Statement of Accounts

2020/21

STATEMENT OF ACCOUNTS
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Independent auditor's report to the members of Sandwell Metropolitan Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Sandwell Metropolitan Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the Group Movement in Reserves Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 3 December 2021 we made three written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its service delivery and governance issues. We recommended that:

- senior officers and senior members take effective corporate grip of long-standing service issues highlighted by the findings detailed in the report we issued to the Authority on 3 December 2021 (including Sandwell Leisure Trust, Sandwell Children's Trust, the waste service, the enterprise and resource planning system, and Lion Farm) and prioritise corporate effort in managing the issues identified and embedding the solutions into the Authority.
- the Authority ensure that its learning in relation to commercial decisions, procurement and contract management issues highlighted in the report we issued to the Authority on 3 December 2021 is understood through the organisation.
- senior leadership, both officers and members, must demonstrate that they can continue to work together effectively, that they operate in line with the Authority's values, codes, policies and procedures, and that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints so that they restore balance and proportionality.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Risk Assurance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).
- We enquired of senior officers and the Audit and Risk Assurance Committee concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Assurance Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and of fraud in grants recognition. We determined that the principal risks were in relation to:
  - management controls over journals
  - potential management bias in determining accounting estimates for the valuation of land and buildings and the pensions liability, and;
  - accounting for covid-related grants.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on high-risk journals particularly those around the year end
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings valuations and the pensions liability
  - consideration of the accounting treatment for covid-related grants which included assessing the nature of the grants to determine which financial year they should be recognised in
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in covid-related grants recognition, and the significant accounting estimates related to land and buildings and the pensions liability.

- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For the component at which audit procedures were performed, we requested the component auditor report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditor.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter except on 3 December 2021 we identified significant weaknesses in the Authority's arrangements for governance and improving economy, efficiency and effectiveness for the year ended 31 March 2021. This was in relation to the Authority's poor progress in resolving service delivery and governance issues. On 3 December 2021, we made three written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in respect of these significant weaknesses, which the Authority considered at a public meeting on 18 January 2022. These written recommendations are described further in the 'Matters on which we are required to report by exception' section of our report. We also recommended that:

- the Authority's leadership be relentless in its focus in delivering and embedding sustainable change and use its past history as a reference point when focusing on improvement
- the Authority ensure an effective recruitment process for its Chief Executive, including attracting a pool of appropriate candidates, given that the appointment of the right Chief Executive was critical to embedding transformation and change
- the Authority ensure that a corporate performance framework is agreed so that the implementation of the Corporate Plan can be effectively monitored, and there is collective corporate responsibility rather than silo working.
- members in key statutory roles, in particular in relation to Cabinet, scrutiny, standards and audit, be provided with effective induction and ongoing development, training and support. The member

development programme should be reviewed to ensure corporate governance forms part of the training for members with governance roles.

- the Authority develop and agree an action plan in relation to the recommendations made within the report we issued to the Authority on 3 December 2021, ensuring that they are specific, measurable, attainable, realistic and time-bound

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Sandwell Metropolitan Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

M C Stocks

Mark C Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

31 August 2023

About Sandwell

The Borough

Sandwell is part of the West Midlands Conurbation and sits proudly at the heart of the Black Country. We are one of the seven local authorities that make up the West Midlands Combined Authority.

Sandwell is home to strong and vibrant communities. Our growing population (currently 329,042) is diverse with more than 34% of our population from ethnic backgrounds. Our six towns of Oldbury, Rowley Regis, Smethwick, Tipton, Wednesbury and West Bromwich have distinct identities and characteristics. Sandwell's rich past and multi-cultural heritage is central to its uniqueness and continues to shape its future.

Sandwell is, however, an area of widespread deprivation with huge and increasing demand for Council services. Many Sandwell residents including our children and young people experience poor outcomes; 34% of children in Sandwell live in relative low-income families. The Council has an ambitious plan to tackle these challenges and ensure every child and young person can realise their full potential.

Big Plans for a Great Place - The Sandwell Plan 2020 – 2025

Big Plans for a Great Place sets out our ambitious plan to deliver the vision 2030, creating a healthier, more successful future for the people of Sandwell – working as one Council and one team with our residents, businesses and partners.

"Sandwell Vision 2030 – Sandwell has a clear vision for what the borough should look and feel like by 2030. In 2030, Sandwell is a thriving, optimistic and resilient community. It's where we call home and where we are proud to belong – where we choose to bring up our families, where we feel safe and cared for, enjoying good health, rewarding work, feeling connected and valued in our neighbourhoods and communities, confident in the future, and benefiting from a revitalised West Midlands"

Big Plans sets out what the Council will do to deliver Vision 2030 and its 10 ambitions, over the next five years.

It is not intended to be an exhaustive list of everything we do as a Council, but simply sets out our strategic outcomes which will guide us in making sure our people and communities thrive and prosper.

Strategic Outcomes

Our corporate plan, Big Plans for a Great Place, has been refreshed in the light of significant change over the last 18 months. The strategic outcomes have stayed the same, but some actions have been modified and updated. This year the delivery of the corporate plan will be supported by directorate business plans.

1) The best start in life for children and young people

The critical early period from pregnancy to a child's second birthday provides the foundation for how they will develop, grow and learn; and for their future life chances.

We know that poverty can limit nutrition, affect cognitive development, the ability to do well in school and ultimately earn a good living later. It can contribute to vulnerable environments. Therefore, we have placed the emphasis on the importance of the first 1,000 days of a child's life and the importance of families securing the support available to them.

Children being ready for school and schools being ready for children. Families and communities being able to support that readiness are vital, so we are introducing specific additional measures for this early period and to prepare young people for adult life and skills, with a particular focus on vulnerable children.

2) People will live well, age well

The Pandemic and lockdowns have worsened existing health inequalities. We will work to redress that balance by investing in the community, voluntary and faith sectors, playing our part in the vaccine roll-out and ensuring that local communities are connected.

Living healthy lives is also paramount. From an early age, health is an issue for residents, with Sandwell underperforming for prevalence of obesity as well as mental ill health. People are living longer but are often in poor health as they get older. We want people to live well for longer. And we will put in place the measures to reverse this trend by working with local people to create community-based opportunities leading to healthier lives.

It is also vital that people with care and support needs are enabled to make choices about the life they live. Being able to choose where you live, how you are supported, if you work or attend college and how you spend your free time are basic decisions that many people with care and support needs find it difficult to make without support. We will help people make everyday choices around not just how they are supported, but also how the choose to live their lives.

We’ll make sure that people don’t stay in hospital for longer than they need to, and we will share information across health and social care staff to reduce duplication. We will do this by working with partners to integrate health and social care.

3) Strong resilient communities

Sandwell is an area rich with heritage and culture, with historic town centres and a legacy of metalworking to celebrate. Our residents tell us that vibrant local towns are important for encouraging families to stay and have pride in where they live. This together with our programme for enhancing our green spaces and commitment to becoming carbon neutral will deliver positive outcomes for all our communities.

We know that people want to feel proud of where they live and that part of this is about getting the basics right, ensuring that our neighbourhoods and towns are clean and well maintained.

We will ensure that Sandwell is a safe environment, whether that be the safety of our road network, our parks and open spaces, adequate street lighting or, for instance, that our residents do not get caught out by rogue traders.

4) Quality homes in thriving neighbourhoods

Having a warm, safe and secure home in an attractive environment is vital for improving living standards. There are 133,000 homes in Sandwell and more than a fifth of those are managed by the council.

We continue to have a very healthy council house building programme and to work productively with partners to deliver quality homes in Sandwell. We are rightly proud of our council house building programme and we are looking at developing the second Council House Build Programme, this will enable us to deliver more homes that meet our residents’ needs.

By 2030, we aim to have 8,000 more new homes in the borough. This will be a mix of council house building and homes built by registered housing providers and the private sector. We will also be working with our communities to explore the potential of community-led housing schemes and self-build.

We will also want to improve the quality of existing accommodation in terms of making sure our properties are safe and comply with fire and building safety requirements and that they are energy efficient. As a Council we want residents to inform service delivery and help to shape our services, this is no different in housing. We want to ensure that our tenants can participate in activity that helps to develop our offer.

More than 4,000 Sandwell families or individuals declared themselves homeless in 2018-2019 and 65% of these were single people. We will work to identify the needs of the most vulnerable people in Sandwell and work to support families who are at risk of becoming or who are homeless.

5) A strong and inclusive economy

Sandwell is the third largest borough in the West Midlands with a population of almost 330,000 and a £6.3 billion economy, the largest in the Black Country. But for our size our economy is not yet punching its weight and reaching its full potential. It is well understood that working and having a good income is one of the determinants of health and wider social benefits.

We are committed to working together with all our partners to create a strong and growing Sandwell, built on fairness. An economy where no one is left behind, that benefits everyone and where we build on the collective strengths of our community. We also want to work with our partners to make sure that, wherever possible, we spend our money directly with local suppliers so that the economy in Sandwell benefits and the money stays in Sandwell.

As a council, we really value our local businesses and want to continue to deliver high quality support that helps them thrive and prosper; and encourage the growth of new businesses. Part of this is ensuring that local people have the skills and knowledge to fill any vacancies by offering local training and development opportunities.

We want our young people to have access to good jobs and we will work with education providers and local businesses to guide young people to the pathways that enable them to meet their aspirations.

6) A connected and accessible Sandwell

Sandwell is located right in the heart of the West Midlands and is well connected both regionally and nationally. Sandwell's five motorway junctions, extensive canal network and 12 train stations are critical connectivity points, with easy access to Birmingham and Coventry.

Recognising that transport can be a barrier to work, we will work with our partners such as the West Midlands Combined Authority (WMCA) https://www.wmca.org.uk to ensure that our residents can access employment opportunities across the region particularly by public transport.

We want to make sure that all public transport options available locally are as green as possible. So, we will continue to invest in green infrastructure, alongside the investment we will continue the implementation of the Sandwell's Cycling and Walking Infrastructure Plan to develop more cycling and walking routes.

The COVID-19 pandemic has exacerbated the digital divide that exists in our communities. So now more than ever it is important that we address digital exclusion when designing services and making key council decisions. We also need work with our partners at WM5G to ensure Sandwell maximises opportunities for 5G infrastructure, so that internet users in Sandwell have the best connectivity.

7) One Council, One Team

To deliver our ambitious plans we will create a modern, outstanding council, one where our organisational structure, business systems, process and people and cultural working practices are fully aligned to deliver our strategic outcomes. We will build a One Council: One Team ethos, breaking down departmental barriers, building collaborative team working and setting a sustainable budget aligned to outcomes.

At the centre of everything we do are the services we provide on a day-to-day basis, that make life better for people in our communities. The pandemic has changed the way we work significantly, and our residents are interacting with the council increasingly online. We want to make sure that Sandwell people get a good quality, consistent level of service, however they choose to contact the council. Central to this is the development of our digital services and supporting those people who want help in improving their digital skills. We are committed to becoming a listening, responsive council that enables our residents to influence the design of services.

Our key strength as an organisation is our staff and their commitment to give Sandwell people the very best. A skilled, diverse, motivated and healthy workforce is key to this success. We will create a modern workplace and give staff technological tools that encourage creativity, collaboration and transformation. We take the health and wellbeing of our employees very seriously and will build the resources available to support them.

The Council

Political Leadership

The Council's Constitution provides that the Leader of the Council will be a Councillor elected to that position by the Council and that he/she will hold office for up to four years or until he/she resigns, is suspended, ceases to be a Councillor or is removed by resolution of the Council either directly or indirectly by virtue of the election of a new leader.

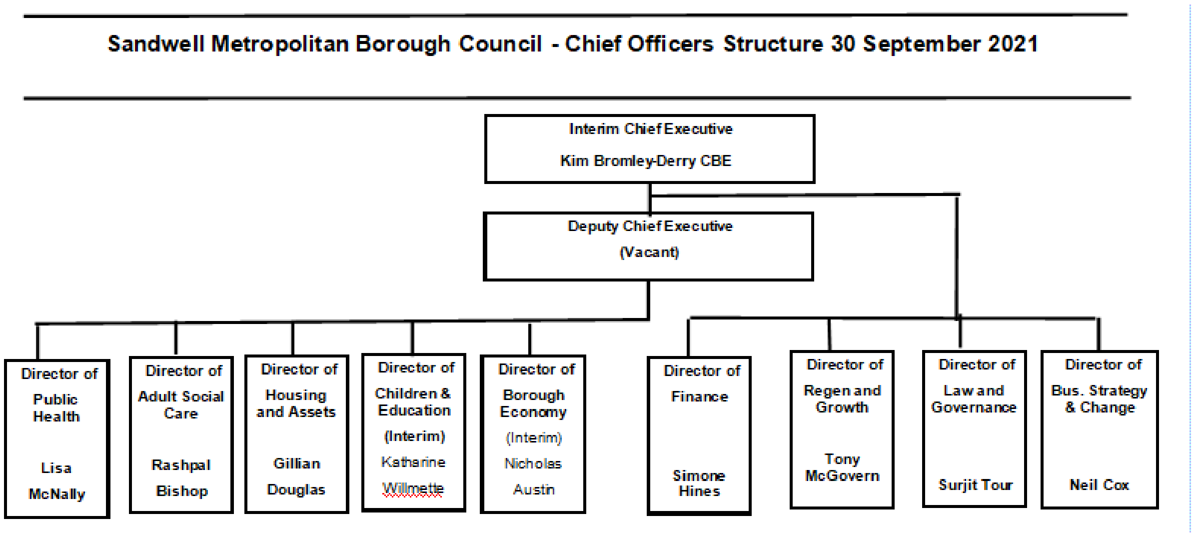
At the start of the year Councillor Yvonne Davies was Leader of the Council, with Councillor Khatun as Deputy. On 9 July 2020, Councillor Yvonne Davies resigned as Leader of the Council and Statutory Deputy Leader Councillor Maria Crompton undertook those duties and responsibilities, with full delegated powers of the Council Leader until 25 May 2021.

At the Annual Council meeting on 25 May 2021 a new Leader of the Council, Councillor Rajbir Singh was elected together with Deputy Leader Councillor Maria Crompton.

On 16 November 2021 Councillor Rajbir Singh resigned as Leader of the Council and Deputy Council Leader Councillor Maria Crompton took on the responsibilities with immediate effect.

Organisational Structure

A senior management re-structure was approved by full Council on 6 October 2020. An Interim Chief Executive, Kim Bromley-Derry CBE was appointed on 10 August 2021, the post of Deputy Chief Executive is currently vacant. The Interim Chief Executive will be supported by nine Directors. The structure has been re-designed to provide sufficient capacity for day-to-day leadership of the Council and our 4,105 employees as well as delivering the strategic drive needed to take forward our 2030 vision.



Revenue Outturn

Sandwell's net general fund balance increased by £11.553m in 2020/21.

Most services across Sandwell have ended the year in surplus and are carrying forward combined surpluses of £5.750m to future years. This demonstrates the continued success of our multi-year budget planning process and is a key part of our overall strategy of protecting front-line services for the people of Sandwell.

The Housing Revenue account balance increased by £1.491m in 2020/21.

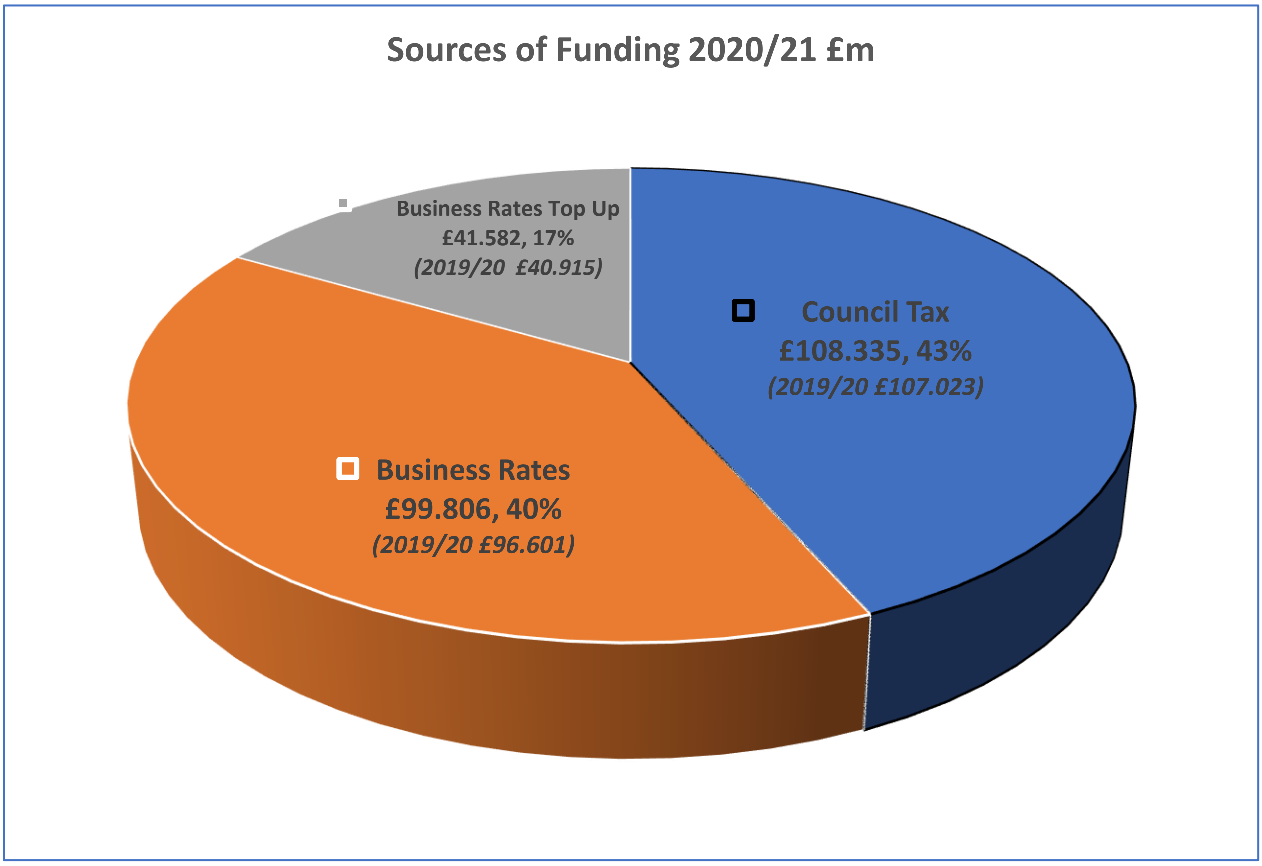
Our maintained schools have ended the year with surplus balances of £39.414m, an increase of £10.245m compared to the previous year. There are no schools that closed with a deficit budget share for 2020/21.

There were four schools that converted to an academy during 2020/21:

• **St Marys Primary School**	https://www.stmaryspsmelmount.com
• **Newtown Primary School**	https://www.newtown.sandwell.sch.uk
• **Stuart Bathurst High School**	https://www.stuart-bathurst.org.uk
• **Shenstone Lodge Special School**	https://shenstonelodge.co.uk

Sources of funding

Our General fund revenue expenditure was funded from the following sources:



Capital Outturn

Capital expenditure of £132.000m was incurred during 2020/21, including:

- £1.228m Various ICT projects
- £23.490m New schools/school refurbishments
- £2.739m Disabled Facilities Grant
- £15.816m Various Highways related schemes
- £21.547m New Sandwell Aquatic Centre for the 2022 Commonwealth Games
- £50.315m Housing Revenue Account

Treasury Management

At 31 March 2021, the Council's principal external debt was £486.518m (£504.093m at 31 March 2020) and its cash investments totalled £37.306m (£48.027m at 31 March 2020).

The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position and represents the 2020/21 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. At 31 March 2021 the CFR was £796.767m, up from £791.981m at 31 March 2020 (See Note 37).

The financial year 2020/21 continued with the challenging environment of previous years, mainly low investment returns and additional pressures as a result of the Covid-19 pandemic.

The Council maintained an average balance of £73.324m of internally managed funds. The internally managed funds received an average return of 0.141%. The comparable performance indicator is the average 7-day LIBID rate as at 31 March 2021, which was -0.071%. The LIBID rate saw a sharp decrease in 2020/21 to reflect the MPC's Bank Rate cuts in March 2020 to a final rate of 0.10% as a result of the Covid-19 pandemic initial lockdown.

The Bank Rate remained at 0.10% during 2020/21 financial year and into 2021/22, due to the continue pressures of the pandemic on the economy; as a result, the council has seen a decrease on returns during 2020/21 compared to 2019/20.

The Council has complied with all the relevant statutory and regulatory requirements which require the Council to identify and where possible, quantify the levels of risk associated with its treasury management activities. Its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable, and sustainable and its treasury practices demonstrate a low risk approach.

General Fund Balance

We end the year with a General Fund Balance of £54.981m*, an increase of £11.533m compared to the position as at 31 March 2020 of £43.448m. This includes £5.750m of surpluses that are being carried forward to invest in front-line services, £2.900m capital financing from revenue and £40.599m that has been earmarked for specific purposes.

*The total General Fund Balance as at 31 March 2021 is £204.895m which also includes £149.914m in Earmarked Reserves. (31 March 2020 Balance £124.561m).

Our level of free balances is £5.734m, which equates to 2.7% of net general fund expenditure.

Going Concern

Sandwell MBC carries out functions that are essential to the local community. We have a strong track record of financial stability, managing funding reductions whilst protecting front-line services. After almost 10 years of austerity we have maintained a prudent level of reserves and we continue to be resilient in the face of the significant financial challenges facing local government. Our Medium-Term Financial Strategy (MTFS) is robust and we have a strong track record of delivering savings.

The authority also has revenue raising powers, and high collection rates for both Council Tax and Business Rates.

As a result, these financial statements are therefore prepared on a going concern basis.

Cash Flows

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. During 2020/21, net cash and cash equivalents decreased by £6.229m.

Assets and Liabilities

The Council continues to maintain a strong balance sheet. Long term assets are valued at £2,275.152m. Long term liabilities are valued at £1,602.086m, including a net deficit of £1,103.736m attributable to the Council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Barnett Waddingham LLP).

The results of the most recent review were used to prepare the 2020/21 accounts. The 2020/21 past service and future service contribution rates for the Council and employees were adjusted in order to address this deficit over time. (Note 43) explains the pensions liability in more detail.

IFRS 16 – Accounting for Lease Transactions

On 12 July 2019, CIPFA/LASAAC issued the proposed text for the adoption of IFRS 16 in the 2020/21 Code. However, at its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation of IFRS 16 Leases to the 2021/22 financial year, with an effective date of 1 April 2021.

However, in April 2022 the CIPFA/LASAAC Local Authority Accounting Code Board announced that they have, with the approval of the Government's Financial Reporting Advisory Board (FRAB), agreed to defer the implementation of IFRS 16 Leases for a further 36 months, with a new effective date of 1 April 2024.

Although the decision has been taken due to the impact on Local Authority finance teams of the COVID-19 pandemic, CIPFA/LASAAC are keen to stress that this further deferral is limited to one year only. The Finance team will continue their preparations for implementation ahead of adoption of this standard in the 2024/25 financial year.

The Standard is expected to have a significant practical and financial effect for local authorities.

It will be of wide interest because of the prevalence of leasing in local government and the risk that the changes could have a budgetary impact if not managed effectively.

The main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions with the asset being recorded on the balance sheet, together with a liability to pay for the asset acquired.

This method is referred to as the “Acquisition Approach”. In contrast, operating leases have been treated as “pay as you go” arrangements, with lease rentals expensed in the year that they are paid. The new standard requires all substantial leases to be accounted for using the “Acquisition Approach”.

Work has already commenced on planning and preparing for the implementation of the changes required to ensure compliance with the Standard from 2024/25.

Termination Benefits

The Council terminated the contracts of several employees in 2020/21 to meet the ongoing challenges of the difficult economic climate and budget reductions. In total 25 employees (Excluding Schools) left the Council’s employment during the year incurring liabilities of £2.430m. Schools terminated the contracts of 60 employees in 2020/21, incurring liabilities of £0.438m.

In 2019/20 a provision of £1.795m was created for employees approved as planned leavers at 31 March 2020. Of this £1.358m was utilised and £0.437m re-provided for in 2021/22. Costs of £0.847m not included in the 2019/20 provisions have been incurred. £0.682m of this has been funded by Directorates and £0.165m from the Council’s Corporate Resources.

There are also agreements in place for a further 13 employees to leave the Council during 2021/22 or later at an estimated cost of £1.366m.

Sandwell’s Voluntary and Community Sector

Sandwell’s Voluntary and Community Sector (VCS) is a major asset to the borough and forms a very important part of our thinking about how the vision will be achieved. Active and visible voluntary and community groups play a crucial role in building resilience in Sandwell’s communities, helping people to resolve their own problems and preventing or delaying the need for health or social care.

The Council has a long history of supporting the VCS, for example through grants, subsidised use of premises and free access to training. The voluntary sector support budget was £3.400m pa and has been protected from cuts for more than 10 years. This budget is used to provide core funding for a range of local VCS organisations, including infrastructure bodies, local community centres and advice centres. Alongside this support, the Sandwell Compact and the VCS funding strategy have provided a firm basis for the development of our relationships with the sector.

In more recent years' relationships with the sector have evolved to reflect a much stronger partnership approach with more opportunities for real dialogue about changing needs and genuine engagement around problem solving and service redesign. This has been evidenced by the vital roles that Sandwell's VCS has played during the COVID-19 pandemic working in partnership with the council to provide essential support to our communities at a time of great need:

- **Funding for food banks (Emergency Assistance Grant - £30,000)**
  Food banks stayed open through the lockdowns (having changed the way that they operated to keep volunteers and clients as safe as possible) and funding was provided so that they could purchase food in order to supplement donations

- **Brushstrokes (Emergency Assistance Grant - £39,000)**
  Brushstrokes provide holistic support and advice to newcomers (refugees and asylum seekers). Funding was provided to enable them to purchase food and deliver it to residents with No Recourse to Public Funds. In addition, these residents were provided with immigration and other advice and supported to access healthcare

- **Food Pantry Development (Emergency Assistance Grant - £60,000)**
  Funding to enable VCS partners to set up food pantries to help residents to access affordable food. 3 new pantries were set up and opened in December 2020 – Brass house Pantry in Smethwick, Open Heaven Pantry in Friar Park and Murray Hall Food Pantry in Tipton.

- **Vaccine Take- Up Programme SCVO (MHCLG Community Champions Grant - £111,928)** The grant enabled SCVO to establish a £100,000 small grants programme for voluntary and community groups to promote COVID-19 safe behaviour and promote vaccine take up. Some 28 grant awards have been made for a wide range of projects.

The Impact of COVID-19

COVID-19 was categorised as a pandemic by the World Health Organisation on 11 March 2020.

The uncertainty caused by COVID-19 has certainly affected the Council's planning for 2020/21 and future years. Additional COVID related grant funding is available during the earlier part of 2021/22; however, the full financial impacts are expected to continue throughout the year.

This section highlights the impact across the whole of the Council and the measures and actions that have been implemented as a direct result of the pandemic.

Provision of Services

Sandwell Council has played a key role in the overall national response to COVID-19, supporting businesses, communities and our most vulnerable residents throughout the pandemic. During this time, staff have worked extremely hard to continue to deliver services under challenging circumstances and in new and different ways in order to meet the needs of our communities.

Building on the council's initial Resilience Plan, our response to the pandemic has been wide ranging and focused on supporting the most vulnerable in our communities. It has been successful due to the strength of our partnership working and the commitment of our staff at all levels.

Our **emergency response** was driven by Sandwell's Local Outbreak Plan (highlighted as best practice by the Department of Health) which ensured a seven day a week Outbreak Response service for schools, workplaces and care homes. Sandwell's contact tracing service was one of the first to be set up in the UK, leading to the successful reach of new cases rising from 60% to around 90%. Our response was swift, leading the rapid creation of a regional mortuary facility at Birmingham Airport, distributing over 200 laptops in the first few weeks of lockdown to vulnerable children, ensuring safe and well checks were in place, and effectively handling PPE needs for adult social care services.

Supporting Sandwell's vulnerable people has been the cornerstone of our response to the pandemic. Not only did we establish the first food distribution hub in the West Midlands, we delivered more than 15,000 parcels to isolated individuals during 2020. We made more than 12,000 welfare calls to people who were clinically vulnerable and provided focused support for children who were shielding and clinically extremely vulnerable and unable to attend school. Through strong partnership working we delivered a co-ordinated response to safeguarding vulnerable children and providing additional support where needed. A huge cross-council effort saw Winter Grants administered to our most vulnerable residents at a critical time in the year.

We have **provided advice and financial support** to our residents and businesses to make sure they could access the maximum grants and benefits available to them. Our Welfare Rights team helped people bring in over £17m into their pockets, and over £56m worth of business grants were distributed to over 5,000 businesses. As well as advice and guidance to businesses on COVID restrictions and workplace safety measures, we introduced a scheme for local childcare business with sustainability funding and provided extensive support to schools to effectively manage through this period.

Throughout the pandemic, the success of the council's response has been due to embracing innovation and good practice and building on the spirit of team working and the strength of our partnerships. However, it is widely recognised that the engagement of and with the community was a key strength in our response. This relationship continues to be important as we move out of COVID restrictions and continue to encourage vaccination take-up across all out communities.

It has been necessary to reshape key services to minimise risk and implement measures to provide service continuity during this difficult period. Despite this, significant progress has been made during our emergency response period towards our strategic priorities as set in the Corporate Plan approved by Full Council in March 2020 just before the pandemic hit.

Best Start in Life for Children and Young People:

- Approval for the first music-focused free school in England in partnership with City of Birmingham Symphony Orchestra
- Strengthening and developing further our strategic partnership working – through SHAPE, Police and Crime Panel, Strategic Commissioning Partnership
- Extended our offer of support to care leavers up to age 25
- 20% increase in children successfully placed for adoption compared to previous year
- Sandwell rated as a top employer for apprentices
- Winner of the acclaimed MJ Award for Innovation in Children's Services

People Live Well and Age Well

- Keeping people safe and maintaining wellbeing despite the pandemic
- An acceleration of personalised care to support people to achieve their outcomes
- The Council and our partners have pulled together as a whole system e.g. discharge to assess, to enable timely discharge and finding solutions to PPE together
- Proactive in our engagement with rough sleepers, provided appropriate support to help more move into and maintain sustainable tenancies
- Adapted our Move More Sandwell programme to encourage people to move more at home and allocated our fleet of 40 bicycles to frontline health workers

Strong, Resilient Communities

- Increased civic participation/volunteering in response to Covid
- Supporting the voluntary sector, enabling people to support each other through for instance the food bank
- Increased demand on services for the community,
- Welfare Rights support helped 7,700 people, bringing in £17m
- New Climate Change Strategy ratified, and we declared climate emergency
- Huge strides towards channel shift – more services developing digital forms and taking payments online, whilst maintaining face-to-face or telephone contact for those who really need it
- Customers using alternative methods of payment to cash increased significantly

Quality Homes in Thriving Neighbourhoods

- Continuing to build our council house programme at pace, securing national investment in Sandwell
- Progressed major housing regeneration projects across the borough to provide housing that meets the needs of current and future communities
- More than 1000 empty properties have been made ready for new tenants

Strong Inclusive Economy

- The Inclusive Economy Deal and a Community Wealth Building action plan launched with organisations across the borough working together to deliver this challenging agenda
- Towns Fund Programme advancing well, including Accelerated Programme
- Work is on track to deliver the Sandwell Aquatic Centre on schedule, ready for Commonwealth Games 2022.
- Other major regeneration projects progressing well - Bull Street, West Bromwich Gateway area, Wednesbury Heritage Action Zone

A Connected Accessible Sandwell

- Delivered a suite of improvements to our cycling and walking network
- Submitted application for funding for Birchley Island to the Department for Transport
- Engaged our local schools in Road Safety week
- Commissioned the first phase of work to develop a transport interchange at Dudley Port, examining how we can ensure an end to end journey using public transport integrating rail, metro and bus services
- Wednesbury to Brierley Hill Metro Line Extension underway
- Worked with Transport for West Midlands on the Bike Share scheme that will see a cycle hire scheme being rolled out in Sandwell in 2021

One Council, One Team

- Collaborative working has grown significantly, breaking down departmental boundaries
- Great strides in progressing workplace vision with a high proportion of our workforce working from home and the ongoing redevelopment of Oldbury Campus to meet the needs of our future workforce with more collaborative and drop-down space
- Creative, digital solutions ensuring our services continued

Establishment of virtual committee meetings and staff conferences as a mechanism to ensure business of the council can continue.

The Council’s response to COVID has been directed through regular ‘situation report’ meetings at GOLD level, which included representation from key partner agencies, and the establishment of a senior management officer group which met on a regular basis to review progress against the Council’s Resilience Plan – the Reset and Recovery Board. The frequency of these meetings flexed in response to the pandemic and the needs of the organisation. As national COVID-19 restrictions have lifted, the Reset and Recovery Board has overseen the return of face-to-face service delivery through a managed process. This has ensured that the safety of staff, service users and the community has been central to service delivery, and informed changes to service practices to minimise risk.

The Reset and Recovery Board also led the planning of the ongoing recovery of the borough and the council, commissioning a comprehensive impact assessment that is feeding into a refresh of the Corporate Plan. The pandemic has both exposed and exacerbated longstanding inequalities in society. Therefore, as we move out of restrictions and learn to live with COVID, this refresh of our strategic priorities will ensure that the council is addressing the key issues that are important to the successful future of our borough and our organisation.

Existing risks at both strategic and operational level has continued to be monitored, as well as identifying new and emerging risk areas arising from the impact of the pandemic on our communities, suppliers and the Council as a whole. Risk management has been embedded into our response approach and has continued to inform the Council’s reset and recovery activity as we refresh our Corporate Plan. Revised and updated risk assessments have been provided to Emergency Committee and Cabinet during the pandemic.

Council’s Workforce – new ways of working

Although the Council has seen several services suspended, these have mainly been based on government requirements to close.

The Council had already made significant investment in ICT over the last few years, with a range of programmes to facilitate improved access to Council ICT systems including roll out of mobile technology and improved infrastructure. The current situation has seen further demand in this area to provide appropriate equipment to support more services to be able to work remotely, and the Council is seeing the benefit of this with the majority of the Council’s workforce now being able to work remotely and continue to provide services. For those front-line services where this has not been possible the Council has focussed on implementing safe ways of working, including implementing safe distancing measures and use of PPE where appropriate, for staff involved.

By monitoring overall absence levels, the Council has been able to identify all those employees who are self-isolating, shielding or absent for other reasons. COVID-19 19 has had an impact on attendance levels both in terms of individuals sickness and because of self-isolation.

Information has been collected on the impact of this on critical services and, where necessary, the Council has redeployed volunteer staff from non-critical areas to ensure the continued delivery of those critical services. Where employees could work from home they have been asked to do so as a matter of course. The Council has also relaxed the flexible working policy to enable employees to care for a child whilst home working. Additional support measures for employees have been implemented with a wide range of resources available to support positive mental and physical wellbeing.

Impact on Revenue Budget

The impact of COVID-19 on the Council's revenue budget has been significant, including:

- Reduced expenditure from the suspension / cancellation of services or a focus on emergency responses only.
- Loss of income due to service reductions / travel restrictions.
- Additional costs from undertaking new COVID related activity.
- Redeployment of staff and resources as part of the corporate COVID response.
- Access to additional COVID related grant funding to manage additional costs and income reductions.

Emergency funding of £37.745m received from MHCLG to cover the immediate budget pressures has been accounted for in 2020/21.

The area that has been most affected is Business Rates and Council Tax income collection. The impact of this will not be felt until subsequent financial years when the deficit against these must be recovered. Previous accounting rules meant that the deficit had to be recovered in full in the following financial year. This has now been relaxed so that the deficit can now be recovered over 3 financial years. However, this only assists in helping to deal with the pressure in the current financial year. There is no doubt that collection rates will continue to be lower than anticipated in future years and therefore the Council's Medium-Term Financial Strategy (MTFS) will need to be updated to reflect this, and for other continuing pressures as a result of COVID-19.

There is continued uncertainty about the financial implications, linked to the robustness of the social care market and the need for intervention, the likelihood of local spikes in infection rates, duration of service closures / reductions, and the impact on income generation. The impact of a wider economic downturn on demand for services and levels of non-payment are also unknown now. Uncertainty about what represents 'Business as Usual' in the post-COVID-19 is also likely to impact on the Council's MTFS.

Monthly returns have been submitted to the MHCLG to demonstrate the impact of COVID-19 on the financial position of the Council. The latest return showed the following:

	£'000
COVID-19 related expenditure	24,572
Loss of Income	5,884
Total COVID-19 Pressure	**30,456**
Funded from Specific Grants	(13,287)
Sales Fees & Charges Compensation	(3,859)
Emergency COVID-19 Grant	(20,599)
Total COVID-19 Funding	**(37,745)**
Net Pressure/(Surplus)	**(7,289)**

Total emergency COVID funding of £33,094m has been received, of which £12,495m was received in 2019/20; together with an additional £20,599m which was received during 2020/21.

Work continues reviewing and updating the Council's MTFS in the light of COVID-19 and this is being led by the Reset and Recovery Board. All assumptions will need to be revisited and updated, particularly those around future Business Rates and Council Tax income.

Supply Chains

Most of the Council contractors are operating on a more 'business as usual' basis in the current financial year. There has been some impact in terms of availability of bid teams to participate in tender process that has led to some contracts being extended to facilitate competitive tendering at a time when the market is more ready.

Most services have now completed the transition back to full resumption of services and support plans have been ended; there are some areas such as leisure centres where an element of support is ongoing.

Demand for PPE is reduced, and market pricing has settled to lower levels. Availability is good and the Council can source its requirements without difficulty.

Capital Programmed 2020/21 and Impact of COVID-19

No schemes in the current capital programme have been cancelled or postponed as a result of COVID-19. However, some have been delayed and slippage of resources into future years will be required in order to successfully deliver these schemes to a conclusion.

Programme delays on major schemes could put at risk time limited external grants, with a potential for clawback unless funding deadlines are extended.

Lockdown has also affected public consultation on major schemes which could cause delay in the development of projects. This may impact upon the ability to bid for funds and ultimately could lead to a smaller capital programme in future years.

The main areas of the capital programme affected by COVID-19 are:-

- The Sandwell Aquatic Centre for the Commonwealth Games in 2022.
- Highways & Transport schemes.
- New School Build & Refurbishment schemes.
- Disabled Adaptation schemes.
- Housing schemes

Beyond the direct impact of COVID-19 there is considerable uncertainty and potential for speculation about the future effects and risks in the medium term associated with: -

- A further wave of COVID-19 this winter.
- The extent of Government COVID-19 future funding support to Local Authorities.
- The effectiveness of the government's job retention scheme.
- Supply and demand issues around implementation for the whole supply chain.
- The subsequent economic impacts ranging from recession to construction price inflation.

These areas of uncertainty and risk need proactive management from Government to mitigate the potential impacts in the longer term.

Pension Fund Asset Valuations

The impact of COVID is outlined in the Annual Accounting Report 2020/21 (Employers Briefing Note) as published by Barnett Waddingham LLP, the Pension Fund Actuary.
The main impact on the Employers Liabilities is in relation to the mortality experience over the accounting year.

The approach taken by the Actuary is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the Fund is complete.

Cash Flow Management

The Council is continually reviewing and revising its forecast cash flow position to ensure it can fully meet its financial obligations based on extensive reviews of anticipated reductions in income and increased expenditure. The Council has received several grants from Central Government. These consist of grants to support the Council in providing a response to COVID-19. In addition, there are also grants that the Council are responsible for providing to both Council taxpayers and local businesses to help support them during this pandemic.

The Council is confident that it has sufficient cash flow and funds to meet obligations in the short to medium term, allowing it to remain within the current prudential indicators set out within its Treasury Management and Investment Strategy. However, as the pandemic continues beyond 2020/21, then additional actions may be required to ensure the Council is able to continue to effectively manage it cash flow position.

Reset and Recovery Plan

The Council has established a roadmap for reset and recovery from the pandemic – the Reset and Recovery Plan. This is a phased approach, designed to understand the impact of COVID-1919 on our communities, economy and organisation to inform our future. Flexibility is built into the roadmap to ensure the Council and the community can respond quickly to any future spikes of infection and the reintroduction of restrictions.

Underpinning our reset and recovery approach is a series of working principles that will drive transformation and ensure the Council takes advantage of transformational opportunities arising from the pandemic:

- Focus on the future, not back to normal
- Social distancing is the new normal
- Move with the Digital Evolution
- Live within our means
- Think creatively and innovate
- Collaborate and co-produce
- Exploit opportunities for transformation and efficiencies
- The future is green
- Learning the lessons
- Communication/engagement is king
- Embed Community Wealth principles in our approach
- Intelligence and evidence driven
- Empower the workforce to retain a flexible and resilient approach

Transparency in decision making and accountability for delivery of the Reset and Recovery Plan will be key to its success. A comprehensive governance framework is in place at each level of the organisation, so that decisions made are logged, officers are held to account and elected members are kept informed of activity as appropriate. Scrutiny and Audit Committee are engaged with as appropriate through the normal channels.

COVID-19 Summary

In summary, current projections indicate that we have been able to manage the financial impact of COVID-19 in the short term. However, the impact will continue to be felt beyond 2021 therefore our Medium-Term Financial Strategy will continue to be reviewed and updated with the need for new budget savings likely. Regular updates will be reported to Cabinet on the financial implications for the Council, including any recommendations for actions required to manage the situation.

Councils Economic Stragies

The Council identifies priorities to respond to the vision at a local level building upon natural strengths, such as those in renewable energy sector while continuing to address longstanding challenges in productivity, innovation, business growth, skill demand and existing pockets of deprivation in urban, rural areas.

- **Business Growth:** Support sector growth and bring forward and maintain an attractive portfolio of employment sites in combination with high-quality and effective business support services.
- **Lifelong Learning:** Equip people with the skills they need to progress in the labour market, engage those furthest from employment or education and deliver higher level skills to meet the demands of the local economy.
- **Quality Locations:** Develop a ‘place-based’ approach to meet the housing, infrastructure, employment and local service needs to create sustainable and growing communities
- **Sustainable Economy:** Ensure greater cohesion and integration between our natural and economic asset base to contribute towards a more sustainable, low carbon economy.

2020/21 & Beyond

Governance

In reviewing the Council’s priorities and its 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.

Key Risks

Brexit

The United Kingdom formally left the European Union on 31 January 2020 with a transition period that lasted until 31 December 2020 to enable both parties to negotiate their future relationship.

These negotiations resulted in a trade agreement with the EU for goods only with negotiations continuing with respects to services.

At present it is difficult to quantify what the impact has been due to the impact Covid-19 has had on the UK economy potentially masking any Brexit consequences.

We will continue to monitor developments in relation to these key risks and update our strategic and financial plans as necessary as and when the implications become clearer.

No projects in receipt of European funding have been withdrawn or discontinued.

Central Government Funding

For the second time in several years, our central government funding was not reduced for 2021/22. However, central government have once again only provided a one-year settlement and therefore there is considerable uncertainty about what funding will be received in future years, particularly considering COVID-19 financial pressures.

In order to set a balanced budget for 2021/22, the Council approved the use of Covid Emergency funding of £5.8m together with the utilisation of earmarked balances of £8.0m.

The main reasons for the shortfall in 2021/22 relate to the impact of COVID-19 on: -

- Business Rates and Council Tax collection rates in 2020/21.
- The ongoing economic impact on future Business Rates and Council Tax income.
- The inability to address several budget pressures over the last year due to the focus on dealing with the immediate impact of the pandemic.

However, in common with many other Councils, Sandwell continues to experience an increase in demand for our children's social care services that has resulted in a year-end deficit of £1.867m for Sandwell Children's Trust :https://www.sandwellchildrenstrust.org

This deficit considers £1.920m of additional resources allocated to SCT from the COVID Emergency and £0.500m drawn down from the High Cost Placements Reserve. It is also £0.725m higher than the year end deficit forecast in their Medium-Term Financial Strategy. No additional resources are requested to fund this deficit as SCT have confirmed their commitment to delivering a balanced budget over the medium term, including recovery of this deficit.

Climate Change

Our Climate Change Strategy was agreed by Cabinet in 2020. The strategy covers the timeframe 2020 to 2041. Our overarching targets are:

- To reach carbon neutrality (Carbon Net Zero) across all Council functions by 2030.
- To reach carbon neutrality borough-wide by 2041.

These targets are closely aligned with both the West Midlands Combined Authority and the West Midlands Pension Fund.

Our Climate Change Strategy includes an Action Plan to get us to our target position of net zero carbon emissions.

Our ambition by 2030 is for all Council Owned Buildings and Schools to be de-carbonised, in addition to the replacement of all our vehicle fleet with electric vehicles.

The following key risks have been identified:

Financial Risks

- **Budget pressures** in order to secure sufficient funding for the substantial investment needed in order to replace the whole of the Council's vehicle fleet with electric vehicles (Approx.500 Vehicles) together with securing sufficient grid capacity for the charging of those vehicles on a suitable depot site.
- The costs associated with **de-carbonising** all our council owned buildings, including schools.
- **Asset impairment and loss** of revenue funding streams arising from extreme weather conditions.
- Potential **financial impact upon future pension fund** valuations and pension contributions including covenant risk.

Enterprise Risks

- **Flooding** - Within Businesses, Homes and the wider Community
- **Heatwaves** - Heat stress and the impact on productivity.
- **Air pollution** - The protection of Employers, Employees and our Residents

Operational Model / Strategy & Resource Allocation

The Council's operating model is clearly set out in a range of documents approved by Cabinet and Council. These documents include:

- The Corporate Plan which sets out our key strategic plans for the borough.
- Service directorate Business Plans that were approved by Cabinet in February and which detail the resources allocated to each service area and how they will be used to deliver the key activities planned for the coming years.
- The Council budget report and Medium-Term Financial Strategy approved by Council in March which sets out our assumptions about the future financial resources available to the Council.
- The Climate Change Strategy.

The delivery of these ambitious plans will depend upon bringing together a whole range of resources, including:

- Our financial resources, including Council Tax, Business Rates, Housing Rents and Fees & Charges.
- Our human resources, including our commitment to invest in our highly engaged and committed workforce.
- Our physical resources, including the effective use of our land and buildings.
- Our digital resources, including our ICT infrastructure and our digital strategy.
- Our partnership resources, building on key relationships with our statutory partners.
- Our voluntary and community sector.
- The people of Sandwell.

1. **The Authority's Responsibilities**

The Authority is required to:

- Decide for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the 151 Officer.

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

2. **The Responsibilities of the Section 151 Officer**

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2021.

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.

- Made judgements and estimates that were reasonable and prudent.

- Complied with the Code.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date.

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2021.

Councillor Liam Preece
Chair – Audit & Risk Assurance Committee
Sandwell Metropolitan Borough Council

29th August 2023

Simone Hines
Director of Finance
Sandwell Metropolitan Borough Council

29th August 2023

Comprehensive Income & Expenditure Statement

2020/21

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

Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	REVISED	REVISED		REVISED	REVISED	REVISED
2019/20 Restated Gross Expenditure £'000	**2019/20 Restated Gross Income £'000**	**2019/20 Restated Net Expenditure £'000**	**Comprehensive Income and Expenditure Statement**	**2020/21 Gross Expenditure £'000**	**2020/21 Gross Income £'000**	**2020/21 Net Expenditure £'000**
			People			
145,941	(66,696)	79,245	Adult Social Care Services	161,027	(78,362)	82,665
275,982	(279,809)	(3,827)	Schools	296,044	(289,305)	6,740
119,374	(17,646)	101,728	Children's Services	122,621	(32,130)	90,491
24,836	(24,229)	607	Public Health	24,310	(28,151)	(3,841)
			Performance			
149,308	(120,117)	29,191	Resources	145,662	(137,321)	8,341
2,470	68	2,538	Corporate Management	2,041	(242)	1,798
			Place			
50,464	(10,912)	39,552	Housing & Communities	58,802	(14,542)	44,260
51,108	(15,540)	35,568	Regeneration & Growth	41,176	(14,929)	26,246
76,531	(129,427)	(52,896)	Housing Revenue Account	108,721	(130,292)	(21,572)
(260)	-	(260)	Reversal of previous revaluation losses	(683)	-	(683)
895,754	**(664,308)**	**231,446**	**Cost of Services**	**959,720**	**(725,275)**	**234,445**
		13,001	Levies			12,992
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		3,974	(Gains) / Losses on the disposal of non current assets			(2,670)
		186	Losses on Revaluation of Assets Held for Sale			-
		19,858	**Other Operating Expenditure**			**13,019**
		30,298	Interest payable and similar charges			28,412
		17,686	Net interest on the net defined benefit liability (asset)			19,716
		(1,536)	Interest receivable and similar income			(1,127)
		(3,091)	Income and expenditure in relation to investment properties			(2,933)
		-	Disposal of Academies			6,109
		4,024	Changes in the Fair Value of investment properties			(4,300)
		(191)	Changes in the Fair Value of Financial Assets			(159)
		47,190	**Financing and Investment Income and Expenditure**			**45,717**
		(107,023)	Council Tax income			(108,335)
		-	NDR from Pool			-
		(96,601)	Retained Business Rates			(99,806)
		(40,915)	Business Rates Top Up (Non Ringfenced Government Grants)			(41,582)
		5,375	Collection Fund (Surplus) / Deficit			38,630
		(31,096)	Non Ringfenced Government Grants			(61,629)
		(44,064)	Capital grants and contributions			(37,429)
		(314,324)	**Taxation and Non Specific Grant Income**			**(310,150)**
		(15,830)	**(Surplus) / Deficit on Provision of Services**			**(16,970)**
		1,559	(Surplus) / deficit on revaluation of non current assets			(22,689)
		11,087	(Surplus) / deficit on revaluation of financial assets			765
		(7,198)	Remeasurements of the net defined benefit liability/(asset)			283,616
		5,448	**Other Comprehensive Income and Expenditure**			**261,692**
		(10,382)	**Total Comprehensive Income and Expenditure**			**244,723**

Balance Sheet

2020/21

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1 April 2019 £'000	Restated 31 March 2020 £'000		Note ref	REVISED 31 March 2021 £'000
2,039,218	2,088,750	Property Plant & Equipment	**10**	2,144,938
4,193	4,312	Heritage Assets	**11**	4,312
78,498	73,590	Investment Properties	**12**	77,082
2,463	1,688	Intangible Assets	**14**	978
55,601	44,513	Long Term Investments	**16**	43,748
3,631	3,985	Long Term Debtors	**16**	4,095
2,183,604	**2,216,838**	**Long Term Assets**		**2,275,152**
11,029	2,646	Short Term Investments	**16**	13
-	1,023	Assets Held for Sale	**13**	9,753
1,465	1,375	Inventories	**-**	1,353
54,636	51,711	Short Term Debtors	**17**	82,956
53,464	66,074	Cash & Cash Equivalents	**19**	65,887
120,594	**122,829**	**Current Assets**		**159,961**
(22,350)	(18,929)	Bank Overdraft	**19**	(24,971)
(77,810)	(76,250)	Short Term Borrowing	**16**	(78,221)
(79,490)	(89,198)	Short Term Creditors	**20**	(126,658)
(10,316)	(15,501)	Provisions	**22**	(13,997)
(2,569)	(6,651)	Revenue Grants Receipts in Advance	**35**	(1,840)
(3,876)	(4,098)	Capital Grants Receipts in Advance	**35**	(12,589)
(196,411)	**(210,627)**	**Current Liabilities**		**(258,276)**
(3,562)	(4,339)	Provisions	**22**	(3,985)
(447,312)	(427,843)	Long Term Borrowing	**16**	(408,297)
(832,616)	(864,091)	Other Long Term Liabilities	**21**	(1,175,960)
(15,204)	(13,292)	Capital Grants Receipts in Advance	**35**	(13,843)
(1,298,694)	**(1,309,565)**	**Long Term Liabilities**		**(1,602,086)**
809,093	**819,475**	**Net Assets**		**574,752**
201,167	200,488	Usable Reserves	**MIRS**	266,321
607,926	618,987	Unusable Reserves	**24**	308,432
809,093	**819,475**	**Total Reserves**		**574,752**

Simone Hines
Director of Finance
Sandwell Metropolitan Borough Council
29th August 2023

Cash Flow Statement

2020/21

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Restated 2019/20 £'000		2020/21 £'000	2020/21 £'000	Note Refs
(15,830)	**Net (surplus) / deficit on the provision of services**		**(16,970)**	
(117,982)	**Adjustments to net (surplus) / deficit on the provision of services for non cash movements**		**(95,890)**	25
62,430	**Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities**		**64,309**	25
(71,382)	**Net cash flows from Operating Activities**		**(48,551)**	
	Investing Activities:			
98,494	Purchase of property, plant and equipment, investment property and intangible assets	109,345		
77,646	Purchase of short and long term investments	0		
(18,329)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(13,284)		
(86,030)	Proceeds from short and long term investments	(2,633)		
(42,406)	Other receipts from investing activities	(59,377)		
29,375	**Net cash flows from Investing Activities**		**34,051**	
	Financing Activities:			
(239,258)	Cash receipts of short and long term borrowing	(288,220)		
4,947	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,360		
260,287	Repayments of short and long term borrowing	305,709		
	Other receipts from financing activities	(1,120)		
25,976	**Net cash flows from Financing Activities**		**20,729**	
(16,031)	**Net (increase) / decrease in cash and cash equivalents**		**6,229**	
31,114	Cash and cash equivalents at the beginning of the reporting period		47,145	19
16,031	Net movement in cash and cash equivalents		(6,229)	
47,145	**Cash and cash equivalents at the end of the reporting period (note 19)**		**40,916**	19

Movement in Reserves Statement

2020/21

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’.

This statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund Balance and the Housing Revenue Account Balance movements in the year following those adjustments.

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves	General Fund Working Balance	Earmarked General Fund Reserves	Restated Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Revaluation Reserve	Restated Capital Adj Account	Financial Instruments Adj A/C	Financial Instrument Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Accumulated Absences Account	Collection Fund Adj A/C	Total Unusable Reserves (Restated)	Total Council Reserves (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019	**62,037**	**55,924**	**117,961**	**40,436**	**16,222**	**26,548**	**201,167**	**263,221**	**1,073,099**	**(1,346)**	**20,680**	**-**	**(773,438)**	**(6,398)**	**1,336**	**577,154**	**778,321**
Restated Adjustment (Note 7)	-	-	-	-	-	-	-	(9,000)	39,772							**30,772**	**30,772**
Restated Balance as at 1 April 2019	**62,037**	**55,924**	**117,961**	**40,436**	**16,222**	**26,548**	**201,167**	**254,221**	**1,112,871**	**(1,346)**	**20,680**	**-**	**(773,438)**	**(6,398)**	**1,336**	**607,926**	**809,093**
Movement in Reserves During 2019/20																	
Total Comprehensive Income and Expenditure *	(22,002)	-	(22,002)	37,832	-	-	15,830	(1,559)		-	(11,087)	-	7,198	-	-	(5,448)	10,382
Adjustments between accounting basis & funding basis under regulations (Note 8) *	28,602	-	28,602	(38,475)	7,162	(13,799)	(16,510)	(5,678)	52,553	91	-	-	(24,398)	(1,936)	(4,122)	16,510	-
PPA adjs included in analysis above			-				-									-	-
Transfers (to)/from Earmarked Reserves (Note 9)	(25,190)	25,190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease in Year	**(18,590)**	**25,190**	**6,600**	**(643)**	**7,162**	**(13,799)**	**(680)**	**(7,237)**	**52,553**	**91**	**(11,087)**	**0**	**(17,200)**	**(1,936)**	**(4,122)**	**11,062**	**10,382**
Restated Balance at 31 March 2020	**43,447**	**81,114**	**124,561**	**39,793**	**23,384**	**12,749**	**200,487**	**246,984**	**1,165,424**	**(1,255)**	**9,593**	**-**	**(790,638)**	**(8,334)**	**(2,786)**	**618,988**	**819,475**
Balance as at 31 March 2020 previously reported	43,447	81,114	124,561	39,793	23,384	12,749	200,487	288,015	1,099,393	(1,255)	9,593	-	(790,638)	(8,334)	(2,786)	593,988	794,475
Restated Adjustment (Note 7)	-	-	-	-	-	-	-	(41,031)	66,031							25,000	25,000
Balance as at 1 April 2020	**43,447**	**81,114**	**124,561**	**39,793**	**23,384**	**12,749**	**200,487**	**246,984**	**1,165,424**	**(1,255)**	**9,593**	**0**	**(790,638)**	**(8,334)**	**(2,786)**	**618,988**	**819,475**
Movement in Reserves During 2020/21																	
Total Comprehensive Income and Expenditure	14,263	-	14,263	2,707	-	-	16,970	22,689	-	-	(765)	-	(283,616)	-	-	(261,692)	(244,722)
Adjustments between accounting basis & funding basis under regulations (Note 8)	66,071	-	66,071	(1,214)	(8,301)	(7,693)	48,863	(7,223)	47,572	177	-	-	(49,776)	(811)	(38,802)	(48,863)	-
																	-
Transfers (to)/from Earmarked Reserves (Note 9)	(68,800)	68,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease in Year	**11,534**	**68,800**	**80,334**	**1,493**	**(8,301)**	**(7,693)**	**65,833**	**15,466**	**47,572**	**177**	**(765)**	**-**	**(333,392)**	**(811)**	**(38,802)**	**(310,555)**	**(244,722)**
Balance at 31 March 2021 carried forward	**54,981**	**149,914**	**204,895**	**41,286**	**15,083**	**5,056**	**266,320**	**262,450**	**1,212,996**	**(1,078)**	**8,828**	**-**	**(1,124,030)**	**(9,145)**	**(41,588)**	**308,433**	**574,753**

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

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

ii. 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 contracts** with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.

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

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

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

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

- The council operates a **de-minimums level for the processing of accruals**, £10,000 for capital and £1,000 for revenue. The de-minimums policy for revenue requires that no accruals are actioned for individual amounts below £1,000; unless, for a group of similar transactions, there would be a material impact upon the accounts of not recognising the income and expenditure in the relevant accounting period.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than 24 hours. Cash equivalents are highly liquid funds invested in call accounts and 30 days or less notice accounts from the date of acquisition, which are readily convertible to known amounts of cash with insignificant risk of change in value.

All other investments held by the council do not represent cash equivalents as they are not readily convertible to known amounts of cash with an insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

iv. **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 (CI&ES) or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

v. **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.

vi. **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited 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; and
- **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 (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balances by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement.

vii. Inventories and Long-term Contracts

Inventories are shown in the Balance Sheet at the lower of cost and net realisable value as required by IAS 2.

Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

viii. Council Tax and Non-Domestic Rates

Billing authorities act as an agent, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected is less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the CIE&S is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIE&S and the amount required under regulation to be credited to the General Fund is transferred to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayment and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CI&ES. The impairment loss is measured as the difference between carrying amount and the revised future cash flows.

ix. Employee Benefits

Benefits Payable During Employment

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid monthly and charged on an accrual's basis to the relevant service line of the CI&ES.

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. They are charged on an accrual's basis to the relevant service area line in the CI&ES at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructure.

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

Post-Employment Benefits

Employees of the council are members of three separate pension schemes:

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- **The Local Government Pension Scheme**, administered by Wolverhampton City Council; and
- **The National Health Service** (NHS) Pension Scheme

These schemes provide defined benefits to members (retirement lump sums and pensions), earned during employees' service with the council.

Teachers' and National Health Service Pension Schemes

Arrangements for both the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The schemes are therefore accounted for as if they were defined contribution schemes with no liability for future payments of benefits being recognised in the Balance Sheet. The Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to teachers' pensions 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 retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.00% 2020/21, (2.35% 2019/20) based on the indicative rate of return on high quality corporate bonds.

The assets of the West Midlands Pension Fund attributable to the council are included in the Balance Sheet at fair value.

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

- **Service cost comprising:**

  - **Current service cost** – the increase in liabilities because of years of service earned this year; allocated in the CI&ES to the services for which the employees worked.

  - **Past service cost** – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years; debited to the Surplus or Deficit in Net Cost of Services in the CI&ES; and

  - **Net interest expense** – the change during the period in the net defined benefit liability that arises from the passage of time; charged to the Financing and Investment Income and Expenditure line in the CI&ES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**

  -

  - **Return on plan assets** – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and

  - **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 as Other Comprehensive Income and Expenditure.

- Contributions paid to the West Midlands Pension Fund – cash paid as 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 and HRA balances 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 and HRA of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council also 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 award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

x. **Events after the Balance Sheet Date**

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 events 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.

xi. **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 carried at their amortised cost. Annual charges are made to the Financing Investment Income and Expenditure line in the CI&ES for interest payable, are based on the carrying value 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 borrowings 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 CI&ES is the amount payable for the year according to the loan agreement. Where premiums and discounts have been charged to the CI&ES, 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. The reconciliation of amounts charged to the CI&ES 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

Under IFRS 9, financial assets are classified based on the classification and measurement approach that reflects the business model for holding financial assets and their cashflow characteristics.

There are three main classes of financial assets. These are measured at:

- **Amortised Cost** – contractual assets that give rise on specified dates to cash flows that are solely payments of principal and interest.
- **Fair Value** through Other Comprehensive Income (FVOCI) – assets held for both collecting contractual cashflows and selling assets.

- **Fair Value through Profit and Loss (FVPL)** – assets held for any other means than collecting contractual cashflows.

Under IAS 39 Financial assets were classified as follows:

- **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 were initially measured at fair value and carried at amortised cost. Annual credits to the CI&ES for interest receivable are based on the carrying amount of the instrument, multiplied by its effective rate.

Available for Sale assets were initially measured at fair value. Fixed or determinable payments, such as interest receivable are credited to the CI&ES annually based on the amortised cost of the asset multiplied by the effective rate of interest. Other payments, such as dividends are credited to the CI&ES when they become receivable.

As per the IFRS 9 change to the Code, the reclassification of assets has been applied to the assets held by the council in 2020/21 – a note showing the reclassification has been included in the Financial Instruments (Note 16).

Loans made to the Council at less than market rate are known as ‘soft loans. Soft loans currently held by the council were provided by Salix Finance Ltd and are primarily linked to the capital energy efficiency projects e.g. boiler replacements and street lighting. The financial effect of this concession is charged to the CI&ES representing the interest saved, over the life of the loan. Since statutory provisions require that the impact of soft loans on the General Fund balance is limited to actual interest receivable for the year, a transfer to or from the Financial Instruments Adjustment Account is made to cover the difference.

Further details relating to the fair value of financial assets and liabilities are provided in section xxix of the accounting policies and (Note 16 Financial Instruments).

xi. **<u>Government Grants and Contributions</u>**

Whether paid on account, by instalment 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 CI&ES until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance.

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and nonspecific grant income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, 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.

Covid-19 Grants

As part of the Covid-19 pandemic the government provided a range grant schemes to support businesses that has been administered by the Council (Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, multiple Local Restrictions grant (open/closed sectors). The Council is responsible for paying over the grants to the businesses and are then reimbursed by the government using a grant under section 31 of the Local Government Act 2003 (S31). Some of the schemes are fully reimbursed, others are a set allocation.

The Council is required to use their Business Rates system to identify the properties that meet the eligibility criteria. These grants are not Collection Fund transactions.

Principle or Agent

Accounting for the S31 grants being paid to the Council by BEIS and distribution of the grants eligible to businesses will be identified (either principle or agent).

Where the Council is acting as principle, the transactions will be included in the CIES. The Council will determine how the grant operates to acknowledge their position as a principle or agent.

Acting as a distribution point for grant monies to other bodies and has no control over the amount of grant allocated to a recipient then the authority is acting as agent.

Where the authority has control over the distribution or amounts of the grant it would be deemed to be acting a principle. The performance obligations will be considered regarding the grants.

Where the Council acts as an agent, transactions will not be reflected in any authority’s financial statements. Exceptions to this are in respect of the cash collected or expenditure incurred by the agent on behalf of the principle, in which case there is a debtor/creditor position and the net cash position included in the finance activities in the Cash Flow statement.

Any materially sums will be stated with a separate disclosure note (income or expenses with given explanations).

Business Improvement District

A Business Improvement District (BID) scheme applies across the whole of the Authority. The Albion Business Improvement District scheme is situated within the Greets Green and Ling Ward of Sandwell and the West Bromwich BID scheme is in the West Bromwich Central Ward. These schemes are funded by a BID levy paid by non-domestic ratepayers. The council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant service lines in the CI&ES.

Community Infrastructure Levy

The council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments to the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund several infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CI&ES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charge may be used to fund revenue expenditure.

xii. **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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES.

An asset is tested for impairment whenever there is an indication that this may have occurred – any losses recognised are posted to the relevant service line(s) in the CI&ES.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CI&ES.

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 Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. **Interest in Companies and Other Entities**

The Code requires local authorities with material interests in subsidiary and associated companies and joint ventures to prepare, summarised group accounts. In the authorities own single entity accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

The council has a financial relationship with the following companies: -

- **Sandwell Land and Property Ltd**, which is a subsidiary of the council.
- **Sandwell Children's Trust**, which is a wholly owned company of the council. As at the 31 March 2018, the company was dormant and became live on 1 April 2018 following the transfer of Children's Social Care functions from the council.
- **Sandwell Inspired Partnership Services Education Limited**. Group accounts have not been prepared for this company as it holds a minority share of 20% and it has no substantial control of its operations or assets.

xiv. **<u>Leases</u>**

Leases are classified as finance leases where the terms of the lease transfers 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.

<u>The Council as Lessee</u>

Finance Leases

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at their fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A *charge for the acquisition* of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A *finance charge debited* to the Financing and Investment Income and Expenditure line in the CI&ES.

Property, Plant and Equipment recognised under finance leases are 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.

Operating Leases

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting from use of the leased property, plant and 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., if 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 CI&ES 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 CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A *charge for the acquisition of the interest in the property* – applied to write down the lease debtor (together with any premiums received); and
- finance income credited to the Financing and Investment Income and Expenditure line in the CI&ES.

The gain credited to the CI&ES 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 posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted 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 of the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets 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.

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 CI&ES. 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., if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

xvi. **Capital Accounting**

Non-Current Asset Valuations

The freehold and leasehold properties in the categories Property, Plant & Equipment, Investment Assets and Assets Held for Sale have been valued by officers within Strategic Asset Management and by the council's external valuers Wilks Head & Eve LLP. The Code requires that, as a minimum, non-current assets are revalued every five years. However, it is recommended that revaluation should take place more regularly where it is determined that a five-yearly valuation is insufficient to keep pace with material changes in fair value. The council operates a five-year rolling programme, although an annual review is also undertaken to assess if there are material changes that require specific assets to be revalued more frequently.

The beacon valuations appertaining to Council Dwellings have been carried out by Savills in 2020/21 and are in accordance with the Guidance on Stock Valuation for Resource Accounting (SVRA). A full valuation was undertaken in 2018/19 with the intention to complete desktop valuations for the 4-year period up to 2021/22. Again, this is in line with the latest SVRA guidance.

Property Plant & 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 (PP&E). Expenditure on the acquisition, creation or enhancement of PP&E is capitalised on an accrual basis provided it affords economic benefits or service potential to the council for more than one financial year.

As a rule, the council adopts a zero de-minimums limit in determining capital expenditure. An exception to this rule, is that only expenditure in excess of £10,000 on vehicles and plant are treated as capital expenditure, any expenditure below this limit is charged to revenue.

Assets are initially measured at cost and are then carried on the Balance Sheet using the following measurement bases:

Council Dwellings

Council dwellings are measured at current value, determined using the basis of existing use value for social housing (EUV-SH). This takes account of a social use factor of 40% determined by the Ministry of Housing, Communities and Local Government (MHCLG).

Due to the large number of dwellings held by the council it is not practical to account for each property individually and so all assets that fall into this category are grouped together under the heading of Council Dwellings and are accounted for at this higher level. When additions to the stock are made, these are revalued based on the beacon approach and social use factor of 40% is applied. Where previous revaluation gains exist, any in year revaluation losses are offset against these gains.

Community Assets

Community assets are assets that the council intends to hold in perpetuity. They have no determinable useful life and may, in addition, have restrictions on their disposal (e.g. parks, historic buildings, gallery exhibits). They are valued at historic cost, but where this information is not available the asset is valued at a nominal value of £1. The value of such assets is therefore insignificant, and no entry appears on the balance sheet.

Infrastructure Assets

Infrastructure assets are inalienable assets, expenditure on which is recoverable only by continued use of the asset created (e.g. highways, footpaths). They are valued at historic cost net of depreciation.

As per CIPFA Code/guide the Council is not required to report the gross book value accumulated depreciation for infrastructure Assets (Highways, Carriages, Bridges and Footpaths – for prior years). This temporary adaption is included from 2010 – 2011 Code to the 2022 – 2023 Code.

Assets Under Construction

These assets are held at historic cost.

Surplus Assets

Surplus assets not held for sale are measured at fair value which is the price at which an orderly transaction to sell an asset would take place between market participants at the measurement date under current market conditions. Further information on the council's fair value policy is given in section xxix.

Other Assets

All other assets that fall into the category of Property, Plant and Equipment (PP&E) are measured at current value which is the amount that would be exchanged for an asset in its existing use reflecting the service or function of the asset at the valuation date. These valuations are carried out on an existing use (EUV) basis or at depreciated replacement cost (DRC) if the specialised nature of the assets means that there is no market-based evidence to derive an EUV valuation.

Where non property assets have short useful lives and/or low value, depreciated historic cost (DHC) is used as a proxy for fair value.

All non-current assets are revalued, as a minimum, every five years as at 1st April.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains may be credited to the CI&ES where they arise from a reversal of a loss previously charged to a service.

Decreases in values are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the reduction is offset 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 excess is charged to the relevant service line(s) in the CI&ES.

Impairment

Assets are assessed at each year end for any indication of impairment. 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 as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the loss is offset 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 loss is charged to the relevant service line(s) in the CI&ES.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

In general, depreciation is calculated on the opening balance of an asset on a straight-line basis over its estimated remaining useful life (RUL).

As a guide, the useful lives of assets falling under PP&E are as follows:

- Carriageways and Footways (28 Years Useful Life)
- Structures – Bridges (80 Years Useful Life)
- Vehicles & Plant 7 years
- Street Lighting 30 years
- Street Furniture 10 years
- Equipment 5 -10 years

In relation to PP&E Buildings, the council has adopted a weighted average RUL that reflects the prevailing condition of individual assets based upon condition assessments carried out by the Council’s Urban Design / Building Services section. The WARUL generally falls with the range of between 35 and 50 years.

Where an asset has major components, whose cost is significant in relation to the total cost of the item and which have differing estimated useful lives, these components may be depreciated separately if deemed to be material. Further details of the council's accounting policy for components can be found in accounting policy xix.

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 (CAA).

Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value (see accounting policy xxix), 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 annually according to market conditions at the year end. In general, Investment properties receive a physical revaluation on a rolling three-year cycle. However, where the value of a property exceeds £1.000m, a full valuation will be undertaken on an annual basis. Properties that are not due to receive a physical revaluation each year are assessed against market indices to determine if there is a significant movement in value from when they were last valued. Where this is the case, additional valuations are carried out in year.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. They 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, the Capital Receipts Reserve.

Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Asset Disposals

When an item of PP&E or an Asset Held for Sale is disposed of, the carrying amount of the asset in the Balance Sheet is written out to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES, also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or is set aside to reduce the council's underlying need to borrow. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The write off disposals is not a charge against Council Tax, as the cost of non-current assets 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.

Borrowing Costs

The council does not currently capitalise any of its borrowing costs.

xvii. **Component Accounting**

A component is a part of an item of PP&E that has a cost that is significant in relation to the total cost of the asset. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

Significant components need only be separated out from the total asset if it depreciates at a different rate (i.e. it has a different useful life or is depreciated on a different basis).

The council, in conjunction with its external valuers, WH&E, have identified the following significant components.

Component	Component Breakdown (%)	Component Useful Life (UEL)
Houses and Bungalows		
Building Structure	51%	60 years
Roof	8%	40 years
Heating	10%	25 years
Electrics	5%	35 years
Other	26%	60 years
Flats		
Building Structure	54%	60 years
Roof	7%	40 years
Heating	9%	25 years
Electrics	6%	35 years
Lift	1%	25 years
Other	23%	60 years

The council is also required to consider the concept of materiality when considering the application of componentisation to its assets and has determined that componentisation will only be applied to items of PP&E where doing so has a material impact upon the amount of depreciation to be charged to the CI&ES and Balance Sheet.

In order to assess materiality, the council has instructed WH&E to provide individual PP&E valuations on a componentised basis so that the impact upon depreciation can be determined. From the results of this process the council has concluded that componentisation would not materially affect the level of depreciation charged on any of its PP&E assets valued during 2020/21 and, as a result, has not applied componentisation to its assets in this financial year. The council will however continue to review this process annually.

In relation to Council dwellings, which are valued annually on a Beacon basis, the Council has chosen to separate out individual components for the purpose of calculating depreciation based on the above headings. The councils view is that this approach is in line with the 'Stock Valuation for Resource Accounting Guidance' and that the components selected are those that are considered to have the greatest material impact upon depreciation and, therefore, need to be separated out from the rest of the building for depreciation purposes.

The council has also reviewed its capital expenditure in year and there are no items of material expenditure on the replacement of components that require the estimated value of the old component to be written out of the accounts.

It should be noted that when determining materiality, the council compares the cost of the new component with the total net book value of the asset. This differs slightly from the guidance which recommends that cost of the component is compared to the overall cost of the asset when determining materiality.

xviii. **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, although some of the measurement rules are relaxed. The council's collections of heritage assets are accounted for as follows:

Historical Buildings

Most the council's historical buildings are accounted for as operational assets as in addition to being held for their heritage characteristics, they are also used by the council to provide other services.

Museum Exhibits, Fine Art Collections & Civic Regalia

These collections are reported in the Balance Sheet using insurance valuations undertaken every five years by external valuers or relevant experts referring to appropriate commercial markets. The assets are deemed to have indeterminable lives and a high residual value therefore the council does not consider it appropriate to charge depreciation. Acquisitions and donations are rare and where they do occur acquisitions are recognised at cost and donations at valuation.

General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical damage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment (see Accounting Policy xviii).

The disposal of heritage assets must receive prior approval from Cabinet. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of Property, Plant and Equipment (see Accounting Policy xviii).

xix. **Minimum Revenue Provision**

Under the Local Government Act 2003, the council is required to set aside an amount from revenue as a provision for debt repayment. This amount is known as the Minimum Revenue Provision (MRP).

The calculation for supported borrowing was previously based on 4% of the adjusted Capital Financing Requirement (Outstanding Debt) for the General Fund. However, from 2016/17 onwards it was deemed more prudent to adopt the Asset Life (Equal Instalments) method where the useful life applied to the debt is based on the average useful life of the council's depreciable operational assets. For the financial year 2020/21 Sandwell has adopted a useful life of 50 years as allowed by the latest prudential code guidance.

This method ensures that the debt will be fully repaid over a fixed number of years and gives certainty to the budget setting process in the future.

From 1 April 2008, the MRP on any new unsupported borrowing is calculated based on the life of the asset being funded. In addition to this the council may opt to make a voluntary MRP to further reduce the level of outstanding debt where resources are available to do so.

There is no statutory requirement to make an MRP for the Housing Revenue Account (HRA). However, following the introduction of the self-financing arrangements, the 30-year HRA business plan allows for HRA debt to be repaid annually. A voluntary MRP equal to the value of the HRA principal debt repayment has been set aside from revenue since the introduction of the self-financing regime in 2012/13.

There is no statutory requirement to make an MRP for the Housing Revenue Account (HRA). However, following the introduction of the self-financing arrangements, the 30-year HRA business plan allows for HRA debt to be repaid annually. From 2019/20, due to the profile of loan maturity, this voluntary MRP was set at £10m per year for 8 years. A voluntary MRP is also made on the assumed cumulative internal borrowing and this is on a 40-year straight line basis.

xx. **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 its 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 offset by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Noncurrent 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 line(s) in the CI&ES;

- **Finance cost** – an interest charge on the outstanding Balance Sheet liability; debited to the Financing and Investment Income and Expenditure line in the CI&ES;

- **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 CI&ES;

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

- **Lifecycle replacement costs**: relevant costs capitalised via a revenue contribution to capital and applied as additions to PP&E to recognise spend incurred. Should lifecycle works be carried out in advance or later than scheduled into the annual unitary charge, a lifecycle debtor/creditor will be recognised on the balance sheet accordingly.

xxi. 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.

Provisions are charged as an expense to the appropriate service line in the CI&ES when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

xxii. **Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance through 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 form part of the Net Cost of Services in the CI&ES. 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 managing the accounting processes for Property, Plant and Equipment, retirement benefits and other items that do not represent useable resources for the Council. Full explanations are given within the Notes to the Core Financial Statements of the Capital Adjustment Account, the Revaluation Reserve, and the Pensions Fund Reserve. Other than these the following unusable reserves apply:
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- **Financial Instruments Adjustment Account**

This 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.

- **Deferred Capital Receipts Reserve**

This holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Useable Capital Receipts Reserve.

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- **Collection Fund Adjustment Account**

This manages the difference arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Taxpayers compared with statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

As at 31 March 2021 – Transfer between the General Fund and the Collection Fund Adjustment Account.

- The council received S31 grants to offset the reliefs given to businesses during the lockdown. Under the current collection fund accounting rules, the S31 grants received this year is not discharged against the Collection Fund deficit until 2020/22. Thereby inflating General Fund Balances at the end of the 2020/21 financial year. Even though showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit.

- The purpose of the Reserve, which would be used in 2021/22 to fund that element of the estimated Collection Fund deficit at 31 March 2021 which is transferred from the CFAA back to the General Fund in 2021/22.

- Giving the Council to transfer the 75% Tax Income Guarantee S31 grant to an earmarked reserve for the same reason above.

- Where the compensation grant income being considered material, the Council discloses a separate/additional line on the face of the CIES.Showing it as a material component of Taxation and non-specific grant income. Or a note to the CIES in line with the Code.

- The Council presenting the earmarked reserve as a separate column within the usable reserves in the Movement in Reserves Statement emphasise it falls outside the scope of the reserves earmarked for service requirements (General Fund, Earmarked Reserves and S31 business rate relief compensation grant reserve).

xxiii. **School Balances**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards Framework Act 1998, community, voluntary aided and voluntary maintained schools) lies with the Council. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council, rather than requiring consolidation in the Group Accounts. Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

In accordance with the schemes of delegation to schools set up in the Education Reform Act 1988, surplus/deficits against budgets can be carried forward into the following year. Any balances relating to schools are ringfenced and cannot be appropriated by the Council.

xxiv. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service line in the CI&ES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, 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.

xxv. **Insurance Funding Arrangements**

For those assets and liabilities deemed appropriate to insure against, the council operates an internal insurance account to provide insurance cover where either external cover is uneconomical or unavailable.

The internal insurance account provides the following main areas of cover:

Asset Protection - The first £0.100m of loss on non-educational establishments and the first £0.500m in respect of educational establishments, the aggregate excess (cap) being £2.000m in any policy year. The council's asset protection does not cover the council's housing stock except for high-rise.

Liabilities - The first £0.250m of each claim in respect of public/products and employer's liability and pollution, and the first £0.050m in respect of officials' indemnity, professional indemnity and land charges, the aggregate excess (cap) being £4.800m in any policy year across all liability sections of cover.

Motor – The first £0.155m of each motor claim for damage to a council vehicle and third-party claims. Third party losses are limited to £0.471m in the aggregate after the application of individual claim excess / non-ranking deductibles.

Fidelity Guarantee - The first £0.025m of each claim in respect of fraud committed against the council by its own employees. There is no annual aggregate excess (cap) in respect of fidelity guarantee claims.

The risks not covered by external insurance or other funding arrangements include third party fraud, the management of key partnerships and programmes and risks arising in respect of funding and resource allocation, considering the current economic climate. Where there are uninsured risks which have been identified, these risks are assessed, especially for financial impact, and appropriate controls put in place to mitigate those risks.

xxvi. **VAT**

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.

xxvii. **Fair Value Measurement**

IFRS 13 requires that local authorities measure some of their non-financial assets such as surplus and investment properties, and some of their financial instruments such as equity shareholdings at fair value.

The objective of the fair value approach is to estimate the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.

The measurement assumes that the transaction takes place either:

a. In the principal market for the asset or liability, or
b. In the absence of a principal market, the most advantageous market.

The authority measures fair value using the same assumptions that market participants would use when pricing an asset or liability if they will act in their own economic best interest.

For non-financial assets, the authority takes into account the participants ability to generate economic benefits by using the asset in its highest and best use or selling it to another market participant that would use the asset in its highest and best use.

When determining fair value, the authority's valuers use techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

These inputs are categorised within the fair value hierarchy as follows:

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

The transfer date for any movement between these levels is the 31 March in each financial period.

xxviii. **Pooled Budgets**

The Better Care Fund was announced in June 2013 with the intention to drive the transformation of local services and was to be operated through pooled budget arrangements between the Council and local Clinical Commissioning Groups.

The Council is party to a pooled budget arrangement and has considered the S75 agreement. The arrangement with the Sandwell and West Birmingham Clinical Commissioning Group has been assessed as a joint operation under IFRS11.

The council is host to the arrangement however the two parties account for their own share of the pool's income, expenditure, assets, and liabilities in line with the agreement and in line with respective commissioning responsibilities. Furthermore, members of the pooled budget only account for expenditure when it is spent by the pool and any cash held by the pool at year end is shared with a creditor in the host and debtor in the other parties in respect of that cash.

2. Accounting Standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2021/22 code are:

- **Definition of a business**: Amendments to IFRS3 Business Combinations - This will not lead to a change in the way the Council operates its accounting policies.
- **Interest rate benchmark reform** - Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 have an impact on hedge accounting if interest rates change. The amendments will not have a material impact on the council, as most of the council's debt is fixed rate and all the council's investments are in sterling and low risk.
- **Interest rate benchmark reform –** phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - relate to issues that arise if an existing interest rate is replaced by an alternative one. This is unlikely to have an impact as interest rate benchmark reform is rarely applied

In addition, accounting for leases which is currently carried out under IAS 17 – Leases will from 1 April 2022 be accounted for under IFRS 16 – Leases. This will require a change to the council's accounting policies for leases. Most leases where the council are the lessee will go onto the council's balance sheet as right of use assets with corresponding lease liabilities, meaning there is no longer a distinction between operating and finance leases for these. It is expected that there will be no change to the councils overall general fund balances as a result of this implementation of the standard. Application of this standard will not result in any retrospective prior period adjustments.

3. Critical Judgements in Applying Accounting Policies

Funding where the council acts as the Agent

In 2020/21, the council were required to distribute various grants (relating to COVID-19) on behalf of central government where it had no discretion on the eligibility criteria and who would receive these amounts. It is therefore classed as an agent. As the council is acting as an agent for central government the amounts within this section are not classed as council expenditure and therefore are not contained within the council's comprehensive income and expenditure statement. Those grants where the council was acting as an agent for central government relate to the distribution of business grants, infection control grants and test and trace payments.

Grants receivable – Covid-19

In 2020/21, the council received significant amounts of funding to support the Covid-19 lockdown and recovery. For each grant the Council reviewed the guidance available to establish whether the authority was acting merely to distribute grant monies to other bodies and had no control over the amount of eligibility criteria and amount of grant allocated to the recipient, or whether it had control over the distribution of the grant. Where the council is acting as an agent for central government the amounts within this section are not classed as council expenditure and therefore are not contained within the council's comprehensive income and expenditure statement. Those grants where the council was acting as an agent for central government relate to the distribution of business support grants and grants to adult social care providers.

Application of Valuation Deferments

The accounting guidance requires that where there is no suitable market available, then assets of PPE are to be valued at Existing Use Value (EUV) or Depreciated Replacement Cost (DRC). Valuers then use the RICS guidance and their professional judgement and experience to determine the value of these assets.

In some circumstances, especially where lease agreements are in place, it may be necessary to apply a deferment factor to an assets value to reflect encumbrance on the freehold which can materially reduce the valuation applied to the asset.

This has been considered in relation to the Councils Leisure Centres and The Former Public building, which is currently being used as a 6th Form College, where specific contractual arrangements are in place with the occupiers.

The Council has concluded that the freehold of the assets relating to Leisure Centres have not been encumbered by these agreements and so no deferment has been applied.
However, in relation to the Former Public building the freehold has been deemed to be encumbered due to the nature of the use of the building and so deferment has been applied.

Accounting for Schools

The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.

The Council has considered its accounting arrangements for each school, on a case by case basis, under the terms of:

- IAS 16, Property, Plant and Equipment.
- IAS 17, Leases; and
- LAAP Bulletin 101, Accounting for Non-Current Assets Used by Local Authority Maintained School

The Council has determined that, within its Balance Sheet, for:

- Community and Foundation/Trust Schools - all land and buildings should be recognised.
- Voluntary Controlled (VC) and Voluntary Aided (VA) - all land and buildings should be recognised except where land and buildings are owned by religious bodies.
- Academy Schools - no non-current assets should be recognised as they maintain their own financial records and are managed, controlled and funded independently of the Council.

Local authority-maintained schools, as independent entities, have responsibility for the management of their own resources. However, as their transactions are consolidated into the Council's financial statements, the Council has reviewed their activity to ensure consistency of accounting treatment.

On 31 March 2011 school assets legally owned by the Council were transferred to Sandwell Land and Property Company Ltd (SL&P) to protect the Council's asset base. This is a land and property holding company of which the Council is the sole shareholder.

When a school converts to academy status, an underlease between the Council and the academy is then put in place and the academy is derecognised from the Council's Balance Sheet.

Sandwell Land and Property Company

On 14 January 2011 Sandwell Land and Property Limited was established as a holding company for school assets, for which Sandwell MBC is the sole shareholder. SL&P entered a 'sale and leaseback' arrangement with the Council regarding the school's land and buildings. The company currently leases 94 school assets back to the Council at an annual rent of £1 each for 125 years.

The arrangement has been assessed under IAS 17 and SIC 27 and it has been concluded that, for the school buildings, SIC 27 applies and the leases are treated as finance leases. This is because buildings are deemed to have a finite life, and as the lease period is for 125 years, this covers substantially all its useful economic life. The Council also retains all the risks and rewards of ownership. The school buildings therefore remain on the Council's Balance Sheet.

The school land has been assessed under IAS 17. As land is deemed to have an infinite life, it is deemed that the period of the lease does not cover substantially all the asset life. Therefore, the land will be transferred back to SL&P in 125 years and used as it sees fit. SL&P retains most of the risks and rewards of ownership and the arrangement has the characteristics of an operating lease. School land is therefore not recognised on the Balance Sheet of the Council's single entity accounts.

Sandwell Children's Trust

On 1st April 2018 Sandwell Children's Trust (SCT) went live following the transfer of the Children's Social Care functions (whilst statutory responsibility still sits with the council).

The council has considered the guidance in IFRS 10 and have concluded that SCT is a subsidiary and that group accounts will be prepared for the following reasons:

- SCT is a 100% wholly owned company.
- The council is the primary funder of SCT.

- The council has a director and elected member on the board of SCT; and
- The expenditure for SCT amounts to approximately £77m which is a material sum compared to the council’s net cost of services of £225m.

The accounts have therefore, been consolidated into the group accounts on a line by line basis.

Sandwell Children’s Trust Pensions

Following legal advice from Bevan Brittan LLP (the Council’s legal advisors for the setup of Sandwell Children’s Trust), it has been decided that the pension liability relating to SCT will remain on the Council’s balance sheet. A ‘side letter’ has been signed by SMBC, SCT and West Midlands Pension Fund to confirm that this is acceptable to all parties.

Private Finance Initiative (PFI) and Similar Contracts

The Council has assessed the 4 PFI schemes and Serco Limited Waste Contract under IFRIC 12 and have concluded that as the Council is deemed to control the services provided under the contracts, the assets are therefore regarded as PFI and Service Concession Assets. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the associated assets are recognised as Property, Plant and Equipment on the Council’s Balance Sheet as though the Council owned the assets.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results may be materially different from the assumptions and estimates. General fund asset valuations are carried out by Wilks Head & Eve, housing stock valuations (HRA) are carried out by Savills.

The valuation report issued by Savills’s covering the HRA stock has been given based on 'material estimation uncertainty' due to Multi-storey buildings.

The items in the council’s Balance Sheet at 31 March 2021 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Asset Valuations

The valuers have valued approximately 210 assets in the financial year 2020/21. Most of the valuation dates are either 31 March 2021 for Investment Properties or 31 December 2020 for other PPE assets.

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The view of the Councils Valuers is that the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.
Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

As a result, the valuers have stated in their valuation report that:

In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements.

Our valuation of these assets is therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the ‘material valuation uncertainty’ declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.’

Within the housing stock there are 3013 high rise properties with a value of £56.958m attributed to them. Following a serious fire at the Grenfell Tower apartment block in London in June 2017, it is likely that recommendations will be made as to the construction and management of similar properties. Sandwell have replaced any cladding that could be considered flammable and this work was completed in 2019. The councils housing stock valuers, Savills, feel it is too early to assess the longer-term consequences of this incident. However, at the date of valuation there is material estimation uncertainty' due to Multi-storey buildings.

Non-Current Assets

The carrying value of non-current assets that did not receive a revaluation in 2020/21 totalled £455.302m. An upward movement in the market of 1% would equate to an increase in value of £4.553m.

Pensions 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, Barnett Waddingham LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £53.802m.

However, the assumptions interact in complex ways. During 2020/21, the Authority's actuaries advised that the net pensions liability had increased by £319.755m as a result of updated financial and demographic assumptions.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption analysed changes, while all the other assumptions remain constant. The assumptions in life expectancy, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The actuary has confirmed that the method of preparing this sensitivity analysis has not changed since last year.

Sensitivity Analysis	**+0.1% Increase/ (decrease) in liability**	**-0.1% Increase/ (decrease) in liability**
	£'000	**£'000**
Adjustment to discount rate	(53,802)	54,947
Adjustment to long term salary increase*	5,697	(5,650)
Adjustment to pension increases and deferred revaluation	48,737	(47,761)
	+1 Year	**-1 Year**
Adjustment to life expectancy assumptions	133,940	(127,301)

* data only available for LGPS element

As a result of the impact of Covid-19 on the global financial markets, the valuation of the Pension Fund's investment properties is reported based on material valuation uncertainty.

Pension Guarantees

The Council has, over several years, changed its way of operating from being a direct provider of services to one where it purchases several services from third parties. As part of this change in service delivery model, the Council has transferred staff from the Council to the external provider under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). The Council has agreed that staff transferring to an external provider should continue to have the right to access equivalent pension benefits to that provided whilst employed by the Council. To ensure the smooth transfer of staff, the Council has provided guarantees for contribution rates and pension deficits in respect of continuing pension provision.

The Council has decided that these pension guarantees should be treated as insurance contracts. However, no provision has been made for them in the accounts as it has been judged that the likelihood of them being called on means that they are not material. This judgement was made by considering the liabilities for the companies and the likelihood of those companies failing within the next year.

In determining a deficit on pension funds there are two different models used, namely:

- **The funding basis**, where post-employment benefit obligations are discounted to a present value based on the anticipated return from pension fund assets, or
- **The accounting basis**, where post-employment benefit obligations are discounted to a present value based on market yields for high quality corporate bonds as required by International Accounting Standard 19, Employee Benefits (IAS19).

In the event of a guarantee being called in respect of a pension deficit, the actual amount that the Council would have to meet would be determined using the funding basis. The Council has therefore assessed any provision for future pension deficit liabilities on this basis.

Non-Domestic Rates Provision

Following the introduction of the retained Business Rates scheme in April 2013, the Collection Fund is now liable for the settlement of any successful appeals lodged against the rateable value of business properties. A provision of £9.007m has been set aside for the council's share of 99%. The full provision has been based on a report from Analyse Local which is a specialist revenue forecasting tool that the Council subscribe to. The report includes total potential net losses of £17.239m.

This can be broken down as follows:

- £4.052m relates to outstanding appeals against the 2010 rating list and 100% have been included in the provision.
- £1.601m relates to outstanding check and challenge appeals against the 2017 rating list and 83.1% have been included in the provision.
- £11.466m relates to potential appeals against the 2017 rating list identified by Analyse Local and 32.4% has been included in the provision.
- £0.120m relates to potential appeals against the 2010 rating list which have been excluded as appeals can now only be lodged under certain specific circumstances and the value of these potential appeals are not considered material.

The provision does not include any appeals in relation to a change in rateable value due to the impact of Covid 19 as these appeals are not allowed following legislation by the government.

Fair Value Measurement

When the fair value of financial and non-financial assets or liabilities cannot be measured based on quoted prices within active markets (i.e. using level 1 inputs) then other techniques are used to derive their fair value.

The authority has used earnings techniques to establish the fair value of its Birmingham Airport Shareholding and cashflow techniques to determine the fair value of its Public Works and Market Loans.

In relation to Investment and Surplus assets fair value has been derived through the market approach.

Where any of the above techniques require the valuer to apply their judgement or make assumptions there is an element of risk or uncertainty and, therefore, any changes to these assumptions could increase or decrease the fair value of the assets concerned.

It should be noted that where level 1 inputs are not available to measure fair value of financial and non-financial assets and liabilities, the authority employs relevant valuation and treasury management experts to identify the most appropriate techniques to apply. These techniques are disclosed in further detail in notes 15 and 16.

Impairment Allowances

At 31 March 2021 the council had the following balances of debtors outstanding for which appropriate impairment allowances have been made:

Impairment Allowances	**Arrears (£'000)**	**Impairment Allowance (£'000)**	**%**
Trade Receivables	31,321	5,372	**17%**
Council Tax	26,043	12,122	**47%**
Non Domestic Rates	10,548	4,181	**40%**
Housing Benefit	12,266	5,972	**49%**
HRA	11,463	5,326	**46%**
Payments in Advance	16,778	-	**0%**
Other	79	-	**0%**
Total	**108,498**	**32,973**	**30%**
HMRC	7,430	-	**0%**
Total	**115,928**	**32,973**	**28%**

Levels of impairment allowance are kept under review to ensure their continued adequacy.

If collection rates were to deteriorate, higher impairment allowances would be required, which would be charged to the CI&ES.

5. Material Items of Income and Expense

Covid 19 – Business Rates Reliefs

Many businesses within the retail, hospitality and leisure sectors and other businesses such as nurseries were exempt from paying business rates during the year which had a significant effect on the council's accounts for 2020/21, including a substantial reduction in income from ratepayers. These measures have been fully funded by the government with £34.388m of additional S31 grants received during 2020-21. As the cost to the collection fund will not materialise until future years this grant has been contributed to a reserve and will be released over the period of the MTFS in line with the profiled collection fund deficit.

Covid 19 – Other Government Grants

In addition to the business rates relief grant referenced above the council in 2020-21 received additional grants totalling £94.575m in response to the Covid 19 pandemic.

Where the council had discretion on how to allocate these grants income and expenditure of £17.534m has been recognised in the CIES.
The council acted as an agent on behalf of the government for the remaining £77.041m of these grants and the grant income and expenditure has therefore been excluded from the accounts (see note 29 Agency).

Pensions Contributions for 2020/21 - 2022/23

In April 2020 the Council made an upfront payment of £30.563m in respect of pension contributions for the three years from 2020/21 to 2022/23. The full payment was accounted for as a reduction in the Council's net pension liability in 2020/21, however accounting regulations require that the amount due in relation to 2020/21 of £10.269m is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and in the Defined Benefit Pension Schemes (Note 43).

There have been no other material items of income or expense to report in either the current year accounts or prior year comparators.

6. Events after the Reporting Period

The statement of accounts was authorised for issue on 03 December 2021. Where events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

After successfully hosting the Birmingham 2022 Commonwealth Games swimming and diving events, the new Sandwell Aquatics Centre has been transformed into a state-of-the-art leisure facility, which will be run by Sandwell Leisure Trust and includes a 50 metre Olympic-size swimming pool, a 10 metre high competitive dive tower and a 25 metre dive pool, along with 1,000 spectator seats.

Work on the Aquatic centre continues and expenditure after the balance sheet date of the 31st March 2021 amounted to £13.8m .Cumulative spend to date amounts to £89.3m and the centre will be revalued during 2023/24 with the year-end accounts reflecting the value in use. The centre opened to the public in May 2023.

On the 8th July 2022 the council concluded the sale of 1 Providence Place for the sum of £9.7m.

The council wound up its subsidiary Sandwell Land and Property Limited on the 14th March 2022 which held the land and property for maintained schools and all of these have been transferred back to Council ownership as at that date. Prior to this date land held within this subsidiary was consolidated within the council group accounts. The value of assets in Sandwell Land and Property Limited at time of dissolution was £26.287m.

The Council's pension actuaries have estimated that its net pension liability has reduced very significantly after the 31st March 2021, mainly as a result of an increase in corporate bond yields resulting in the application of high discount rates to the calculation of pension obligations. The actuarial report issued as at 31st May 2023 for the LGPS pension scheme estimates a net liability of just £ 91.3m as at 31st March 2023. By comparison, the net pension liability as at 31 March 2021 was estimated to be £ 1,103.8m.

The council like many other local authorities has been impacted by the cost of living crisis and inflationary pressures and has therefore faced several budget pressures recently. This has meant that the Council has needed to identify savings which will be required to be delivered over the period of the Medium-Term Finance Strategy.

The council forecast a cumulative deficit as part of the budget setting process for 23/24 for the MTFS . The table below shows a cumulative shortfall of £40.693m over the MTFS period after savings options:

	2023/24	2024/25	2025/26
	£ 000	£000	£000
Net (Surplus)/Deficit after savings options	(521)	2,444	40,693

The council has achieved a balanced budget for 23/24. The ongoing work on the transformation programme and expected additional funding from central government in the area of adult social care will mitigate forecast pressures on general fund reserves and as a result the forecast deficit position as at the end of 2025/26 . This ongoing work is a priority for Leadership Team and Cabinet.

A Leadership Team restructure was implemented in 2021 which involved several new Directors starting with the Council, including a new Section 151 Officer (Simone Hines). Grant Thornton issued a governance review report on 3 December 2021. In January 2022, the Secretary of State stated he was minded to use his powers under the Local Government Act 1999 to intervene at the Council and on 22 March 2022 commissioners were appointed, and the council were required to agree and implement an improvement plan. A new Chief Executive, Shokat Lal, took over the chief executive role on 6th February 2023. The Council has made significant progress in its improvement journey over the last 18 months and this has meant that the commissioners are reducing their involvement in the running of the Council with the aim of intervention ending soon.

7. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. 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.

Correction for Asset register errors

At the conclusion of the 20/21 audit the council identified errors in the fixed asset spreadsheet asset registers that were not previously identified . These previously unidentified errors spanned several years resulting in the revaluation reserve being overstated. The accounting for recognising revaluation gains mandates that where there have been prior revaluation losses that gains are utilised to extinguish those losses charged to the comprehensive income and expenditure account (CIES) before any remaining gain is recognised in the revaluation reserve. The total amount of corrections processed in these accounts amounted to £56.750m.

This is corrected as follows:

F/Y 2018/19 and prior	£40.523m
F/Y 2019/20	£16.227m
Total	£56.750m

There is no impact to council taxpayers – the adjustment is affected between the revaluation reserve and the capital adjustment account which are both unusable reserves.

Asset Valuations

In the valuation year 20/21 WHE amended the valuation approach . Valuations are carried out breaking the assets into specific components. In the 20/21 financial year this was amended to include external costs which had previously not been done. This was a mandatory requirement effective from 2014.

This change of methodology identified that previous valuations had error's that affected the reported valuations and carrying values of the affected assets.

Since the values of these revised asset revaluations were deemed material for audit purposes a prior period adjustment has been applied to the accounts.

The overall effect of the prior period adjustment is as follows:

Balance Sheet: Closing balance of Other Land and Buildings increase by £30.772m in 2018/19 and £24.999m in 2019/20.

CI&ES: The Net Cost of Services in 2019/20 has decreased by £8.509m in schools, £0.484m for Housing & Communities and £0.287m for Regeneration and Growth.

CI&ES: Surplus on revaluation of non-current assets has decreased by £15.805m for 2019/20.

The following notes have been restated for 2019/20 to reflect the impact of the Prior Period Adjustments detailed above:

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations
Note 10 – Property Plant and Equipment
Note 15 – Fair Value of Non-Current Assets
Note 24 – Unusable Reserves
Note 25 – Cash Flow Statement
Note 26 – EFA
Note 27 – Note to the EFA
Note 28 – Expenditure and Income analysed by nature

Restated tables showing the adjustments and impacts are provided after this note.

Restated Comprehensive Income & Expenditure Statement	Balances as Previously Stated at 31 March 2020 £'000	Note 7 Asset Revaluations £'000	Note7 Revaluation Reserve correction £'000	Restated Balances at 31 March 2020 £'000
Adult Social Care Services	79,245			79,245
Schools	5,431	(9,259)		(3,828)
Children's Services	101,728			101,728
Public Health	607			607
Resources	29,191			29,191
Corporate Management	2,538			2,538
Housing & Communities	40,185	(484)	(148)	39,553
Regeneration & Growth	35,904	(287)	(49)	35,568
Housing Revenue Account	(36,867)		(16,029)	(52,896)
- Reversal of previous revaluation losses	(260)			(260)
Cost of Services	**257,702**	**(10,030)**	**(16,226)**	**231,446**
(Surplus) / Deficit on Provision of Services	**10,426**	**(10,030)**	**(16,226)**	**(15,830)**
(Surplus) / deficit on revaluation of non current assets	(30,472)	15,805	16,226	1,559
Any other (gains) / losses required to be included				
Other Comprehensive Income and Expenditure	**(26,583)**	**15,805**	**16,226**	**5,448**
Total Comprehensive Income and Expenditure	**(16,157)**	**5,775**	**-**	**(10,382)**

Restated Balance Sheet 2018/19	Balances as Previously Stated at 31 March 2019 £'000	Restatement (Note 7) Asset Revaluations £'000	Restated Balances 31 March 2019 £'000
Other Land & Buildings	605,012	30,772	635,784
Property Plant & Equipment	**2,008,446**	**30,772**	**2,039,218**
Total Net Assets	**778,321**	**30,772**	**809,093**
Unusable Reserves	577,154	30,772	607,926
Total Reserves	**778,321**	**30,772**	**809,093**

Restated Balance Sheet 2019/20	Balances as Previously Stated at 31 March 2020 £'000	Restatement (Note 7) Asset Revaluations £'000	Restated Balances 31 March 2020 £'000
Other Land & Buildings	623,426	24,999	648,425
Property Plant & Equipment	**2,063,751**	**24,999**	**2,088,750**
Total Net Assets	**794,476**	**24,999**	**819,475**
Unusable Reserves	593,988	24,999	618,987
Total Reserves	**794,476**	**24,999**	**819,475**

Restated Cashflow 2019/20	**As previously stated** **£'000**	**Restatement (Note 7)** **£'000**	**Restated** **£'000**
Net (surplus) / deficit on the provision of services	**10,426**	**(26,256)**	**(15,830)**
Adjustments to net (surplus) / deficit on the provision of services for non cash movements	**(144,238)**	**26,256**	**(117,982)**
Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	62,430	-	62,430
Net cash flows from Operating Activities	**(71,382)**	-	**(71,382)**
Investing Activities:			
Purchase of property, plant and equipment, investment property and intangible assets	98,494	-	98,494
Purchase of short and long term investments	77,646	-	77,646
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,329)	-	(18,329)
Proceeds from short and long term investments	(86,030)	-	(86,030)
Other receipts from investing activities	(42,406)	-	(42,406)
Net cash flows from Investing Activities	**29,375**	-	**29,375**
Financing Activities:			
Cash receipts of short and long term borrowing	(239,258)	-	(239,258)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,947	-	4,947
Repayments of short and long term borrowing	260,287	-	260,287
Other receipts from financing activities	0	-	0
Net cash flows from Financing Activities	**25,976**	-	**25,976**
Net (increase) / decrease in cash and cash equivalents	**(16,031)**	-	**(16,031)**
Cash and cash equivalents at the beginning of the reporting	31,114	-	31,114
Net movement in cash and cash equivalents	16,031	-	16,031
Cash and cash equivalents at the end of the reporting period (note 19)	**47,145**	-	**47,145**

Effect on movement in Reserves

In 20/21 the Council's external professional valuers revised their analysis of revaluations relating to components. This was a result of more accurate build data that was made available. A review of previous asset valuations identified material amendments relating to these valuations relating to externals resulting in revised disclosures throughout the accounts. The resultant change to the movement in reserves is limited to the unusable reserves which are the capital adjustment account and revaluation reserve.

Restated Movement in Usable Reserves	As previously Stated	As restated	Correction
Balance as at 31 March 2019	**201,167**	**201,167**	**0**
Total comprehensive income and expenditure	**(10,426)**	**15,830**	**26,256**
Adjustments between the accounting basis and the funding basis under regulations	**9,747**	**(16,510)**	**(26,257)**
Increase/(decrease) in the year	**(679)**	**(679)**	**0**
Balance at 31 March 2020	**200,488**	**200,488**	**0**

Restated Movement in Unusable Reserves	As previously Stated	As restated	Correction
Balance as at 31 March 2019	**577,154**	**607,926**	**30,772**
Total comprehensive income and expenditure	**26,583**	**(5,448)**	**(32,031)**
Adjustments between the accounting basis and the funding basis under regulations	**(9,747)**	**16,510**	**26,257**
Increase/(decrease) in the year	**16,836**	**11,062**	**(5,774)**
Balance at 31 March 2020	**593,990**	**618,988**	**24,998**

8. **Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the council to meet future Capital and Revenue expenditure.

2019/20 Restated	Usable Reserves						Unusable Reserves								
	Restated General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Revaluation Reserve	Restated Capital Adj Account	Financial Instruments Adj A/C	Available for Sale Reserve	Pensions Reserve	Accumulated Absences Account	Collection Fund Adj A/C	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources															
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:															
Pensions costs (transferred to (or from) the Pensions Reserve)	22,484	1,914				**24,398**					(24,398)			**(24,398)**	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(72)	(19)				**(91)**			91					**91**	-
Council tax and NDR (transfers to or from Collection Fund)	4,122					**4,122**							(4,122)	**(4,122)**	-
Holiday pay (transferred to the Accumulated Absences Reserve)	1,431	505				**1,936**						(1,936)		**(1,936)**	-
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						**-**								**-**	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	21,169	8,783				**29,952**	(5,678)	(24,274)						**(29,952)**	-
Total Adjustments to Revenue Resources	**49,134**	**11,183**	**-**	**-**	**-**	**60,317**	**(5,678)**	**(24,274)**	**91**	**-**	**(24,398)**	**(1,936)**	**(4,122)**	**(60,317)**	**-**
Adjustments between Revenue and Capital Resources															
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,482)	(16,883)	18,365			**-**								**-**	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						**-**								**-**	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			**-**								**-**	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(15,630)		15,630		**-**								**-**	-
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(13,784)	(14,273)				**(28,057)**		28,057						**28,057**	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,811)	(2,872)				**(4,683)**		4,683						**4,683**	-
Total Adjustments between Revenue and Capital Resources	**(14,380)**	**(49,658)**	**15,668**	**15,630**	**-**	**(32,740)**	**-**	**32,740**	**-**	**-**	**-**	**-**	**-**	**32,740**	**-**
															-
Adjustments to Capital Resources															-
Use of the Capital Receipts Reserve to finance capital expenditure			(8,506)			**(8,506)**		8,506						**8,506**	-
Use of the Major Repairs Reserve to finance capital expenditure				(15,630)		**(15,630)**		15,630						**15,630**	-
Application of capital grants to finance capital expenditure					(19,951)	**(19,951)**		19,951						**19,951**	-
Capital Receipts from CI&ES to Capital Grants Unapplied	(6,152)				6,152	**-**								**-**	-
Total Adjustment to Capital Resources	**(6,152)**	**-**	**(8,506)**	**(15,630)**	**(13,799)**	**(44,087)**	**-**	**44,087**	**-**	**-**	**-**	**-**	**-**	**44,087**	**-**
Total Adjustments	**28,602**	**(38,475)**	**7,162**	**-**	**(13,799)**	**(16,510)**	**(5,678)**	**52,553**	**91**	**-**	**(24,398)**	**(1,936)**	**(4,122)**	**16,510**	**-**

2020/21	Usable Reserves						Unusable Reserves								
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adj Account	Financial Instruments Adj A/C	Available for Sale Reserve	Pensions Reserve	Accumulated Absences Account	Collection Fund Adj A/C	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources *Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:*															
Pensions costs (transferred to (or from) the Pensions Reserve)	42,508	7,268				**49,776**					(49,776)			**(49,776)**	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(159)	(18)				**(177)**			177					**177**	-
Council tax and NDR (transfers to or from Collection Fund)	38,802					**38,802**							(38,802)	**(38,802)**	-
Holiday pay (transferred to the Accumulated Absences Reserve)	797	14				**811**						(811)		**(811)**	-
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						**-**								**-**	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	1,863	34,647				**36,510**	(7,223)	(29,287)						**(36,510)**	-
Total Adjustments to Revenue Resources	**83,811**	**41,911**	**-**	**-**	**-**	**125,722**	**(7,223)**	**(29,287)**	**177**	**-**	**(49,776)**	**(811)**	**(38,802)**	**(125,722)**	**-**
Adjustments between Revenue and Capital Resources															
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,574)	(11,691)	13,265			**-**								**-**	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						**-**								**-**	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			**-**								**-**	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(15,992)		15,992		**-**								**-**	-
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account	(11,946)	(14,172)				**(26,118)**		26,118						**26,118**	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(6,846)	(1,270)				**(8,116)**		8,116						**8,116**	-
Total Adjustments between Revenue and Capital Resources	**(17,669)**	**(43,125)**	**10,568**	**15,992**	**-**	**(34,234)**	**-**	**34,234**	**-**	**-**	**-**	**-**	**-**	**34,234**	**-**
															-
Adjustments to Capital Resources															-
Use of the Capital Receipts Reserve to finance capital expenditure			(18,869)			**(18,869)**		18,869						**18,869**	-
Use of the Major Repairs Reserve to finance capital expenditure				(15,992)		**(15,992)**		15,992						**15,992**	-
Application of capital grants to finance capital expenditure					(8,058)	**(8,058)**		8,058						**8,058**	-
Capital Receipts from CI&ES to Capital Grants Unapplied	(71)				365	**294**		(294)						**(294)**	-
Total Adjustment to Capital Resources	**(71)**	**-**	**(18,869)**	**(15,992)**	**(7,693)**	**(42,625)**	**-**	**42,625**	**-**	**-**	**-**	**-**	**-**	**42,625**	**-**
Total Adjustments	**66,071**	**(1,214)**	**(8,301)**	**-**	**(7,693)**	**48,863**	**(7,223)**	**47,572**	**177**	**-**	**(49,776)**	**(811)**	**(38,802)**	**(48,863)**	**-**

9. **Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

The balances ring fenced for schools are also included below:

	Balance as at 1 April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance as at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance as at 31 March 2021 £'000
General Fund:							
Section 31 Business Rates Relief	-	-	-	-	-	34,390	**34,390**
Emergency Fund COVID 19	-	(126)	12,495	**12,369**	(16,581)	24,458	**20,246**
Grants RIA Reserves	-	-	-	**0**	-	12,080	**12,080**
Better Care Fund	-	-	10,709	**10,709**	(1,757)	-	**8,952**
Insurance	**8,090**	(1,031)	-	**7,059**	-	1,815	**8,874**
Public Health	-	-	4,842	**4,842**	-	3,020	**7,862**
BSF PFI Sinking Fund	**6,250**	-	681	**6,931**	-	338	**7,269**
Sinking Fund Reserves	**1,718**	-	260	**1,978**	-	270	**2,248**
Oracle Fusion	**2,625**	(441)	-	**2,184**	(1,546)	-	**638**
SERCO Waste Commitments	-	-	1,385	**1,385**	-	2,431	**3,816**
Adult Social Care	**1,047**	-	-	**1,047**	-	-	**1,047**
Grants Irregularities	**1,031**	-	-	**1,031**	-	-	**1,031**
SCT Set Up Costs	**770**	(63)	-	**707**	(630)	-	**77**
Dartmouth Park HLF	**318**	-	-	**318**	-	-	**318**
Teaching for Public Health Networ	**320**	(3)	-	**317**	-	88	**405**
West Midlands Regional Researc	**287**	-	-	**287**	(53)	-	**234**
Integrated Care Records	**301**	(107)	-	**194**	(23)	-	**171**
Private Sector Housing Reserve	**142**	-	-	**142**	-	-	**142**
Regeneration & Economy	**186**	(76)	-	**110**	(20)	-	**90**
Elections (Fallow Year)	-	-	-	-	-	268	**268**
Other Earmarked Reserves	**288**	(53)	100	**335**	(3)	10	**342**
Total General Fund	**23,373**	**(1,900)**	**30,472**	**51,945**	**(20,613)**	**79,168**	**110,500**
Balances Held by Schools under a Scheme of Delegation	**32,551**	**(3,382)**	-	**29,169**	**-**	**10,245**	**39,414**
HRA:							
HRA Balance	**36,735**	-	3,059	**39,794**	-	1,491	**41,285**
HRA Welfare Reform Reserve	**3,701**	(3,701)	-	-	-	-	**-**

10. Property, Plant and Equipment

The following tables show the in-year movements in valuation, accumulated depreciation, and impairments over the year for Property, Plant and Equipment.

Restated	Council Dwellings £'000	Other Land & Buildings (Restated) £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation							
At 1 April 2019	**1,121,906**	**614,170**	**91,710**	**18,866**	**18,317**	**18,463**	**1,883,432**
Restated Adjustment	-	30,613	-	-	-	-	30,613
Restated balance at 1 April 2019	**1,121,906**	**644,783**	**91,710**	**18,866**	**18,317**	**18,463**	**1,914,045**
Additions	31,041	7,785	5,828	93	45,829	331	**90,907**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(16,008)	(13,361)	-	-	-	(4,471)	**(33,840)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	260	3,506	-	-	-	(789)	**2,977**
Derecognition - Disposals	-	(8,762)	(363)	-	-	-	**(9,125)**
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	(15,798)	**(15,798)**
Other movements in Cost or Valuation	(4,713)	20,613	-	(76)	(27,587)	12,487	**724**
At 31 March 2020	**1,132,486**	**654,563**	**97,175**	**18,883**	**36,559**	**10,223**	**1,949,889**
Accumulated Depreciation and Impairment							
At 1 April 2019	**(15,969)**	**(9,158)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(96,485)**
Restated Adjustment reversals	-	159	-	-	-	-	159
Restated balance at 1 April 2019	**(15,969)**	**(8,999)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(96,326)**
Depreciation Charge	(16,234)	(12,858)	(5,913)	-	-	(65)	**(35,070)**
Depreciation written out to the Revaluation Reserve	16,008	15,636	-	-	-	740	**32,384**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(101)	-	-	-	-	**(101)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	16,029	113	-	-	-	-	**16,142**
Derecognition - Disposals	-	-	301	-	-	-	**301**
Other movements in Depreciation and Impairment	166	81	-	-	13	(366)	**(106)**
At 31 March 2020	-	**(6,128)**	**(75,725)**	**(54)**	**(83)**	**(786)**	**(82,776)**
Net Book Value							
At 1 April 2019	**1,105,937**	**635,784**	**21,597**	**18,812**	**18,221**	**17,368**	**1,817,719**
At 31 March 2020	**1,132,486**	**648,435**	**21,450**	**18,829**	**36,476**	**9,437**	**1,867,113**

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2020	**1,132,486**	**629,564**	**97,175**	**18,883**	**36,559**	**10,223**	**1,924,890**
Prior Year Adjustments	-	24,999	-	-	-	-	24,999
Restated Balance At 1 April 2020	**1,132,486**	**654,563**	**97,175**	**18,883**	**36,559**	**10,223**	**1,949,889**
Additions	34,504	8,975	5,028	62	48,197	751	**97,517**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,359)	5,780	-	-	-	6,122	**10,543**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(15,843)	(546)	-	-	-	211	**(16,178)**
Derecognition - Disposals	-	(4,989)	(1,179)	-	-	-	**(6,168)**
Impairment losses / (reversals) recognised in the revaluation reserve	(8,317)		-	-	-	-	(8,317)
Impairment Losses / Reversals - CI&E	-	-	-	-	(2,896)	-	(2,896)
Assets reclassified (to) / from Held for Sale	(8,759)	-	-	-	-	(9,679)	**(18,438)**
Other movements in Cost or Valuation	14,157	(8,125)	-	-	(13,348)	7,258	**(58)**
At 31 March 2021	**1,146,869**	**655,658**	**101,024**	**18,945**	**68,512**	**14,886**	**2,005,894**
Accumulated Depreciation and Impairment							
At 1 April 2020	-	**(6,128)**	**(75,725)**	**(54)**	**(83)**	**(786)**	**(82,776)**
Prior Year Adjustments	-	-	-	-	-	-	-
Revised Balance At 1 April 2020	-	**(6,128)**	**(75,725)**	**(54)**	**(83)**	**(786)**	**(82,776)**
Depreciation Charge	(16,612)	(12,383)	(6,019)	-	-	(30)	**(35,044)**
Depreciation written out to the Revaluation Reserve	9,663	9,808	-	-	-	993	**20,464**
Depreciation written out to the Surplus / Deficit on the Provision of Services							**0**
Impairment losses / (reversals) recognised in the Revaluation Reserve	6,844	-					6,844
Impairment Losses / Reversals - CI&E		3,145					3,145
Derecognition - Disposals		117	1,155	-	-	-	**1,272**
Other movements in Depreciation and Impairment	105	120	-	-	-	(222)	**3**
At 31 March 2021	**-**	**(5,321)**	**(80,589)**	**(54)**	**(83)**	**(45)**	**(86,092)**
Net Book Value							
At 1 April 2020	**1,132,486**	**648,435**	**21,450**	**18,829**	**36,476**	**9,437**	**1,867,113**
At 31 March 2021	**1,146,869**	**650,337**	**20,435**	**18,891**	**68,429**	**14,841**	**1,919,802**

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets (Local Government Circular 09/2022 Statutory Override), this note does not include disclosure of gross and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

SMBC has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic to other decisions relating to infrastructure assets.

Analysis of movement on net carrying amount: **Net Book Value (modified historical cost)**	**2019/20** **£'000**	**2020/21** **£'000**
at 1 April (restated)	221,499	221,637
Additions	8,869	11,600
Derecognition	0	0
Depreciation	(8,731)	(8,101)
Impairment	0	0
Disposal and Decommissioning	0	0
Other movements	0	0
Balance at 31 March	**221,637**	**225,136**

11. Heritage Assets

There has been no material change to the carrying value of heritage assets in 2020/21 since the last valuations performed in 2017/18. The carrying value as at 31 March 2021 is £4.312m.

Art Collection

An art collection displayed at Ingested Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £1.402m. The remainder of the council's art collection was also reviewed in 2017/18. There have been no material changes reported by the Museum Service Manager in 2020/21 and therefore the value for the remaining art collection stays at £0.424m.

17th Century Furniture

The council's museums display some fine examples of 17th century furniture. The furniture collection held at Ingestre Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £0.184m. The remainder of the council's furniture collection was also reviewed in 2017/18. There have been no material changes reported by the Museum Service Manager in 2020/21 and therefore the value for the remaining furniture collection stays at £0.382m.

Civic Regalia & Presentational Silver

The civic regalia and presentational silver are assets that have been donated to or purchased by the council, which currently amount to over 100 items. Valuations provided by Factorings in 2017/18 estimated the collection held at the Mayors Parlour to be worth £1.413m with the remaining collection, which was reviewed by the Museum Service Manager and deemed to have had no material change; no further changes in value have been reported in 2020/21.

Other

The council holds other miscellaneous heritage assets including a collection of Ruskin pottery which was last valued at £0.081m and the Helen Caddick Ethnographical Collection estimated to be worth £0.075m. No material changes have been reported by the Museum Services Manager in 2020/21.

The next full re-valuation of heritage assets is due to be undertaken in the financial year 2022/23.

The council has additional heritage assets which are not disclosed in the Balance Sheet as either cost or valuation information is not available and due to the diverse nature of the assets there is a lack of comparable markets. The council considers that the benefits of obtaining the valuation for these assets would not justify the cost.

12. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CI&ES.

2019/20 £'000		2020/21 £'000
3,761	Rental income from investment property	3,796
(670)	Direct operating expenses arising from investment property	(863)
3,091	**Net gain / (loss)**	**2,933**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property nor to repair, maintain or enhance it.

The following table summarises the movement in the fair value of investment properties over the year:

2019/20 £'000		2020/21 £'000
78,498	**Balance at start of the year**	**73,590**
-	Subsequent expenditure	-
(162)	Disposals	(560)
(4,025)	Net gains / (losses) from fair value adjustments	3,998
(721)	Other changes	54
73,590	**Balance at the end of the year**	**77,082**

13. **Assets Held for Sale**

The following table shows the movement in the valuation of Assets Held for Sale over the year.

	2019/20 £'000	2020/21 £'000
Balance outstanding at start of year	**-**	**1,023**
Assets newly classified as held for sale:		
Property Plant and Equipment	15,798	18,439
Revaluation losses	(186)	-
Assets sold	(14,589)	(9,709)
Other movements	-	-
Balance outstanding at year end	**1,023**	**9,753**

14. Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and therefore not accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include corporate software applications and licences. The council does not have any internally generated assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is five years.

The carrying value of intangible assets is amortised on a straight line basis. The movement on Intangible Asset balances during the year is as follows:

	2019/20 £'000	2020/21 £'000
Balance at start of year	**2,463**	**1,688**
Purchases	99	153
Amortisation for the period	(874)	(863)
Net carrying amount at end of year	**1,688**	**978**
Comprising:		
Gross carrying amount	19,457	19,610
Accumulated amortisation	(17,769)	(18,632)
	1,688	**978**

15. Fair Value of Non-Current Assets

Movement in the Fair Value of Non-Current Assets

	Valued at Historical Cost £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Property Plant & Equipment							
Council Dwellings	-	-	-	-	-	1,146,868	1,146,868
Land & Buildings	-	25,703	42,636	3,912	10,354	567,735	650,340
Infrastructure	225,136	-	-	-	-	-	225,136
Vehicles, Plant & Equipment	20,435	-	-	-	-	-	20,435
Community Assets	18,891	-	-	-	-	-	18,891
Assets Under Construction	68,428	-	-	-	-	-	68,428
Surplus Assets Not Held for Sale	-	-	-	1,910	2,211	10,719	14,840
Heritage Assets	-	-	-	4,312	-	-	4,312
Investment Properties	-	-	-	12,259	5,490	59,333	77,082
Intangible Assets	978	-	-	-	-	-	978
	333,868	**25,703**	**42,636**	**22,393**	**18,055**	**1,784,655**	**2,227,310**
Assets Held for Sale	-	-	-	-	9,753	-	9,753
Total	**333,868**	**25,703**	**42,636**	**22,393**	**27,808**	**1,784,655**	**2,237,063**

Fair Value Measurement of Investment Properties & Surplus Assets

The authority's valuer has categorised its Investment Properties and Surplus Assets into the following headings:

- Community Centres, Leased to Voluntary Bodies, Social Clubs.
- Cleared site, Compound, Potential Residential Sites, Vacant Sites.
- Depots, Industrial.
- Land.
- Planning Shops/Sites, Shops.
- Farms; and
- Offices.

When determining the fair value of these assets the valuers have used the following inputs:

- Market Rental and Sales Values.
- Yields.
- Void and letting periods.
- Size.
- Configuration, Proportions and Layout.
- Location, Visibility and Access.
- Condition.
- Lease Covenants; and
- Obsolescence.

When applied to the fair value hierarchy the valuers have concluded that:

Level 1 – Quoted Prices

There are no assets within the portfolio whose fair value have been derived through Level 1 inputs.

Level 2 – Significant Observable

The valuations for Land (including Farmland & Development), Office, Industrial and Retail assets have been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets. Market conditions for these asset types are such that the level of observable inputs is significant and should be categorised at Level 2.

Level 3 – Significant Unobservable

Community Centres have been based on a comparable approach either by estimated market rental values or subsidised passing rents. The valuers have had to draw on several their own assumptions and utilised third-party resources to derive a fair value for these assets. These assets are therefore categorised at Level 3, as the measurement technique uses significant unobservable inputs.

Fair Value Hierarchy

Details of the authority's investment and Surplus Assets and where they sit within the fair value hierarchy are shown in the following table:

Fair Value Hierarchy 2020/21	(Quoted Prices) Input Level 1	Observable Input Level 2	Unobservable Input level 3	Fair Value 31st March 2021
Fair Value Category:	**£000's**	**£000's**	**£000's**	**£000's**
Investment Properties:				
Car Parks	-	153	-	153
Cleared Sites	-	182	-	182
Community Assets	-	-	255	255
Compounds	-	986	-	986
Depots	-	-	-	-
Farms	-	-	-	-
Industrial Sites	-	6,484	-	6,484
Land	-	28,266	-	28,266
Managed Workspace	-	187	-	187
Office	-	132	-	132
Retail Sites	-	32,630	-	32,630
Shops	-	7,559	-	7,559
Vacant Sites	-	248	-	248
Total Investment	**-**	**76,827**	**255**	**77,082**
Surplus Assets:				
Car Parks	-	710	-	710
Council Dwellings	-	-	-	-
Depots	-	254	-	254
Land	-	4,009	-	4,009
Vacant Sites	-	9,866	-	9,866
Total Surplus	**-**	**14,839**	**-**	**14,839**
Total	**-**	**91,666**	**255**	**91,921**

Fair Value Hierarchy 2019/20	(Quoted Prices) Input Level 1	Observable Input Level 2	Unobservable Input level 3	Fair Value 31st March 2020
Fair Value Category:	**£000's**	**£000's**	**£000's**	**£000's**
Investment Properties:				
Car Parks	-	121	-	121
Cleared Sites	-	182	-	182
Community Assets	-	-	255	255
Compounds	-	986	-	986
Depots	-	-	-	-
Farms	-	-	-	-
Industrial Sites	-	6,337	-	6,337
Land	-	25,138	-	25,138
Managed Workspace	-	187	-	187
Office	-	132	-	132
Retail Sites	-	32,148	-	32,148
Shops	-	7,856	-	7,856
Vacant Sites	-	248	-	248
Total Investment	-	**73,335**	**255**	**73,590**
Surplus Assets:				
Car Parks	-	-	-	-
Cleared Sites	-	-	-	-
Depots	-	557	-	557
Land	-	6,826	-	6,826
Vacant Sites	-	2,054	-	2,054
Total Surplus	-	**9,437**	-	**9,437**
Total	-	**82,772**	**255**	**83,027**

There has been no transfer between input levels during 2020/21. There has been no change in the valuation techniques used to determine fair value.

Reconciliation of Fair Value Measurements– Level 3

As required by the Code, the movement in Level 3 inputs within the fair value hierarchy are detailed in the following table:

Investment: Community Centres Categorised Within Level 3

	31 March 2020 £000's	31 March 2021 £000's
Opening Balance	**256**	**256**
Gains/ Losses included resulting from a change in Fair Value	-	
Closing Balance	**256**	**256**

It should be noted that the gains and losses arising from changes in fair value of investment properties are recognised within the Financing and Investment Income and Expenditure line of the CI&ES.

Quantitative Information about Fair Value Measurements – Level 3

As required by the Code the quantitative information relating to the fair value of Level 3 inputs is detailed in the following table:

Asset Category	Valuation Technique used to measure Fair Value	Unobservable Inputs	Range	Sensitivity
Community Centres	Comparative based on limited rental evidence	Rental Value Yields	£10 - £50 psm 10% -14%	Changes in rental growth, yields and occupancy will result in a lower or higher fair value

The fair value of the authority's Investment and Surplus Assets are measured and reviewed annually.

The council's valuations are undertaken by external valuers in accordance with the following guidance relating to asset valuations for accounting purposes:

- **Royal Institution of Chartered Surveyors (RICS)** – Professional Standards (The Red Book)
- **International Financial Reporting Standards (IFRS)**
- **Chartered Institute of Public Finance and Accounting Code (CIPFA)** of Practice on Local Authority Accounting

The authority's valuation experts work closely with finance officers who report directly to the Executive Director of Resources on a regular basis regarding valuation matters.

16. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

Financial Assets:

	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		Total	Total
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit & Loss	0	0	3,980	4,092	0	0	0	0	3,980	4,092
Amortised Cost	334	334	6	4	68,720	65,900	23,438	32,086	92,497	98,323
Fair Value through Other Comprehensive Income - Designated Equity Instruments	17,894	17,129	0	0	0	0	0	0	17,894	17,129
Fair Value through Other Comprehensive Income - Other	0	0	0	0	0	0	0	0	0	0
Total Financial Assets	**18,228**	**17,463**	**3,985**	**4,095**	**68,720**	**65,900**	**23,438**	**32,086**	**114,371**	**119,544**
Non-Financial Assets	0	0	0	0	0	0	0	0	74,613	86,834
Total	**18,228**	**17,463**	**3,985**	**4,095**	**68,720**	**65,900**	**23,438**	**32,086**	**188,983**	**206,378**

Note:

For Investments 2020/21 (prior year 2019/20) Council have reassessed their disclosure of financial liabilities and concluded that the SLAP (Sandwell Land and Property) investment at cost does not meet the definition of a financial instrument, and has therefore has been removed from the financial assets table (above), and all subsequent relevant disclosures within the Financial Instruments disclosure note.

Financial Liabilities:

	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit & Loss	0	0	0	0	0	0	0	0	0	0
Amortised Cost	427,843	408,297	74,308	71,910	76,250	78,221	103,507	148,244	681,908	706,672
Total Financial Liabilities	**427,843**	**408,297**	**74,308**	**71,910**	**76,250**	**78,221**	**103,507**	**148,244**	**681,908**	**706,672**
Non-Financial Liabilities	0	0	0	0	0	0	0	0	0	0
Total	**427,843**	**408,297**	**74,308**	**71,910**	**76,250**	**78,221**	**103,507**	**148,244**	**681,908**	**706,672**

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note: Accrued interest is not required for instruments measured at EIR, as this adjustment covers a full year's interest.

Fair value has been measured by:

- Direct reference to published price quotation in an active market; and/or
- Estimated using a relevant valuation technique

The Council has several outstanding loans from Salix Finance Ltd, that are less than market rate (soft loans). When soft loans are received, a gain is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be saved over the life of the instrument, resulting in a higher amortised cost than the outstanding principal. Interest is debited at a marginally higher effective rate of interest than the rate payable to the loan provider, with the difference serving to decrease the amortised cost of the loan on the Balance Sheet. Statutory provisions require that where material, the impact of soft loans on the General Fund Balance is the interest payable for the financial year – the reconciliation of the amounts credited and debited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instrument Adjustment Account. The detailed soft loans information is as follows:

Salix Finance Ltd	**31 March 2020**	**31 March 2021**
	£'000	**£'000**
Opening Balance	560	1,013
+ New Loans Granted	500	1,972
- Fair Value Adjustment on Initial Recognition	(27)	(127)
- Loans Repaid	(34)	(124)
- Impairment Losses	-	-
- Decrease in the Discounted Amount	-	-
+/- Other Changes	14	26
Balance Carried Forward	**1,013**	**2,760**

Soft Loan Valuation Assumption

The interest rate at which the fair values of these soft loans have been recognised is arrived at by using the authority's prevailing cost of borrowing for a comparable loan at the date of the advance.

Any gains and losses that arise on derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

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

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2021 as FVOCI:

Description	**Nominal Value**	**Fair Value as at 31 March 2021**	**Change in Fair Value during 2020/21**	**Dividends**
	£'000	**£'000**	**£'000**	**£'000**
Birmingham Airport - Ordinary Shares	182	14,792	(765)	-
Birmingham Airport - Preference Shares	1,766	1,766	-	-
LEP Special Purpose Vehicle - Ordinary Shares	571	571	-	-
Investments in Equity Instruments	**2,519**	**17,129**	**(765)**	**-**

Birmingham Airport Shares – The authority holds shares in Birmingham Airport which originated through a policy initiative with other authorities to promote economic generation and tourism. As the asset is not held for trading or income generation, rather a longer-term policy initiative the equity has been designated as FVOCI.

LEP Special Purpose Vehicle – The Council holds a 10% shareholding in Environments for Learning Sandwell PFI Ltd for an unspecified period. The company is a special purpose vehicle set up by the Local Enterprise Partnership (LEP); it is a concession contract responsible for designing, building and operating schools within Sandwell. The shares will be treated as an equity investment and as they are not held for trading, the Council has elected to classify them as FVOCI.

Gains/Losses of Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2019/20		2020/21	
	Surplus or (Deficit) on the Provision of Services £'000	Other Comprehensive Income & Expenditure £'000	Surplus or (Deficit) on the Provision of Services £'000	Other Comprehensive Income & Expenditure £'000
Net Gains/(Losses) on:				
Financial assets measured at fair value through other comprehensive income	1,594	(11,087)	-	(765)
Financial liabilities measured at amortised cost	12	-	101	-
Total Net Gains/(Losses)	1,606	(11,087)	101	(765)
Interest Revenue:				
Financial assets measured at amortised co	1,312	-	1,568	-
Total Interest Revenue	1,312	-	1,568	-
Interest Expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	(30,310)	-	(28,513)	-
Total Fee Income	(30,310)	-	(28,513)	-
Total Financial Instruments Gains/(Loss	(27,392)	(11,087)	(26,844)	(765)

Fair Values of Financial Assets

For the council's shareholding in Birmingham Airport. There is no quoted market price in an active market for these shares and, therefore, the fair value has been based on an earnings approach. This valuation technique has involved the calculation of maintainable Earnings Before Interest, Taxation and Amortisation (EBITDA) based on the relevant business plan and applying multiples derived from similar listed companies.

Some of the inputs used to determine the valuation of the Birmingham Airport shares are observable however, as they also include some unobservable inputs such as calculation of an earnings multiple using non-quoted information, then the instruments are classified as input level 3.

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

The LEP loan notes value of the remaining shares held by the authority, is valued at cost. There is no market and no reliable way of revaluing the asset held; as such the LEP loan notes are classified at input level 3 in 2020/21 and are shown with the Birmingham Airport share value in the 'Unquoted Shares' column in the 2020/21 table below.

With regards to the Kickstart loans, although contractual payments are determinable, they have elements based on the property market that are not; because of this, they are classified at input level 3 in 2020/21 and are shown in the column headed 'Other' in the 2020/21 table below.

The tables below detail the fair value of assets classified and reclassified by the authority at input level 3 in 2020/21 compared to 2019/20:

2020/21	Unquoted Shares	Other	Total
	£'000	£'000	£'000
Opening Balance	17,894	3,979	21,873
- Transfers into Level 3	-	-	-
- Transfers out of Level 3	-	-	-
- Total gains or (losses) for the period included in Other Comprehensive Income & Expenditure	(765)	112	(653)
- Additions	-	-	-
- Disposals	-	-	-
Balance Carried Forward	**17,129**	**4,091**	**21,220**

2019/20	Unquoted Shares	Other	Total
	£'000	£'000	£'000
Opening Balance	28,981	3,623	32,604
- Transfers into Level 3		-	
- Transfers out of Level 3	-	-	-
- Total gains or (losses) for the period included in Other Comprehensive Income & Expenditure	(11,087)	356	(10,731)
- Additions	-	-	-
- Disposals	-	-	-
Balance Carried Forward	**17,894**	**3,979**	**21,873**

Fair value of Assets and Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table below), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost.

Their fair value can be addressed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB, new loan rates have been applied for 2020/21. An additional note to the tables sets out the alternative fair value measurement applying the new loan rates, highlighting the impact of the alternative valuation.
- For non-PWLB loans payable, PWLB new loan rates have been applied for 2020/21 to provide the fair value under PWLB debt redemption rate procedures.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

The fair values calculated are as follows:

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	348,028	477,566	327,466	481,737
Non PWLB Debt	93,948	128,067	93,928	139,197
Other Local Authority Debt	11,542	12,796	9,905	11,186
Salix Loan	1,013	1,013	2,759	2,759
Bank Overdraft	18,929	18,929	24,971	24,971
Other Temporary Borrowing	49,562	49,562	52,459	52,459
Total Debt	**523,022**	**687,932**	**511,490**	**712,310**
PFI & Finance Lease Creditors	74,308	115,642	71,910	114,664
Trade Creditors	84,578	84,578	123,272	123,272
Total Financial Liabilities	**681,908**	**888,152**	**706,672**	**950,246**

Overall, the fair value is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the premature redemption rates available from the PWLB. If a value is calculated on this basis, the carrying amount of PWLB at £327.466m would be valued at £556.969m (this is the exit price for the PWLB loans including the penalty charge). If the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB and the various banks would raise a penalty charge for early redemption higher.

Financial Assets

Financial Assets	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000	31/03/2021 Carrying Amount £'000	31/03/2021 Fair Value £'000
Short Term:				
Fixed Market	2,633	2,633	-	0
Short Term Debtors	23,438	23,438	31,321	31,321
Cash Equivalents	66,074	66,074	65,887	65,887
Plus Accrued interest	13	13	13	13
	92,158	**92,158**	**97,221**	**97,221**
Long Term:				
Birmingham Airport Shares	17,323	17,323	16,558	16,558
BSF Special Purpose Vehicle	571	571	571	571
Local Enterprise Partnership	83	83	84	84
Credit Union Loan	250	250	250	250
Long Term Debtors	3,985	3,985	4,095	4,095
Total Assets	**114,370**	**114,370**	**118,779**	**118,779**

The carrying amount and the fair value of the council's short-term financial assets are the same due to the short-term nature of the transactions.

The council’s long-term investment in Birmingham Airport was revalued as at the 31 March 2021. It has been concluded that the movement in fair value, although not material, should be reflected within the accounts. The carrying value of the investment has decreased from £17.323m to £16.558m. The decrease in value is directly attributed to the impact that Covid-19 has had on the aviation industry during the last quarter of 2020/21.

The investment in the LEP Special Purpose Vehicle of £0.571m is shown at cost. As there is no reliable market value, the fair value cannot be measured reliably.

In 2020/21 the council invested £0.250m in the 6 Towns Credit Union. As this gives rise to contractual cashflows of solely principal and interest on specific days, then it is shown at amortised cost in the balance sheet.

Fair Value Hierarchy for Financial Assets and Financial Liabilities

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 in the table below have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed below, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premiums/discount calculations.

	31 March 2020			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total £'000
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	495,704	-	**495,704**
Plus accrued interest	-	6,318	-	**6,318**
Soft Loans	-	1,067	-	**1,067**
Bank Overdraft		18,929		**18,929**
Other Accounting Adjustments	-	1,004	-	**1,004**
Total Borrowings at amortised cost	**-**	**523,022**	**-**	**523,022**
PFI & Finance Lease Liabilities	-	74,308	-	**74,308**
Creditors	-	84,578	-	**84,578**
TOTAL LIABILITIES	**-**	**681,908**	**-**	**681,908**
ASSETS				
Loans & Receivables:				
Investments	-	2,967	-	**2,967**
Long Term Debtors	-	6	-	**6**
Short Term Debtors	-	23,438	-	**23,438**
Cash & Cash Equivalents	-	66,074	-	**66,074**
Plus accrued interest	-	13	-	**13**
Total Loans & Receivables at amortised cost	**-**	**92,497**	**-**	**92,497**
TOTAL ASSETS	**-**	**92,497**	**-**	**92,497**

	31 March 2021			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total £'000
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	478,538	-	**478,538**
Plus accrued interest	-	4,184	-	**4,184**
Soft Loans	-	24,971	-	**24,971**
Bank Overdraft		2,915		**2,915**
Other Accounting Adjustments	-	882	-	**882**
Total Borrowings at amortised cost	**-**	**511,490**	**-**	**511,490**
PFI & Finance Lease Liabilities	-	71,910	-	**71,910**
Creditors	-	123,272	-	**123,272**
TOTAL LIABILITIES	**-**	**706,672**	**-**	**706,672**
ASSETS				
Loans & Receivables:				
Investments	-	334	-	**334**
Long Term Debtors	-	4	-	**4**
Short Term Debtors	-	31,321	-	**31,321**
Cash & Cash Equivalents	-	65,887	-	**65,887**
Plus accrued interest	-	13	-	**13**
Total Loans & Receivables at amortised cost	**-**	**97,558**	**-**	**97,558**
TOTAL ASSETS	**-**	**97,558**	**-**	**97,558**

Nature and Extent of Risk arising from Financial Instruments

Key Risks

The council's activities expose it to a variety of financial risks.

The key risks are:

- **Credit Risk –** the possibility that other parties might fail to pay amounts due to the council.
- **Liquidity Risk –** the possibility that the council might not have funds available to meet its commitments to make payments.
- **Re-financing Risk –** the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market Risk** – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council'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. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash).

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. The risk is minimised through the annual investment strategy, which is available on the Authority's website.

Credit Risk Management Practices

The authority's credit risk management is set out in the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody and Standard & Poor ratings services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

- Credit ratings of Short Term F1, Long Term A, (Fitch or equivalent rating) with the lowest available rating being applied to the criteria
- Building Societies that meet the same credit ratings as banks (above)
- UK Institutions provided with support from the UK government

Customers for goods and services are assessed, considering their financial position, experience, and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

Amounts Arising from Expected Credit Losses

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £80.804m made up of long-term investments, short-term investments and cash & cash equivalents (exc. school accounts), cannot be assessed generally as the risk of any institution failing to make interest payments or repay the sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the Authorities deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

A table to show the investments held by the Council at the 31 March 2021 is below:

Current Ratings (Fitch or Equivalent)	As at 31/03/2020 £'000	As at 31/03/2021 £'000
AAA	41,900	36,500
AA+	-	-
AA	-	-
AA-	-	-
A+	-	-
A	-	-
A-	3,244	556
BBB+	-	-
N/A	47,146	43,748
Balance Carried Forward	**92,290**	**80,804**

Allowances for impairment losses have been calculated (exc. LEP working capital and Credit Union loans) for investments held at 31 March 2021, applying the expected credit losses model. The expected credit loss model results in a nil value notional loss and as such, no adjustment has been made to the carrying value of these instruments in the Council's accounts.

Full provisions have been set aside for the LEP working capital loan (£0.084m) and the Credit Union loan (£0.250m) due to future uncertainties and increased risk of default.

Equity investments held at FVOCI are outside the scope of impairment and therefore no impairment is required in 2020/21.

The impairment requirements do not apply to the Kickstart loans categorised as assets held at FVPL, as current market prices are considered to be an appropriate reflection of credit risk and therefore, no further impairment will be required for this investment category in 2020/21.

During the year the authority did not write off any financial assets with contractual amounts outstanding and that are still subject to enforcement activity.

Collateral

During the reporting period the Authority has not identified any material charges of collateral held as security.

Liquidity Risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when it is needed.

The council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets provide access to longer term funds.

The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The council does not allow credit for its customers. The past due amount in relation to its trade debtors can be analysed by age as follows.

	2019/20 £'000	2020/21 £'000
Less than three months	9,101	10,714
Three to six months	1,229	3,088
Six months to one year	1,547	2,054
More than one year	5,724	8,359
Total	**17,601**	**24,215**

The Council has an impairment allowance in place for 31 March 2021 of £5.372m to mitigate against this risk (£2.651m as at 31 March 2020).

The guidance states that with regards to statutory debtors, the Council does not have to provide for any loss allowance.

Refinancing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities (borrowings) is shown below, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by council in the Treasury Management Strategy).

	Approved Minimum Limits	Approved Maximum Limit (of total debt)	Principal 31 March 2020 £'000	Principal 31 March 2021 £'000
Less than one year	0%	20% (£155m)	69,064	73,606
Between one and two years	0%	20% (£155m)	21,088	11,972
Between two and five years	0%	25% (£194m)	43,517	39,091
Between five and ten years	0%	50% (£388m)	40,400	49,512
More than ten years	10%	90% (£699m)	322,272	307,271
			496,341	**481,452**

Market Risk

Interest Rate Risk – The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- **Borrowings at variable rates** – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- **Borrowings at fixed rates** – the fair value of the borrowing liability will fall (no impact on revenue balances).
- **Investments at variable rates** – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- **Investments at fixed rates** – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and effect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The council has several strategies for managing interest rate risk.

The annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

The council's long-term debt and all investments are currently held at fixed rates of interest. Therefore, there would be no impact from an increase in interest rates, so there is no need for a sensitivity analysis. However, if interest rates had been 1% higher with all other variables held constant the fair value of the council's long-term debt would result in an increase of £118.449m but this would not have any impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Price Risk – The council does not generally invest in equity shares but does have shareholdings to the value of £16.558m in Birmingham Airport, £0.571m in the Local Education Partnership and £26.286m in SL&P Equity shares. Whilst these holdings are generally illiquid, the council is exposed to losses arising in movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the council is not able to limit its exposure to price movements by diversifying its portfolio. Instead, it only acquires shareholdings in return for 'open book' arrangements with the companies concerned so that the council can monitor factors that might cause a fall in the value of the specific shareholdings.

The shares have all been elected/classified as FVOCI, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £2.171m gain or loss being recognised in the Financial Instrument Revaluation Reserve.
Foreign Exchange Risk – The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

17. **Short Term Debtors**

	2019/20 £'000	**2020/21 £'000**
Trade Receivables	19,921	25,949
Council Tax	10,647	13,921
Non Domestic Rates	978	6,367
Housing Benefit	1,388	6,294
HRA	4,239	6,137
Payments in Advance	8,626	16,778
Other	85	79
Total	**45,884**	**75,525**
HMRC VAT	5,827	7,430
Total	**51,711**	**82,955**

*Less Impairment Allowance (See Note 4)

The debtor figures above are net of provisions for impairment losses of £32.973m in 2020/21. These provisions enable the write-off of arrears on housing rents, rates, community charges, Council Tax, and other Business Rates debtors. Age and collectability of debt are factors that are considered when calculating yearly impairment losses.

18. Debtors for Local Taxation

The past due but not impaired amounts for local taxation (Council Tax and Non-Domestic Rates) can be analysed by age as follows:

2019/20				2020/21		
Council Tax £'000	**NNDR £'000**	**Total £'000**		**Council Tax £'000**	**NNDR £'000**	**Total £'000**
3,909	1,452	5,361	Less than one year	6,038	3,957	9,995
1,202	410	1,612	One to two years	3,006	1,167	4,173
5,126	271	5,397	More than two years	4,052	639	4,691
10,237	**2,133**	**12,370**	**Total**	**13,096**	**5,763**	**18,859**

2019/20 Figures differ from 2019/20 statement as they now only show Sandwell MBC's share.

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2019/20 £'000	**2020/21 £'000**
Bank current accounts	20,930	28,831
Short term deposits	45,144	37,056
	66,074	**65,887**
Bank Overdraft	(18,929)	(24,971)
Total Cash and Cash Equivalents	**47,145**	**40,916**

20. Short Term Creditors

	2019/20 £'000	**2020/21 £'000**
Trade Payables	57,858	105,361
Other Payables	26,720	17,912
Finance Lease Creditors (Note 40)	4,620	3,385
Total	**89,198**	**126,658**

21. Other Long-Term Liabilities

	2019/20 £'000	2020/21 £'000
Finance Lease Creditors (Note 40)	69,688	68,525
Deferred Liabilities	184	169
Deferred Creditors	3,581	3,530
Pensions Liability (Note 43)	790,638	1,103,736
Other Long Term Liabilities	**864,091**	**1,175,960**

22. Provisions

The following table shows the movements during the year in the provisions maintained by the council. These movements have been charged or generated under the appropriate headings in the service revenue accounts. These monies represent provisions for future expenses in respect of liabilities incurred in relation to the year under review and have been split between those liabilities expected to be incurred in the next 12 months (current provisions) and those expected to occur at a later date (long term provisions).

	Opening Balance at 1 April 2019 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2020 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2021 £'000
Current Provisions									
Termination Benefits	**3,311**	1,795	(2,803)	(508)	**1,795**	1,591	(1,358)	(437)	**1,591**
Insurance	**3,004**	723	-	-	**3,727**		(329)		**3,398**
Collection Fund Provisions	**3,953**	6,482	(456)	-	**9,979**			(971)	**9,008**
Carbon Reduction Scheme	**28**	-	-	(28)	**-**				**-**
Single Status - Equal Pay Settlement	**20**	-	-	(20)	**-**				**-**
Total Current Provisions	**10,316**	**9,000**	**(3,259)**	**(556)**	**15,501**	**1,591**	**(1,687)**	**(1,408)**	**13,997**
Long Term Provisions									
Insurance	**3,228**	777	-	-	**4,005**	-	(354)	-	**3,651**
6 Towns Credit Union Loan	**250**	-	-	-	**250**	-	-	-	**250**
LEP Working Capital Loan	**84**	-	-	-	**84**	-	-	-	**84**
Total Long Term Provisions	**3,562**	777	**-**	**-**	**4,339**	-	**(354)**	**-**	**3,985**
Total Provisions	**13,878**	**9,777**	**(3,259)**	**(556)**	**19,840**	**1,591**	**(2,041)**	**(1,408)**	**17,982**

The main provisions held are:

- Since the changes to the retained ***Business Rates*** scheme came into effect from 1 April 2013, the council became liable for any successful rating valuation appeals. It therefore has Collection Fund provisions set aside to mitigate this liability as well as to cover any potential liabilities arising from the local Council Tax reduction scheme.

- Considering council wide restructuring required to address efficiency savings because of central government cuts, the accounts include termination benefit provisions totalling £1.591m. These provisions reflect the known costs of all ***termination benefits*** approved as at 31 March 2021.

- An ***insurance provision*** of £7.049m for previous years' asset, employee and public liability claims held in line with recommendations made within the actuarial valuation.

- Further details on the ***council's insurance fund*** can be found within Notes to the accounts, accounting policies, (xxi Provisions, Contingent, Liabilities and Contingent Assets).

23. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and (Note 8) to the accounts.

General Fund Balance

The council held working revenue balances of £54.983m as at 31 March 2021. However, included within this figure are approved committed items relating to directorate surpluses carried forward into 2021/22 and additional approved revenue balances where specific reserves have not been created but instead balances set aside in future years. Free balances available to the council at 31 March 2021 are £5.734m.

	2019/20 £'000	2020/21 £'000
Revenue Balance	**43,448**	**54,983**
less Committed Items:		
Revenue Contribution to Capital Expenditure	(1,009)	(2,900)
Target Carry Forwards or deficit to be funded centrally	(8,641)	(5,750)
Earmarked Balances	(22,328)	(40,599)
Total Available Resources	**11,470**	**5,734**

Schools Balances

Any balances relating to schools are ring fenced and cannot be appropriated by the Council. In 2020/21 the Individual School Budgets (ISB) generated a surplus of £10.245m increasing school balances to £39.414m.

Schools are directly funded from a Dedicated Schools Grant (DSG). In 2020/21, 9 schools overspent their DSG budget totalling £0.790m and 73 under spent totalling £9.227m. Other non-schools' budgets which are part of the overall ISB, under spent by £1.808m resulting in a total surplus of £10.245m.

Usable Capital Receipts

The usable capital receipts reserve can be used to meet expenditure designated for capital purposes. The table below shows the in-year movements:

	2019/20 £'000	2020/21 £'000
Amounts receivable in year	18,365	13,264
Amounts applied to finance new capital investment in year	(8,505)	(18,868)
Pooled capital receipts paid to DCLG	(2,697)	(2,697)
Total increase / (decrease) in realised capital resources	**7,163**	**(8,301)**
Balance brought forward 1 April	**16,221**	**23,384**
Balance carried forward 31 March	**23,384**	**15,083**

24. **Unusable Reserves**

The table below summarises the balances on the council's Unusable Reserves:

	Restated 2019/20 £'000	2020/21 £'000
Revaluation Reserve	(246,984)	(262,450)
Available for Sale Financial Instruments Reserve	-	-
Financial Instrument Revaluation Reserve	(9,593)	(8,828)
Capital Adjustment Account	(1,165,423)	(1,212,995)
Financial Instruments Adjustment Account	1,255	1,078
Pensions Reserve	790,638	1,124,030
Collection Fund Adjustment Account	2,786	41,588
Accumulating Compensated Absences Adjustment Account	8,334	9,145
Total Unusable Reserves	**(618,987)**	**(308,432)**

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 are either 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.

Revaluation Reserve	Restated 2019/20 £'000	2020/21 £'000	£'000
Balance at 1 April	**(263,220)**		**(246,986)**
Restated (Note 7)	9,000		
Restated Balance at 1 April	**(254,220)**		**(246,986)**
Restated reversals			
Upward revaluation of assets	(55,511)	(51,695)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	57,070	29,008	
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	**1,559**		**(22,687)**
Difference between fair value depreciation and historical cost depreciation	4,042		3,947
Accumulated gains on assets sold or scrapped	1,815		3,261
Amounts written off to the Capital Adjustment Account	(180)		15
Asset Transfers	-		-
Balance at 31 March	**(246,984)**		**(262,450)**

* Includes amounts adjusted for 2019/20 Restatement (see Note 7)

Available for Sale Financial Instruments Reserve

Under IFRS9, all financial assets held previously within the Available for Sale Financial Instruments Reserve have been elected to be designated as FVOCI and, as a result, all balances within the reserve have been transferred to the newly created Financial Instruments Revaluation Reserve in 2018/19.

Financial Instrument Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its financial assets that, under IFRS9, have been elected as FVOCI.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	(20,680)	(9,593)
Total (gains) or losses for fair value through Other Comprehensive Income		
Birmingham Airport In Year Revaluation	11,087	765
Balance at 31 March	**(9,593)**	**(8,828)**

Capital Adjustment Account

This 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 contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. The account 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. *Note 8* provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	Restated 2019/20 £'000	2020/21 £'000	£'000
Balance at 1 April	**(1,073,098)**		**(1,165,423)**
Restated Adjustment (Note 7)	(39,773)		
Restated Balance 1 April	(1,112,871)		(1,165,423)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Depreciation of non current assets	44,675	44,008	
Revaluation and impairment losses/(gains) on property, plant and equipment	(16,523)	7,723	
Revenue expenditure funded from capital under statute	22,214	23,346	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	22,338	16,402	
HRA Debt Settlement	-	-	
Govt Grants Differed Write Out	-	-	
	72,704		**91,479**
Adjusting amounts written out of the Revaluation Reserve	(5,677)		(7,223)
Net written out amount of the cost of non current assets consumed in the year	**67,027**		**84,256**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve	(8,506)	(18,869)	
Use of the Major Repairs Reserve	(15,630)	(15,992)	
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(46,777)	(50,678)	
Applications of grants to capital financing from the Capital Grants Unapplied Account	(19,951)	(8,058)	
Statutory provision for the financing of capital investment	(28,057)	(26,117)	
Capital expenditure charged against the General Fund and HRA balances			
Revenue Contributions to Capital	(4,683)	(8,116)	
	(123,604)		**(127,830)**
Movements in the market value of Investment Properties debited or credited to the CI&ES	4,025		(3,998)
Movements in the Donated Assets Account	-		-
Restated Balance at 31 March	**(1,165,423)**		**(1,212,995)**

* Includes revaluation movements (Note 7) restatements 2019/20 adjustments

Financial Instruments Adjustment Account

The Financial Instrument 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. The council uses the account to manage premiums/discounts paid/received on the early redemption of loans, and differences in interest relating to soft loans and variable rate loans (LOBOs).

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**1,346**	**1,255**
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	(57)	(56)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
Market Loans (LOBOs)	(22)	(20)
Salix Loans (EIR Adjustment)	(12)	(101)
Balance at 31 March	**1,255**	**1,078**

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 pay any pensions for which it is directly responsible.

Pensions Reserve	**2019/20 £'000**	**2020/21 £'000**
Balance at 1 April	**773,438**	**790,638**
Remeasurements of the net defined benefit liability / (asset)	(7,198)	283,616
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	77,348	99,016
Employer's pensions contributions and direct payments to pensioners payable in the year	(52,950)	(49,240)
Balance at 31 March	790,638	1,124,030

In 2020/21 the Council funded an upfront contribution on its pension fund obligations. This was adjusted against the unusable pensions reserve. This arrangement is an accounting requirement, part of which has been unwound in 2021/22 and will be so again in 2022/23, fully reinstating the balance on the unusable pensions reserve. Further details are disclosed within note 43 Pensions.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement (CI&ES) as it falls due from payers, compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

The opening balance of (£2.786m) on this reserve has increased to (£41.588m) during the year. The closing balance includes £34.388m of expenditure in relation to Covid 19 - Retail, Hospitality and Nursery Reliefs.
To comply with collection fund regulations the section 31 grant that funded this expenditure was received in 2020-21 and transferred into an earmarked reserve to fund this element of the deficit in 2021-22.

Accumulating Compensated Absences Adjustment Account

This account absorbs the differences that would arise on the General Fund and Housing Revenue Account Balance by accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 December. The opening balance of £8.334m on this reserve has increased to £9.145m during the year.

25. **Cash Flow Statement**

Net cash flows from operating activities include the following items:

Cashflow Statement - Non Cash Movements	**Restated 2019/20 £'000**	**2020/21 £'000**
Adjustments to net surplus / deficit on the provision of services for non cash movements		
Non Cash Transactions:		
Depreciation, impairment and amortisation of non current assets *	(28,150)	(51,731)
Government Grants Deferred amortisation		
Sale of non current assets - disposals (carrying value)	(22,339)	(16,402)
Net charges made for retirement benefits in accordance with IAS19	(41,298)	(29,482)
Appropriations to / from Collection Fund Adjustment Account	-	
Provision for Equal Pay		
Appropriations to / from Accumulated Absences Account	(1,936)	0
Gains / Losses on Revaluation	(4,025)	3,998
Gains / Losses on Revaluation on Available for Sale Assets		
Taxation & Specific Grants		
HRA Debt Settlement		
Other non cash transactions	34	(2,188)
Restated Non Cash Transactions	**(97,714)**	**(95,805)**
Items on an Accruals Basis:		
Increase / (decrease) in Inventories	(89)	(22)
Increase / (decrease) in Debtors	(1,755)	29,904
(Increase) / decrease in Creditors	(12,560)	(31,727)
(Increase) / decrease in Provisions	(5,864)	1,760
	(20,268)	**(85)**
Total adjustments to net surplus/deficit on the provision of services for non cash movements	**(117,982)**	**(95,890)**
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	18,366	13,265
Any other items for which the cash effects are investing or financing cash flows	44,064	51,044
Total adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	**62,430**	**64,309**

* Restated due to Prior Period Adjustments

Reconciliation of liabilities arising from financing activities

			Non Cash changes	
	31 March 2020	Financing Cashflows	Non Cash Changes	31 March 2021
	£'000	£'000	£'000	£'000
Long Term Borrowings	(427,843)	19,392	154	(408,297)
Short Term Borrowings	(76,250)	(1,971)	-	(78,221)
On balance sheet PFI liabilities	(74,308)	2,145	-	(72,163)
Billing Authorities - Council Tax and NNDR adjustments	-	1,120	-	1,120
Total Liabilities from financing activities	**(578,401)**	**20,686**	**154**	**(557,561)**

Cashflow Statement - Operating Activities

	2019/20 £'000	2020/21 £'000
The cash flows for operating activities include the following items:		
Interest Received	(1,716)	(1,591)
Interest Paid	30,310	28,614

26. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax (and rent) payers how the funding available to the authority (i.e. government grants, rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council’s directorates (services or departments). Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20 Restated	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	87,468	(12,142)	**75,326**	3,919	**79,245**
- Schools*	2,702	(6,580)	**(3,878)**	51	**(3,827)**
- Children's*	98,080	(23,173)	**74,907**	26,821	**101,728**
- Public Health	(85)	(27)	**(112)**	719	**607**
Performance					
- Resources	7,457	27,137	**34,594**	(5,403)	**29,191**
- Corporate Management	990	911	**1,901**	637	**2,538**
Place					
- Housing & Communities**	43,172	(6,706)	**36,466**	3,086	**39,552**
- Regeneration & Growth*	22,815	(7,219)	**15,596**	19,972	**35,568**
Housing Revenue Account	(33,581)	(20,117)	**(53,698)**	542	**(53,156)**
Restated Cost of Services	**229,018**	**(47,916)**	**181,102**	**50,344**	**231,446**
Other operating expenditure	13,001	-	**13,001**	6,857	**19,858**
Financing and Investment Income and Expenditure	(29,437)	103,759	**74,322**	(27,132)	**47,190**
Taxation and Non Specific Grant Income	(243,286)	(31,096)	**(274,382)**	(39,942)	**(314,324)**
(Surplus) or Deficit	**(30,704)**	**24,747**	**(5,957)**	**(9,873)**	**(15,830)**

* Restated due to Prior Period Adjustments

Opening General Fund & HRA Balance	**(158,397)**
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	(5,957)
Closing General Fund & HRA Balance at 31 March 2020 *	**(164,354)**

** For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

2020/21	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	77,755	(2,768)	**74,987**	7,678	**82,665**
- Schools	(11,075)	(6,886)	**(17,961)**	24,700	**6,739**
- Children's	99,749	(29,927)	**69,822**	20,669	**90,491**
- Public Health	(2,571)	(1,150)	**(3,721)**	(120)	**(3,841)**
Performance					
- Resources	(32,935)	66,313	**33,378**	(25,037)	**8,341**
- Corporate Management	(436)	626	**190**	1,608	**1,798**
Place					
- Housing & Communities	44,728	(7,373)	**37,355**	6,905	**44,260**
- Regeneration & Growth	23,978	(6,638)	**17,340**	8,906	**26,246**
Housing Revenue Account	(33,103)	(19,594)	**(52,697)**	30,442	**(22,255)**
Cost of Services	**166,090**	**(7,396)**	**158,694**	**75,750**	**234,444**
Other operating expenditure	12,992	-	**12,992**	27	**13,019**
Financing and Investment Income and Expenditure	-	73,965	**73,965**	(28,247)	**45,718**
Taxation and Non Specific Grant Income	(249,895)	(77,579)	**(327,474)**	17,324	**(310,150)**
(Surplus) or Deficit	**(70,813)**	**(11,010)**	**(81,823)**	**64,853**	**(16,970)**

Opening General Fund & HRA Balance	**(164,354)**
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	(81,823)
Closing General Fund & HRA Balance at 31 March 2021 *	**(246,177)**

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

27. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income & Expenditure (CI&ES). The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Restated 2019/20	Capital Adjustments at Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Adjustments for Capital Purposes (Note 3) £'000	Net change for the Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	Total Adjustment between Funding and Accounting Basis £'000
People							
- Adults	(913)	(11,229)	(12,142)	913	2,997	9	3,919
- Schools*	(7,071)	491	(6,580)	(7,110)	6,500	1,410	800
- Children's Services*	(23,171)	(2)	(23,173)	23,403	2,661	8	26,072
- Public Health	(27)	0	(27)	718	-	1	719
Performance							
- Resources	(1,680)	28,817	27,137	1,680	(7,138)	56	(5,402)
- Corporate Management	(48)	959	911	620	17	0	637
Place							
- Housing & Communities*	(6,702)	(4)	(6,706)	1,955	1,124	7	3,086
- Regeneration & Growth*	(10,087)	2,868	(7,219)	18,789	1,083	100	19,972
Housing Revenue Account	(19,190)	(927)	(20,117)	570	(533)	504	541
Restated Net Cost of Services	**(68,889)**	**20,973**	**(47,916)**	**41,538**	**6,711**	**2,095**	**50,344**
Other operating expenditure	-	-	-	6,858	-	-	6,858
Financing and Investment Income and Expenditure	105,527	(1,768)	103,759	(44,346)	17,686	(472)	(27,132)
Taxation and Non Specific Grant Income	-	(31,096)	(31,096)	(44,065)	-	4,122	(39,943)
(Surplus) or Deficit	**36,638**	**(11,891)**	**24,747**	**(40,015)**	**24,397**	**5,745**	**(9,873)**

* Restated due to Prior Period adjustments

2020/21	Capital Adjustments at Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Adjustments for Capital Purposes (Note 3) £'000	Net change for the Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	Total Adjustment between Funding and Accounting Basis £'000
People							
- Adults	(3,571)	803	(2,768)	3,572	2,221	1,885	7,678
- Schools	(7,129)	243	(6,886)	8,510	4,262	11,928	24,700
- Children's Services	(30,147)	220	(29,927)	19,929	746	(6)	20,669
- Public Health	(6)	(1,144)	(1,150)	5	-	(125)	(120)
Performance							
- Resources	(1,884)	68,197	66,313	4	(9,428)	(15,613)	(25,037)
- Corporate Management	(16)	642	626	1,119	13	476	1,608
Place							
- Housing & Communities	(5,878)	(1,495)	(7,373)	4,555	849	1,501	6,905
- Regeneration & Growth	(9,305)	2,667	(6,638)	6,801	775	1,330	8,906
Housing Revenue Account	(19,751)	157	(19,594)	9,781	59	20,602	30,442
Net Cost of Services	**(77,686)**	**70,290**	**(7,396)**	**54,276**	**(503)**	**21,977**	**75,750**
Other operating expenditure	-	-	-	6,136	-	(6,109)	27
Financing and Investment Income and Expenditure	75,968	(2,002)	73,965	(53,021)	26,373	(1,600)	(28,247)
Taxation and Non Specific Grant Income	-	(77,579)	(77,579)	(35,162)	-	52,487	17,325
(Surplus) or Deficit	**(1,719)**	**(9,291)**	**(11,010)**	**(27,771)**	**25,870**	**66,755**	**64,854**

<u>Adjustments made to Directorate reports</u>

<u>Note 1 – Capital Adjustments at Directorate Level</u>

For resource management purposes, the council includes capital charges in its directorate reporting, however, this needs to be removed as it is not included in the net expenditure chargeable to the General Fund and HRA balances.

<u>Note 2 – Other Adjustments at Directorate Level</u>

Support service costs and impairment allowances are not included in the council's directorate reporting. This movement is included in the Net Cost of Services in the CI&ES.

The council does not include movements to/from its reserves and balances in its directorate reporting.

Adjustments made to the Net Expenditure Chargeable to the General Fund and HRA Balances

<u>Note 3 – Adjustments for Capital Purposes</u>

This column adds in depreciation, impairments and revaluation gains and losses in the directorate's line.

Other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and amounts written off for those assets.

The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from Financial and Investment Income and Expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure is adjusted to recognise capital grant income.

<u>Note 4 – Net Change for the Pensions Adjustments</u>

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services, this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs. For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the CI&ES.

<u>Note 5 – Other Differences</u>

Other differences between amounts debited/credited to the CI&ES and amounts payable/receivable to be recognised under statute:

- For services, this represents accumulated absences and investment properties rental income.
- For Finance and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses/deficits on the Collection Fund.

28. **Expenditure and Income analysed by nature**

This note provides detail of expenditure and income included within the CI&ES and is analysed by nature.

Restated 2019/20 £'000		2020/21 £'000
347,451	Employee Benefits Expenses	362,397
527,798	Other Services Expenses	549,540
28,088	Depreciation, Amortisation and Impairment*	51,755
4,161	Loss on Disposal of Non Current Assets	3,439
49,251	Interest Payments	48,615
15,699	Precepts and Levies	15,689
28	Support Services Recharges	27
972,476	**Restated Total Expenditure**	**1,031,460**
(196,765)	Fees and Charges and Other Service Income	(191,693)
(198,249)	Income from Council Tax and Business Rates	(169,511)
(584,169)	Government Grants and Contributions	(679,836)
(6,645)	Support Services Recharges	0
(2,478)	Interest and Investment Income	(7,391)
(988,306)	**Total Income**	**(1,048,431)**
(15,830)	**Net Expenditure**	**(16,970)**

* Restated due to Prior Period Adjustment

29. **Agency Services**

The council is classed as an agent where the amounts of grant to be distributed and the eligibility criteria is defined by central government and the council has no discretion on who would receive these amounts. As the council is acting as an agent for central government the amounts within this section are not classed as council expenditure and therefore are not contained within the council's comprehensive income and expenditure statement.

During 2020-21 those grants where the council was acting as an agent for central government relate to the distribution of business grants, infection control grants, test and trace payments and growing places grants.

These are summarised in the following table

Grant	Expenditure £m	Grant Received £m	Balance Held £m
Small Business Grant Fund	73.036	55.112	17.92
Local Restrictions Support Grant (Closed)	1.521	0.535	0.99
Local Restrictions Support Grant (Closed Addendum)	18.450	9.282	9.17
Closed Business Lockdown Grant	13.590	6.573	7.02
Christmas support payment (CSP) - Wet Led Pubs	0.122	0.117	0.01
Test and Trace Support Payments - programme costs	0.619	0.440	0.18
Adult Social Care Infection Control Fund - Tranche 1	1.921	1.921	0.00
Adult Social Care Infection Control Fund - Tranche 2	2.515	2.515	0.00
Adult Social Care Rapid Testing Fund	0.545	0.545	0.00
Total Grants and Payments Distributed by Central Government	**112.319**	**77.040**	**35.28**

Further information can be provided on each grant.

<u>Covid Grants</u>
The council has received several specific additional grants in relation to Covid 19. There are a number of these grants where the council is acting as an agent for these grants on behalf of the government. The council made total payments of £77.040m acting as an agent during 2020-21 which are broken down below.

- **Small Business Grants Fund for the Retail**, Hospitality and Leisure Sectors. The council received a grant of £73.036m to make fixed emergency payments to businesses in these sectors. Total payments of £55.112m were made during 2020-21.

- **Local Restrictions Support Grant Closed Scheme**. The council received a grant of £1.521m to make payments to businesses required to close during tier three restrictions. Total payments of £0.535m were made during 2020-21.

- **Local Restrictions Support Grant Closed Addendum Scheme**. The council received a grant of £18.450m to make payments to businesses required to close during tier three restrictions. Total payments of £9.282m were made during 2020-21.

- **Closed Business Lockdown Grant**. The council received a one-off support grant for businesses required to close during the national lockdown of £13.590m to make payments to businesses required to close during tier three restrictions. Total payments of £6.573m were made during 2020-21.

- **Christmas Support Payments for Wet Led Pubs**. The council received a grant of £0.122m to support pubs required to close under tiers two or three that derived less than 50% of their income from food sales. Total payments of £0.117m were made during 2020-21.

- **Test and Trace Support Payments Programme Costs**. The council received a grant of £0.619m to make a fixed payment of £500 to individuals required to self-isolate. Total payments of £0.440m were made during 2020-21.

- **Adult Social Care Infection Control Fund**. The council received a grant of £4.436m to support adult social care providers to reduce the rate of Covid 19 transmission.

- A minimum of 75% of the grant was required to be allocated to care home providers on a per bed basis to support specific measures for which the council acted as an agent. Total payments of £4.436m were made during 2020-21.

- **Adult Social Care Rapid Testing Fund**. The council received a grant of £0.545m to support rapid testing in care homes. A minimum 80%of the grant was required to be passed onto care homes on a per beds basis to support specific measures for which the council acted as an agent. Total payments of £0.545m were made during 2020-21.

Growing Places Grant

The Council acts as an agent for Growing Places. Growing Places funding of £14.4m was received in 2011/12. Most of the remaining funding was transferred to Walsall MBC during 2019/20 following Government requirements that there should be one accountable body for the LEP area with Walsall being the nominated authority within the Black Country.
Grant of £0.917m was retained by SMBC to complete ongoing projects that have not yet completed drawdown of grant. In 2020/21, grant of £0.730m has been distributed. The remaining grant will be transferred to Walsall MBC in 2021-22, this is excluded from the table above.

30. Pooled Budgets

Utilising Section 75 of the National Health Act 2006, Sandwell Council has entered a pooled budget arrangement in relation to the better care fund (BCF) with Sandwell & West Birmingham Clinical Commissioning Group (CCG). The services are commissioned by Sandwell Council or Sandwell and West Birmingham CCG depending upon the needs of the client and are provided by several methods including internal, external, and voluntary sector organisations. During 2020/21 Sandwell MBC hosted the Better Care Fund Pooled Budget the objectives and performance of the pooled budget are outlined below.

Better Care Fund (BCF)

The BCF came into operation on 1 April 2015 and is hosted by Sandwell MBC with contributions from the Sandwell & West Birmingham CCG. It aims to improve the quality and cost effectiveness of services through greater integration of health, social care and voluntary/third sector provisions. This pool generated an underspend of £1.758m in 2020/21 and in accordance with the agreement in place this will be transferred into a reserve for use in future years. The medium-term financial strategy for the BCF pooled budget reflects the utilisation of the reserve including development of a new Social Care & Health Centre in Rowley Regis.

Improved Better Care Fund Grant in 2020/21 – grant funding of £22,170,099

The grant is only for purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting timely hospital discharges; and ensuring that the local social care provider market is supported. There was a surplus of £5.9m at year end on the grant which is included in the total pool under spend below.

As host of the Pooled Budget Sandwell MBC reports to the BCF Joint Partnership Board on the whole of the Pooled Budget including expenditure made to providers directly by the CCG. This ensures that the Pooled Budget can be seen in its entirety.

The procurement and contract procedure rules and financial regulations of the pool host applies to the management of the pool fund and the financial performance for the pool for the year ended 31 March 2021 is shown below.

Better Care Fund 2019/20 £'000		Better Care Fund 2020/21 £'000
41,439	Gross Expenditure	51,275
-	Income exc. Partner Contributions	(2)
41,439	**Net Expenditure**	**51,273**
	Partner Contributions:	
(25,368)	Sandwell & West Birmingham CCG	(27,170)
(20,497)	Sandwell MBC - I-BCF	(22,345)
(45,865)	**Total Contribution**	**(49,515)**
(4,426)	**Net (Surplus) / Deficit in Year**	**1,758**
(6,284)	Reserves brought forward	(10,710)
(4,426)	Net (surplus)/deficit transferred from Reserves	1,758
(10,710)	**Total BCF Reserves**	**(8,952)**

31. **Officers' Remuneration**

Senior Employees

The following tables detail senior officers who form the council's Management Board, including all statutory officers, whose salaries are equal to or more than £50,000 per year.

Position Title 2020/21	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Annualised Salary £
Chief Executive	151,440	140	**151,580**	31,074	**182,654**	n/a
Executive Director						
- Adult Social Care, Health & Wellbeing (e)	82,915	140	**83,055**	17,026	**100,081**	108,863
- Adult Social Care, Health & Wellbeing (interim) (f)	33,218	-	**33,218**	-	**33,218**	n/a
- Neighbourhoods (g)	100,594	180,370	**280,964**	20,659	**301,622**	133,515
- Children's Services	140,378	60	**140,438**	21,592	**162,030**	n/a
- Resources (h)	91,686	158,721	**250,407**	18,828	**269,236**	137,153
Director:						
- Director of Law & Governance & Monitoring Officer	110,650	240	**110,890**	22,732	**133,622**	n/a
- Education, Skills and Employment	103,349	140	**103,489**	21,277	**124,766**	n/a
- Regeneration & Growth	97,113	-	**97,113**	19,908	**117,021**	n/a
- Housing and Communities (i)	110,750	140	**110,890**	22,732	**133,622**	n/a
- Director of Public Health	105,700	200	**105,900**	21,710	**127,610**	n/a
- Business Strategy & Change (j)	99,696	140	**99,836**	20,466	**120,303**	n/a
- Finance	97,067	180	**97,247**	19,974	**117,221**	n/a

a) **The Director of Regeneration and Growt**h commenced maternity leave on 8th March 2020 (Annualised salary £105,572)
b) **The Interim Director of Regeneration and Growth** was appointed on 9th March 2020 (Annualised salary £91,054)
c) **The Director of Prevention and Protection** was vacant from 16th July 2019 until 25th September 2019 (Annualised salary £92,393)
d) **The Head of Finance** was paid on the Directors PayScale from the 19th March 2020 to the 31st March 2020 due to acting up responsibilities
e) **The Executive Director of Adult Social Care, Health & Wellbeing** departed on 3rd January 2021 (Annualised salary £108,863)
f) **The Interim Executive Director of Adult Social Care, Health & Wellbeing** was appointed on the 4th February 2021
g) **The Executive Director of Neighbourhoods** departed on the 31st December 2021 (Annualised salary £133,515)
h) **The Executive Director of Resources** departed on the 30th November 2020 (Annualised salary £137,153).
i) **The Director of Housing and Communities** departed on the 31st March 2021
j) **The Director of Business, Strategy and Change** post has replaced the Director of Prevention and Protection post

Position Title 2019/20	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Annualised Salary £
Chief Executive	141,685	37,130	**178,816**	25,129	**203,945**	n/a
Executive Director						
- Adult Social Care, Health & Wellbeing	112,190	241	**112,431**	19,900	**132,331**	n/a
- Neighbourhoods	127,932	240	**128,172**	22,686	**150,858**	n/a
- Children's Services	136,535	144	**136,679**	24,192	**160,871**	n/a
- Resources	130,529	240	**130,769**	23,146	**153,915**	n/a
Director:						
- Director of Law & Governance & Monitoring Officer	106,390	240	**106,630**	18,873	**125,503**	n/a
- Education, Skills and Employment	100,179	240	**100,419**	17,846	**118,265**	n/a
- Regeneration & Growth (a)	98,937	7,079	**106,017**	18,873	**124,890**	105,572
- Regeneration & Growth (Interim) (b)	5,722	-	**5,722**	1,013	**6,735**	91,054
- Housing and Communities	106,390	240	**106,630**	18,873	**125,503**	n/a
- Director of Public Health	98,225	240	**98,465**	17,428	**115,893**	n/a
- Prevention & Protection (c)	77,312	170	**77,481**	13,714	**91,195**	92,393
- Finance (d)	422	-	**422**	75	**497**	n/a

The remunerations disclosed in the above tables do not include allowances payable in respect of duties associated with the performance of the council’s Returning Officer role.

Other Employees

The number of employees whose remuneration, excluding employer’s pension contributions, exceeded £50,000 is shown in the table below grouped into bands of £5,000. Please note this does not include Senior Officers detailed in the previous tables.

Remuneration Band	Number of Employees			
	2019/20		2020/21	
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	60	43	71	71
£55,000 - £59,999	39	11	38	27
£60,000 - £64,999	31	15	33	9
£65,000 - £69,999	19	10	28	11
£70,000 - £74,999	16	6	15	11
£75,000 - £79,999	11	10	12	2
£80,000 - £84,999	8	4	9	11
£85,000 - £89,999	2	1	6	1
£90,000 - £94,999	3	-	3	1
£95,000 - £99,999	2	-	1	-
£100,000 - £104,999	-	-	-	1
£125,000 - £129,999	1	-	-	-
£135,000 - £139,999	-	-	1	-
£140,000 - £144,999	-	-	-	1
	192	**100**	**217**	**146**

32. Members Allowances

The total amount paid during 2020/21 to elected members of the council in respect of basic and special responsibility allowances was £1.322m (£1.266m in 2019/20).

33. External Audit Costs

External Audit Costs	2019-20 £'000	2020-21 £'000
Fees payable to Grant Thornton UK LLP appointed auditor for the year 2018/19 with regard to external audit services carried	18	-
Fees payable to Grant Thornton UK LLP appointed auditor for the year 2019/20 with regard to external audit services carried	153	-
Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for 2020/21	-	153
Interim Fee for 2018/19 External Audit Overrun	-	-
Agreed Fee Variation 2018/19 External Audit	-	51
Agreed Fee Variation 2019/20 External Audit	100	-
Fee Variation 2020/21 External Audit*	-	242
Total fees for appointed Auditor	**271**	**446**
Fees payable in respect of other services provided by Grant Thornton during 19/20		
Certification of 2018/19 Teachers Pension claim	6	6
Housing Benefit Audit	30.5	35
PFI Objection (KPMG)	28	-
West Midlands Pension Fund	1	-
Childrens Trust: Fees payable to Grant Thornton appointed auditor for the year 2019/20 and 2020/21 with regard to external audit services carried out for the subsidary audit	25	30
2018-19 Audit fee for Sandwell Land and Property company	15	5
2019-20 Audit fee for Sandwell Land and Property company	15	10
Total additional fees	**121**	**86**
TOTAL	**392**	**532**

*** Note: Fee Variation for 2020/21 External Audit - Fees to be agreed by PSSA**

34. **<u>Dedicated Schools Grant (DSG)</u>**

The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Education Funding Agency. An element of DSG is recouped by the department to fund academy schools in the area.

DSG is ring fenced and can only be applied to meet expenditure properly included in the school's budget, as defined in the School Finance (England) Regulations 2015. The schools budget includes elements for a 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.

Dedicated Schools Grant	**Central Expenditure £000**	**ISB £000**	**Total £000**
Final DSG For 2020/21 Before Academy Recoupment			378,586,540
Academy Figure Recouped for 2020/21			149,018,139
Total Final DSG After Academy Recoupment for 2020/21			**229,568,401**
Bought Forward From 2019/20			1,957,560
Less: Carry-forward to 2021/22 agreed in advance			-
Agreed Initial Budgeted Distribution in 2020/21	**13,933,506**	**217,592,454**	**231,525,960**
In Year Adjustments	**-**	(723,069)	(723,069)
Final Budgeted Distribution for 2020/21	**13,933,506**	**216,869,385**	**230,802,891**
Less Actual Central Expenditure	13,378,931	-	13,378,931
Less Actual ISB Deployed To Schools	-	(213,353,534)	(213,353,534)
Plus Local Authority Contribution For 2020/21	-	-	-
Carry Forward To 2021/22	**554,575**	**3,515,851**	**4,070,426**

35. Grant Income

The council has received several grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the grantor. The council presents Grants Receipts in Advance for capital and revenue separately and splits them between current and long-term liabilities.

The balances at each year end are as follows:

Revenue Grants Receipts in Advance	31 March 2020 £'000	31 March 2021 £'000
Test & Trace Support Payment	-	681
Adult Education Grant	-	453
Planning Delivery Fund grant allocation	-	408
Other Grants	6,651	298
Total	**6,651**	**1,840**

Capital Grants Receipts in Advance	31 March 2020 £'000	31 March 2021 £'000
Short Term:		
Renewal & Growth	1,137	1,119
Standards Fund	982	1,178
Other Grants	1,659	9,972
Other Contributions	320	320
	4,098	**12,589**
Long Term:		
Section 106	5,266	3,618
Disabled Facilities Grant	3,154	5,144
Other Grants	2,139	2,002
Other Contributions	2,733	3,079
	13,292	**13,843**
Total	**17,390**	**26,432**

The council credited the following grants, contributions, and donations to the CI&ES:

Credited to Taxation and Non Specific Grant Income	**2019/20 £'000**	**2020/21 £'000**
Non ring-fenced government grants:		
Covid-19 - Emergency Funding	12,495	8,506
Section 31 Business Rates Grant	15,336	17,127
Covid 19 Business Rates Relief Grant	-	34,390
Business Rates Top Up	40,915	41,582
New Homes Bonus	2,923	1,606
Levy Account Surplus Grant	341	-
Subtotal	**72,011**	**103,211**
Capital Grants and Contributions:		
Local Transport Plan Grant	4,755	4,835
Challenge Fund Grant	-	2,178
Schools Basic Need Grant	3,677	-
Schools Capital Maintenance Grant	2,808	-
Free Schools Grant	-	1,002
Homes England Grant	5,118	1,004
Department of Culture Media & Sports - Aquatic Centre Grant	2,993	20,313
Department for Transport - Additional Highways Maintenance Grant	1,422	-
Black Country Local Enterprise Partnership Grant	5,000	457
Sport England Grant	1,940	485
Lottery Funding	38	62
Priority Schools Build Programme Grant	9,848	-
Towns Fund Grant	-	1,113
Community Infrastructure Levy	-	2,266
Other Grants	1,768	1,664
Other Contributions	4,697	2,049
Subtotal	**44,064**	**37,428**
Total Credited to Taxation and Non Specific Grant Income	**116,075**	**140,639**

Credited to Services - Other Public Bodies	2019/20 £'000	2020/21 £'000
Non-Covid-19 grants and contributions		
Dedicated Schools Grant	219,596	226,254
Rent Rebates	54,803	48,328
Rent Allowance Subsidy	38,722	34,556
Public Health Grant	24,061	24,891
Improved Better Care Fund	19,608	19,215
Pupil Premium Grant	15,284	14,682
Grants funding REFCUS	8,865	13,320
Adult Social Care Support Grant	3,157	12,317
PFI	7,822	7,822
Teacher Pension Grant	3,301	5,745
Housing Subsidy	5,713	5,713
Universal Infant Free School Meals	3,433	3,513
Post 16 Funding	2,709	1,969
Teacher Pay Grant	1,692	1,914
Troubled Families	2,009	1,836
Benefit Admin Grant	1,862	1,823
PE Sports Grant	1,466	1,414
Discretionary Housing Payments	1,092	1,279
DWP Joint Working	-	1,184
Independent Living Fund	1,025	1,025
Home Office Grant	1,660	1,008
Skills Funding Agency	1,288	0
Winter Pressures Grant	1,848	0
Flexible Homelessness Support Grant	470	1,858
MHCLG Grants under £1m	1,663	1,034
Other Government Grants under £1m	5,984	5,032
Other Contributions and Donations	38,956	53,877
Subtotal	**468,091**	**491,609**
Covid-19 grants and contributions		
Workforce Capacity Funding	-	924
Sales, Fees and Charges	-	3,859
Covid-19 - Emergency Funding	-	12,093
Countain, Outbreak, Management Fund	-	8,915
Test and Trace Grant	-	2,277
Covid 19 Catch up Package Grant	-	1,635
Infection Control Fund	-	1,144
Covid Winter Grant Scheme	-	1,342
Council Tax Hardship Fund	-	4,547
Closed Business Locked Down Payments	-	-
Local Restrictions Support Grants	-	266
Additional Restrictions Grant	-	4,838
Small Business Grant Fund	-	-
Discretionary Business Support Grant	-	2,913
MHCLG Grants under £1m	-	1,100
Other Grants under £1m	-	1,442
Subtotal	**0**	**47,295**
Total Credited to Services	**468,091**	**538,904**

36. Related Parties

Under the Code, the council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. The council has identified the following as its related parties.

Central Government

Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates. Receipts in respect of Council Tax and Non-Domestic Rates are shown in the CI&ES. Details of other grants received are analysed in more detail in Note 35.

West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities, levy precepts on the council. In addition, a levy from the West Midlands Integrated Transport Authority totalling £12.878m and a Flood Defence levy of £0.086m were made during the financial year.

Members

A register of Members' pecuniary and non-pecuniary interests is held and is available to view on the council's website. The register has been examined and although several Elected Members serve on outside bodies that receive some form of financial support from the council, these are not all material.

Councillor P Hughes and Councillor Gavan are Directors of Sandwell Leisure Trust. Councillor Underhill is a member of Sandwell Inspired Partnership Services Limited.

In 2020/21 payments to other organisations where Members have declared an interest totalled £1.085m and income received totalled £0.009m.

Other Organisations

The council made grants to voluntary organisations amounting to £6.768m during 2020/21.

Sandwell Leisure Trust (SLT) is a charitable company limited by guarantee that manages sports facilities and provides sports development in Sandwell. The principal income of the leisure trust is from the council, which takes the form of a management fee. This amount paid in 2020/21 was £2.914m which included the management fee and other fees. Amounts received from SLT for services provided by the council were £0.537m.

Sandwell Futures Ltd is a Local Education Partnership (LEP) established under the Building Schools for the Future (BSF) initiative. The council made total payments of £10.061m to the LEP during 2020/21 mainly relating to the building and renovation costs of schools. The council has a 10% shareholding and a £0.084m holding of 10% loan stock in the company. The council also has a direct shareholding in Environments for Learning Sandwell PFI One Ltd (the special purpose vehicle established by the LEP) and a £0.571m holding of 10% loan stock. Interest on these investments of £0.011m has been received in 2020/21.

Sandwell Inspired Partnership Services Education Limited (SIPS) was established as an Industrial and Provident Society on 1 January 2013 for the delivery of support services to schools. The council made payments totalling £0.291m to SIPS in 2020/21 and received £0.153m in relation to goods and services supplied by the council to SIPS in the same year.

Sandwell Land and Property Ltd (SL&P) was established on 31 March 2011 in order to protect and maintain ownership of land and property currently occupied by school establishments. The council is the sole shareholder of SL&P. Under the Code the company is classed as a subsidiary of the council; their financial activities have been consolidated 100% into the financial statements.

The **SL&P is a company limited by shares**, the liability of the council in the event of the winding up of the company is limited to the sum of £1.

Previously, the land and buildings owned by the Sandwell Land & Property (SL&P) company had been included within the Councils single entity accounts on the basis that all the rewards and risks of ownership lie with the Council. This accounting treatment had been agreed by the Councils previous auditors KPMG and its consultants at the time PWC. Upon management review of the relevant documentation, the Council is of the opinion that the above treatment is correct for the buildings element of the assets but that the land element should be removed from the Councils single entity accounts and accounted for in the company's accounts. The land is consolidated as part of the Group accounts.

The broad impact of the adjustments is as follows:

Council (single entity)

The Council has recognised an investment 'at cost' in its accounts with investment on the balance sheet increased by £26m, which was equal to the cost of land. The land previously recognised at the fair value on the balance sheet in the Council's single entity accounts has been removed. An opposite entry has been made in the revaluation reserve/ disposals. The share value relating to the buildings is nominal. The Council continues to include the value of the school buildings at fair value under Standard Interpretations Committee note 27.

Council (Group)

The land is now consolidated at fair value into the Council's group accounts with the investment in SL&P being removed from consolidated financial statements.

SL&P

The adjustments required SL&P to treat its lease of the land to the Council as an operating lease. The accounting entries proposed recognise £26m of land on SL&P balance sheet, with the corresponding entry in P&L reserve. This reflects the historic 'fair value' of land transferred and is allowable under FRS102.

As part of the audit several issues have been identified about the process of the company receiving school land and buildings from the Council and the issue of shares to the Council. These fall broadly into 4 areas:

Share Issues - Unauthorised Share Issues

Some of the shares (c £16m) that were issued on the initial set up of the company back in 2011/12 did not have the necessary legal authority and, therefore, should not have been issued.

Share Issues – Nil Consideration

Some share issues (c £7m) were made for properties that ultimately were not transferred into the SL&P and so were made at nil consideration, which is not allowed under existing legislation. As a result, the SL&P would, need to recognise a receivable (Debtor) for the amounts due from the Council in respect of the allotted shares and the Council would need to recognise a liability.

However, the Council do not consider that it will need to meet this liability as the company is 100% wholly owned by SMBC and the Council are planning to wind up the company.

Land Transfers – Nil Value

Some of the land (c. £15m) that was transferred into the SL&P from SMBC accounts was done at nil value.

Land Transfers – Ownership Rights

Certain assets (c. £1m) were transferred into the SL&P that were not legally owned by SMBC and, therefore, should not have been included within the SL&P on set up.

The legal issues associated with the SL&P have not been corrected. Potentially this results in a liability of £6.7m from the Council to the company. As the sole shareholder of the company, the authority does not feel it would be beneficial to expend resources at the expense of the taxpayer to correct the historical issues. The intention is to wind the company up during 2021/22 as the protection believed to be afforded by the transfer of land to the company to protect the council's assets is no longer required. As such neither the Council nor the company have recognised the liability (Council) or asset (company) in their accounts but these have been shown as contingent liabilities and contingent assets respectively

Sandwell is also a constituent member, together with the other six West Midlands metropolitan districts, of the West Midlands Combined Authority (WMCA). In addition to the Transport Levy the council made payments totalling £0.264m to WMCA in 2020/21 and received £0.261m in relation to goods and services supplied by the council to WMCA in the same year. The WMCA wholly owns booth West Midlands Rail Limited and West Midlands Growth Company, as the council is a constituent member of the WMCA it therefore owns a proportion of both companies. There have been no direct transactions between these companies and the council.

Sandwell Children's Trust was established on 1st April 2018 to provide for Sandwell's children's social care services. The council made payments totalling £75.109m to Sandwell Children's Trust (SCT) in 2020/21 and received £5.594m in relation to goods and services supplied by the council to SCT in the same year. SCT have been consolidated into the Councils group.

37. Capital Expenditure and Capital Financing

The following table shows the movement in the Capital Financing requirement for the year.

	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	**792,084**	**791,981**
Capital Investment		
Property Plant & Equipment	99,776	109,117
Heritage Assets	13	
Investment Properties	-	-
Intangible Assets	99	153
REFCUS	22,214	23,346
PFI Adjustments	1,399	-
Sources of Finance		
Capital Receipts	(8,506)	(18,868)
Government Grants & Other Contributions	(66,728)	(58,737)
Major Repairs Reserve	(15,630)	(15,992)
Direct Revenue Contributions	(4,683)	(8,116)
Minimum Revenue Provision	(28,057)	(26,117)
Closing Capital Financing Requirement	**791,981**	**796,767**
Explanation of Movements in Year		
Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	-	-
Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(1,502)	4,786
HRA Repayment of Debt	-	
PFI Expenditure	1,399	-
Increase/(decrease) in Capital Financing Requirement	**(103)**	**4,786**

38. **Capital Commitments**

The Council must plan its capital spending in advance of work proceeding. As at 31 March 2021 the Council had allocated resources to a five-year programme covering the period 2021/22 to 2025/26 that amount to £422.878m.

The main areas to which these resources have been allocated are listed below:

	£'000
Housing Investment Programme	254,275
Adaptations for Disabled (DFG / HRA)	37,603
Aquatic Centre - Commonwealth Games 2022	37,580
Structural Maintenance Of Roads, Bridges & Lighting - Local Transport P	17,000
New Social Care & Health Centre - Rowley Regis	12,286
School Capital Programme	10,479
Integrated Transport Block - Local Transport Plan	8,470
ICT End User Computing 2	7,505
Acquisition Of Vehicles	7,500
Property Refurbishment	5,734
Dudley Street / Scott Bridge repairs (DFT)	4,456
Birchley Island	2,620
New Cemetery - Rowley Regis	1,743
New Cemetery - West Bromwich	1,455

Included within the five-year programme are amounts which are legally committed as at 31 March 2021 that amount to £58.115m.

39. **Leases**

Council as Lessee

The council does not have any material finance leases where it is the lessee.

The council has acquired several administrative buildings by entering operating leases.

The future minimum lease payments due under non-cancellable leases in future years are.

31 March 2020 £'000		31 March 2021 £'000
1,058	Not later than 1 year	1,058
3,356	Later than 1 year and not later than 5 years	3,034
9,402	Later than 5 years	8,702
13,816		**12,794**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was.

2019/20 £'000		2020/21 £'000
	Minimum lease payments:	
165	- Adult Social Care	155
880	- Housing & Communities and Regeneration & Growth	1,089
1,045		**1,244**
(72)	**Sublease payments receivable**	**(77)**
973		**1,167**

Council as Lessor

The council does not have any material finance leases where it is the lessor.

The council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses. The future minimum lease payments receivable under non-cancellable leases in future years are.

31 March 2020 £'000		31 March 2021 £'000
4,862	Not later than 1 year	4,813
13,691	Later than 1 year and not later than 5 years	13,314
163,126	Later than 5 years	160,261
181,679		**178,388**

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered, such as adjustments following rent reviews.

40. **Private Finance Initiatives and Similar Contracts**

Riverside Housing

The Council entered into a 25-year agreement with Riverside Housing Association on 27 March 2006 for the refurbishment of council dwellings on the Harvill’s Hawthorn and Millfield’s estates. In addition to the planned refurbishments this scheme also includes 132 new build homes and 67 ‘Walls in Walls Out’.

The Council has the right to use the specified assets for the duration of the project agreement and the right to expect the provision of housing management services. At the end of the concession period the specified assets will transfer back to the Council in line with predetermined standards. Both parties have the right to terminate the contract should the contract no longer represent value for money. The Council has a right to terminate the agreement in instances of contractor default, persistent breach and voluntary termination. The unitary charge for 2020/21 was £8.5m (£8.4m in 2019/20).

The contract is now into the housing management & life cycle works phase, as the initial capital investment works including demolitions have been completed. Over the remainder of the contract, £21.683m will be spent on lifecycle works to maintain the homes at the level of decency as specified in the contract.

Rowley Campus

Under the national Building Schools for the Future (BSF) programme the Council entered into a 25-year agreement with Environments for Learning (E4L) for it to design, build, finance and operate the Rowley Campus. This is a co-location of the former St Michaels High School, Whitehead Pupil Referral Unit and Westminster Special School and became fully operational in June 2011.

The Council has a right to use the Rowley Campus for the length of the project agreement (25 years ending Qtr. 1 2036) and has the right to expect provision of a range of facilities management and lifecycle services. At the end of the project agreement the assets will revert to the Council's ownership. The contract for tested services (including caretaker services and porterage, cleaning and waste management, grounds, gardens and playing fields maintenance, security services and catering) is to be market tested on the 10th anniversary of service commencement and every 5 years thereafter. The Council can issue a voluntary termination giving 20 days' notice or can terminate upon contractor default or persistent breach or breach of refinancing provisions. The contractor can also terminate upon default by the Council giving 30 days' notice.

The unitary charge payments made during 2020/21 totalled £7.0m (2019/20 was £6.9m). The total capital cost of the scheme is in the region of £44.955m.

Total Schools Solutions

The Council entered a 25-year contract in September 2003 with Total Schools Solutions Ltd to design, build, finance and operate 5 primary schools, replacing the Council's existing provision.

The Council has the right to use the 5 schools which were constructed under the contract (the last school being completed in 2004) for the length of the project agreement and has the right to expect the provision of a range of facilities management (FM) and lifecycle services. The schools will be handed back to the Council on the contract expiry date (quarter 4 2029) in a condition which complies with the hand back requirements as set out in the project agreement. The contract for the soft FM services (including general management, cleaning, ground maintenance, security, etc) is to be retendered every 5 years. The Council can issue a voluntary termination giving a notice of between 6 and 12 months or can terminate upon contractor default. The contractor can also terminate upon default by the Council within a period of 120 days following the default.

The unitary charge for 2020/21 was £2.8m (2019/20 was £2.8m).

Portway Lifestyle Centre

The Council entered a 25-year contract with Sandwell Property Partnership (Lift Co) to design, build, finance and carry out facilities maintenance (hard only) at the Portway Lifestyle Centre, which became operational in September 2013.

The Council has a lease plus agreement giving it the right to utilise most of the building as a leisure centre and a small adult services day care centre. The remainder of the building is leased by Sandwell Property Partnership to a GP Service. The Council has the right to expect the provision of facilities management (FM) and lifecycle services and sublets its share of the building to Sandwell Leisure Trust, who are responsible for soft facilities management (caretaker, cleaning, and security services).

The Council will have an option to buy the building at the contract expiry date (quarter 2 2038) and also has the right to exercise the option to purchase during the contract period, upon serving an option notice to the landlord. The Council has a right to terminate the agreement in instances of landlord default, and where it is acting in line with the Strategic Service Development Plan under the Strategic Partnering Agreement, letting the premises to an acceptable tenant to the landlord or selling its interest in the site, so long as this does not create an economic disadvantage to the landlord.

The unitary charge for 2020/21 was £1.3m (2019/20 was £1.3m).

The table below details the movement on the liabilities held on the council's balance sheet relating to PFI and service concession contracts:

Liabilities resulting from PFI Contracts		Riverside Housing £'000	Total School Solutions £'000	BSF Rowley Campus £'000	Portway £'000	Total PFI Schemes £'000	Service Concessions £'000	Total Finance Lease Liabilities £'000
Balance at 31 March 2020	- Current	(2,301)	(577)	(1,060)	(116)	(4,054)	(308)	(4,362)
	- Long Term	(19,079)	(8,071)	(35,831)	(8,921)	(71,902)	0	(71,902)
	- Total	(21,380)	(8,648)	(36,891)	(9,037)	(75,956)	(308)	(76,264)
Balance at 31 March 2021	- Current	(1,324)	(637)	(1,272)	(152)	(3,385)	0	(3,385)
	- Long Term	(17,763)	(7,434)	(34,559)	(8,769)	(68,525)	0	(68,525)
	- Total	(19,087)	(8,071)	(35,831)	(8,921)	(71,910)	0	(71,910)
Movement in Year		**2,294**	**577**	**1,060**	**116**	**4,047**	**308**	**4,355**
Analysis of Movement in Year:								
Capital Additions in year		-	-	-	-	-	-	-
Write down of liability		2,294	577	1,060	116	4,047	308	4,355
		2,294	**577**	**1,060**	**116**	**4,047**	**308**	**4,355**

The table below provides a schedule of unitary payments due to be made under PFI contracts, split over their component parts:

	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000
Riverside Housing PFI					
Liability Repayments	1,324	5,793	11,970	-	-
Interest Charges	1,688	6,410	6,727	-	-
Operating Costs	2,482	10,623	14,817	-	-
Lifecycle Costs	3,257	13,638	4,787	-	-
	8,751	**36,464**	**38,301**	**-**	**-**
Total School Solutions PFI					
Liability Repayments	637	3,288	4,146	-	-
Interest Charges	1,240	4,412	2,818	-	-
Operating Costs	869	3,565	3,390	-	-
Lifecycle Costs	108	443	461	-	-
	2,854	**11,708**	**10,815**	**-**	**-**
BSF Rowley Campus PFI					
Liability Repayments	1,272	5,675	11,688	17,196	-
Interest Charges	3,312	12,452	13,151	8,137	-
Operating Costs	1,885	7,541	9,427	9,499	-
Lifecycle Costs	484	2,688	2,500	2,918	-
	6,953	**28,356**	**36,766**	**37,750**	**-**
Portway PFI					
Liability Repayments	152	793	968	1,488	5,520
Interest Charges	784	2,966	3,327	2,864	1,343
Operating Costs	321	1,284	1,605	1,605	776
Lifecycle Costs	118	457	975	918	284
	1,375	**5,500**	**6,875**	**6,875**	**7,923**
Total Payments	**19,933**	**82,028**	**92,757**	**44,625**	**7,923**

The table below shows the movement on the carrying amount of the PFI assets held within the council's balance sheet:

	Council Dwellings (Riverside) £'000	Land & Buildings (Total Schools) £'000	Land & Buildings (Rowley Campus) £'000	Land & Buildings (Portway) £'000	Total £'000
Balance as at 1 April 2020	42,699	22,779	42,435	13,010	**120,923**
Additions	139	107	620	158	1,024
Revaluations	683	585	975	682	2,925
Re-classifications	-	-	-	-	-
In Year Depreciation	(619)	(506)	(943)	(250)	(2,318)
Depreciation Written Out	614	506	943	250	2,313
Other Movements	(400)	-	-	-	(400)
Balance as at 31 March 2021	**43,116**	**23,471**	**44,030**	**13,850**	**124,467**

Serco Limited Waste Contract

The council entered a 25-year contract with Serco Limited on 9 November 2010 to cover the delivery of waste and cleansing services across the borough.

At the commencement of the contract Sandwell MBC transferred its fleet of waste disposal vehicles over to Serco Limited at nil value. However, for the duration of the contract Serco Limited will be solely responsible for the replacement of the vehicle fleet to ensure they are of a standard to provide the services required by the contract. All vehicles transferred by the council and subsequently purchased by Serco Limited will be solely used for the delivery of this contract for the assets' entire lives. Ownership of these assets will revert to the council at the end of the agreement.

The council-owned depot located at Shidas Lane is to be leased to Serco Limited for the duration of the contract for which a peppercorn rent is payable. Serco Limited have also developed a new waste disposal site on behalf of the council on a site previously purchased by SMBC, under a standard construction contract. This asset was financed from the council's capital programme and was fully operational at 31 March 2013.

The vehicle fleet, council-owned depot and waste disposal site are all held on the Councils balance sheet.

Upon default by the council, Serco Limited may terminate the contract by giving 30 days' notice. The termination notice must be served within 30 days of the contractor becoming aware of the default. The council may terminate the contract where the contractor fails to rectify defaults notified to them by the council, or on the occurrence of persistent breach of the contract. The council made payments of £24.228m in 2020/21 to Serco Limited (£22.529m in 2019/20).

The table below provides a schedule of liability payments due to be made over the remaining life of the contract:

SERCO	2021 Within 1 year £'000	Within 2-5 years £'000	Within 6-10 years £'000	Within 11-15 years £'000	Within 16-20 years £'000	Total £'000
Liability repayments	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-
Operating costs	25,589,689	128,433,273	191,132,885	200,977,255	-	546,133,102
Lifecycle costs	1,723,660	7,085,390	8,927,248	9,124,992	-	26,861,290
	27,313,349	**135,518,663**	**200,060,133**	**210,102,247**	**-**	**572,994,392**

The table below provides the value of assets held under service concession arrangements at each Balance Sheet date, and an analysis of the movement in those values:

	31 March 2020 £'000	31 March 2021 £'000
Balance b/f	1,884,096	833,853
Depreciation	(1,050,242)	(581,984)
Adjustment to actuals	-	-
Balance c/f	**833,854**	**251,869**

As at the 31st March 2021 the Council had £5.1m (£3.4m at 31st March 2020) of prepayments relating to the contract with Serco Limited. The accounts do not reflect these cumulative prepayments.

41. **Impairment Losses and Reviews**

During 2020/21 material Impairment Losses of 11.214m have been identified in relation to the Council's Non-Current assets. Of this amount, £8.317m relates to non-enhancing expenditure incurred on the Councils HRA dwellings and £2.896m relates to non-enhancing expenditure incurred on the Sandwell Aquatic Centre.

There has been no reversal of impairment losses recognised in previous years.

The Councils Valuers carried out a few impairments reviews to determine if there were any material changes in property values from the 1 April 2020 to 31 March 2021.

The Valuers have concluded that there have been no circumstances in the local property market, since the start of the year, that would require additional impairment adjustments to be applied to the value of Council Dwellings, General Land & Buildings or Investment properties.

The Council has undertaken an analysis of its PPE and Investment assets applying accumulated property indices to individual assets within each property group to determine if there has been a material movement in value since the assets where last valued within their rolling valuation cycle. As a result, all schools, leisure centres and investment assets (above £1m) have been revalued in 2020/21.

42. **Termination Benefits**

The council terminated the contracts of 25 employees (excluding schools) in 2020/21 to meet the ongoing challenges of the difficult economic climate and budget reductions incurring liabilities of £2.430m. Schools terminated the contracts of 60 posts in 2020/21, incurring liabilities of £0.438m.

The following table summarises the exit packages that the council has provided for:

Band	Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	19	4	159	19
£20,001 - £40,000	12	3	344	95
£40,001 - £60,000	7	3	372	159
£60,001 - £80,000	7	3	462	227
£80,001 - £100,000	7	1	636	95
£100,001 - £150,000	13	4	1,588	506
£150,001 - £200,000	5	4	806	662
£201,000 - £250,000	1	3	228	667
	71	**25**	**4,595**	**2,430**

In 2019/20, a provision of £1.795m was created for employees approved as planned leavers as at 31 March 2020. Of this £1.358m was utilised in 2020/21 and £0.437m has been re-provided for in 2021/22. Costs of £0.847m that were not included within the 2019/20 provision have been incurred. £0.682m of this has been funded by services with the remaining balance of £0.165m funded from general fund balances.

There are also agreements in place for a further 13 employees to leave the council during 2021/22 at an estimated cost of £1.366m, a provision for this amount has therefore been created.

43. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The council participates in three pension schemes:

Teachers

The teachers employed by the council are members of the Teachers' Pension Scheme (TPS) which is a defined benefit multi-employer scheme operated by the Department for Education (DFE). The scheme is managed by the Teachers Pensions Agency under the Teachers Pensions Regulations 1997. The Teachers Pensions Fund is accounted for as a defined contribution scheme in line with the requirements of IAS19 since the scheme is notionally funded and for which underlying liabilities cannot be identified on a consistent basis.

In 2020/21 the council paid £16,610m (2019/20 £14,555m) to the DFE in respect of teachers' pension costs. This represents 23.68% of teacher's pensionable pay. Estimated contributions for 2021/22 are £16.610m which is again representative of a contribution rate of 23.68%. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2020/21 these amounted to £2,531m (2019/20 £3,109m). A liability is shown on the balance sheet and the movement in reserves statement in respect of the council's obligation to pay added years benefits.

NHS Pensions

On 1 April 2013, NHS employees transferred to the council into a new Public Health directorate. These employees have maintained their membership to the NHS Pension Scheme, which is an unfunded defined benefit scheme. The scheme is however accounted for as a defined contribution scheme since the council is not able to identify reliably its share of the underlying liabilities.

In 2020/21 the council paid £0,045m (2019/20 £0,055m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. Estimated contributions for 2021/22 are £0.045m based on a contribution rate of 14.38%.

Other Employees

Other employees of the council contribute to the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. In 2020/21 the council paid an employer's pension contribution of *£67.003m includes unfunded contributions (2019/20 £23.710m) based on 20.5% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Estimated contributions for 2021/22 are £33.695m based on 20.5% of pensionable pay.

In addition, the council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2020/21 these amounted to £1.339m (2019/20 £1.454m) representing 0.1% of pensionable pay. The capital cost of awarding discretionary additional benefits relating to the year 2020/21 was £1.767m (2019/20 £3.451m). These costs have been met from revenue.

**Unfunded contributions include:*

Employer's Contributions payable to scheme	**£'000**
Contributions by employer including unfunded	67,003
Prepayment	10,269
Current Service Costs	(30,563)
Remeasurements of the net defined benefit liability/(asset)	6,657
Total	**53,366**

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by the employee, rather than when the benefits are eventually paid as pensions. However, so that the charge required against council tax is based on cash payable in the year, the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Teachers Pension Scheme	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Cost of Services				
Current service costs	58,775	82,125	-	-
Past service costs			-	-
Settlements and curtailments	-	(3,775)	-	-
Administration expenses	887	950	-	-
Financing and Investment Income and Expenditure				
Net interest expense	16,792	18,825	894	891
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**76,454**	**98,125**	**894**	**891**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in net interest expense)	89,760	(242,510)	-	-
- Actuarial gains and losses arising on changes in demographic assumptions	59,698	(27,780)	2,954	(527)
- Actuarial gains and losses arising on changes in financial assumptions	(219,108)	581,844	(2,925)	4,667
- Experience (gain) / loss	62,423	(26,367)	-	(5,711)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**69,227**	**383,312**	**923**	**(680)**

Movement in Reserves Statement	Local Government Pension		Teachers Pension Scheme	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	76,454	98,125	894	891
Actual amount charged against the General Fund Balance for pensions in the year				
Employer's Contributions payable to scheme	49,841	46,709	-	
Retirement benefits payable to pensioners	-		3,109	2,531

Further information regarding other employee's pensions can be found in the West Midlands Authorities Superannuation Fund's Annual Report, which is available upon request from:

West Midlands Pension Fund, Civic Centre, St Peter's Square, Wolverhampton, WV1 1SL
The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2021 have been provided by the Funds' Actuary and are detailed below:

Reconciliation of present value of the scheme liabilities	**Local Government**		**Teachers Pension**	
	2019/20 £'000	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**
Opening Balance at 1 April	**2,100,681**	**2,084,876**	**42,180**	**39,994**
Current Service Cost	55,402	82,125	-	-
Interest on pension liabilities	49,835	41,484	894	891
Contributions by scheme participants	10,303	10,547	-	-
Remeasurement (gain) / loss:				
- Actuarial gains and losses arising on changes in demographic assumptions	59,698	(27,780)	2,954	(527)
- Actuarial gains and losses arising on changes in financial assumptions	(219,108)	581,844	(2,925)	4,667
- Experience (gain) / loss	87,098	(26,367)	-	(5,711)
Benefits paid	(62,406)	(60,161)	(3,109)	(2,531)
Past service costs / Curtailment	3,373	1,523	-	-
Settlements	-	(6,219)	-	-
Closing Balance at 31 March	**2,084,876**	**2,681,872**	**39,994**	**36,783**

Scheme History	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Present Value of Liabilities					
Local Government Pension Scheme (funded)	(2,063,623)	(2,037,255)	(2,087,257)	(2,070,007)	(2,667,105)
Local Government Pension Scheme (unfunded)	(16,377)	(15,047)	(13,424)	(14,869)	(14,767)
Teachers Pension Scheme (unfunded)	(49,903)	(45,140)	(42,180)	(39,994)	(36,783)
Total Present Value of Liabilities	**(2,129,903)**	**(2,097,442)**	**(2,142,861)**	**(2,124,870)**	**(2,718,655)**
Fair Value of assets in the local government pension scheme	**1,278,745**	**1,355,619**	**1,386,323**	**1,334,232**	**1,614,919**
Surplus / (Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(801,255)	(696,683)	(714,358)	(750,644)	(1,066,953)
Teachers Pension Scheme (TPS)	(49,903)	(45,140)	(42,180)	(39,994)	(36,783)
Total	**(851,158)**	**(741,823)**	**(756,538)**	**(790,638)**	**(1,103,736)**

Reconciliation of fair value of the scheme assets	**Local Government Pension Scheme**	
	2019/20	**2020/21**
	£'000	**£'000**
Opening Balance at 1 April	**1,386,323**	**1,334,232**
Interest Income	33,043	22,659
Return on assets less interest	(65,085)	242,510
Administration expenses	(887)	(950)
Settlements	-	(921)
Employers contributions	32,941	67,003
Contributions by scheme participants	10,303	10,547
Benefits paid	(62,406)	(60,161)
Closing Balance at 31 March	**1,334,232**	**1,614,919**

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £2,719m has a substantial impact on the net worth of the council as recorded in the Balance Sheet in a negative overall balance of £1,103m, however statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The Local Government Pension Scheme's assets comprise of the following asset categories:

Asset Category	2019/20 £'000	2020/21 £'000
Equities	759,506	968,670
Bonds	210,838	235,865
Property	118,674	120,681
Alternatives	197,331	204,415
Cash	47,883	78,631
Remeasurements of the net defined benefit liability/(asset)	-	6,657
Total	**1,334,232**	**1,614,919**

Basis for Estimating Assets & Liabilities

Pension fund liabilities for both schemes 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 mortality rates, salary levels, etc. Barnett Waddingham LLP, an independent firm of actuaries, has assessed the liabilities of both schemes. The main assumptions used in their calculations have been:

	Local Government		Teachers Pension	
	2019/20	2020/21	2019/20	2020/21
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	21.9	21.6	21.9	21.6
Women	24.1	23.9	24.1	23.9
Longevity at 65 for future pensioners				
Men	23.8	23.4		
Women	26.0	25.8		
Rate of CPI Inflation	1.90%	2.85%	1.90%	2.85%
Rate of Increase In Salaries (LGPS)	2.90%	3.85%		
Rate of Increase In Pensions	1.90%	2.85%	1.90%	2.85%
Discount Rate	2.35%	2.00%	2.30%	1.75%

The figures provided by the actuary include an allowance for the recent McCloud judgement which relates to age discrimination within the New Judicial and Fire Pension Scheme, respectively. This allowance was incorporated into the accounting results as at 31 March 2019. These results, including the allowance, have been rolled forward and remeasured to obtain results as at 31 March 2021.

Changes in Assumptions on Conversion of Schools to Academies

The assets and liabilities of 4 schools were transferred out of the scheme during 2020-21, and that in line with IAS 19, remeasurement of the profit and loss items from the date of any special event for the remainder of the accounting period has occurred. This remeasurement of both assets and liabilities has been made using assumptions set at this date. These assumptions apply prospectively from 01/07/2020.

44. **Contingent Assets and Liabilities**

Sandwell Land and Property Company (SL&P)

Due to historical legal matters associated with the issue of shares to the council by the SL&P and the transfer of assets to the SL&P by the council there is the potential for the company to request consideration of approximately £6m from the council in return for shares that have been issued at nil consideration at present. The council considers that it is highly improbable that the amount will become payable due to the council being the sole shareholder in the company. Therefore, no provision has been made in the accounts for this sum.

Contingent Liabilities

There are presently 5 active civil litigation claims (11 in 2019/20) and 14 active employment tribunal cases (2 in 2019/20).

Equal Pay

The council has in recent years received several claims for back pay arising from the Equal Pay Initiative. All these claims have now been settled so there are none currently outstanding. Therefore, no provision for Equal Pay has been set in 2020/21.

Municipal Mutual Insurance Ltd (MMI)

Municipal Mutual Insurance Ltd (MMI), through which the council had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take several years for them to arise, however the company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the company entered a scheme of arrangement with its creditors, which was triggered in 2012/13. A levy amounting to 15% of the total claim payments was previously issued to all the members of the scheme and has since been settled by the Council. The scheme administrator then issued a further 10% levy to all scheme members and this also has been settled by the Council.

Contingent Liability – Unlogged Appeals

Following the 2017 revaluation of properties, a new appeal process was introduced called Check, Challenge and Appeal. The new system was designed to stabilise the volume of appeals and thus provide more certainty to council finances. However, due to problems with the new system the number of businesses appealing their new rating valuation has so far been low. Given the lack of information available from the VOA for claims relating this period, the council has relied on information from our rating experts, Analyses Local, to estimate the potential loss of income in respect of future successful valuation appeals.

Analyses Local has provided a threats report identifying potential appeals of £11.467m. Using information from Analyses Local on the historic proportion of threats that have progressed to check and challenge we have included £3.716m of these threats within our appeals provision. We have excluded the remaining £7.751m because it is not possible to estimate with reliability the outflow of cash required to settle these unlogged appeals due to the uncertainty of the appeal being lodged, the eventual settlement date, the new processes in place, the backlog of appeals and impact of Covid-19.

Sensitivity analysis has been undertaken to show the impact of an understatement of the unlogged appeals on the appeals provision.

- A 5% understatement would increase the councils share of the appeals provision by £0.388m and the total appeals provision on the balance sheet to £9.486m.
- A 10% understatement would increase the councils share of the appeals provision by £0.775m and the total appeals provision on the balance sheet to £9.873m.
- A 25% understatement would increase the councils share of the appeals provision by £1.937m and the total appeals provision on the balance sheet to £11.035m.

Contingent Assets

The council has placed tax claims for postage, landfill tax and compound interest with legal counsel. No values can be placed on these claims at this time. The periods and nature of the supplies recoverable will be part of the ruling in the lead cases.

A provision has not been made within the 2020/21 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

Housing Revenue Account

2020/21

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2019/20 £'000	HRA Income and Expenditure Statement	2020/21 £'000
	Income:	
(116,766)	Dwelling Rents	(118,254)
(112)	Non-Dwelling Rents	(305)
(2,711)	Charges for Services & Facilities	(2,735)
(5,713)	PFI Grant	(5,713)
(125,302)	**Total Income**	**(127,007)**
	Expenditure:	
41,073	Repairs & Maintenance	41,500
24,022	Supervision & Management	28,415
1,585	Rent, Rates, Taxes & Other Charges	1,377
3,899	PFI Contract	4,658
570	Depreciation & Impairment of Non Current Assets	26,307
988	Interest Payable/(Receivable) charged to Cost of Services	1,537
9	Movement in Impairment Allowance for Bad Debts	958
72,146	**Total Expenditure**	**104,752**
(53,156)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account**	**(22,255)**
-	HRA Services share of Corporate and Democratic Core	-
(53,156)	**Net Cost of HRA Services**	**(22,255)**
(3,207)	(Gain) or loss on sale of HRA Non Current Assets	(2,594)
(345)	(Gain) or loss on revaluation of HRA Non Current Assets	247
2,105	PFI Interest payable and similar charges	1,964
2,447	Pensions Interest Costs	3,147
18,622	Interest payable and similar charges	17,931
820	Movement on Impairment Losses	(143)
(5,118)	Capital grants and contributions receivable	(1,004)
(37,832)	**(Surplus) / Deficit for the year on HRA services**	**(2,707)**

2019/20 £'000	Movement on Housing Revenue Account Balance Statement	2020/21 £'000
(36,735)	Balance on the HRA at the end of the previous reporting period	**(39,794)**
(37,832)	(Surplus)/deficit for the year on the Income and Expenditure Statement	(2,707)
38,474	Adjustments between accounting basis and funding basis under statue	1,214
642	Net increase/(decrease) before transfers to or from reserves	(1,493)
(3,701)	Transfers to/(from) earmarked reserves	-
(3,059)	(Increase)/decrease in year on the HRA	**(1,493)**
(39,794)	Balance on the HRA at the end of the current reporting period	**(41,287)**

2019/20 £'000		2020/21 £'000
	Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year	
(570)	Depreciation & impairment of Non Current Assets	(26,307)
3,207	Gain or loss on sale of HRA Non Current Assets	2,594
345	Gain or loss on revaluation of HRA Non Current Assets	(247)
5,118	Capital grants and contributions receivable	1,004
(1,914)	Pension Reserve Adjustments	(7,268)
(505)	Accumulated Compensated Absences Account	(14)
5,681		**(30,238)**
	Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year	
19	Amortisation of premiums, discounts & LOBOs	18
2,299	PFI Finance Lease Creditor	2,294
832	PFI Capital expenditure funded by the HRA	139
2,039	Capital expenditure funded by the HRA	1,131
15,630	Net transfer to / (from) Major Repairs Reserve	15,992
11,974	Debt Repayment	11,878
32,793		**31,452**
38,474	**Net additional amount required by statute to be credited to the HRA Balance for the year**	**1,214**

Notes to the HRA Accounts

1. **Housing Stock as at 31 March**

Total No. 2019/20	Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 2020/21
	1 Bedroom					
3	Houses	-	1	2	-	**3**
6,209	Flats	217	1,476	4,452	60	**6,205**
1,375	Bungalows	385	319	669	-	**1,373**
	2 Bedroom					
3,126	Houses	1,591	855	528	193	**3,167**
4,854	Flats	126	2,391	2,251	80	**4,848**
165	Bungalows	6	52	56	59	**173**
	3 Bedroom					
11,502	Houses	6,667	2,937	1,696	148	**11,448**
540	Flats	49	266	223	-	**538**
12	Bungalows	1	1	9	1	**12**
	4 Bedroom					
615	Houses	405	148	32	44	**629**
2	Bungalows	-	-	2	-	**2**
	5 Bedroom					
10	Houses	7	3	-	-	**10**
	6 Bedroom					
3	Houses	1	1	1	-	**3**
	8 Bedroom					
1	Houses	-	-	1	-	**1**
28,417	**Total Stock**	**9,455**	**8,450**	**9,922**	**585**	**28,412**

The housing stock at 31 March 2021 includes 1,001 council dwellings (1,010 at 31 March 2020) included within the Riverside Housing PFI contract, which are included on the council's Balance Sheet.

2. Balance Sheet Movement in HRA Non-Current Assets

	Council Dwellings £'000	Land & Building £'000	Intangible £'000	Equipment £'000	Surplus Assets £'000	Assets Held for Sale £'000	Assets under Construction £'000	Investment Properties £'000	Total £'000
Cost or Valuation									
as at 1 April 2020	**1,132,486**	**1,576**	**258**	**7,315**	**3,904**	**952**	**21,095**	**4,081**	**1,171,667**
Additions*	34,504		-	528	-	-	14,441	-	49,473
Impairment losses / (reversals) recognised in the revaluation reserve	(1,359)	-	-	-	-	-	-	-	(1,359)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(15,843)	7	-	-	(538)	-	-	-	(16,374)
Revaluations - CI&ES	-	(232)	-	-	(44)	-	-	(247)	(523)
Impairment losses / (reversals) recognised in the revaluation reserve	(8,317)		-	-			-		(8,317)
Disposals	-	-	-	-	-	(9,092)	-	(5)	(9,097)
Assets reclassified (to) / from Held for Sale	(8,759)	-	-	-	21	8,739	-	-	1
Other Movements	14,157	-	-	-	-	-	(14,157)	-	0
as at 31 March 2021	**1,146,869**	**1,351**	**258**	**7,843**	**3,343**	**599**	**21,379**	**3,829**	**1,185,471**
Depreciation & Impairment									
as at 1 April 2020	**-**	**(133)**	**(181)**	**(4,806)**	**(2,152)**	**(599)**	**(102)**	**(2,616)**	**(10,589)**
In Year Depreciation	(16,612)	(29)	(50)	(326)	(14)	-	-	-	(17,031)
Depreciation Written Out - Revaluation Reserve	9,663	154	-	-	860	-	-	-	10,677
	-	-	-	-	-	-	-	-	-
Impairment Losses / Reversals - Revaluation Reserve	6,844		-	-		-	-	-	6,844
Disposal			-	-		-	-	-	-
Depreciation Written Out - Disposal			-	-		-	-	-	-
Other Movements	105	-	-	-	(105)	-	-	-	0
as at 31 March 2021	**-**	**(8)**	**(231)**	**(5,132)**	**(1,411)**	**(599)**	**(102)**	**(2,616)**	**(10,099)**
Balance Sheet Amount									
as at 1 April 2020	**1,132,486**	**1,443**	**77**	**2,509**	**1,752**	**353**	**20,993**	**1,465**	**1,161,078**
as at 31 March 2021	**1,146,869**	**1,343**	**27**	**2,711**	**1,932**	**-**	**21,277**	**1,213**	**1,175,372**

The council entered a 25-year PFI contract in March 2006 with Riverside Housing Association for the refurbishment of 1,095 dwellings of which 1,001 of these assets are included in the table above as they form part of the council's assets held within the Balance Sheet.

Due to the large number of dwellings held by the council it is not practical to account for each property individually and so all assets that fall into this category are grouped together under the heading of Council Dwellings and are accounted for at this higher level. When additions to the stock are made, these are revalued based on the beacon and social use factor of 40%. Where previous revaluation gains exist any revaluation losses relating to new additions are offset against these gains. In 2020/21, losses of £17.885m relating to new additions were offset against revaluation gains from previous years.

3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2020 after revaluation was £2,811.850m, which represents the value that the council would receive if all dwellings were sold on the open market. The existing use value as at the same date was £1,132.486m and included a regional social housing discount factor of 40%. The difference shows the economic cost to Government of providing council housing at submarket rents.

The closing balance sheet value as at 31 March 2021 was £1,155.185m which also includes a regional social housing discount factor of 40%.

4. **Major Repairs Reserve**

The major repairs reserve is attributed with an amount equivalent to the full depreciation charges made during the year to the HRA. These funds are then available to finance capital expenditure on HRA assets with the balance of funds as at 31 March within the Major Repairs Reserve being available for HRA capital purposes.

	2019/20 £'000	2020/21 £'000
Opening Balance as at 1 April	-	-
Depreciation on Dwellings to the MRR during year	15,630	15,992
Depreciation on other Non Current Assets	344	419
Amounts transferred to HRA	(344)	(419)
Capital expenditure on land, houses & other property within HRA	(15,630)	(15,992)
Closing Balance as at 31 March	-	-

5. **Capital Expenditure**

Capital expenditure on land, houses and other property within the HRA during 2020/21 is £49.473m. This expenditure has been financed as follows:

	2019/20 £'000	2020/21 £'000
Capital Expenditure	**50,770**	**49,473**
Sources of Funding:		
Prudential Borrowing	24,797	27,312
Grants	5,118	1,004
Major Repairs Reserve	15,630	15,992
Revenue Contribution*	2,870	428
Usable Capital Receipts	2,355	4,737
Total Funding	**50,770**	**49,473**

* In 20/21 the HRA funded Capex relating to the GF amounting to £842k

6. **Capital Receipts**

Net Capital Receipts received from the disposal of land, houses and other property within the HRA during 2020/21 are summarised below:

	2019/20 £'000	2020/21 £'000
Land & Buildings	243	306
Council Houses	16,640	11,385
Total Capital Receipts	**16,883**	**11,691**

7. **Depreciation Charge**

As required by the Code, the council has charged depreciation on all HRA properties, including non-dwellings. In 2020/21 depreciation for council dwellings has been calculated on a straight-line basis using different asset lives appropriate to each significant component. Depreciation for neighbourhood offices have been calculated on a straight-line basis, based on the asset's useful economic lives.

A summary of depreciation charged into the Housing Revenue Account is detailed below:

	2019/20 £'000	2020/21 £'000
Dwellings	15,630	15,992
PFI Dwellings	604	620
Garages	-	-
Neighbourhood Offices	33	29
Equipment	244	326
Assets Not Held for Sale	17	14
Intangible	50	50
Total Depreciation	**16,578**	**17,031**

8. **Revaluation and Impairment Losses**

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment losses. During 2020/21 there were no impairment losses charged directly to the HRA.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. There were no previous year losses reversed during 2020/21 relating to Council Dwellings.

9. **Rent Arrears**

Arrears of rent due from tenants of council dwellings are shown below:

	2019/20 £'000	2020/21 £'000
Current Tenants	5,309	5,254
Former Tenants	4,051	4,024
Total Arrears	**9,360**	**9,278**

10. **Provisions & Reserves**

The Council has set aside money to allow for the possibility that a proportion of the outstanding rent arrears, leaseholder debts and court fees will not be paid. That money is known as Housing Debt Impairment Allowance in accordance with the Code. The movement on which is shown below:

	2019/20 £'000	2020/21 £'000
Provision b/fwd 1 April	**3,888**	**4,703**
Write Off / On Charged to Provision	(14)	(848)
Additional Provision	829	815
Provision c/fwd 31 March	**4,703**	**4,670**

11. **Government Subsidy**

The Council entered a 25-year PFI agreement with Riverside Housing for the management and maintenance of 1,095 properties at the beginning of the contract. Each year, the HRA receives a subsidy credit from the government to assist with the funding of this agreement, the movement on which is shown below:

	2019/20 £'000	2020/21 £'000
PFI Credit Receivable	(5,713)	(5,713)
Total Government Subsidy Payable / (Receiva	**(5,713)**	**(5,713)**

12. **Housing Revenue Account Balance**

The HRA carries a level of general reserves to assist with the funding of one-off items of expenditure, that fall outside of the day to day repairs and management of the housing stock. Most of these reserves are earmarked for specific purposes, however, there does remain a level of uncommitted resources for future projects. The movement on which is shown below:

	2019/20 £'000	2020/21 £'000
HRA Surplus as at 31st March	39,794	41,285
Less Earmarked Balances:		
- Working Balance	(7,400)	(7,400)
- Contingencies	(8,387)	(8,387)
- Capital Investment	(15,000)	(15,000)
- Carry Forward Commitments	(181)	(181)
Uncommitted HRA Resources	**8,826**	**10,317**

Collection Fund

2020/21

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

Accounting Policies

1. Income and Expenditure

The accounts have been prepared on an accrual's basis. This means sums due to or from the Collection Fund, are included whether the cash has been received or paid in the year.

The above policy is not followed when dealing with the apportionment of the surplus or deficit on the fund to precepting authorities.

2. Council Tax/NNDR Bad Debt Provision and NNDR Provision for Valuation Appeals

A provision is created when a sum of money is set aside to meet future specific expenses which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

The Collection Fund provides for bad debts on arrears based on prior year experience and the current year's collection rates.

3. Collection Fund updates for 31 March 2021 includes the following:

(see Statement of Accounting policies)

- Council Tax Collection Fund surplus/deficits.
- Transfer between the General Fund and the Collection adjustment Account.
- Covid-19 Pandemic /Grants schemes not Collection Fund Transactions.
- 75% Tax Income Guarantee Compensation.
- Covid-19 Council Tax Hardship Fund.
- NNDR – National Non-Domestic Rates Deficits/Surplus.

2019/20 Council Tax £'000	2019/20 NDR £'000	2019/20 Total £'000		2020/21 Council Tax £'000	2020/21 NDR £'000	2020/21 Total £'000
			Income			
121,515	-	121,515	- Council Tax Payers	124,825	-	124,825
		-	- Council Tax Hardship Relief Grant	2,789		2,789
-	101,454	101,454	- Business Rates Payers	-	64,671	64,671
-	0	-	Contribution towards previous year's estimated Collection Fund Deficit	-	39	39
121,515	**101,454**	**222,969**	**Total Income**	**127,614**	**64,710**	**192,324**
			Expenditure			
			Precepts:			
103,921	-	103,921	- Sandwell MBC	108,257	-	108,257
11,312	-	11,312	- West Midlands Police Crime Commissioner	12,074	-	12,074
4,494	-	4,494	- West Midlands Fire & Rescue Authority	4,591	-	4,591
			Non Domestic Rates:			
-	-	-	- Central Government	-	-	-
-	96,601	96,601	- Sandwell MBC	-	99,806	99,806
-	976	976	- West Midlands Fire & Rescue Authority	-	1,008	1,008
-	434	434	- Cost of Collection Allowances	-	429	429
-	366	366	- Transitional Protection Payment	-	1,272	1,272
			Provisions:			
(1,791)	2,417	626	- Bad Debts	2,595	2,157	4,752
-	6,087	6,087	- Appeals	-	(981)	(981)
753	1,200	1,953	Distribution of Estimated Collection Fund Surplus	332	-	332
118,689	**108,081**	**226,770**	**Total Expenditure**	**127,849**	**103,691**	**231,540**
2,826	**(6,627)**	**(3,801)**	**Surplus / (Deficit) in year**	**(235)**	**(38,981)**	**(39,216)**
1,466	**61**	**1,527**	**Opening Balance at 1 April**	**4,292**	**(6,566)**	**(2,274)**
4,292	**(6,566)**	**(2,274)**	**Closing Balance at 31 March**	**4,057**	**(45,547)**	**(41,490)**

Notes to the Collection Fund

1. **General**

The collection fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of council tax and non-domestic rates (NDR) and distribution to local authorities, preceptors and the government. The council has a statutory requirement to operate a collection fund as a separate account to the general fund. The purpose of the collection fund is to isolate the income and expenditure relating to council tax and NDR. The administrative costs associated with the collection process are charged to the general fund. Collection fund surpluses for both council tax and NDR are declared by the billing authority are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Sandwell, the council tax precepting bodies are the West Midlands Police and the West Midlands Fire and Rescue Service (WMFS). The NDR precepting body is the WMFS.

From the 2017/18 financial year the council begun participating in a 100% business rates retention pilot with Birmingham City Council, City of Wolverhampton Council, Walsall Council, Sandwell Council, Coventry City Council and Solihull Council, (known as the West Midlands Metropolitan Authorities) with each billing authority retaining 99% of NDR received and the remaining 1% to the WMFS. As a result of the pilot, central government support grants are reduced to the council. Instead, income generated through NDR, Council Tax and self-generated income is needed to fund essential council services in Sandwell. This gives Sandwell Metropolitan Borough Council a financial incentive for the council to work with local businesses to create a promising local environment for growth since the council is more reliant on the income generated by the future growth in business rates revenues. The pilot operates on a no financial detriment principle. In other words, authorities cannot be worse off financially than they would otherwise have been had they not participated in a pilot.

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the council's accounts. The collection fund balance sheet meanwhile is incorporated into the council's consolidated balance sheet.

2. **Income from Non-Domestic Rates**

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

Central government set a baseline level of business rates income for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect, Sandwell received a top up grant to the General Fund in 2020/21 to the value of £41.582m which is included within the Comprehensive Income and Expenditure Statement on page 26.

The total amount collectable by the council in 2020/21 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

	2020/21 £
Total rateable value as at 31 March	257,431,324
Non domestic multiplier	0.499

The share of Business Rates payable were originally estimated as £99.806m to be retained by the council and £1.008m to West Midlands Fire Service. These sums have been paid and charged to the Collection Fund in year.

The total income from business rate payers collected in 2020/21 was £64.671m.

3. **Council Tax**

Council tax derives from charges raised according to the value of residential properties, which have been classified in 8 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of band D dwellings).

The council calculated a council tax base of 74,280 for 2020/21 as compared to the 2019/20 base of 74,151. The tax base for 2020/21 has been calculated as follows:

	Band D Equivalents Number
Band A	23,126
Band B	25,265
Band C	15,526
Band D	6,436
Band E	3,143
Band F	663
Band G	95
Band H	26
	74,280

In 2020/21 the council set Band D Council Tax at £1,457.41.

4. **Collection Fund Provisions**

The Collection Fund provides for bad debts against arrears of both Council Tax and NDR. It also includes a provision for outstanding NDR rating appeals, which if successful will be a liability to the Collection Fund. The summary below includes full details of these provisions and the council's share of this liability; the remaining liability being met proportionately by the preceptors.

2019/20					2020/21			
Impairment losses		Appeals			Impairment losses		Appeals	
Council Tax £'000	NNDR £'000	Council Tax £'000	NDR £'000		Council Tax £'000	NNDR £'000	Council Tax £'000	NNDR £'000
15,389	1,200	-	3,992	Balance as at 1 April	12,690	2,200	-	10,079
(908)	(1,417)	-	-	Write Offs in Year	(1,221)	(134)	-	-
(1,791)	2,417	-	6,087	Increase / (Decrease) to Provision in Yea	2,595	2,157	-	(981)
12,690	**2,200**	**-**	**10,079**	**Balance as at 31 March**	**14,064**	**4,223**	**-**	**9,098**
10,998	**2,178**	**-**	**9,979**	**SMBC's Proportion of Provisions:**	**12,122**	**4,181**	**-**	**9,008**

Group Accounts

2020/21

The Group Comprehensive Income and Expenditure Statement combines the income and expenditure figures of the Council with the Council's share of operating results of those entities in which it has a financial interest.

Restated 2019/20 Gross Expenditure £'000	Restated 2019/20 Gross Income £'000	Restated 2019/20 Net Expenditure £'000		2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
			People			
145,941	(66,666)	79,275	Adult Social Care Services	161,027	(78,244)	82,783
274,949	(279,797)	(4,848)	Schools	294,526	(288,843)	5,684
127,643	(26,832)	100,811	Children's Services	126,596	(40,650)	85,946
24,566	(24,229)	337	Public Health	24,040	(28,151)	(4,111)
			Performance			
149,244	(118,168)	31,076	Resources	145,632	(134,176)	11,456
2,470	68	2,538	Corporate Management	2,041	(242)	1,798
			Place			
50,460	(10,818)	39,642	Housing & Communities	58,792	(14,310)	44,482
51,108	(14,999)	36,109	Regeneration & Growth	41,176	(14,258)	26,917
76,530	(129,427)	(52,897)	Housing Revenue Account	108,721	(130,292)	(21,572)
(260)	-	(260)	- Reversal of previous revaluation losses	(683)	-	(683)
902,651	**(670,868)**	**231,783**	**Cost of Services**	**961,867**	**(729,167)**	**232,700**
		13,001	Levies			12,992
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		3,974	(Gains) / Losses on the disposal of non current assets			(2,670)
		186	Losses on Revaluation of Assets Held for Sale			-
		19,858	**Other Operating Expenditure**			**13,019**
		30,298	Interest payable and similar charges			28,412
		17,686	Net interest on the net defined benefit liability (asset)			19,716
		(1,536)	Interest receivable and similar income			(1,127)
		(3,091)	Income and expenditure in relation to investment properties			(2,933)
		0	Disposal of Academies			6,109
		4,024	Changes in the fair value of investment properties			(4,300)
		(191)	Changes in the Fair Value of Financial Assets			(159)
		47,190	**Financing and Investment Income and Expenditure**			**45,717**
		(107,023)	Council Tax income			(108,335)
		(96,601)	Retained Business Rates			(99,806)
		(40,915)	Business Rates Top Up			(41,582)
		5,375	Collection Fund Surplus (-) / Deficit			38,630
		(31,096)	Revenue Support Grant			(61,629)
		(44,064)	Capital grants and contributions			(37,429)
		(314,324)	**Taxation and Non Specific Grant Income**			**(310,150)**
		(15,493)	**(Surplus) / Deficit on Provision of Services**			**(18,715)**
		(1,377)	(Surplus) / deficit on revaluation of non current assets			(18,322)
		11,087	(Surplus) / deficit on revaluation of available for sale financial assets			765
		(7,198)	Remeasurements of the net defined benefit liability/(asset)			283,616
		2,512	**Other Comprehensive Income and Expenditure**			**266,059**
		(12,981)	**Total Comprehensive Income and Expenditure**			**247,344**

The Group Balance Sheet shows as at 31 March the assets and liabilities of the group, through combining the Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

Restated 31 March 2019 £'000	Restated 31 March 2020 £'000		Note ref	31 March 2021 £'000
2,102,326	2,154,794	Property Plant & Equipment	**10**	2,206,617
4,193	4,312	Heritage Assets	**11**	4,312
78,498	73,590	Investment Properties	**12**	77,082
2,463	1,688	Intangible Assets	**14**	978
29,315	18,227	Long Term Investments	**16**	17,462
3,631	3,985	Long Term Debtors	**16**	4,095
2,220,426	**2,256,596**	**Long Term Assets**		**2,310,546**
11,029	2,646	Short Term Investments	**16**	13
0	1,023	Assets Held for Sale	**13**	9,753
1,465	1,375	Inventories	**-**	1,353
48,233	36,124	Short Term Debtors	**17**	72,547
61,044	66,137	Cash & Cash Equivalents	**19**	77,904
121,771	**107,305**	**Current Assets**		**161,569**
(22,350)	(18,929)	Bank Overdraft	**19**	(24,971)
(77,810)	(76,250)	Short Term Borrowing	**16**	(78,221)
(82,234)	(79,487)	Short Term Creditors	**20**	(135,937)
(10,316)	(15,501)	Provisions	**22**	(13,997)
(2,569)	(6,651)	Revenue Grants Receipts in Advance	**35**	(1,840)
(3,876)	(4,098)	Capital Grants Receipts in Advance	**35**	(12,589)
(199,155)	**(200,916)**	**Current Liabilities**		**(267,555)**
(3,562)	(4,339)	Provisions	**22**	(3,985)
(447,312)	(427,843)	Long Term Borrowing	**16**	(408,297)
(832,616)	(864,091)	Other Long Term Liabilities	**21**	(1,175,960)
(15,204)	(13,292)	Capital Grants Receipts in Advance	**35**	(13,843)
(1,298,694)	**(1,309,565)**	**Long Term Liabilities**		**(1,602,086)**
844,348	**853,420**	**Net Assets**		**602,475**
201,167	200,489	Usable Reserves	**MIRS**	266,321
626,984	640,903	Unusable Reserves	**24**	326,288
16,197	12,028	Group Income & Expenditure Reserve		9,867
844,348	**853,420**	**Total Reserves**		**602,475**

The Group Cashflow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

Restated 2019/20				2020/21		
Sandwell MBC * £'000	Sandwell Children's Trust £'000	Group Total £'000		Sandwell MBC £'000	Sandwell Children's Trust £'000	Group Total £'000
(15,830)	4,246	(11,584)	**Net (surplus) / deficit on the provision of services ***	(16,970)	1,858	**(15,112)**
(117,982)	3,271	(114,711)	**Adjustments to net (surplus) / deficit on the provision of services for non cash movements ***	(95,890)	(13,812)	**(109,702)**
62,430	-	62,430	**Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities**	64,309	-	**64,309**
(71,382)	**7,517**	**(63,865)**	**Net cash flows from Operating Activities**	**(48,551)**	**(11,954)**	**(60,505)**
			Investing Activities:			
98,494	-	98,494	Purchase of property, plant and equipment, investment property and intangible assets	109,345	-	**109,345**
77,646	-	77,646	Purchase of short and long term investments	-	-	-
(18,329)	-	(18,329)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(13,284)	-	**(13,284)**
(86,030)	-	(86,030)	Proceeds from short and long term investments	(2,633)	-	(2,633)
(42,406)	-	(42,406)	Other receipts from investing activities	(59,377)	-	**(59,377)**
29,375	**0**	**29,375**	**Net cash flows from Investing Activities**	**34,051**	**-**	**34,051**
			Financing Activities:			
(239,258)	-	(239,258)	Cash receipts of short and long term borrowing	(288,220)	-	**(288,220)**
4,947	-	4,947	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,360	-	**4,360**
260,287	-	260,287	Repayments of short and long term borrowing	305,709	-	**305,709**
			Other receipts from financing activities	(1,120)	-	**(1,120)**
25,976	**0**	**25,976**	**Net cash flows from Financing Activities**	**20,729**	**-**	**20,729**
(16,031)	**7,517**	**(8,514)**	**Net (increase) / decrease in cash and cash equivalents**	**6,229**	**(11,954)**	**(5,725)**
31,114	7,578	38,692	Cash and cash equivalents at the beginning of the reporting period	47,145	61	47,206
16,031	(7,517)	8,514	Net movement in cash and cash equivalents	(6,229)	11,954	5,725
47,145	**61**	**47,206**	**Cash and cash equivalents at the end of the reporting period**	**40,916**	**12,015**	**52,931**

* Restated for Prior Period Adjustments

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, together with the movement in the Council's share of those entities in which it has a financial interest.

Movement in Reserves	General Fund Working Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Revaluation Reserve	Restated Capital Adj Account	Financial Instruments Adj A/C	Financial Instrument Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Accumulated Absences Account	Collection Fund Adj A/C	Total Unusable Reserves (Restated)	Total Council Reserves (Restated)	Group Reserves	Total Group Reserves (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019	**117,961**	**40,436**	**16,222**	**26,548**	**201,167**	**263,221**	**1,073,099**	**(1,346)**	**20,680**	-	**(773,438)**	**(6,398)**	**1,336**	**577,154**	**778,321**	**35255**	**813,576**
Restated Adjustment	-	-	-	-	-	(9,000)	39,772	-	-	-	-	-	-	**30,772**	**30,772**	0	**30,772**
Restated Balance as at 1 April 2019	**117,961**	**40,436**	**16,222**	**26,548**	**201,167**	**254,221**	**1,112,871**	**(1,346)**	**20,680**	**0**	**(773,438)**	**(6,398)**	**1,336**	**607,926**	**809,093**	**35,255**	**844,348**
Movement in Reserves During 2019/20																	
Total Comprehensive Income and Expenditure	(25,911)	37,832	-	-	11,921	(1,559)	-	-	(11,087)	-	7,198	-	-	(5,448)	6,473	2,599	9,072
Adjustments between Group Accounts and Council Accounts	3,909				3,909									-	3,909	(3,909)	-
Changes in Group Reserves accounted for through equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase/(Decrease) before Transfers	**(22,002)**	**37,832**	**-**	**-**	**15,830**	**(1,559)**	**-**	**-**	**(11,087)**	**-**	**7,198**	**-**	**-**	**(5,448)**	**10,382**	**(1,310)**	**9,072**
Adjustments between accounting basis & funding basis under regulations (Note 8)	28,602	(38,475)	7,162	(13,799)	(16,510)	(5,678)	52,553	91	-	-	(24,398)	(1,936)	(4,122)	16,510	-	-	-
Increase / Decrease in Year	**6,600**	(643)	7,162	(13,799)	(680)	(7,237)	52,553	91	(11,087)	-	(17,200)	(1,936)	(4,122)	11,062	10,382	(1,310)	9,072
Restated Balance at 31 March 2020	**124,561**	**39,793**	**23,384**	**12,749**	**200,487**	**246,984**	**1,165,424**	**(1,255)**	**9,593**	**0**	**(790,638)**	**(8,334)**	**(2,786)**	**618,988**	**819,475**	33,945	**853,420**
Balance as at 31 March 2020 previously reported	**124,561**	**39,793**	**23,384**	**12,749**	**200,487**	**288,015**	**1,099,392**	**(1,255)**	**9,593**	**0**	**(790,638)**	**(8,334)**	**(2,786)**	**593,987**	**794,474**	**33,945**	**828,419**
Restated Adjustment (Note 7)	-	-	-	-	**-**	**(41,031)**	**66,031**	-	-	-	-	-	-	**25,000**	**25,000**	**0**	**25,000**
Balance as at 1 April 2020	**124,561**	**39,793**	**23,384**	**12,749**	**200,487**	**246,984**	**1,165,423**	**(1,255)**	**9,593**	**0**	**(790,638)**	**(8,334)**	**(2,786)**	**618,987**	**819,474**	**33,945**	**853,419**
Movement in Reserves During 2020/21																	
Total Comprehensive Income and Expenditure	10,662	2,707	-	-	13,369	22,689	-	-	(765)	-	(283,616)	-	-	(261,692)	(248,323)	(2,622)	(250,945)
Adjustments between Group Accounts and Council Accounts	3,601				3,601									-	3,601	(3,601)	-
														-	-	-	-
Changes in Group Reserves accounted for through equity					-									-	-	-	-
Net Increase/(Decrease) before Transfers	**14,263**	**2,707**	**-**	**-**	**16,970**	**22,689**	**-**	**-**	**(765)**	**-**	**(283,616)**	**-**	**-**	**(261,692)**	**(244,722)**	**(6,223)**	**(250,945)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	66,071	(1,214)	(8,301)	(7,693)	48,863	(7,223)	47,572	177	-	-	(49,776)	(811)	(38,802)	(48,863)	-	-	-
Increase / Decrease in Year	**80,334**	1,493	(8,301)	(7,693)	65,833	15,466	47,572	177	(765)	-	(333,392)	(811)	(38,802)	(310,555)	(244,722)	(6,223)	(250,945)
Balance at 31 March 2021 carried forward	**204,895**	**41,286**	**15,083**	**5,056**	**266,319**	**262,450**	**1,212,996**	**(1,078)**	**8,828**	**0**	**(1,124,030)**	**(9,145)**	**(41,588)**	**308,433**	**574,752**	**27,722**	**602,475**

1. **Accounting Policies**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2020/21 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

Members within the Group have been classified as subsidiaries and have been consolidated into the Group Financial Statements on a line by line basis where appropriate. Details included in respect of the classification can be found within Note 2.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

The accounting policies applied to the Group Financial Statements are consistent with those set out in (Note 1) to the Council entity accounts, with additional policies specific to the Group set out below.

2. **Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. 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.

Asset Valuations

This only relates to the council's single entity accounts . The group amounts have been amended for the same amounts. The detailed explanation is provided in (Note 7) of SMBC's single entity accounts .

Correction for Asset register errors

At the conclusion of the 20/21 audit the council identified errors in the fixed asset spreadsheet asset registers that were not previously identified . A detailed explanation is provided in (Note 7) of SMBC's single entity accounts.

Restated Group reconciliations are shown as follows:

Group Restated Comprehensive Income & Expenditure Statement	Balances as Previously Stated at 31 March 2020	Note 7 Asset Revaluations	Note7 Revaluation Reserve correction	Restated Balances at 31 March 2020
	£'000	£'000	£'000	£'000
Adult Social Care Services	79,275			79,275
Schools	4,410	(9,259)		(4,849)
Children's Services	100,811			100,811
Public Health	337			337
Resources	31,076			31,076
Corporate Management	2,538			2,538
Housing & Communities	40,275	(484)	(148)	39,643
Regeneration & Growth	36,445	(287)	(49)	36,109
Housing Revenue Account	(36,868)		(16,029)	(52,897)
- Reversal of previous revaluation losses	(260)			(260)
Cost of Services	**258,039**	**(10,030)**	**(16,226)**	**231,783**
(Surplus) / Deficit on Provision of Services	**10,763**	**(10,030)**	**(16,226)**	**(15,493)**
(Surplus) / deficit on revaluation of non current assets	(33,408)	15,805	16,226	(1,377)
Any other (gains) / losses required to be included			-	-
Other Comprehensive Income and Expenditure	**(29,519)**	**15,805**	16,226	**2,512**
Total Comprehensive Income and Expenditure	**(18,756)**	**5,775**	**-**	**(12,981)**

Group Restated Balance Sheet 2018/19	**Balances as Previously Stated at 31 March 2019 £'000**	**Restatement (Note 7) Asset Revaluations £'000**	**Restated Balances 31 March 2019 £'000**
Other Land & Buildings	668,120	30,772	698,892
Property Plant & Equipment	**2,071,554**	**30,772**	**2,102,326**
Total Net Assets	**813,576**	**30,772**	**844,348**
Unusable Reserves	596,212	30,772	626,984
Total Reserves	**813,576**	**30,772**	**844,348**

Group Restated Balance Sheet 2019/20	**Balances as Previously Stated at 31 March 2020 £'000**	**Restatement (Note 7) Asset Revaluations £'000**	**Restated Balances 31 March 2020 £'000**
Other Land & Buildings	689,480	24,999	714,479
Property Plant & Equipment	**2,129,795**	**24,999**	**2,154,794**
Total Net Assets	**828,421**	**24,999**	**853,420**
Unusable Reserves	615,904	24,999	640,903
Total Reserves	**828,421**	**24,999**	**853,420**

* Restated for Prior Period Adjustments

The following restatement was also required for the movement in reserves statement for useable and unusable reserves:

Group Restated Movement in Usable Reserves	As previously Stated	As restated	Correction
Balance as at 31 March 2019	201,167	201,167	0
Total comprehensive income and expenditure	(10,428)	15,830	26,258
Adjustments between the accounting basis and the funding basis under regulations	9,748	(16,510)	(26,258)
Increase/(decrease) in the year	(680)	(680)	0
Balance at 31 March 2020	200,487	200,487	0

Group Restated Movement in Unusable Reserves	As previously Stated	As restated	Correction
Balance as at 31 March 2019	596,212	626,984	30,772
Total comprehensive income and expenditure	26,583	(5,448)	(32,031)
Adjustments between the accounting basis and the funding basis under regulations	(9,748)	16,510	26,258
Increase/(decrease) in the year Group Subsidiaries	2,856	2,856	0
Increase/(decrease) in the year SMBC	16,836	11,062	(5,774)
Balance at 31 March 2020	615,904	640,902	24,998

3. Consolidated Group Entities

Sandwell Children’s Trust

On 1st April 2018 Sandwell Children’s Trust (SCT) went live following the transfer of the Children’s Social Care functions (whilst statutory responsibility still sits with the council).

The council has considered the guidance in IFRS 10 and have concluded that SCT is a subsidiary and that group accounts will be prepared for the following reasons:

- SCT is a 100% wholly owned company;
- The council is the primary funder of SCT;
- The council has a director and elected member on the board of SCT; and

- The expenditure for SCT amounts to approximately £77m which is a material sum compared to the council's net cost of services of £147m.

Its accounts have therefore been consolidated into the group accounts on a line by line basis.

Sandwell Land & Property Limited (SL&P)

The Sandwell Land and Property Company (SL&P) was established late in 2010/11 with the intention of protecting and maintaining ownership of land and property currently occupied by school establishments. This is a wholly owned company of Sandwell MBC and all directors are related to the council.

On 31 March 2011 school assets, both land and buildings, legally owned by the council were transferred to Sandwell Land and Property Limited. The arrangement was treated as a sale and leaseback and school assets were leased back to the council at £1 per annum for a duration of 125 years.

A review of this accounting treatment in 2018/19 concluded that the land held within the school assets did not meet the definition of a sale and leaseback. This required the value of land to be recognised in the Sandwell Land and Property Limited accounts. The value of the buildings remains in the Sandwell MBC accounts and buildings continue to be treated as a sale and leaseback arrangement.

4. Basis of Consolidation

The following statements consolidate the accounts of the Council with those of its subsidiaries, associates and joint venture. Transactions between the Council and its group entities are eliminated on consolidation. Details of the inter-company transactions are set out in Note 36 - Related Parties, to the single entity accounts.

Group Comprehensive Income and Expenditure Statement (GCI&ES) – provides the details of the income and expenditure recognised in year by the group, in a specified format, in accordance with generally accepted accounting practices.

Group Movement in Reserves Statement (GMiRS) **–** provides a reconciliation of the movement in year on the different reserves held and how the balance of resources generated or used in the year reconciles to the Council's statutory requirements for raising Council Tax.

Group Balance Sheet – shows the value of assets and liabilities recognised by the group at 31 March 2021 and the level of reserves, split into usable and unusable.

Group Cash Flow Statement – shows how the group generates and uses cash during the year and the impact this has on the balances of cash and cash equivalents.

5. **Property Plant and Equipment**

The following tables show the in-year movements in valuation, accumulated depreciation and impairments over the year for Property, Plant and Equipment for the group.

Restated	Council Dwellings £'000	Other Land & Buildings (Restated) £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation							
At 1 April 2019	**1,121,906**	**677,278**	**91,710**	**18,866**	**18,317**	**18,463**	**1,946,540**
Prior Period Adjustment	-	30,613	-	-	-	-	**30,613**
Restated Balance at 1 April 2019	**1,121,906**	**707,891**	**91,710**	**18,866**	**18,317**	**18,463**	**1,977,153**
Additions	31,041	7,785	5,828	93	45,829	331	**90,907**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(16,008)	(10,502)	-	-	-	(4,471)	**(30,981)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	260	3,583	-	-	-	(789)	**3,054**
Derecognition - Disposals	-	(8,762)	(363)	-	-	-	**(9,125)**
Assets reclassified (to) / from Held for Sale	0	-	-	-	-	(15,798)	**(15,798)**
Other movements in Cost or Valuation	(4,713)	20,613	-	(76)	(27,587)	12,487	**724**
At 31 March 2020	**1,132,486**	**720,607**	**97,175**	**18,883**	**36,559**	**10,223**	**2,015,933**
Accumulated Depreciation and Impairment							
At 1 April 2019	**(15,969)**	**(9,158)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(96,485)**
Prior Period Adjustment	-	159	-	-	-	-	**159**
Restated Balance at 1 April 2019	**(15,969)**	**(8,999)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(96,326)**
Depreciation Charge	(16,234)	(12,858)	(5,913)	-	-	(65)	**(35,070)**
Depreciation written out to the Revaluation Reserve	16,008	15,636	-	-	-	740	**32,384**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(101)	-	-	-	-	**(101)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	16,029	113	-	-	-	-	**16,142**
Derecognition - Disposals	-	-	301	-	-	-	**301**
Other movements in Depreciation and Impairment	166	81	-	-	13	(366)	**(106)**
At 31 March 2020	**0**	**(6,128)**	**(75,725)**	**(54)**	**(83)**	**(786)**	**(82,776)**
Net Book Value							
At 1 April 2019	**1,105,937**	**698,892**	**21,597**	**18,812**	**18,221**	**17,368**	**1,880,827**
At 31 March 2020	**1,132,486**	**714,479**	**21,450**	**18,829**	**36,476**	**9,437**	**1,933,157**

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation							
At 1 April 2020	**1,132,486**	**695,608**	**97,175**	**18,883**	**36,559**	**10,223**	**1,990,934**
Prior Year Adjustment	-	24,999	0	-	0	-	**24,999**
Restated Balance At 1 April 2020	**1,132,486**	**720,607**	**97,175**	**18,883**	**36,559**	**10,223**	**2,015,933**
Additions	34,504	8,975	5,028	62	48,197	751	**97,517**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,359)	1,719	-	-	-	6,122	**6,482**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(15,843)	(852)	-	-	-	211	**(16,484)**
Derecognition - Disposals	-	(4,989)	(1,179)	-	-	-	**(6,168)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(8,317)	-	-	-	-	-	**(8,317)**
Impairment Losses / Reversals - CI&E	-	-	-	-	(2,896)	-	**(2,896)**
Assets reclassified (to) / from Held for Sale	(8,759)	-	-	-	-	(9,679)	**(18,438)**
Other movements in Cost or Valuation	14,157	(8,125)	-	0	(13,348)	7,258	**(58)**
At 31 March 2021	**1,146,869**	**717,335**	**101,024**	**18,945**	**68,512**	**14,886**	**2,067,571**
Accumulated Depreciation and Impairment							
At 1 April 2020	**0**	**(6,128)**	**(75,725)**	**(54)**	**(83)**	**(786)**	**(82,776)**
Depreciation Charge	(16,612)	(12,383)	(6,019)	-	-	(30)	**(35,044)**
Depreciation written out to the Revaluation Reserve	9,663	9,808	-	-	-	993	**20,464**
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	**0**
Impairment losses / (reversals) recognised in the Revaluation Reserve	6,844	-	-	-	-	-	**6,844**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	0	-	-	-	-	**0**
Impairment Losses / Reversals - CI&E	-	3,145	-	-	-	-	**3,145**
Derecognition - Disposals	-	117	1,155	-	-	-	**1,272**
Other movements in Depreciation and Impairment	105	120	-	-	-	(222)	**3**
At 31 March 2021	**0**	**(5,321)**	**(80,589)**	**(54)**	**(83)**	**(45)**	**(86,092)**
Net Book Value							
At 1 April 2020	**1,132,486**	**714,479**	**21,450**	**18,829**	**36,476**	**9,437**	**1,933,157**
At 31 March 2021	**1,146,869**	**712,014**	**20,435**	**18,891**	**68,429**	**14,841**	**1,981,479**

6. **Short Term Debtors**

The table below shows amounts owed to the Council's group undertakings at the end of the year that are due within 12 months.

Short Term Debtors	2019/20 £'000	2020/21 £'000
Trade Receivables	7,807	20,747
Prepayments	8,769	16,943
Other Receivable Amounts (Council Tax, Business Rate and HMRC)	19,548	34,857
Total	**36,124**	**72,547**

7. **Short Term Creditors**

The table below shows amounts owed by the Council's group undertakings at the end of the year that are due within 12 months.

Short Term Creditors	2019/20 £'000	2020/21 £'000
Trade Payables	42,813	110,147
Other Payables	32,054	22,405
Finance Lease Creditors (Note 40)	4,620	3,385
Total	**79,487**	**135,937**

8. **Unusable Reserves**

The table below summarises the balances on the groups Unusable Reserves.

	Restated 2019/20 £'000	2020/21 £'000
Revaluation Reserve	(295,187)	(306,592)
Available for Sale Financial Instruments Reserve	-	-
Financial Instrument Revaluation Reserve	(9,593)	(8,828)
Capital Adjustment Account	(1,139,137)	(1,186,709)
Financial Instruments Adjustment Account	1,255	1,078
Pensions Reserve	790,638	1,124,030
Collection Fund Adjustment Account	2,786	41,588
Accumulating Compensated Absences Adjustment Account	8,334	9,145
Total Unusable Reserves	**(640,904)**	**(326,288)**

9. External Audit Fees

The following table shows the amounts payable by the group to external auditors.

External Audit Costs	2019-20 £'000	2020-21 £'000
Fees payable to Grant Thornton UK LLP appointed auditor for the year 2018/19 with regard to external audit services carried	18	-
Fees payable to Grant Thornton UK LLP appointed auditor for the year 2019/20 with regard to external audit services carried	153	-
Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for 2020/21	-	153
Interim Fee for 2018/19 External Audit Overrun	-	-
Agreed Fee Variation 2018/19 External Audit	-	51
Agreed Fee Variation 2019/20 External Audit	100	-
Fee Variation 2020/21 External Audit*	-	242
Total fees for appointed Auditor	**271**	**446**
Fees payable in respect of other services provided by Grant Thornton during 19/20		
Certification of 2018/19 Teachers Pension claim	6	6
Housing Benefit Audit	30.5	35
PFI Objection (KPMG)	28	-
West Midlands Pension Fund	1	-
Childrens Trust: Fees payable to Grant Thornton appointed auditor for the year 2019/20 and 2020/21 with regard to external audit services carried out for the subsidary audit	25	30
2018-19 Audit fee for Sandwell Land and Property company	15	5
2019-20 Audit fee for Sandwell Land and Property company	15	10
Total additional fees	**121**	**86**
TOTAL	**392**	**532**

*** Note: Fee Variation for 2020/21 External Audit - Fees to be agreed by PSSA**

Sandwell
Metropolitan Borough Council

Annual Governance Statement 2020/21

Accompanying note to the Annual Governance Statement for 2020/21

This statement was initially prepared at the end of the 2020/21 financial year. However, due to delays in finalising the accompanying Statement of Accounts, it had not been able to be able to be finalised until now. Since its initial preparation, a number of key factors impacting upon the wider governance of the Council have taken place. While these have not been incorporated into the statement for 2020/21 which is primarily focused upon the year it relates to, they will be fully referenced in the subsequent statements for 2021/22 and 2022/23. These include:

- A Grant Thornton Value for Money review was undertaken, resulting in the Council receiving a number of statutory and key recommendations.
- This ultimately led to led to government intervention, with commissioners appointed to have oversight of the Council.
- A single Improvement Plan was agreed by Council in June 2022 in order to address the recommendations made from the Grant Thornton review, alongside those made from a CIPFA Financial Management Review and LGA Corporate Peer Challenge, which were both commissioned by the Council.
- A new Leader and Cabinet were appointed.
- A senior management restructure was completed.
- An interim Chief Executive was appointed in August 2021. Following the government intervention, the interim Chief Executive was appointed as the Managing Director/Commissioner. A new Chief Executive was appointed by the Council in November 2022 and commenced with in February 2023.
- A holistic review of governance arrangements is also underway, with many changes having already taken place.

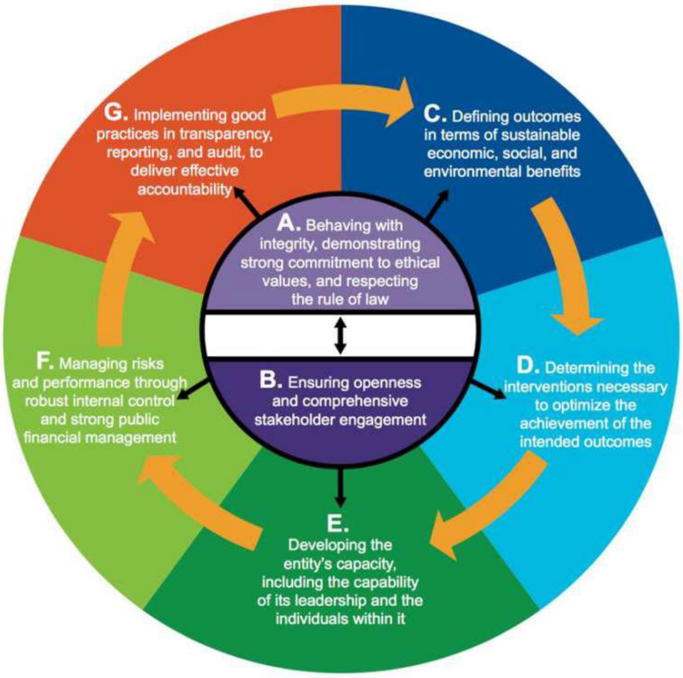
Scope of Responsibility

Sandwell Metropolitan Borough 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. The Council also has a best value 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 robust arrangements for the governance of all its functions and the effective discharge of its duties and obligations, including the implementation of appropriate arrangements for the management and mitigation of risk.

The Council has a Local Code of Corporate Governance, which has been revised in line with the latest principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’. The principles have been adopted in this statement. A copy of the current code has been placed on the Council’s website at www.sandwell.gov.uk or can be obtained from the Council offices, Sandwell Council House, Freeth Street, Oldbury, B69 3DE. This statement is prepared to comply with the requirements of regulation 4(3) of the Accounts and Audit Regulations

2015 in relation to the publication of an annual governance statement to accompany the statement of accounts.



This statement reflects the governance framework in place across the wider Group, including:

- **Sandwell Children's Trust Limited** – this is a trading subsidiary company wholly owned by the Council and was set up on 1 April 2018, following a government Statutory Direction under Section 479A of the Education act 1996) to deliver children's social care services. The Council is the primary funder to the Company, with a Council director and elected member represented on the Trust's Board of Directors. There is a Service Delivery Contract (including a Service Support Agreement) between the Council and the Trust which sets out the contractual and governance arrangements between the parties.

- **Sandwell Land and Property Limited** - which is also wholly owned by the Council, was set up in January 2011 as a holding company for school assets. The company is in the process of being dissolved as the protection originally believed to be afforded by the transfer of school assets to the Company can now be achieved in a more effective way.

In addition, to the above, there is a range of services that are delivered through partnerships on behalf of the Council and include:

- **Serco Limited** – delivery partner for waste management services
- **Sandwell Leisure Trust** – who manage sports facilities and provide sports development in Sandwell
- **Riverside Housing**- for the refurbishment of council dwellings in parts of West Bromwich
- **Sandwell Council of Voluntary Organisations (SCVO**) – who administer a grant programme on behalf of the Council to the voluntary sector.

The Purpose of the Governance Framework

The Governance Framework outlines the Council's culture and values and comprises the systems and processes by which the Council is directed and controlled and details those 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 and ultimately the desired outcomes.

Risk management and internal control are a significant part of the Council's corporate 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the annual report and Statement of Accounts.

The Governance Framework in Sandwell

The Council's Vision 2030 outlines ten Ambitions for the long-term future of the Borough of Sandwell.

The Council has developed its Corporate Plan- The Sandwell Plan – Big Plans for a Great Place that sets out what the Council will do to deliver Vision 2030 and the 10 Ambitions over the next five years, and is based upon six strategic outcomes. The driving theme behind the Plan is One Team: One Council, to reflect a culture of the organisation through strong leadership in an honest, open and transparent environment.

The Plan is being refreshed during 2021/22 to ensure it remains appropriate and is updated to reflect any lessons learned from the Covid-19 pandemic and the new operating model of the Council.

The Council's governance framework is consistent with the seven core principles of the CIPFA/ SOLACE framework. Key elements of Council systems and processes form part of the Group's Governance Framework and the table below sets out the evidence relied upon that provides assurance that the CIPFA/ SOLACE framework has been complied with.

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances Received and Review of Effectiveness	Issues Identified for action
• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control	• The Constitution (including the Head of Paid Service, Monitoring Officer and Chief Financial Officer0 • Director of Public Health • Corporate and Directorate business plans • Medium term financial plan • Strategic and Covid-19 risk registers • Scrutiny Function • Codes of conduct • Schemes of delegation • Ethical Standards and Member Development Committee • Emergency Committee • Audit and Risk Assurance Committee • Internal and external audit • Independent external reviews (Ofsted, ICO) • HR Strategy • Communication Strategy • Whistleblowing Policy and Counter Fraud Strategy • Information Governance Board • Governance Board • Cabinet Member and directors' assurance statements	• Statement of Accounts • External Audit – Audit Findings Report • Annual Internal Audit Report • Audit and Risk Assurance Committee Annual Report • Member and Executive Development Programmes • Ofsted Annual Report of HMCI of Education, Children's Services and Skills • Annual Local Government Ombudsman report • Annual Fraud Report • Sandwell Safeguarding Adult's Board and Children's Board Annual Reports • Annual Scrutiny Report • Investors in People • Ofsted monitoring visits • Sandwell Children's Trust Ltd Statement of Internal Control • Staff surveys	• Children's Services • Resilience of the Medium-Term Financial Strategy • Records Retention • Technology Modernisation Programme • Grants to the Voluntary Sector • Inclusive Economy Deal • Sandwell Land and Property Ltd • External Audit Recommendations • Financial Management Code • Equalities • Legacy Issues Impacting on Governance • Performance management framework

and strong public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	• Procurement and Contract Procedure Rules and Financial Regulations • Committee management information system (CMIS) • Strategic Partnership Board and Operational Partnership Boards • Improvement Board • Commonwealth Games 2022 Steering Group • Customer Complaints and compliments system (My Sandwell portal) • Schools Forum • Health and Safety	• Self-Assessment - Financial Management Code	

In reviewing the Council's priorities and its 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 2020/21 or immediately after the year end but prior to this statement being prepared include:

- The Leader of the Council resigned in July 2020, and the Statutory Deputy Leader assumed the role in accordance with legislative provisions until the May 2021 local elections, when a new Leader and a new cabinet were appointed.
- A senior management restructure commenced during the year which is designed to meet the needs of the organisation as outlined in the Corporate Plan – "Big Plans for a Great Place". Following the departure of the Chief Executive in July 2021, an interim Chief Executive was appointed in August 2021.
- Completion of the review and update of the Member Code of Conduct which includes arrangements for dealing with complaints, social media policy for Elected Members, and gifts and hospitality.
- The Council has embarked upon a Scrutiny review which is expected to be completed in 2021/22.
- A broader review of governance arrangements in relation to corporate decision making is underway by the Council's external auditor.
- A Towns Deal Superboard and three local boards were established to oversee the delivery of the Towns Fund Programme and the projects within the town deal areas respectively.
- An Equalities Commission was set up to provide further understanding and assurance on equalities across the Council.
- Establishment of a Cyber Board to ensure that the Council has an awareness of, identifies, monitors and manages any cyber related risks.
- Development and approval of a Climate Change Strategy 2020-2041 for Sandwell.
- Statutory Officers Group was established to provide a forum for the Chief Executive and Head of Paid Service, Director of Law and Governance and Monitoring Officer and Section 151 Officer to discuss issues and matters arising in relation to their respective statutory roles,

functions, duties, powers and responsibilities. The group is now no longer meeting and any decisions that sit outside of the delegated authority of Directors, will now go to the Leadership Team for decision making

- The launch of 'My Councillor' portal – a platform to efficiently progress councillor casework across the Council.
- Update to the Council's Contract Procedure Rules in the light of the end of the EU exit transition period.
- Update of the emergency plan considering the experiences during Covid-19.
- Self-assessment against the CIPFA Financial Management Code.

Covid-19 Considerations

In 2020/21 the Council as with all other local authorities and Sandwell Children's Trust, continued to adapt the ways in which it worked to address Covid-19 in terms of its governance arrangements, safeguarding the borough's residents, supporting Sandwell businesses and assisting with the roll out of Central Government Covid related announcements, initiatives and polices. The Council's approach to governance during Covid-19 has been clearly set out and shared with Councillors, the key aspects of which include:

- The Sandwell Covid-19 Local Outbreak Management Plan which outlines the locally led system for Sandwell to protect and promote health and wellbeing during the pandemic. This was further updated in April 2021 to include new challenges that have since been presented.
- Sandwell Strategic Incident Management Team (SIMT) which is responsible for the day to day Covid-19 response and linked into regional governance structures including the Strategic Coordinating Group and Public Health England.
- The deployment of the Council's Emergency Committee as the primary decision-making body during the initial lockdown period.
- Enhanced delegated decision-making arrangements that enabled the Council to respond to the outbreak within agreed decision-making parameters.
- Changes were also made to Financial Regulations during the emergency period, all of which have now reverted to pre Covid-19 arrangements.
- A Reset and Recovery Board was established in June 2020 with agreed Terms of Reference overseeing the emergency response (which included the establishment of a temporary food hub and welfare hub to support the most vulnerable) and the rest and recovery programme of activity. The Reset and Recovery programme involved new ways of working with officers working remotely and delivering services virtually where appropriate. Some front-line services initially ceased or were delivered with reduced frequency. These were only restarted once a full risk assessment and reset request had been completed and signed off by the Council's health and safety team and Public Health team and approved by the Reset and Recovery Board.
- Following the enactment of the provisions in the Coronavirus Act 2020 introduced in May 2020 on remote meetings, a full range of Council meetings took place using these powers and have been streamed and made available on the Council's website.
- Development of a Covid-19 risk register interfacing with the Council's strategic risk register to ensure that the Council was aware of and taken account of the key Covid-19 risks. During the year this was consolidated with the Brexit risk register to form a combined Covid-19 and Brexit risk register. The register has been regularly presented to the Audit and Risk

Assurance Committee during 2020/21 and at the request of the Committee has now been merged into the Council's Strategic risk register.

- The Corporate Plan is being refreshed with learning and recovery from the impacts of Covid-19 being a key theme that runs through the plan.

The Review of Effectiveness

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 Elected 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 Audit and Risk Assurance Committee; the Ethical Standards and Member Development Committee; the Governance and Constitution Review Committee; the Scrutiny function, and reports made by the Council's external auditors and other review agencies and inspectorates (all of which are publicly available through the Council's website).

Opinion for 2020-2021

We have been informed from the sources noted below regarding the review of effectiveness of the Governance Framework, that whilst there are areas where improvements are required, the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework.

However, as recognised elsewhere in this Statement by both Internal and External Audit, there have been significant delays in the signing-off of both the 2018/19 and 2019/20 Statement of Accounts, work on which continued throughout 2019/20 and 2020/21 respectively.

In addition, as reported to the Audit and Risk Assurance Committee on 24 June 2021, the External Auditors also made reference to a number of legacy issues impacting on governance which they will be taking into consideration as part of the governance review they will carry out within their Audit Plan for the year ending 31 March 2021.

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

- Maintained the focus of the Committee on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its strategic risks and Covid-19 risks effectively.
- Maintained a strong working relationship, through regular meetings, with the Council's External Auditors Grant Thornton, the Internal Auditors and Senior Officers.

Internal Audit

Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the Council is able to confirm that the arrangements conform to these requirements. The Council is also able to confirm compliance with the Public Sector Internal Audit Standards.

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

However, Internal Audit did note several issues the Council faces and needs to respond to and address during 2021/22. These include:

Internal audit – limited assurance reports
Internal audit gave a 'limited' rating audit opinion in several areas it reviewed and emphasised the importance of the recommendations made in these areas being implemented and improvements made, in a timely manner. A follow up of the implementation of the key recommendations will be carried out in 2021/22 and the findings reported to the Audit and Risk Assurance Committee where appropriate.

Delays in the Statement of Accounts
There were significant delays in the completion and signing off the 2018/19 Statement of Accounts and similar delays were being encountered in the finalisation of the 2019/20 Statement of Accounts.

Horizon scanning
In the coming year there are several key issues that Internal Audit believes will need a particular focus placed on them to ensure that the control framework in which they operate remains strong. These include the forthcoming sale of Providence Place, the transition of the council's e-business suite to Oracle Fusion, implementing the agreed actions to demonstrate compliance with the Financial Management Code and a need to update the Disposal of Council Owned Land and Buildings Protocol.

Internal Audit – Covid-19

A report was presented to the Audit and Risk Committee in September 2020 noting that the UK Public Sector Internal Audit Standards Advisory Board had produced guidance to support audit functions during Covid-19. This stated that all internal audit teams in organisations affected by Covid-19 would need to reassess their work plans and staff priorities. During the year a proportion of the audit resources was temporarily redeployed within the Council to aid in several areas including the welfare hub, the various business support grants, and other Covid-19 related assurance. The internal audit plan for 2020/21 was also presented to the Audit and Risk Assurance Committee at its September meeting and highlighted the fact that the plan had been developed and then updated. The Committee was informed that the in-year situation would continue to be assessed to ensure that the audit work completed during the year, including all of the key financial systems would still enable the Head of Internal Audit to provide an annual audit opinion at the year end.

External Audit

The Council's external auditors Grant Thornton are auditing the Statement of Accounts for 2020/21 and will provide an independent audit opinion of the financial statements. The external auditors will also provide a value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

However, it should be noted that there was a significant delay in the sign off the 2018/19 and 2019/20 Statement of Accounts, because of several issues including, property valuations, debt provisions. These issues were detailed in Grant Thornton's Audit Findings Report for the year ended 31 March 2020, which was presented to the Audit and Risk Assurance Committee on 18 March 2021.

In addition, as reported to the Audit and Risk Assurance Committee on 24 June 2021, the External Auditors also made reference to a number of historical issues impacting on governance which they will be taking into consideration as part of the governance review they will carry out within their Audit Plan for the year ending 31 March 2021.

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

The Council is required to confirm whether its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.

Annually the CFO has confirmed compliance with the CIPFA Role of the CFO. From March 2020 the CFO was away from work and subsequently left the Council's employment in November 2020. The Head of Finance took on the Acting Section 151 Officer role and was appointed interim Finance Director in November 2020. A new Director of Finance subsequently joined the Council in August 2021. A review of the role of the Council's Section 151 Officer against the CIPFA Statement on the Role of the Chief Financial Officer was carried out and was found to be compliant. However, several areas for improvement were noted including, internal controls of assets, authorisation and approval processes and the timely publication of annual accounts.

The Chief Financial Officer has been involved in preparing this statement and is satisfied that no matters of significance have been omitted from this statement.

Managing the risk of Fraud and Corruption

The Council has embedded effective standards for countering fraud and corruption through the adoption of and adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The Code is based on five principles and having considered these, the Council is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. During the year, a key area of focus on fraud and corruption risks has been pre and post payment assurance checks for the distribution of the various Covid-19 business support grants.

Sandwell Children's Trust Limited

The Sandwell Children's Trust became fully operationally on 1 April 2018. The Trust while owned by the Council has day-to-day operational independence with regards to its management and the delivery of children's social care services and is managed by a board of non-executive and executive directors. The Trust's accounts are audited separately by external auditors and for 2020/21 an unqualified opinion was provided.

The Trust's Internal Auditors provided reasonable assurance that the Trust had adequate and effective risk management and internal control processes.

The statutory duty to provide children's social care services however, remains with the Council. As such, comprehensive governance arrangements including Operational and Strategic Partnership Boards and a Service Delivery Contract (SDC) and a are in place to enable the Council to monitor progress of the Trust, consider performance and operational issues on a regular basis, and hold the Trust Board to account. The Contract between the Council and the Trust stipulates the Trust must ensure that children's social care services are assessed by Ofsted as 'Requires Improvement' by 2020 and 'Good' by 2022. Due to Covid-19, during 2020 the relief clause within the Contract was enacted by the Council in respect of this measure as a result of Ofsted confirming that regulatory inspections were being suspended and would not take place again until 2021. However, a remote focussed visit by Ofsted was undertaken on 3 and 4 March 2021 to look at how social care services were being delivered during the pandemic. This found that:

> " *Both Sandwell Borough Council and Sandwell Children's Trust have risen to the challenge of the COVID-19 pandemic. They have been able to demonstrate continued and enhanced partnership working across the Borough. …. The trust has managed to ensure that many of the most vulnerable children have been visited in their own homes, and, in partnership with schools, it has continued to identify and support those most in need".*

However, it also found that weaknesses in some areas identified in previous inspections remained and required addressing. As such, this continues to be reflected in the action plan within the Annual Governance Statement.

The Financial Management Code

During the year and in line with best practice, the Council undertook a self-assessment exercise against the new Financial Management Code in advance of its introduction in 2021-2022. The Code includes the following core principles by which authorities should be guided in managing their finances:

- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- **Financial managemen**t is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- **Adherence to professional standards** is promoted by the leadership team and is evidenced.

- **Sources of assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.

- **The long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The self-assessment found the Council to follow the Code. However, there are a limited number of matters where areas for improvement have been identified. As a result of this, an action plan has been prepared and its implementation will be monitored throughout the year. The results of the exercise were reported to the Audit and Risk Assurance Committee on 29 July 2021.

Constitution Review

The ongoing review of the Council's constitution and decision making processes has continued during 2020/21 and this work will continue during 2021/22 including review of officer delegations in line with the new senior management restructure; a refresh of the Financial Regulations and Procurement and Contract procedure Rules; a review of the Scrutiny function in particular around pre decision making and policy development; update to the Council's decision making arrangements including the forward plan and report templates and report writing. The review is being overseen by the Governance and Constitution Review Committee.

The Member and Executive Development Programmes have been delivered that have been designed by Members and focus on their development, training and support requirements from both a corporate and personal councillor perspective.

Progress of the Governance Issues from 2019/20

The table below describes the governance issues identified during 2019/20 (which were reported in the 2019/20 Annual Governance Statement) and the progress that has been made against the implementation of actions to address these issues, during 2020/21.

Key Area for Improvement	Update on Position and Implication for the 2020/21 Annual Governance Statement
Children's Services The contract between the Council and Sandwell Children's Trust required the service to be assessed as Requires Improvement by 2020. As a result of Covid 19, Ofsted has announced that full inspections will not take place until 2021. As such, a variation agreement has been enacted to enable the contract to be varied in this respect. The Council needs to continue to ensure appropriate governance arrangements are in place to provide	Assurance on the performance of the Trust's operations against the Service Delivery Contract continue to be provided by the existing governance arrangements in place via the Operational and Strategic Partnership Boards. Performance against KPIs has been good and some areas have continued to improve, however, staffing levels and high vacancies remain a significant issue. The focussed Ofsted visit in March 2021 identified continued improvements, but ongoing serious weaknesses in three areas that were previously highlighted in the 2016 inspection. The improvement plan is being refreshed to address these areas

assurance that improvements in the service continue to enable the terms of the contract and variation agreement with the Trust to be achieved. The Council also needs to obtain suitable and continual assurances that the Trust will operate within the financial envelope provided to it as detailed in the Trust's Medium-Term Financial Strategy.	specifically, in addition to other areas of continuous improvement. The full Ofsted inspection could be later in 2021 but is more likely to be early in 2022 The contractual obligation to reach a judgement of 'Requires Improvement' cannot therefore be met due to the impact of the pandemic and will also impact the contractual obligation to secure a judgement of 'good' by 2022. The contract sum for 2021/22 was approved by Cabinet in March 2021as part of the overall 2021/22 budget for the Council and has enabled the Trust's Medium-Term Financial Plan (MTPF) to be finalised. **Carry forward**
Resilience of the Medium-Term Financial Plan (MTFP) The Covid-19 pandemic has had a significant financial impact on the current financial position of the Council in the form of both additional expenditure and a loss of income from various sources. Work with budget holders and within Finance teams has been completed and the Council has been able to set a balanced budget for 2021/22 using one-off balances. The focus now will be on addressing the shortfall for subsequent years, which is made more difficult as the government has not provided councils the necessary clarity over future years funding to enable the Council to effectively prepare a medium term plan. The Finance team is working closely with all budget holders to identify and record financial pressures associated with Covid 19 (including additional costs of external service providers) in order to assess and report to senior management, members, the WMCA and government on the adequacy of the emergency allocation. The Finance team is working closely with the Service Improvement team to understand the Reset and Recovery process for the Council and ensure that the plans for Reset and Recovery are	**Initial estimates of the 2020/21 Covid-19 cost pressures** now appear to have been overly pessimistic and after application of Covid-19 grant funding, services have reported a net under spend of £23.3m. Initial budget planning for 2021-2024 has identified non-Covid related financial pressures which are being managed in the short-term by reserves and other one-off sources of funding. The proposed treatment of the 2020/21 under spend will assist in temporarily managing the financial risks. However, all service areas are being allocated indicative savings targets during the next phase of budget planning to address the projected funding gap on a long-term basis. The MTFP will also need to be updated once further information becomes available on the Spending Review 2021 and progress with Fair Funding and Business Rates reform. The development of proposals during 2021/22 will be undertaken with the active involvement of Cabinet Members and will be overseen by the Corporate Budget Board and will take account of the refresh of the Corporate Plan. **Carry forward**

affordable within the financial resources that are likely to be available in the future.	
Data Protection Act 2018 (DPA and incorporating the General Data Protection Regulation - GDPR) A four-phase action plan was approved by the Senior Information Risk Officer (SIRO) to ensure the Council can meet the Information Commissioner's 12 step guide to GDPR compliance activity. Progress against the plan is reported to the Council's Information Governance Board, which is chaired by the SIRO. The Covid-19 pandemic has impacted upon the delivery of this plan and changes to working practices have increased the potential risk of breaches occurring. The Council needs to ensure that any delays in implementing actions necessary to comply with GDPR are kept to a minimum. The revised deadline for compliance with the NHS Toolkit has been met and work continues to be progressed in relation to improving the management, storage and processing of personal data notwithstanding Covid-19.	Work has taken place throughout 2020/21 to ensure that the Council continued to meet its obligations in DPA terms notwithstanding the very different ways of working having to be adopted as a result of the pandemic. This has included regular reminders on ways of working and focused support for relevant teams with greater risk. The Council has reviewed the Information Governance Framework, and an updated version was approved by the Information Governance Board in June 2021. The key area of work that continues to be progressed is to ensure that the records held by the Council align to the retention policy and schedule, which have undergone an annual review. Further work will continue during 2021/22 in line with the refreshed Transformation Modernisation Programme to ensure that the information held is stored and accessed in the most appropriate way. All Information Asset Registers have also undergone an annual review in line with the framework and will be reviewed every six months going forward. Compliance with The NHS Toolkit and the relevant submission was made in June 2021 which amongst many requirements, meant that meta compliance data protection and cyber security training was completed by over 95% of the Council's workforce. **Carry forward**
Cyber Security This risk is impacted by Covid-19 to the extent that there is a heightened risk for cyber-attacks to take place during an emergency, as well as reacting to changes in working practices. The pandemic has resulted in a delay in implementing actions from the Technology Modernisation Programme (TMP) due to re-prioritising workloads. As such, these issues will need to be monitored to ensure delays in implementation are minimised	**The Technology Modernisation Programme (TMP)** which will implement new governance and revised security settings to Office 365 and Azure, commenced during 2019/20 but due to Covid-19, had to be abandoned. The plan will now be approached differently and include the roll out of a new Windows 10 build and an upgrade of the Netapp infrastructure. Retirement of obsolete and unsupported technology platforms to reduce the Council's vulnerabilities has continued to ensure the information governance environment remains effective. The annual Local Government Association Cyber Security assessment recognised the work the council has undertaken and concluded an Amber-Green status. **Carry forward (as TMP)**

Governance Arrangements (Covid-19) During the emergency response to Covid-19, a revised governance framework was put in place. As such, there is the potential for decisions being made at speed which may be challenged in the future should legal requirements around decision making not be met.	Details of the revised governance arrangements during the pandemic have been set out above in the Covid-19 Considerations section which sets out the Council's approach to governance during Covid-19. This included amongst other arrangements, enhanced delegated decision-making arrangements that enabled the Council to respond to the outbreak within agreed decision-making parameters. The revised arrangements have operated effectively to the extent that no concerns specific to these arrangements and their effectiveness to the emergency response have been raised by assurance providers. **Complete**
Commonwealth Games Aquatic Centre The Council is building a new state-of-the-art leisure Centre which will also serve as the Commonwealth Games aquatics Centre. The project is on target to be delivered on-time and within the identified budget, but given the scale of this project, the reputational importance, the multi-faceted nature of the stakeholders involved and the impact it has on Vision 2030, the project will require further sources of assurance to be considered and sought to ensure control measures are adequate and effective.	Work on the centre site has progressed well since main construction commenced in January 2020. While Covid-19 impacted almost all construction projects across the country, a proactive approach with the contractor, Wates Construction Limited, meant that the impact on the Aquatics Centre project has been kept to a minimum. As such, the action plan to continue moving the project forward is being implemented and the Project Team continue to be confident that the project will be delivered in line with the programme. **Complete**
Grants to Voluntary Sectors The Council issues grants to the voluntary sector for various reasons and Sandwell Council of Voluntary Organisations (SCVO) also administers a grant programme on behalf of the Council. Assurance will be required that: • Approved applications are in accordance with the approved processes and have met the agreed criteria • There is an overview of all grants being paid out across the Council • All organisations have equal opportunity to apply for grants	A Voluntary & Community Sector Strategic Group has been set up and has commenced work in this area. It includes representation from all relevant areas across the council. As there are several new Directors, the Terms of Reference may need to be reviewed and amended to ensure all objectives are covered and that this assurance is obtained. **Carry Forward**

• Monitoring takes place to ensure outputs and intended outcomes are delivered.	
Inclusive Economy Deal The Council has introduced its Inclusive Economy Deal which supports Vision 2030 and will drive forward jointly with residents, businesses and the voluntary and community sector many interventions which will support the delivery of its ambitions. The deal is an informal agreement between the Council and everyone who lives or works in the borough, to work together to create a better Sandwell and deliver wealth for all, with the focus on the economy of Sandwell by developing joint interventions which will have a positive impact on the local economy and ensuring wealth creation is kept and shared within the borough. To bring the Inclusive Economy into practice the Council will: • Set up an Inclusive Economy and Community Wealth Board chaired by the Leader of the Council with representatives from residents, business and the voluntary and community sector. • Raise awareness of the Deal to the people of Sandwell and design an implementation process to achieve the commitments outlined. • Generate national interest and raise local awareness with residents, businesses, the Voluntary Community Sector and anchor institutions through a launch event. • Integrate the Deal among additional partners to ensure everyone in the borough is represented and committed to improving Sandwell. Embed this Inclusive Economy approach into the corporate plan and deal-based strategies.	The Council has set up an Inclusive Economy and Community Wealth Building Board (renamed Strong Inclusive Economy Board) chaired by the Cabinet Member for Stronger and Inclusive Economy and attended by various partners including business representatives and representatives of the third sector. The creation of an anchor network of partner organisations and the recruitment of an anchor network coordinator appointed through a Partnership with CLES will ensure that the Deal is integrated among additional partners so that everyone in the borough is represented and committed to improving Sandwell. Three priorities have been agreed by the Board and detailed action plans are in production to provide tangible actions to move towards an inclusive economy. **Carry forward**
Reset and Recovery	As noted in the Covid-19 Consideration section above, risks arising from Covid-19 were captured with a

The Council has had to adapt the ways in which it has worked to address Covid-19, not only in terms of ensuring that Sandwell's vulnerable residents have been supported alongside its businesses, but also in its governance arrangements. In addition to the impact on existing risks, the pandemic has resulted in new significant risks that affect the local economy, businesses, residents and Council services. These emerging risks are being identified and reviewed on a continual basis as the global and national picture of the crisis unfolds and the implications become better understood. Ongoing assessment of the disruption and consequences arising from the coronavirus pandemic are being carried out, resulting in the development of actions and updates of the relevant risk registers. A review will also be undertaken around the lessons to be learned from the response to the Covid-19 pandemic, including the identification of any improvement actions.	separate Covid-19 strategic risk register which has been presented to the Emergency committee and thereafter Audit and Risk Assurance throughout 2020/21. The impact of Covid-19 on all operational risks were also reviewed and reported to the Emergency Committee, to enable elected members to have a clear understanding of how the pandemic was impacting the delivery of services. Following the report to the Audit and Risk Assurance Committee in February 2021, members requested that the Covid-19 risks be merged into the Council's strategic risk register. The consolidated and updated strategic risk register was presented to the Committee in July 2021. Ongoing assessments of the impact of Covid-19 continue to be carried out and appropriate action plans developed and implemented, which take account of ongoing lessons learned. **Complete**
Brexit The council's Brexit Lead Officer and the Brexit Working Group will continue to: • Ensure the council continue to take all reasonable steps to manage the impact of the UK's exit from the EU. This includes clear communication to residents and businesses. • Oversee expenditure of the specific Brexit funding allocated to the council and ensuring it is effectively contributing to local preparations; • Engage in the Local Resilience Forum (LRF) to ensure that its plans take account of relevant local circumstances and potential impacts on local communities; and	During 2020/21, the Brexit working group, led by the Council's Brexit lead continued to monitor and assess the risks arising from the UK's exit from the EU. Updates on the Brexit risk register and the actions being taken (which largely included signposting residents and business to ensure they were prepared for the exit from the EU) were reported through the appropriate governance channels. However, due to the pandemic, some of the key Brexit risks and impacts became inseparable from the Covid-19 impacts. As such, the Brexit risk register was consolidated with the Covid-19 risk register to form a combined Covid-19 and Brexit risk register to understand the risks facing businesses and residents and Council services. The register has been regularly presented to the Audit and Risk Assurance Committee during 2020/21 and following a request from the Committee, any ongoing risks have been merged into the Council's strategic risk register which will continue to be presented to the Committee.

• Bring together local public service providers, the voluntary and community sector, community groups and businesses to effectively plan for the local impacts of leaving the EU.	**Complete**
Sandwell Land and Property There are several issues associated with Sandwell Land and Property Ltd (SLaP- a company wholly owned by the Council) that had not been corrected in the council's statement of accounts. Details of the issues in respect of SLaP are explained in the 2018/ 19 Statement of Accounts which were approved by the council's Audit and Risk Assurance Committee on 3 September 2020. Requisite actions necessary to address the identified issues and enable the company to be dissolved are being undertaken as the protection believed to be afforded by the transfer of land to the Company can be achieved in a more effective way.	Work is ongoing to resolve the accounting and legal issues with SL&P with the intention to dissolve SL&P during 2021/22 as it no longer serves a purpose for the Council. **Carry forward**
External Audit Recommendations There are several high-level recommendations made by the council's external auditors- Grant Thornton because of significant issues identified during the 2019/20 audit. An action plan has been developed and is being implemented to address the significant issues and recommendations which include addressing issues in respect of: • Improving the council's asset register and property database • Property valuations • Bank reconciliation and control over journals • Debtors and debt provisions Regular reports on the progress made to fully implement the agreed actions will be presented to the Audit and Risk Assurance Committee during 2021/22.	A review of Year End processes will be undertaken in the autumn of 2021. A project is underway to prepare a specification for a Corporate Asset Management system which is essential to ensure that the Council maintains integrated and accurate information on its assets. It is anticipated that procurement of an integrated system will commence by the end of 2021 **Carry forward**

Significant Governance Issues and Action Plan for 2020/21

Based on the Council's established risk management approach and system of internal control, the following issues have been assessed as being "significant" in relation to the Council achieving its Vision. 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 and operation will be monitored as part of the next annual review and risk management arrangements in place.

Key Improvement Area and Actions for Implementation	Responsibility and Expected Implementation Date
Children's Services The Council needs to continue to ensure appropriate governance arrangements are in place to provide assurance that improvements in the service continue to enable the terms of the contract and variation agreement with the Trust to be achieved.	Director of Children's Services By the date of full Ofsted Inspection
Resilience of the Medium-Term Financial Plan (MTFP) The current version of the MTFP estimated that further savings of £8million and £7million are required in 2022/23 and 2023/24 respectively in order to set balanced budgets. These forecasts consider the potential ongoing impact of Covid-19 and the underlying budget pressures that face the Council. However, these estimates are currently being reviewed and it is likely that the deficit will increase. A draft budget will be presented to Cabinet towards the end of 2021 setting out the updated position for 2021/22 and presenting savings options for consideration. In addition to the impact of Covid-19, there continues to be significant uncertainty about future funding streams for local authorities. At the time of writing it is unclear when the government will undertake the Comprehensive Spending Review, Fair Funding Review, Business Rates Reset and Business Rates Retention Review.	Director of Finance March 2022
Records Retention Work in relation to improving the management, storage and processing of personal data needs to continue at pace to ensure that the records held by the Council align to its policies in this area.	Director of Law and Governance and Monitoring Officer June 2022
Technology Modernisation Programme (TMP) The refreshed TMP programme needs to be rolled out and delivered to ensure that the Council processes, retains and accesses personal information in the most appropriate way.	Director of Strategy and Transformation March 2022
Grants to Voluntary Sectors	Director of Borough Economy

The Council issues grants to the voluntary sector and Sandwell Council of Voluntary Organisations (SCVO) also administers a grant programme on behalf of the Council. Assurance will be required that: • Approved applications are in accordance with the approved processes and have met the agreed criteria • There is an overview of all grants being paid out across the Council • All organisations have equal opportunity to apply for grants	March 2022
Inclusive Economy Deal The Council needs to ensure that the agreed governance arrangements continue to be delivered in order to forward the work of the Stronger Inclusive Economy Board and the Anchor Network	Director of Regeneration and Growth June 2022
Sandwell Land and Property Limited The actions necessary to enable the company to be dissolved need to be completed in a timely manner,	Director of Law and Governance March 2022
External Audit Recommendations The action plan in place to address the External Audit recommendations as reported in the Audit Findings Report 2019/20 as well as any additional recommendations which may arise from the 2020/21 Audit Findings Report requires ongoing monitoring to ensure that all recommendations are being implemented in a timely manner and that independent assurances are sought to evidence this. An action plan will be prepared, and its implementation will be monitored throughout the year and progress reported to the Audit and Risk Assurance Committee.	Chief Executive September 2022
FM Code As noted above, the Council's self-assessment against compliance with CIPFA's Financial Management Code found the Council to follow the Code. However, there are a limited number of matters where areas for improvement have been identified which involve engaging with stakeholders in developing the annual budget and the robustness of the Council's options appraisal methodology to demonstrate value for money decisions. An action plan has been prepared and its implementation will be monitored throughout the year and progress reported to the Audit and Risk Assurance Committee.	Director of Finance March 2022
Equalities A full analysis and health check of equalities data collated from across the Council needs to be completed and the data better understood to inform and update the equalities action plan and to shape the resulting work programme for the Equalities Commission. This, alongside the establishment of a robust governance framework to help monitor and	Director of Law and Governance November 2021

review the objectives and actions in the plan, should ensure that workforce diversity data reflects best practice put forward by other public-sector organisations.	
Legacy Issues Impacting on Governance As noted above and also reported to the Audit and Risk Assurance Committee on 24 June 2021, the External Auditors have made reference to and expressed concerns over the impact a number of historical issues which are impacting on governance and on the Council's ability to look ahead and deliver its corporate priorities. The external auditors will be taking these matters into consideration as part of the governance review they will carry out within their Audit Plan for the year ending 31 March 2021 and will be making recommendations for implementation as appropriate.	Chief Executive March 2022
Performance Management Framework The Council's corporate Plan sets out what the Council will do to deliver Vision 2030 over the next five years. The Plan is based upon six strategic outcomes. However, the Council needs to develop a robust performance management framework to demonstrate and evidence to its stakeholders how it will measure its success in delivering the Plan and achieving the six strategic outcomes.	Director of Business Strategy and Transformation June 2022

Future Assurance

Where appropriate, a progress report on the implementation of the above actions from the key areas will be reported to the Audit and Risk Committee during 2021-2022

Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year except for 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.

Shokat Lal
Chief Executive

Date: 29th August 2023

Councillor Kerrie Carmichael
Leader of the Council

Kerrie Carmichael

Date: 29th August 2023

GLOSSARY

Accruals – Income and expenditure are recognised as they are earned or incurred, not as money is received of paid (see Debtors and Creditors)

Accumulated Compensated Absences – Employee benefits, such as annual leave, which are earned on an accruals basis and which would result in a payment being made to the individual for any balance untaken.

Amortisation - A routine decrease in value of an intangible asset, or the process of paying off a debt over time through regular payments.

Balance Sheet - A statement of the assets, liabilities and other balances at the end of an accounting period. The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the council.

Call Accounts – Investment accounts within which the council deposits surplus funds in order to generate interest where funds can be withdrawn with no advance notice.

Capital Adjustment Account - This account contains the resources set aside to meet the cost of past expenditure. These include capital receipts, released grants and contributions and sums set aside for debt redemption. It also contains any balances from revaluation of assets pre 1 April 2007.

Capital Charge - A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. This reflects only depreciation.

Capital Commitment - Future Capital expenditure that has been committed on long term assets over a period.

Capital Expenditure - Expenditure on acquisition, improvement or enhancement of either the council's or third-party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance is charged to revenue.

Capital Receipts Unapplied - Proceeds received from the sale of non-current assets which have not yet been used to finance capital expenditure or repay debt. Capital receipts can only be used to fund capital expenditure.

Cash Equivalents – Funds invested in call accounts and 30 day notice accounts which are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash Flow Statement - A summary of cash movement (actual or anticipated incomings and outgoings) in an accounting period (month, quarter, year).

Cash Overdrawn - This represents the cash overdrawn position at the balance sheet date including both capital and revenue.

CI&ES – Comprehensive Income & Expenditure Statement

Code - The rules and regulations governing the information and layout of the council's Statement of Accounts.

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 non-domestic rates collected on behalf of Central Government.

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.

Creditor - An amount owed by the council for work done, goods received or services rendered but for which payment has not been made.

CSE – Child Sexual Exploitation

Current Assets - An asset where the value changes because the volume held varies from day to day e.g. inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

Current Liabilities - An amount which will become payable or could be called in within the next accounting period e.g. creditor, cash overdrawn.

Debtor - A sum of money due to the council but not received at the balance sheet date.

Deferred Creditors - These are amounts owing by the council where payment is to be made in instalments over a predetermined period of time in excess of one year.

Deferred Debtors - These are amounts due to the council where payment is to be made by instalments over a predetermined period of time in excess of one year.

Deferred Government Grants & Contributions - Grants and contributions received towards the cost of capital expenditure. These are credited to revenue over the life of the asset created to match depreciation charged on the asset.

Depreciation - The measure of the consumption of a non-current asset in delivery of a service charged to the revenue account.

DRC - Depreciated Replacement Cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent.

Emoluments - These are payments received from employment, usually in the form of wages, salaries or fees.

Exceptional Items - These are 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.

Extraordinary Items - These are material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value - The fair value is the estimated value of all assets and liabilities - The price that would be received to sell an asset or paid to transfer a liability.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

General Fund - The General Fund contains all the financial transactions of the council (with the exception of the Collection Fund and Housing Revenue Account).

Government Grants - These represent assistance by government and inter-government 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 – Those assets which are primarily held and maintained for knowledge and cultural purposes.

Housing Revenue Account - Housing authorities are required to keep a separate Housing Revenue Account which includes the expenditure and income arising in connection with the provision of housing accommodation by a local authority. The balance represents the accumulated surplus. The account is ring fenced, meaning it cannot either give or receive subsidy from the General Fund.

IAS – International Accounting Standards.

IFRIC – International Financial Reporting Interpretations Committee.

IFRS – International Financial Reporting Standards.

Income Statement - An accounting of sales, expenses and net profit for a given period. An income statement shows the movement of Income and Expenditure over a given month, quarter or year.

Inventories - The value of raw materials and stores the council has procured to use on a continuing basis, but which have not been used at the balance sheet date.

Investment Properties - Applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation or both.

Investments - The lending of surplus revenue balances to provide additional income, excluding funds invested in call accounts and 30 day notice accounts.

Impairment Loss - The amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Lessee – a person who holds the lease of a property; a tenant.

Lessor - a person who leases or lets a property to another; a landlord.

Levy – A mechanism to impose an obligation to pay tax.

Liability - An amount held by the council which is due to an individual or organisation which will be paid at some time in the future. Liabilities include both monies borrowed but not yet repaid and payments due to creditors.

Liquidity – Cash, cash equivalents and other liquid assets that can be easily converted into cash (liquidated).

Long Term Borrowing - The total amounts borrowed from external lenders for capital purposes but not repaid at the balance sheet date.

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

Minimum Revenue Provision - Sums set aside from revenue to repay borrowing used to finance past capital expenditure.

Net Book Value - The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

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 open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Asset - A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant.

Non-Operational Assets – Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases - Leases other than a finance lease.

Operational Assets – Non-current assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Payments in Advance - Amounts actually paid in a given accounting period prior to the period for which they were payable.

Pooled Budget - A type of partnership with another organisation in which the local authority contributes an agreed level of resource (into a single pot) to help commission/deliver specific services.

Precept – Tax levied by West Midlands Fire and Rescue Authority and the West Midlands Police and Crime Commissioner which is collected on their behalf by the council as the rating authority.

Provisions - Amounts set aside in the accounts for any liabilities of uncertain timing or amount that have been incurred, the movements in year being charged or credited to the appropriate service heads in the Service Revenue Accounts. In order for a sum to be recognised as a provision, certain criteria must be met, as specified in IAS 37.

PWLB - Public Work Loan Board.

QC – Queen’s Counsel, a senior barrister.

Receipts in Advance - Amounts actually received in a given accounting period prior to the period for which they were receivable.

Reserves - Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement In Reserves Statement rather than directly to Service Revenue Accounts.

Revaluation Reserve - This account contains all the unrealised gains from the revaluation of non-current assets since it was established on 1 April 2007. All unrealised gains prior to this date are held in the Capital Adjustment Account.

Revenue Accounts Balance - The Revenue Account records an authority's day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of non-current assets. The balance represents the accumulated General Fund Surplus including working balances.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Capital expenditure on a third-party asset, which does not add value for the council. These are usually written off in the year they are incurred. Examples of this expenditure are improvement grants and disabled facilities grants.

Temporary Loans - This represents money borrowed for an initial period of less than one year.

Useful Life - The period over which the council will derive benefits from the use of a non-current asset.

VA Schools / VC School - Voluntary Aided Schools / Voluntary Controlled School.

Work in Progress - The cost of work done on an uncompleted project at the year-end, which has not been recharged to the appropriate account at the balance sheet date.