£m	Number	£m
-	-	-	-	-	-	£150,001 to £200,000	-	-	-	-	-	-
-	-	-	-	-	-	£100,001 to £150,000	-	-	-	-	-	-
-	-	-	-	-	-	£80,001 to £100,000	-	-	-	-	-	-
1	0.08	-	-	1	0.08	£60,001 to £80,000	-	-	-	-	-	-
-	-	-	-	-	-	£40,001 to £60,000	-	-	1	0.04	1	0.04
-	-	-	-	-	-	£20,001 to £40,000	1	0.02	2	0.05	3	0.07
-	-	-	-	-	-	Less than £20,000	1	0.02	3	0.04	4	0.06
<b>1</b>	<b>0.08</b>	-	-	<b>1</b>	<b>0.08</b>	<b>Total</b>	<b>2</b>	<b>0.04</b>	<b>6</b>	<b>0.13</b>	<b>8</b>	<b>0.17</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P15 - Investment Income

Investment income is analysed below:-

2012/13 £m		2013/14 £m
	<b>Dividends and Interest</b>	
	Fixed Interest Securities	
8.5	UK Private Sector – Quoted	8.8
	Equities	
33.2	UK	31.9
43.6	Overseas	43.0
	Pooled Investment Vehicles	
22.8	UK	19.8
-	UK - Re-invested Income, prior years	-
1.8	Overseas Equities	1.9
0.1	Private Equity	-
0.9	Interest on Cash Deposits	1.3
0.9	Stock lending	0.6
-	UK Tax, Irrecoverable	(0.1)
(1.9)	Overseas Taxation	(1.4)
<b>109.9</b>	<b>Total Dividends and Interest</b>	<b>105.8</b>
35.7	Property Management Income	37.4
(8.8)	Property Management Expenses	(8.4)
<b>26.9</b>	<b>Total Property Management</b>	<b>29.0</b>
<b>136.8</b>	<b>Total Investment Income</b>	<b>134.8</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Stocklending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £171.4M (2013: £43.9M) in exchange for which the custodian held collateral worth £184.6M (2013: £50.5M). Collateral consists of acceptable securities and government debt.

### **Note P16 - Net Investment Assets**

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

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.



## 9. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2013 £m		31 March 2014 £m
	<b>Fixed Interest Securities</b>	
173.9	UK Companies – Segregated (external)	171.3
<b>173.9</b>		<b>171.3</b>
	<b>UK Equities</b>	
943.5	Quoted	971.3
<b>943.5</b>		<b>971.3</b>
	<b>Overseas Equities</b>	
1,713.4	Quoted	1,763.9
359.1	Quoted – Segregated (external)	1,392.0
<b>2,072.5</b>		<b>3155.9</b>
	<b>Pooled Investment Vehicles</b>	
	<b>Managed Funds</b>	
196.4	UK Quoted, Fixed Interest	192.5
646.4	Other Fixed Interest	600.8
963.2	UK Quoted, Index Linked	948.6
858.8	Overseas Equities	259.7
255.5	UK Unquoted Equities	269.6
1,509.7	Overseas Unquoted Equities	1,453.9
593.0	UK Absolute Returns	553.0
105.9	Overseas Absolute Returns	89.6
37.6	UK Property	47.0
225.7	Foreign Property	211.3
	<b>Unit Trusts</b>	
26.6	UK Quoted Equities	66.3
303.6	Overseas Equities	209.4
7.0	Overseas Property	6.5
<b>5,729.4</b>		<b>4908.2</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2013 £m		31 March 2014 £m
	<b>Property</b>	
532.7	UK Freehold	586.8
34.9	UK Leasehold*	43.0
<b>567.6</b>		<b>629.8</b>
	<b>Foreign Currency Holdings</b>	
29.6	United States Dollars	21.3
34.0	Euro	11.3
1.5	Canadian Dollars	1.0
1.1	Danish Kroner	0.4
0.4	Hong Kong Dollars	0.6
3.2	Swedish Kroner	0.5
4.3	Swiss Francs	1.4
2.0	Japanese Yen	1.4
1.2	Norwegian Kroner	0.5
-	Malaysian Ringits	-
-	Singapore Dollars	0.6
1.1	Australian Dollars	1.1
-	New Zealand Dollars	0.1
1.2	Hungarian Florints	0.5
0.9	Polish Zloty	0.7
-	Israeli Shekels	-
1.2	Turkish Lira	0.3
1.2	Czech Koruna	0.5
-	Korean Won	-
<b>82.9</b>		<b>42.2</b>
	<b>Cash Deposits</b>	

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

31 March 2013		31 March 2014	
£m		£m	
241.1	UK		211.6
	<b>Other Investments</b>		
(0.1)	Broker Balances		(3.3)
15.4	Outstanding Dividend Entitlement and Recoverable with-holding Tax		4.9
<b>9,826.2</b>	<b>Total Net Investment Assets</b>		<b>10,091.9</b>

\* All leasehold properties are held on long leases (more than 15 years)

The following investments represent more than 5% of the net assets of the scheme:

31st March 2013		31st March 2014	
Market Value	% of total Market Value	Market Value	% of total Market Value
£M	%	£M	%
664.0	6.8	639.1	6.3

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

The proportion of the market value of investment assets managed in-house and by external managers at the year-end is set out below.

31 March 2013			31 March 2014	
Market Value	% of total Market Value		Market Value	% of total Market Value
£m	%		£m	%
3497.3	35.6	In-house	3,615.5	35.7
26.6	0.3	Managers: UK Quoted	33.2	0.3
131.1	1.3	Managers: US Quoted	146.5	1.5
193.3	2.0	Managers: European Quoted	236.8	2.3
37.6	0.4	Managers: Japanese Quoted	36.2	0.4
107.4	1.1	Managers: Pacific Basin	69.5	0.7
609.3	6.2	Managers: Emerging Markets	845.9	8.4
493.9	5.0	Managers: Global Equities	526.1	5.2
1,979.9	20.2	Managers: Fixed Interest	1,913.2	19.0
270.3	2.8	Managers: Indirect Property	298.0	3.0
-	-	Managers: Emerging Market Debt	189.6	1.9
206.8	2.1	Managers: Commodities	293.4	2.9
326.5	3.3	Managers: Infrastructure Funds	642.6	6.4
698.9	7.1	Managers: Absolute Return	1,240.5	12.3
1,231.9	12.6	Managers: Private Equity	-	-
<b>9,810.8</b>	<b>100.0</b>		<b>10,087.0</b>	<b>100.0</b>
15.4		Outstanding Dividend Entitlement and Recoverable with-holding Tax	4.9	
<b>9,826.2</b>		<b>Total Investment Assets</b>	<b>10,091.9</b>	

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P17 – Investment Market Value Movements Analysis

The change in the value of investments during 2013/14 is set out below:-

	Value at 1 April 2013 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31 March 2014 £m
Fixed Interest Securities	173.9	-	-	(2.6)	171.3
UK Equities	943.5	29.0	(25.9)	24.7	971.3
Overseas Equities	2,072.5	1,099.5	(76.8)	60.7	3,155.9
Pooled Investment Vehicles	5,729.4	1,029.2	(1,809.8)	(40.6)	4,908.2
Property	567.6	21.5	(2.5)	43.2	629.8
	<b>9,486.9</b>	<b>2,179.2</b>	<b>(1,915.0)</b>	<b>85.4</b>	<b>9,836.5</b>
Broker Balances	(0.1)				(3.3)
Outstanding dividend entitlement and recoverable Withholding tax	15.4				4.9
Foreign Currency	82.9				42.2
Cash Deposits	241.1				211.6
<b>Total Investments</b>	<b>9,826.2</b>				<b>10,091.9</b>

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 £103.0 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.

There were 125 late payments amounting to £2.3 million of contributions during the year which constituted employer-related investments until the amounts were received. Other than this, there were no employer-related investments.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

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 £0.2 million (2012/13: £0.4 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 2013 £m		31 March 2014 £m	
0.1	Equities - UK Quoted	0.1	
0.3	Equities - Overseas Quoted	0.1	
<b>0.4</b>	<b>Total</b>	<b>0.2</b>	

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.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

The change in the value of investments during 2012/13 is set out below:-

	Value at 31 March 2012 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31 March 2013 £m
Fixed Interest Securities	158.8	-	-	15.1	173.9
UK Equities	840.5	30.2	(22.8)	95.6	943.5
Overseas Equities	1,779.3	186.8	(154.5)	260.9	2,072.5
Pooled Investment Vehicles	5,213.3	817.6	(800.9)	499.4	5,729.4
Property	615.4	13.4	(36.2)	(25.0)	567.6
	<b>8,607.3</b>	<b>1,048.0</b>	<b>(1,014.4)</b>	<b>846.0</b>	<b>9,486.9</b>
Broker Balances	0.2				(0.1)
Outstanding dividend entitlement and recoverable Withholding tax	11.1				15.4
Foreign Currency	43.7				82.9
Cash Deposits	139.3				241.1
<b>Total Investments</b>	<b>8,801.6</b>				<b>9,826.2</b>

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 £97.7 million which represents profit realised on sale of the Fund's assets.

Net gains and losses on financial instruments

31 March 2013 £m		31 March 2014 £m
	Financial Assets	
846.0	Fair value through profit and loss	85.4
<b>846.0</b>	<b>Total</b>	<b>85.4</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2013			31 March 2014	
Carrying Value £m	Fair Value £m		Carrying Value £m	Fair Value £m
		Financial Assets		
9,486.9	9,486.9	Fair value through profit and loss	9,836.5	9,836.5
339.3	339.3	Loans and receivables	255.4	255.4
<b>9,826.2</b>	<b>9,826.2</b>	<b>Total</b>	<b>10,091.9</b>	<b>10,091.9</b>

Valuation of Financial Instruments Carried at Fair Value

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

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed income 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.



## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Level 2

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

### Level 3

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Midlands Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. 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 as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Values at 31 March 2014	Quoted Market Price	Using Observable Inputs	With significant unobservable inputs	Total
	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Financial Assets</b>				
Financial Assets at fair value through profit and loss	5,941.9	1,528.6	2,366.0	9,836.5
Loans and receivables	255.4	-	-	255.4
<b>Total Financial assets</b>	<b>6,197.3</b>	<b>1,528.6</b>	<b>2,366.0</b>	<b>10,091.9</b>

Values at 31 March 2013	Quoted Market Price	Using Observable Inputs	With significant unobservable inputs	Total
	Level 1 £M	Level 2 £M	Level 3 £M	
Financial Assets and Liabilities				
Financial Assets at fair value through profit and loss	5,538.4	1,484.3	2,464.2	9,486.9
Loans and receivables	339.3	-	-	339.3
<b>Total Financial assets</b>	<b>5,877.7</b>	<b>1,484.3</b>	<b>2,464.2</b>	<b>9,826.2</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P18 – Investment Capital Commitments

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

31 March 2013 £m		31 March 2014 £m	
808.7	Non-Equities	920.8	
139.0	Property	146.5	
<b>947.7</b>	<b>Total</b>	<b>1,067.3</b>	

These commitments relate to outstanding commitments due on funds held in the private equity, property and infrastructure portfolios.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P19- Current Assets

31 March 2013 £m		31 March 2014 £m
	Receivables and Prepayments	
	Contributions Receivable	
21.6	- Employers	-
8.4	- Employees	-
42.5	Wolverhampton City Council	-
-	Other Receivables	71.2
<b>72.5</b>	<b>Total Receivables and Prepayments</b>	<b>71.2</b>
0.7	Cash	(0.1)
<b>73.2</b>	<b>Total Current Assets</b>	<b>71.1</b>

Note:- Following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it has now been 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 is £19.4 million (2012/13: £19.4 million). During 2013/14 no payments were received and deducted from the receivable as the payment for 2013/14 was made early (in March 2013).

31 March 2013 £m		31 March 2014 £m
	Analysis of Receivables	
-	Central Government Bodies	
51.5	Other Local Authorities	21.5
-	Public Corporations	-
21.0	Other Entities and Individuals	49.6
<b>72.5</b>	<b>Total</b>	<b>71.1</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P20- Current Liabilities

31 March 2013 £m		31 March 2014 £m
	Payables and Receipts In Advance	
(4.1)	Pensions and Lump Sum Benefits	(4.3)
(8.9)	Other Payables	(14.3)
(0.1)	Trustee Account	-
-	Bulk Transfer Pension increases	-
<b>(13.1)</b>	<b>Total</b>	<b>(18.6)</b>

31 March 2013 £m		31 March 2014 £m
	Analysis of Payables	
(3.2)	Central Government Bodies	(8.2)
(0.1)	Other Local Authorities	(0.1)
(9.8)	Other Entities and Individuals	(10.3)
<b>(13.1)</b>	<b>Total</b>	<b>(18.6)</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P21 - 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) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

31 March 2013			31 March 2014	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
2.9	27.5	<b>Opening Value of the Fund</b>	2.7	30.2
-	7.3	Income	-	7.3
(0.4)	(5.0)	Expenditure	(0.4)	(7.8)
0.2	0.4	Change in Market Value	0.1	6.1
<b>2.7</b>	<b>30.2</b>	<b>Closing Value of the Fund</b>	<b>2.4</b>	<b>35.8</b>

### Note P22 - Post Year End Transactions

The responsibility for the pension administration of the Staffordshire and West Midlands Probation Trust will transfer to Greater Manchester Pension Fund on 1 June 2014. The draft Local Government Pension Scheme (Offender Management) Regulations 2014 set out the basis of the bulk transfer calculation, together with specified payment dates. The valuation of the bulk transfer and the associated payment will be determined in 2014/15 between the Actuaries of West Midlands Pension Fund and Greater Manchester Pension Fund. No adjustment is required to be made in the 2013/14 financial statements.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

The Local Government Pension Scheme (LGPS) will change as at 1 April 2014. The changes are effected under the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. This sets out the basis for the future structure of pension payable through the LGPS from 2014/15 onwards and details the protections in place for existing pensions built up prior to 1 April 2014. The main change is that pensions accrued from 1 April 2014 will be based upon a career average revalued earnings (CARE) scheme, whereas previously this was based upon a final salary basis. The effect of the changes will be taken into account in actuarial valuations and will impact upon employers' contribution rates from 2014/15. There is no financial effect on the financial statements for 2013/14.

### **Note P23 - 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 Authority will not receive the expected returns.

Credit Risk - the possibility that the other parties might fail to pay amounts due to the Authority.

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

Market Risk - 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 Pension 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,

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

other alternatives with equity-like returns, including emerging market debt and higher return fixed interest investments, the remaining 10% being 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 effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

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 2014 totalled £211.6 million in respect of temporary loans and treasury management instruments. 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.



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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 2014 is shown below:

<b>Credit Rating Sensitivity Analysis</b>			
<b>Summary</b>	<b>Rating</b>	<b>Balances as at 31 March 2013 £m</b>	<b>Balances as at 31 March 2014 £m</b>
Money Market Funds			
AIM STIC Global Sterling Portfolio	AAA	79.4	28.3
HSBC Sterling Liquidity Fund	AAA	81.7	43.3
Northern Trust Global Sterling Fund	AAA	1.2	-
Short-term Deposits			
Nationwide Building Society	A	-	25.0
Banco Santander	A	8.0	23.5
Lloyds Bank PLC	A	-	13.0
Coventry Building Society	A	5.0	12.0
Skipton Building Society	BBB-	-	8.5
Principality Building Society	BBB+	-	8.0
Newcastle Building Society		5.0	-
Barclays		9.0	-
Bank Deposit Accounts			
Nat West Liquidity Select	A	50.0	50.0
<b>Total</b>		<b>239.3</b>	<b>211.6</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Liquidity Risk

The Fund has a comprehensive daily cash flow management procedure which seeks to ensure that cash is available as needed. Due to the 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 2014, £171.4 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender. The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £184.6 million, giving a margin of 7.71%.

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Income from stock lending amounted to £0.6 million during the year and is detailed in Note P15 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.

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### 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 2013/14 reporting period:

### Price Risk

Asset Type	Price Risk			
	Value as at 31 March 2014 £m	% Change	Value on Increase £m	Value on Decrease £m
UK equities	1,004.3	16.6%	1,171.0	837.6
Global equities (ex UK)	3,625.0	19.4%	4,328.3	2,921.8
Property	927.8	14.7%	1,064.2	791.4
Corporate bonds (short term)	93.7	7.2%	100.4	87.0
Corporate bonds (medium term)*	620.4	9.6%	680.0	560.8
Corporate bonds (long term)	168.6	18.0%	198.9	138.3
UK fixed gilts (short term)	104.0	3.1%	107.2	100.8
UK fixed gilts (medium term)**	117.3	6.9%	125.4	109.2
UK fixed gilts (long term)	45.7	12.3%	51.3	40.1
UK index linked gilts (short term)	70.9	2.3%	72.5	69.3
UK index linked gilts (medium term)	201.3	5.0%	211.4	191.2
UK index linked gilts (long term)	366.8	8.5%	398.0	335.6

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Commodities	189.6	13.7%	215.6	163.6
Cash	160.7	0.6%	161.7	159.7
Private Equity	1,240.5	28.4%	1,592.8	888.2
Infrastructure	293.4	15.9%	340.1	246.7
High Yield Debt***	214.5	13.2%	242.8	186.2
Absolute Return/Diversified Growth	642.5	11.8%	718.3	566.7
<b>Total Assets</b>	<b>10,087.0</b>		<b>11,779.8</b>	<b>8,394.2</b>

\*includes exposure Emerging Market Debt (£263.7 million), Loans (£90.0 million) and the Newton Dynamic Bond Fund (£48.1 million)

\*\*includes exposure to Overseas Bonds (£74.5 million)

\*\*\*includes Mezzanine debt and Convertibles

### 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 2014:

#### Currency Risk (by asset class)

Asset Type	Value as at 31 March 2014 £	% Change	Value on Increase £	Value on Decrease £
Overseas Equities	3,625.0	13.0%	4,096.3	3,153.8
Private Equity	1,055.7	13.0%	1,192.9	918.5
Fixed Interest	263.7	13.0%	298.0	229.4
Alternatives	574.5	13.0%	649.2	499.8
Property	217.8	13.0%	246.1	189.5
Liquid Assets	42.2	13.0%	47.7	36.7
<b>Total</b>	<b>5,778.9</b>	<b>13.0%</b>	<b>6,530.2</b>	<b>5,027.6</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### 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 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

#### Interest rate risk - sensitivity analysis

The council 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:

As at 31 March 2013 £m	Asset Type	As at 31 March 2014 £m
239.3	Cash & Cash Equivalents	211.6
84.7	Cash Balances	52.1
1,034.3	Fixed Interest Securities	906.0
<b>1,358.3</b>	<b>Total</b>	<b>1,169.7</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Asset Type	Carrying amount as at 31 March 2014 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Cash & Cash Equivalents	211.6	2.1	(2.1)
Cash Balances	52.1	0.5	(0.5)
Fixed Interest Securities	906.0	9.1	(9.1)
<b>Total change in assets available</b>	<b>1,169.7</b>	<b>11.7</b>	<b>(11.7)</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P24- 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:

<b>Additions Analysis*</b>		
<b>Individual Value</b>	<b>Number</b>	<b>Total £</b>
Less than £50	10	183.50
£50 - £100	1	69.30
£100 - £500	1	128.94
Over £500	0	-
<b>Total</b>	<b>12</b>	<b>381.74</b>

\*Additions Analysis refers to income collected after it has been written off.

<b>Write off Analysis</b>		
<b>Individual Value</b>	<b>Number</b>	<b>Total £</b>
Less than £50	7	165.58
£50 - £100	28	2,061.82
£100 - £500	47	11,164.70
Over £500	12	16,704.97
<b>Total</b>	<b>94</b>	<b>30,097.07</b>

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

### Note P25 - Related Parties

The pensions administration function and the in-house management of investments are performed by Wolverhampton City Council and the costs shown in the table above are recharged to the Pension Fund each year on an estimated basis with an end of year adjustment for actual costs shown as receivable or payable in the accounts. This is a related party transaction as Wolverhampton City Council is also a member body of the Fund.

Key management personnel who are employees of the administering authority and members of the Fund are disclosed in the administering authority's statement of accounts along with details of remuneration and pensions contributions.

There is one member of the pension fund committee who is in receipt of pension benefits from the West Midlands Pension Fund (Councillor Turner). There are six committee members who are active members of the Pension Fund (Councillors S.Eling, M.Evans, S.Evans, L.McGregor, T.Singh and V.Silvester). Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Scheduled Bodies		
<b>District Councils</b>		
Birmingham City Council	Coventry City Council	Dudley Metropolitan Borough Council
Sandwell Metropolitan Borough Council	Solihull Metropolitan Borough Council	Walsall Metropolitan Borough Council
Wolverhampton City Council		
<b>Major Employers</b>		
Centro	Staffordshire & West Midlands Probation Trust	West Midlands Fire & Civil Defence Authority
Police and Crime Commissioner West Midlands		
<b>Universities</b>		
Birmingham City University	Coventry University	University of Wolverhampton (The)
<b>Colleges of Further Education and Higher Education</b>		
Birmingham Metropolitan College	Bournville College of Further Education	Cadbury Sixth Form College



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<b>Scheduled Bodies</b>		
City College, Coventry	City of Wolverhampton College	Dudley College of Technology
Halesowen College	Henley College	Hereward College
Joseph Chamberlain College	King Edward VI College	Sandwell College
Solihull College	Solihull Sixth Form College	South and City College Birmingham
Stourbridge College (merged with Birmingham Metropolitan College 1 June 2014)	University College Birmingham	Walsall College
<b>Other Bodies</b>		
Ace Academy - Education Central MAT	Acocks Green Primary Academy	Alderbrook School
Aldersley - Academies Trust	Anand Free School	Aldridge School - A Science College
Arden Academy Trust	ARK Academies	ARK Kings Academy
ARK Rose Primary Academy	ARK Tindal Primary Academy	Arthur Terry Learning Partnership
Aston Manor Academy	Aston University Engineering Academy	Balsall Common Primary Academy
Balsall Parish Council	Barr Beacon School Trust	Bartley Green School
Baverstock Academy - The Leap Academy Trust	Bentley Heath Church of England Primary School	Billesley Primary - Academy - The Elliot Foundation Academies Trust
Birchills Academy - St Chads Academies Trust	Birmingham Museums Limited	Bishop Milner Catholic College - The St John Bosco CAT
Bishop Vesey's Grammar School	Bishop Walsh - John Paul II Multi-Academy	Black Country University Technical College
Blue Coat Church of England Academy Limited (The)	BOA Birmingham Ormiston Academy	Bramford Primary - Griffin Academy Trust
Broadway Academy	Bristnall Hall Academy - The Academy Transformation Trust	Castle Bromwich Parish Council
Caludon Castle School	Central Learning Partnership Trust - Heath Park Academy	Charles Cuddy Walker Academy - Erudition Schools Trust
Chelmsley Wood Town Council	Chilwell Croft Academy	Chivenor Academy - Griffin Schools Trust
City Road Academy - Birmingham City University Academy Trust	City of Wolverhampton Academy Trust	Collegiate Academy Trust (The)
Corngreaves Primary - United Learning Academies	Coundon Court	CTC Kingshurst Academy

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

<b>Scheduled Bodies</b>		
Croft Primary Academy - The Elliot Foundation Trust	Deanery Church of England School	Dorrington Academy Trust
E-ACT Heartlands Academy	E-ACT North Birmingham Academy	E-ACT Shenley Academy
E-ACT Willenhall Academy	Earls High School (The)	EBN Free School
Edgar Stammers Academy - Education Central MAT	Education Central Multi Academy Trust	Erdington Hall Primary Academy
Ernesford Grange Academy	Fairfax School	Fairway School - Educational Central MAT
Finham Park School	Fordbridge Parish Council	Four Dwelling Primary Academy - Academies Enterprise Trust
Four Dwellings Academy - Academies Enterprise Trust	George Betts Academy - The Elliot Foundation Academies Trust	George Dixon Academy
The Giffard Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC	Golden Hillock Academy - Park View Educational Trust	Goldsmith Primary Academy - Windsor Academy Trust
Grace Academy	Great Barr Primary School	Greenholm Primary School
Greenwood Academy - Academies Enterprise Trust	Grestone Primary Academy	Hall Green Secondary School
Hamstead Hall Academy Trust	Handsworth Wood Girls' Academy	Harborne Academy
Hawkesley Church Primary Academy	Heart of England School	Hillcrest School and Sixth Form Centre
Hill Farm Academy - Castle Phoenix Trust	High Arcal School Academy Trust (The)	Hockley Heath Academy
Holy Cross - John Paul II Multi-Academy	Holy Trinity C of E Primary Academy (Handsworth)	Holly Hall Academy (The)
Holyhead School	James Brindley School	John Henry Newman Catholic College (The)
Joseph Leckie Academy Trust	Jubilee Academy Mossley - ATT	Jubilee Park Academy Trust
King Edward VI Aston School (Academy)	King Edward VI Camp Hill School for Boys (Academy)	King Edward VI Camp Hill School for Girls (Academy)
King Edward VI Five Ways School (Academy)	King Edward VI Handsworth School (Academy)	King Edward VI Sheldon Heath Academy
Kings Norton Girl's School and Language College	Kings Rise Academy - The Elliot Foundation Academies Trust	Kingshurst Parish Council
Kingswinford School and Science College (The)	Knowle C of E Primary Academy	Langley School
Lea Forest Primary Academy - Academies	Leigh Primary Academy - Leigh Trust	Light Hall School

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

<b>Scheduled Bodies</b>		
Enterprise Trust		
Lode Heath School	Lordswood Boys School - Lordswood Academies Trust	Lordswood Girls School and Sixth Form Centre - Lordswood Academies Trust
Mansfield Green E-ACT Academy	Meriden Parish Council	Merritts Brook E-ACT Primary Academy
Mesty Croft Academy	Moor Green Primary Academy - HTI MAT	Montgomery Primary Academy - Academies Enterprise Trust
Moseley Park School - Central Learning Partnership Trust	Nansen Primary School - Park View Educational Trust	Nechells Primary E-ACT Academy
Ninestiles Academy Trust	Oaklands Primary - Ninestiles Academy Trust	Oasis Community Learning - Foundry Primary
Oasis Community Learning - Hobmoor Primary	Oasis Community Learning - Matthew Boulton	Oasis Community Learning - Short Heath Primary
Oasis Community Learning - Blakenhall Infants	Oasis Community Learning - Blakenhall Junior	Oasis Community Learning - Woodview School
Ocker Hill Academy Trust	Oldbury Academy	Oldknow Academy
Orchards Primary Academy - Education Central MAT (The)	Ormiston Academies Trust	Ormiston Forge Academy
Ormiston George Salter Academy	Ormiston Sandwell Community Academy	Park Hall Academy
Park Hall Infant Academy	Park Hall Junior Academy	Park View Educational Trust
Parkfields Academies Trust	Pegasus Academy - Ninestiles Academy Trust	Percy Shurmer Primary School
Perry Beeches - The Academy	Perry Hall Primary School	Plantsbrook School
President Kennedy School	Queen Mary's High School (Walsall)	Q3 Academy
Queen Mary's Grammar School (Walsall)	Radford Primary Academy	Reaside Academy - Education Central MAT
Reach Free School	Reedwood E-ACT Primary Academy	Redhill School
Rivers Primary Academy - Windsor Academy Trust	Robin Hood Academy	Rookery School
Rough Hay Primary - Elliot Foundation Trust	RSA Academy	Ryder Hayes Academy Trust
Sandwell Academy Trust Limited	Sandwell Leisure Trust	Sheffield Community Academy
Shireland Hall Academy - The Elliot Foundation Academies Trust	Shire Oak Academy Trust	Shirestone Community Academy -The Elliot Foundation Academies Trust
Sidney Stringer Academy Trust	Smestow School - Education Central MAT	Smiths Wood Parish Council
Solihull Community Housing Limited	SS Mary and John's Catholic Primary	St Bartholomew C of E Academy

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

<b>Scheduled Bodies</b>		
	Academy - Bishop Cleary Catholic MAC	
St Chads Academy - The St John Bosco CAT	St Clements C of E Academy	St Edmund's Catholic Academy - Bishop Cleary Catholic MAC
St Georges Academy C of E Academy	St Georges Academy Newtown	Valuation Tribunal Service (formerly Birmingham Valuation Tribunal)
St Johns C of E Primary School	St Johns and St Peters C of E Academy	St Joseph's - John Paul II Multi-Academy
St Joseph's Academy - The St John Bosco CAT	St Judes Academy - The Wulfrun Academies Trust	St Laurence's Primary Academy - Diocese of Coventry MAT
St Marys C of E Junior & Infants School	St Michael's Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC	St Michael's C of E Primary School Bartley Green
St Michael's C of E Primary Academy Handsworth	St Michael's Junior and Infants School	St Nicholas' - John Paul II Multi-Academy
St Patrick's Church of England Primary Academy	St Peter's Church of England Academy Trust	St Teresa's Catholic Primary Academy - Bishop Cleary Catholic MAC
Streetly Academy (The)	Stretton Primary Academy - Diocese of Coventry MAT	Sutton Coldfield Grammar School for Girls Academy Trust
Tame Valley Academy - Education Central MAT	The Blue Coat Church of England Academy	Three Spires Academy - RNIB Specialist Learning Trust
Tile Hill Wood School and Language College	Timberley Academy Trust	Timbertree Primary - United Learning Academies
Tiverton Academy - Elliot Foundation Trust	Tudor Grange Academy Solihull Trust	Tudor Grange Primary Academy
Twickenham Primary Academy	Victoria Park Primary Academy	Walsall City Academy Trust Limited
The Mirus Academy – Walsall College Academies Trust	Walsall Studio School - The Vine Trust	Warren Farm Primary School
Washwood Heath Academy	Waverley Studio School	West Walsall E-ACT Academy
Westwood Academy	Whitley Academy	Wilson Stuart School
Windsor High School and Sixth Form	WMG Academy for Young Engineers	Woden Primary - Central Learning Partnership Trust
Wodensborough Academy - Ormiston Academies Trust	Wolverhampton Homes Limited	Woodhouse Primary Academy - Education Central MAT
Wood Green Academy	Woodlands Academy	Woodlands Academy of Learning
Yardleys School	Yarnfield Academy - Ninestiles Academy Trust	

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Scheduled Bodies		
Other Bodies With No Active members		
Bickenhill Parish Council	Sandwell Homes Limited	

Admitted Bodies		
With Active Members		
4 Towers TMO Limited	Acivico (Building Consultancy)	Acivico (Design Construction and Facilities Management)
ACUA Limited	Age Concern Birmingham	Age Concern Birmingham (VSOP)
Age Concern Wolverhampton	Aston University - terminated 31 May 2013	BID
Black Country Consortium Limited	Black Country Museum Trust Limited (The)	Black Country Partnership NHS Foundation Trust
Bloomsbury Local Management Organisation Limited	BME United Limited	Broadening Choices for Older People
Brownhills Community Association Limited	Bushbury Hill Estate Management Board Limited	Chuckery Tenant Management Organisation Limited
Coventry and Solihull Waste Disposal Company Limited (The)	Coventry Heritage and Arts Trust - terminated 31 July 2013	Coventry Law Centre Limited
Coventry Sports Trust Limited	CSW Partnership Limited	Delves East Estate Management Limited
Dovecotes TMO	Edith Cadbury Nursery School	Family Care Trust
Friendship Care and Housing Limited	Heart of England Care - terminated 2 June 2013	Home Start Northfield
Home Start Stockland Green/Erdington	Home Start Walsall	Leamore Residents Association Limited
Leisure and Community Partnership Limited - terminated 30 September 2013	Lieutenancy Services (West Midlands) Limited	Life Education Centres West Midlands
Light House Media Centre	Manor Farm Community Association	Marketing Birmingham Limited
Midland Heart Ltd	Millennium Point Trust	Murray Hall Community Trust Limited

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

<b>Admitted Bodies</b>		
Murray Hall Community Trust (Oldbury)	Murray Hall Community Trust (Rowley)	Murray Hall Community Trust (Wednesbury)
Museum of British Road Transport Trust (Coventry) Limited - terminated 31 July 2013	Mytime Active	New Park Village Tenant Management Organisation
Northern Housing Consortium Limited	Optima Community Association	Palfrey Community Association
Penderels Trust Limited (The)	Pool Hayes Community Association	Riverside Housing Association Limited (formerly Riverside Group Limited)
S4E Ltd	Sandwell Arts Trust - terminated 30 November 2013	Sandbank Tenant Management Organisation Limited
Sandwell Community Caring Trust (The)	Sandwell Community Caring Trust (Sandwell Care Homes)	Sandwell Inspired Partnership
Sickle Cell and Thalassaemia Support Project (Wolverhampton)	Solihull Care Limited	Solihull Care Trust
St Columba's Day Care Centre	Steps to Work (Walsall) Ltd	Titan Partnership
University of Warwick	Voyage Care Limited	Walsall Housing Group Limited
WATMOS Community Homes	West Midlands Transport Information Services Limited - terminated 20 April 2013	Whitefriars Housing Group Limited
Wildside Activity Centre	Wolverhampton Grammar School	Wolverhampton Network Consortium - terminated 30 November 2013
Wolverhampton Voluntary Sector Council		
<b>Without Active Members</b>		
Adoption Support	All Saints Haque Centre	Aquarius Action Projects
Asian Welfare Centre	Asian Women's Adhikar Association (AWAAZ)	Belgrade Theatre Trust (Coventry) Limited
Bilston and Ettingshall SureStart	Birmingham and Solihull Connexions Services	Birmingham and Solihull Learning Exchange (The)
Birmingham Heartlands Development Corporation	Black Business in Birmingham	Black Country Connexions
Black Country Museum Development Trust (The)	BXL	Cannon Hill Trust (now Midlands Arts Council)
Cerebral Palsy Midlands	Community Justice National Training Organisation	Coventry Voluntary Service Council

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Admitted Bodies		
CV One Limited	Druids Heath TMO	Dudley Zoo Development Trust
East Birmingham Family Service Unit	Heath Town Estate Management Board	Job Change Limited
Metropolitan Authorities Recruitment Agency (METRA)	Moseley and District Churches Housing Association Limited	National Urban Forestry Unit
National Windows (Homes Improvements) Limited	Newman College	Priory Family Centre Cic Limited
Relate	RM Education	Roman Way Estate CIC
Sandwell Regeneration Company Limited	Select Windows (Homes Improvements) Limited	Serco Limited (Stoke)
Smethwick Asra Limited	Solihull Care Trust	Solihull Community Caring Trust
South Birmingham Family Services Unit	Springfield/Horseshoe Housing Management Co-operative Ltd	St Basil's Centre
Sunderland ARC Limited	Target Excel plc (Walsall MBC)	The Chris Laws Day Care Centre for Older People
TSB Bank plc (formerly Birmingham Municipal Bank)	University of Birmingham	University of Warwick
Walsall Enterprise Agency Limited	Walsall Regeneration Company Limited	Wednesbury Action Zone
West Bromwich Afro-Caribbean Resource Centre	West Midlands Councils (formerly West Midlands Leaders Board)	West Midlands (West) Valuation Tribunal
West Midlands Examinations Board (The)	West Midlands Local Authorities Employers' Organisation	Wolverhampton Community Safety Partnership
Wolverhampton Development Corporation Limited	Wolverhampton Family Information Service Limited	Wolverhampton Race Equality Council

Transferee Admission Bodies (Best Value)		
With Active Members		
Action for Children (Smethwick)	Action for Children (West Bromwich)	Agilisys Limited (Rowley/Smethwick)



## 9. WEST MIDLANDS PENSION FUND STATEMENTS

<b>Transferee Admission Bodies (Best Value)</b>		
Alliance in Partnership - Camp Hill	Alliance in Partnership - President Kennedy	Alliance in Partnership - Stoke Park
Amey LG Limited	Aspen Services Ltd (Gosford Park)	APCOA Parking (UK) Limited - terminated 13 February 2014
Balfour Beatty Living Places (Coventry) (Previously Balfour Beatty Workplace Limited (Coventry))	BAM Construct UK Limited	Bespoke Cleaning Services Limited
British Telecom plc - terminated 31 March 2014	Capita IT Services Limited	Call First Cleaning
Cofely Work Place Limited (formally Balfour Beatty Workplace Limited (Birmingham))	Creative Support Limited	DRB Yew Tree Primary
DRB Contract Cleaning Limited (Wychall Primary School)	Enterprise Managed Services Ltd - Solihull	Enterprise Managed Services (W-ton)
Enterprise Managed Services (Telford/Wrekin)	Elite Cleaning and Environmental Services	European Electronique Ltd (Tile Hill School)
Harrison Catering Services Limited	Housing 21	Initial Catering Services (Rowley)
Initial Catering Services Limited (Smethwick)	Integral UK Limited	Interserve FM Limited (Rowley Campus)
Interserve FM Limited (OCOS/Wodo/Tipton)	KGB Cleaning & Support Services Limited (Bishop Ulathorne)	KGB Cleaning and Support Services Limited (Alderbrook)
KGB Cleaning and Support Services Ltd (Lyndon)	Lawrence Cleaning Limited (Parkfields)	Lawrence Cleaning Limited (St Stephens)
Leisure Living Limited	Lend Lease Construction (EMEA) Limited (Four Dwellings School)	Lend Lease Construction (EMEA) Limited (E-ACT)
Lend Lease Construction (EMEA) Limited (George Dixon)	Lend Lease Construction (EMEA) Limited (Moseley School)	Lend Lease Construction (EMEA) Limited (Park View School)
Lend Lease Construction (EMEA) Limited (Saltley School)	Lend Lease Construction (EMEA) Limited (Stockland Green Broadway School)	Lend Lease Construction (EMEA) Limited (Waverley School)
Lend Lease FM Limited (Broadway School)	Lend Lease FM (EMEA) Limited (George Dixon School)	Lend Lease FM (EMEA) Limited (HM and Stockland Green School)
Lend Lease FM (EMEA) Limited (International School)	Lend Lease FM (EMEA) Limited (Moseley School)	Lend Lease FM (EMEA) Limited (Park View School)
Lend Lease FM (EMEA) Limited (Saltley School)	Mears Group plc	Mears Limited
Mitie PFI Limited	Mouchel Limited	NSL Limited (Birmingham)
NSL Limited (Solihull)	Premier Security Services Limited	Premier Support Services Limited (Alumwell Junior School)



## 9. WEST MIDLANDS PENSION FUND STATEMENTS

<b>Transferee Admission Bodies (Best Value)</b>		
Premier Support Services Limited (Alumwell Infant School)	Premier Support Services Limited (St Edmunds Campion School)	Premier Support Services Limited (Holy Trinity RC)
Premier Support Services Limited (Hodge Hill School)	Premier Support Services Limited (Streetly School) - terminated 27 October 2013	Premier Support Services Limited (Trinity RC)
Quadron Services Limited	Redcliffe Catering Limited (Calthorpe School)	Regent Office Care Limited (COWAT)
Regent Office Care Limited (Henley College)	Regent Office Care Limited (Willenhall)	Serco Limited - terminated 31 May 2013
Service Birmingham Limited	Sodexo Limited	Taylor Shaw Limited (Colton Hills)
Taylor Shaw Limited (COWAT)	Taylor Shaw Limited (Great Barr School)	
Willmott Dixon Partnership Limited (North Contract)	Willmott Dixon Partnership Limited (South Contract)	
<b>Without Active Members</b>		
Accord Operations (Birmingham)	Alliance in Partnership - Aston	APCOA Parking (UK) Limited Solihull
AWG Facilities Services Limited	Birmingham Accord Limited	Bovis Lend Lease Management Services
Burrowes Street Tenant Management Organisations Limited	Central Parking Systems	Enterprise (AOL) Limited (Shrewsbury)
Enterprise (AOL) Limited (Shropshire)	Forest Community Association	GF Tomlinson Birmingham Limited
Icare GB Limited	Interserve Construction Limited (Smethwick Campus)	Interserve Construction Limited (OCOS/WODO/Tipton Schools)
Interserve Construction Limited (Rowley Campus)	JDM Accord Limited (Shrewsbury & Atcham)	JDM Accord Limited (Shropshire)
JDM Accord Limited (Tamworth)	JDM Accord Limited (Telford & Wrekin)	Kite Food Services Limited
Lawrence Cleaning Limited (Woodthorne School)	Liberata UK Limited	Methodist Homes for the Aged
Mitie Cleaning (Midlands) Limited - Birmingham City Council	Mitie Managed Services (S&SW) Limited	Mitie Managed Services (S&SW) Limited - Coventry
Mitie Cleaning (Midlands) Limited - Wednesfield	Mitie Property Services (UK) Limited	MLA West Midlands
Morrison Facilities Services Limited		Redcliffe Catering Limited (Bordesley Green Girls Sch)
Redcliffe Catering Limited (Camp Hill School)	Regent Office Care Limited	Regent Office Care Limited (City College)
Regent Office Care Limited (Whitefriars)	Research Machines Plc	RM Education Plc

## 9. WEST MIDLANDS PENSION FUND STATEMENTS

Transferee Admission Bodies (Best Value)		
Revenue Management Services	Service Team Limited	South Warwickshire Tourism Limited
Strand Limited	Superclean Services	Target Excel Plc (Magistrates Courts)
Target Excel Plc (Solihull MBC)	Taylor Shaw Limited (St Albans)	Taylor Shaw (Hodge Hill)
Technology Innovation Centre ( <i>terminated 31 March 2009</i> )	Temple Security Limited	Thomas Vale Construction plc
Veolia Environmental Serviced Cleanaway (UK) Limited	Vertex Data Science Limited	Wates Construction Limited (Birmingham)
West Midlands E-Learning Company		
<b>Other Major Employers who have Participated in the Fund</b>		
Birmingham International Airport Plc	Department of Transport	Department of Health and Social Security
Severn Trent Water Authority	West Midlands Magistrates Courts Committee	

## 10. ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

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Wolverhampton City 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 approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This code is incorporated within the Council's Constitution, which is available for review on the council's website.

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

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

## 10. ANNUAL GOVERNANCE STATEMENT

### **The Purpose of the Governance Framework**

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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 2014 and up to the date of approval of the annual report and statement of accounts.

### **The Governance Framework and Review of Effectiveness throughout 2013/14**

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The council has the following Corporate Plan aims and themes: Encouraging Enterprise and Business, Empowering People and Communities, Re-Invigorating the City and Confident, Capable Council, which are underpinned by the governance environment. This environment is consistent with the six core principles of the CIPFA/ SOLACE framework.

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.

## 10. ANNUAL GOVERNANCE STATEMENT

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p> <p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> <li>• Delivery and communication of an agreed corporate plan</li> <li>• Quality services are delivered efficiently and effectively</li> <li>• Clearly defined roles and functions</li> <li>• Management of risk</li> <li>• Effectiveness of internal controls</li> <li>• Compliance with laws, regulation, internal policies and procedures</li> <li>• Value for money and efficient management of resources</li> <li>• High standards of conduct and behaviour</li> <li>• Public accountability</li> <li>• Published information is accurate and reliable</li> <li>• Implementation of previous governance issues</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer)</li> <li>• Council, Cabinet and Committees</li> <li>• Scrutiny function</li> <li>• Audit Committee (and Sub-Committee)</li> <li>• Standards Committee</li> <li>• Internal and External Audit</li> <li>• Strategic Executive Board</li> <li>• Corporate Development Board</li> <li>• Directors Assurance Statements</li> <li>• Corporate and business plans</li> <li>• Medium Term Financial Strategy</li> <li>• Corporate Risk Register</li> <li>• Codes of Conduct</li> <li>• Business Planning and Performance Management Framework</li> <li>• Whistleblowing and other anti-fraud related policies</li> <li>• Complaints System</li> <li>• Financial Procedures Rules</li> <li>• Contracts Procedure Rules</li> <li>• Committee Management Information Systems (now modern.gov)</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Accounts 2013/14</li> <li>• External Audit Report to Those Charged with Governance (ISA 260) Report 2013/14</li> <li>• Annual Internal Audit Report 2013/14</li> <li>• Annual Audit Committee Report 2013/14</li> <li>• Local Government Ombudsman Report 2013/14</li> <li>• Scrutiny reviews</li> <li>• Annual Governance Statement – follow up of 2012/13 issues</li> <li>• Director of Public Health Annual Report 2013/14</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Landlord / FutureSpace</li> <li>Savings Targets</li> <li>PSN Compliance</li> <li>Contract Management and Monitoring</li> <li>Procurement</li> <li>Health and Social Care Reforms</li> <li>FutureWorks</li> <li>Partnership Governance</li> <li>Information Governance</li> <li>Strategic Asset Management</li> <li>Schools Improvement</li> </ul>

10. ANNUAL GOVERNANCE STATEMENT

Developing the capacity and capability of members and officers to be effective				
Engaging with local people and other stakeholders to ensure robust public accountability				

## 10. ANNUAL GOVERNANCE STATEMENT

### **West Midlands Pension Fund**

The West Midlands Pension Fund have completed their 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 2013/14. 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.

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 changes to the governance framework during the year include:

- The transition of Public Health Services to the council from 1 April 2013.
- The establishment of the Health and Well Being Board as a committee of the council which has responsibility for tackling local health inequalities.
- The implementation of and compliance with the Public Sector Internal Audit Standards from 1 April 2013.
- An updated Terms of Reference for the Audit Committee

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members and senior officers within the council who have responsibility for the development and maintenance of the governance framework, 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, as noted above.

Internal Audit has concluded that based on the work undertaken during the year of areas 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

## 10. ANNUAL GOVERNANCE STATEMENT

reasonable assurance that the council has adequate and effective governance, risk management and internal control processes. Key areas of concern have been included within the governance issues noted below.

There is a requirement to report in this Statement that the authority is not fully compliant with CIPFA's Statement on the Role of the Section 151 Officer in Local Government (2009) as the Section 151 Officer post is not at the same level in the Authority as members of the Corporate Management Team (known as the Strategic Executive Board) and they do not report directly to the Chief Executive. However, alternative arrangements are in place whereby the Section 151 Officer attends meetings of the Corporate Management Team and has direct access to the Chief Executive when required.

A number of issues were identified in the 2012/13 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas is included below. Where sufficient progress has not been made, the issues have been included in the 2014/15 issues.

### Progress on the Governance Issues from 2012/13

The table below describes the governance issues identified during 2012/13 and the progress made against these during 2013/14.

2012/13 - Key areas for Improvement	Update on position and implication for the 2013/14 Annual Governance Statement
<p><b>FutureSpaces: Corporate Landlord</b></p> <p>The management of and responsibility for the council's property assets is currently split between two directorates. Several initiatives and proposals for maintenance programmes and better targeted use of properties have been put forward. It is necessary that clarity of ownership and control of decision making is determined to ensure effective progress is made. Also work is on-going to improve the co-ordination of responsibilities as the Council develops the role of a 'Corporate Landlord' between the Directorates, along with the continued development of a 'One Council' approach to the use of land and assets and the development of options and a strategy to utilise available properties for community use that are not council owned</p>	<p><b>The Corporate Landlord</b></p> <p>The necessary planning for the introduction of the Corporate Landlord was completed to the set deadlines with the Corporate Landlord subsequently having been implemented incrementally. The key outputs being as follows:</p> <ul style="list-style-type: none"> <li>• The approved governance arrangements are now fully operational with the Strategic and Operational Land and Property Boards meeting regularly with integrated work programmes, with shared programme management resources.</li> <li>• The Strategic Asset Review is scheduled for completion in June 2014 as planned.</li> <li>• There has been a lifting and shifting of property related service functions from the Community Directorate and the Education and</li> </ul>



## 10. ANNUAL GOVERNANCE STATEMENT

<p>property.</p>	<p>Enterprise Directorate to create the Corporate Landlord in the Delivery Directorate. This is being followed by a budget centralisation and review exercise and process re-design.</p> <p><b>FutureSpaces</b></p> <p>A delivery plan is being developed based on the council supported by technical advisors developing the detailed design for the refurbishment of the Civic Centre for the open tendering of the refurbishment works through an OJEU Notice. This is essential to ensure a robust Final Business Case for the Cabinet to approve to give a final approval to the programme.</p> <p><b>Carried forward to 2013/14</b></p>
<p><b>Information Governance</b></p> <p>Following critical in-year reviews by the Information Commissioners Office in August and December 2012, the council is putting in place a robust framework and effective working practices, including:</p> <ul style="list-style-type: none"> <li>• An established and operational Information Governance Board</li> <li>• Mapped out work programme and resources</li> <li>• A new Information Governance structure</li> <li>• Information Governance policies have been approved</li> <li>• Training programmes are underway</li> </ul>	<p>The Information Governance Board continues to meet, and is now supported by an operational group to progress key issues in relation to information governance.</p> <p>The council has now centralised all information governance resource into one team which has enabled the development of a single work programme, against which significant progress is being made. The work plan and maturity model were endorsed by the Cabinet in March 2014, and progress has also been scrutinised by the Council’s Scrutiny Board.</p> <p>The mandatory training module has been rolled out primarily by e-learning but supported by a number of training sessions for employees, and 100% compliance has been completed.</p> <p>The council is both PSN and Public Health Information Governance Toolkit compliant, and is on track to submit the Social Care Toolkit.</p> <p><b>Carried forward to 2013/14</b></p>
<p><b>Partnership Governance</b></p> <p>Partnerships are increasingly common and increasingly important to the council, in order to deliver the corporate plan and respond to the</p>	<p>Work has begun on a number of the Council’s partnerships including:</p> <p><b>Black Country working:</b> A Black Country Joint Committee and Advisory Board has been established by Wolverhampton City Council and the three</p>

## 10. ANNUAL GOVERNANCE STATEMENT

<p>Localism agenda. These partnerships take many forms. For example, formal arrangements such as strategic service delivery partnerships, statutory partnerships and looser, informal relationships with community groups or the ‘third sector’. Although each of these partnerships is formed to generate beneficial outcomes they also carry different types of risks and governance can be problematic.</p> <p>In addition, some of the council’s partnerships have been in place for a number of years and the ‘health’ and governance arrangements of these partnerships have not been systematically reviewed to ensure they continue to contribute effectively to the corporate priorities. Therefore, the council is to adopt a revised systematic and consistent approach to identifying its significant partnerships. Once the significant partnerships have been identified, a systematic review of the governance arrangements and the ‘health’ of each partnership will be carried out to ensure they continue to contribute to the corporate priorities and provide value for money. The findings of the reviews and the risks associated with these partnerships will then be reported to officers and Councillors with portfolio responsibilities.</p>	<p>neighbouring local authorities and the Black Country LEP. This will provide strong joint governance for the Black Country City Deal and Black Country Growth Deal. A framework of how this inter-relates with the council governance has been produced and considered by the Strategic Executive Board.</p> <p><b>City Partnerships:</b> The Local Strategic Partnership has been replaced by a City Board that will drive forward the City Strategy (the Sustainable Communities strategy for the city). The representatives on the City Board are the Leader and the Chief Executive. The Board is in shadow form, until September 2014.</p> <p>The governance framework will also continue to be checked and rolled out across the key partnerships.</p> <p><b>Carried forward to 2013/14</b></p>
<p><b>Contract Management and Monitoring</b></p> <p>The council has historically had an inconsistent approach to its contract monitoring. New processes are being put in place to ensure that contracts can be monitored and reviewed on an on-going basis for value for money in the future.</p>	<p>A draft guidance document for contract management is in the early stages of discussion and it will be necessary to develop this approach widely across the council, and agree how it can be applied. A simple set of procedures to support the approach will be added to contract procedure rules. It will then be necessary to identify contract managers and provide training. Timing for these activities is currently being worked up.</p> <p><b>Carried forward to 2013/14</b></p>
<p><b>Procurement</b></p> <p>The Interim Head of Procurement had raised concerns over past tendering processes and the failure to follow the council’s Contract</p>	<p>The adoption of the Due North e-tendering system and the Agresso ordering system has provided much improved controls and management information and the continued refinement and use of these systems</p>

## 10. ANNUAL GOVERNANCE STATEMENT

Procedure Rules. Following an independent review, these concerns were supported by the findings of Internal Audit who identified a number of cases of inconsistencies and ambiguities at various stages of the procurement processes. The recommendations arising from the audit review were agreed and a range of improved working practices are being put in place.

enhances accountability and compliance across the council.

The Procurement Board have agreed to consider amendments to the contract procedure rules to simplify and rationalise the working practices in procurement. Once the Board has considered the revisions and agreed any changes to be made within the constitution, a structured training programme can be developed.

**Carried forward to 2013/14**

## 10. ANNUAL GOVERNANCE STATEMENT

<p><b>Savings Targets</b></p> <p>While the council's current and historical savings targets have been largely delivered, there are still a limited number of such targets that have not yet been and also some, where proposals are yet to be developed. A failure to meet these targets will adversely impact upon the council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p>	<p>All savings were fully reviewed and re-evaluated as part of the 2014/15 budget setting process that was completed in March 2014. This process identified that a number of savings that were reflected in the 2013/14 budget were to be achieved in an alternative way and not as originally planned. These changes have been reflected in the rebased 2014/15 budget and the original savings removed. In addition no significant adverse overall impact arose during 2013/14 as a result of the savings targets that were included in the budget.</p>
<p><b>Resilience Function (Emergency Planning and Business Continuity)</b></p> <p>The council has identified issues in its ability to respond fully to its responsibilities under the Civil Contingencies Act. The Cabinet has approved the creation of a new Resilience Team in 2013/14 to bring together the separate Emergency Planning and Business Continuity functions. This is to underpin the delivery of the new Major Incident Plan and suite of subsidiary plans. The Resilience Team will operate within new governance arrangements and report to a Board. The Board will oversee the delivery of the adopted project plan for Resilience that will be reviewed monthly by the Strategic Executive Board. Annual audits will also be conducted to validate progress against the project plan.</p>	<p>The Resilience Board is now fully operational against the approved governance arrangements. The Board has developed a work programme for 2014/15 that integrates council and public health roles and responsibilities. Good progress is being made against this work programme.</p>

## 10. ANNUAL GOVERNANCE STATEMENT

### **Equalities**

The council has identified issues in its ability to respond fully to its responsibilities in respect of equalities and consultation. An Equalities Project Board has been formed and approved an equalities work programme. This programme identifies ways of mainstreaming and promoting best equalities practice. Appropriate measures will be implemented during 2013/14.

To further support the roll out of the equalities training a number of employee briefing sessions have been delivered. The Equalities Member Champion continues to chair quarterly the Equalities Advisory Group. An internal officer equalities steering group has also been instigated and meets at least quarterly. Finally, a cumulative equality analysis of the budget was conducted, and lessons learnt from the process have been captured in order to continue to improve the equality analysis toolkit.

## 10. ANNUAL GOVERNANCE STATEMENT

### Action Plan for the Significant Governance Issues identified during 2013/14 which will need addressing in 2014/15

Based on the council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2013/14 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken. These actions will address the need for improvements that were identified in the review of effectiveness and their implementation will be monitored as part of the next annual review and risk management arrangements in place.

2013/14 - Key improvement areas and actions for implementation	Responsibility and expected implementation date
<p><b>FutureSpaces</b></p> <p>Delivery arrangements are being developed for the refurbishment of the Civic Centre. The intention is that construction works will begin in early 2015 subject to the final business case evidencing an on-going annual revenue saving of £500,000.</p> <p><b>Corporate Landlord</b></p> <p>The adoption of the Corporate Landlord Model is being progressed incrementally against the Strategic Asset Management Review. The adopted work programme for the implementation was approved by both the Strategic Land and Property Board and the Operational Land and Property Board and is now being actively monitored by both Boards. The key deliverables in the programme include:</p> <ul style="list-style-type: none"> <li>• Centralisation of property related budgets.</li> <li>• Creation and delivery of a funded programme of annual condition surveys and statutory testing.</li> <li>• Creation and delivery of more robust cyclical maintenance programme based on the annual condition surveys.</li> <li>• Development and delivery of a more robust Disposal Programme to achieve the capital receipts from disposals in the MTFS.</li> <li>• Agreement of service profiles by building profile for services for Facilities Management to deliver to their clients.</li> <li>• Development and delivery of the annual renewables programme.</li> <li>• Support to service reviews being conducted with Directorates in respect to providing options appraisals in respect to meeting the property needs for new service operating models.</li> <li>• Development of a revised Corporate Asset Management Plan.</li> </ul>	<p>Assistant Director, Delivery February 2015</p>

## 10. ANNUAL GOVERNANCE STATEMENT

<p><b>Savings Targets</b></p> <p>Whilst the council's current and historical savings targets have been largely delivered the extremely challenging financial environment continues to require substantial year on year savings. The failure to deliver already identified savings and develop further savings will adversely impact upon the council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p>	<p>Assistant Director, Finance March 2015</p>
<p><b>PSN Compliance</b></p> <p>Prior to 2013 Wolverhampton City Council obtained GCSx accreditation enabling secure access to and exchange of information with central government and government agencies. The introduction of the Public Services Network (PSN) during 2013 demanded improved technical security standards and more robust Information Governance requirements. Wolverhampton City Council's compliance with the PSN Code of Connection requirements was approved by the Cabinet Office on 19 November 2013 following an independent health check of the council's ICT estate, looking for vulnerabilities from external sources of attack and from within the council followed by a comprehensive evaluation of the council's network and security architecture, ICT operational practices and information governance policies by CLAS consultants at the Cabinet Office. PSN compliance remains at the heart of all ICT decisions regarding the introduction of new services. A continual programme of infrastructure upgrades and refresh ensures compliance is maintained, with the council undertaking the annual accreditation process during May and June 2014.</p>	<p>Head of Service – ICT March 2015</p>
<p><b>Contract Management and Monitoring</b></p> <p>Having identified the range of contracts that are in place the main task is to establish how the reporting process is being managed and whether the contracts are meeting their original expectations. With the wide variety of contracts it will be necessary to develop several different approaches to contract management however the main principles will be early involvement for the contract managers (at tender stage), regular reporting on performance, planned reviews to assess the options available and general awareness training for nominated contract managers.</p>	<p>Strategic Director, Delivery Assistant Director, Finance March 2015</p>
<p><b>Procurement</b></p> <p>The Procurement Board will be instrumental in guiding the development of strategic procurement. The introduction and utilisation of e-procurement systems (Agresso and Due North) will increase the overall visibility of spend and the profile of this spend can be matched to the contract register. The improved management information will be useful to target particular categories of expenditure and develop procurement strategies that will extract value for money. The use of market sounding, options appraisals and output based specifications will also contribute to improving budgetary controls</p>	<p>Strategic Director, Delivery Assistant Director, Finance March 2015</p>

## 10. ANNUAL GOVERNANCE STATEMENT

<p>and increasing the percentage of on contract spend. We will be using collaborative arrangements where these are beneficial to the council and selecting the appropriate frameworks will be carried out in conjunction with the operational experts. The use of standardised forms and procedures will also aid compliance.</p>	
<p><b>Health and Social Care Reforms</b></p> <p>Over the next few years adult social care is required to take a lead role in implementing a service delivery transformation to effectively respond to a number of challenges and opportunities which arise due to significant budget reductions and changes to local and national policy. To be delivered successfully, the service transformation involves putting agreed strategies and plans in place. One of the strategies to be implemented is the Better Care Fund which is an integrated pooled budget to support health and social care to work together in local areas. To achieve the outcomes of the fund will require strong partnership working. Significant planning and investment of resources will also be required to set up primary care, prevention and community services in order to achieve the fund outcomes.</p> <p>Another strategy the council will be required to implement will be the Care and Support Bill in April 2015. Mapping, analysis and assessment of the detailed requirements of the Bill to identify the resources required to implement the changes, needs to be undertaken to fully assess the impact of the Bill on the council. 'The Health and Wellbeing Board will be accountable for the authorisation and delivery of the fund. The Terms of Reference and governance of the Health and Wellbeing Board are being reviewed to take account of these new responsibilities '.</p>	<p>Assistant Director, Health, Wellbeing and Disability</p> <p>March 2015</p>
<p><b>FutureWorks</b></p> <p>The FutureWorks Programme delivered the new Agresso IT system on 1 April 2014 in line with the contractual timescales. This new system and processes are being used across the council and its partner organisations of Wolverhampton Homes Limited and West Midlands Pension Scheme. This successful delivery has enabled the council to start delivering the agreed year one savings.</p> <p>The council is now embarking on delivering phase 2 of the programme in rolling our self-service functionality which will maximise the return on investment as council services are transformed. The council will continue to manage the risks around the general governance and structure of this programme and through the general programme controls it will bring.</p>	<p>Strategic Director, Delivery</p> <p>Assistant Director, Finance</p> <p>March 2015</p>
<p><b>Partnership Governance</b></p> <p>While work has begun on a number of the council's key partnerships, a systematic approach to identifying all of the significant partnerships and in determining the level of review of the governance arrangements alongside the 'health' of</p>	<p>Assistant Director, Partnerships, Economy and Culture supported by the</p>



## 10. ANNUAL GOVERNANCE STATEMENT

<p>each partnership, is still being rolled out and will be quite a sizeable task.</p>	<p>Chief Legal Officer March 2015</p>
<p><b>Information Governance</b></p> <p>The council is building on the robust framework and effective working practices it has put in place since consensual audits from the Information Commissioner’s Office in 2012 and an enforcement notice in 2014, including:</p> <ul style="list-style-type: none"> <li>• Supporting the Information Governance Board through the development of an operational group to drive progress</li> <li>• Mapped out a centralised work programme and resources including a new structure</li> <li>• Review of all Information Governance policies</li> <li>• Roll out of a suite of training programmes, including ensuring there is 100% compliance with the mandatory ‘Protecting Information’ training to all employees</li> </ul>	<p>Head of Policy March 2015</p>
<p><b>Strategic Asset Management</b></p> <p>The Corporate Landlord model has now been formally adopted by the council. The implementation of the model and developing a clear understanding of the accountability for activities and financial management will continue.</p> <p>As part of the Corporate Landlord approach Strategic and Operational Land and Property management is now covered by two governance Boards. The Strategic Land and Property Board is chaired by the Strategic Director Education and Enterprise, and attended by the Corporate Landlord (Strategic Director Delivery). The Operational Land and Property Board is chaired by the Strategic Director Delivery.</p> <p>The Strategic Land and Property Board meets monthly and the Operational Land and Property Board meets fortnightly. Both Boards consider land and property matters and consult Members through the existing processes of Cabinet Member Briefing; Property Advisory Group and Executive Team prior to decisions being formally made in line with the Council’s Constitution.</p> <p>The Strategic Asset Review has now concluded with the agreed categorisation of assets, and clear accountability established for assets including those considered to be of strategic importance (for Economic Growth and Regeneration including Housing).</p> <p>Strategic Asset Management will in the future be supported by the Corporate Landlord’s Asset Management team acting as a single source of information and knowledge for the council’s assets making sure that the respective governance boards are provided with accurate and relevant information enabling informed decision making and</p>	<p>Strategic Director, Education and Enterprise and Assistant Director, Delivery March 2015</p>

## 10. ANNUAL GOVERNANCE STATEMENT

<p>direction.</p> <p><b>Schools Improvement</b></p> <p>The council’s vision is to create an education system in Wolverhampton that promotes higher standards for all children and young people and closes the attainment gap. This is a system where the council celebrates school autonomy and supports school leaders and teachers in leading school improvement and having the highest expectations of every child and young person.</p> <p>The council’s strategic approach to school improvement therefore is to support effective school to school collaboration, strong partnerships and to develop excellent practice in schools whilst demonstrating clear leadership and challenge in the delivery of the its duties in relation to school improvement. This leads to three clear and related targets:</p> <ul style="list-style-type: none"> <li>• To ensure that every child in the city has an excellent education.</li> <li>• To raise standards in schools and academies so that by September 2016 attainment and progress measures at all key stages match or exceed national averages.</li> </ul> <p>To improve the quality of provision in schools and academies so that by September 2016 all schools, settings and academies achieve an Ofsted inspection judgement of good or outstanding.</p>	<p>Assistant Director, Education and Enterprise March 2015</p>
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### **Future Assurance**

Progress reports on the implementation of the above actions from these key improvement areas will be produced by Audit Services and reported to the Audit Committee during 2014/15.

## 10. ANNUAL GOVERNANCE STATEMENT

### Certification

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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:



**Simon Warren, Chief Executive:**

Date:

## 11. GLOSSARY

### **Academy**

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

### **Accruals (Accrual Accounting)**

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

*See Receivables, Payables*

### **Actuarial / Actuary**

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

### **Arm's Length Management Organisation**

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

### **Amortisation**

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

*See Depreciation*

### **Asset**

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

*See Non-Current Asset*

### **Bad Debt Provision**

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

## 11. GLOSSARY

### **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. Local authorities pass the money to the Government who then share the total amount collected nationally between Authorities to help pay for local services.

### **Capital Adjustment Account**

From 2007/08 onwards, an account whose purpose is to serve as a balancing mechanism between the different rates at which assets are depreciated in line with the SORP, 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 non-current 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.

## 11. GLOSSARY

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

*See Statement of Recommended Practice, Code of Practice*

### **Code of Practice on Local Authority Accounting**

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

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

### **Collection Fund**

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

### **Community Assets**

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

### **Consistency**

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

### **Contingent Asset**

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

## 11. GLOSSARY

### **Contingent Liability**

A contingent liability is either:

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

### **Corporate and Democratic Core**

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

### **Council Tax**

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

### **Current Asset**

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

### **Dedicated Schools Grant**

Schools are funded separately from other council services. The council receive 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).

## 11. GLOSSARY

### **Defined Contribution Scheme**

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

### **De Minimis**

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

*See Capital Expenditure*

### **Depreciation**

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

*See Impairment*

### **Disclosure**

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

*See Code of Practice*

### **Discount**

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

*See Premium*

### **Dividend**

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

### **Earmarked Reserve**

A sum set aside for a specific purpose.

*See Usable and Unusable Reserves*



## 11. GLOSSARY

### **Events after the Reporting Period**

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

### **Exceptional Items**

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

### **Existing Use Value (Social Housing)**

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

*See Vacant Possession Value*

### **Fair Value**

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

### **Fees and Charges**

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

### **Finance Lease**

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

*See Operating Lease*

### **Financial Instrument**

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

### **Financial Year**

This runs from 1 April to 31 March.

## 11. GLOSSARY

### **General Fund**

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

### **Going Concern**

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

### **Government Grants**

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

### **Heritage Assets**

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

### **Housing Revenue Account (HRA)**

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

### **Impairment**

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

*See Property, Plant and Equipment*

### **Income and Expenditure Account / Statement**

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

## 11. GLOSSARY

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **International Accounting Standards (IAS)**

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

*See International Financial Reporting Standards*

### **International Financial Reporting Standards (IFRS)**

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

### **Inventories**

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

### **Investments**

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

### **Investment Properties**

Interest in land and/or buildings:

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

## 11. GLOSSARY

### **Levy**

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

### **Liabilities**

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

*See Accruals, Payables*

### **Major Repairs Reserve**

A reserve to pay for large scale repairs to council houses.

### **Materiality**

An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

### **Provision for the Redemption of Debt (MRP)**

A minimum amount, determined according to a formula approved by the council, which must be charged to the revenue account, for debt redemption or for the discharge of other credit liabilities.

*See Capital Financing Requirement*

### **National Non-Domestic Rates (NNDR)**

Rates which are levied on business properties and collected by the council and accounted for on an agency basis. These funds are then distributed between the General Fund and other public bodies.

### **Net Book Value**

The amount at which property plant and equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

*See Property Plant and Equipment*

## 11. GLOSSARY

### **Net Current Replacement Cost**

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

### **Net Realisable Value**

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

### **Net Worth**

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

### **Non-Current Asset**

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

### **Obsolescence**

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

*See Impairment*

### **Operational & Non-Operational Assets**

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

*See Property Plant and Equipment*

### **Operating Leases**

Leases other than a finance lease.

*See Finance Leases*

### **Payables**

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

*See Accruals, Receivables*

## 11. GLOSSARY

### **Precept**

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

### **Premium**

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

*See Discount*

### **Prior Year Adjustments**

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

### **Private Finance Initiative (PFI)**

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

### **Property, Plant and Equipment**

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

*See Capital Expenditure*

### **Provisions**

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

### **Prudence**

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

### **Receipts in Advance**

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

## 11. GLOSSARY

### **Receivables**

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

*See Accruals, Payables*

### **Related Party**

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

- (i) the elected members of the council and their partners.
- (ii) the chief 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.

## 11. GLOSSARY

### **Service Reporting Code of Practice (SERCOP)**

This guidance is issued by CIPFA and determines the costs which should be shown in the service lines in the Consolidated Income and Expenditure Statement, by determining which types of cost and income should be shown against which service. This promotes comparison between authorities by readers of the accounts.

*See Income and Expenditure Account/Statement*

### **Trust Fund**

A fund administered by the council on behalf of others for such purposes as charities and specific projects.

### **Usable Reserves**

Reserves that can be applied to fund expenditure or reduce local taxation.

### **Unusable Reserves**

Amounts that have come about purely from accounting adjustments and are not therefore available to spend.

### **Useful life**

The period over which the council will derive benefits from the use of an asset.

### **Vacant Possession Value**

The market value of a property, were it to be sold with no unusual restrictions on the occupation of the property, or the level of any rents or charges made for its use.

*See Existing Use Value (Social Housing)*

### **Work In Progress**

Expenditure in respect of assets that are not yet ready to be put into use or sold (as appropriate).