

Statement of Accounts

2024/2025



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Audit Opinion

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

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Sandwell Metropolitan Borough Council (the 'Authority') and its subsidiary, Sandwell Children's Trust (the 'group'), for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Movement in Reserves Statement and notes to the financial statements, including material accounting policy information. 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 2024-25.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 27 February 2025, we issued a disclaimer of opinion on the Authority's and the group's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, over the Authority's and group's opening balances, in-year movements in the net pension liability and property, plant and equipment, the closing balance of property, plant and equipment and the closing reserves balance reported in the financial statements for the year ended 31 March 2024. We were therefore unable to obtain sufficient appropriate evidence over the associated corresponding figures for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable obtain sufficient appropriate audit evidence over the Authority's and group's opening balances of property, plant and equipment and reserves reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over their in-year movements. Similarly, this has also resulted in uncertainty over the closing balances of Property, Plant and Equipment of £2,692 million, of Investment Property (£80 million) and Total Reserves (£2,184 million) as at 31 March 2025.

In addition, the Authority did not carry out an appropriate assessment of its group boundaries in preparing the financial statements. Evidence of a revised assessment was provided in January 2026 but due to the limitations arising from the backstop we have been unable to obtain sufficient assurance over the Group account balances as at 31 March 2025.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether 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.

Responsibilities of the Authority and the Section 151 Officer

As explained more fully in the Statement of Responsibilities, 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 Section 151 Officer. The Section 151 Officer 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 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer 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 Section 151 Officer 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and the group 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.

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 audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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 2025.

We have nothing to report in respect of the above matter except on the 16 March 2023 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. This related to the external audit of the financial statements being significantly delayed due to the quality of the financial statements and working papers presented for audit. We reported that the failure to publish annual accounts on a timely basis undermines the ability of those charged with governance to ensure good financial stewardship and fails to provide a transparent financial position to the public. We recommended that the Authority needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit. This significant weakness was not fully addressed during 2021/2, 2022/23, 2023/24 or 2024/25 and therefore remained in place as at 31 March 2025.

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.

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 November 2024. 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 document 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 consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Sandwell Metropolitan Borough Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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 85 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.



Andrew J Smith, Key Audit Partner

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

Birmingham

25 February 2026

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Narrative Report of the Executive Director for Finance and Transformation

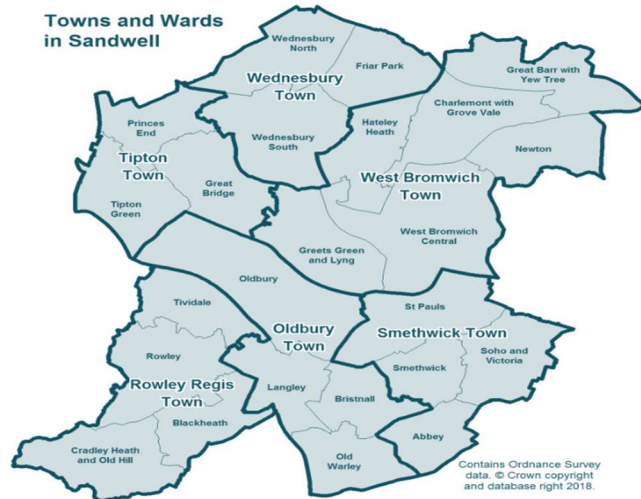
Sandwell Metropolitan Borough Council Overview and External Environment

Sandwell is one of seven constituent authorities that established the West Midlands Combined Authority in 2016.

Sandwell is home to over 342,000 residents who live in more than 131,000 households.

The local economy is circa £6.6 billion with over 11,600 active businesses.

The Borough comprises of six towns: Oldbury, Rowley Regis, Smethwick, Tipton, Wednesbury and West Bromwich.



Sandwell entered this financial year celebrating the 50th Anniversary of its creation and establishment of Borough status.

The Council Plan 2024-2027 was launched at this time and full details are available on the council website. Our focus is on getting the basics right and providing vital services for our residents. The main themes of the plan are shown below, and progress in 2024/25 is contained in the Performance section of this report.

- Growing up in Sandwell
- Living in Sandwell
- Healthy in Sandwell
- Thriving Economy in Sandwell
- One Council, One Team

The cost of living remains challenging for many residents, and the Council has continued to provide support through various initiatives, such as food vouchers for children and financial aid for households struggling with energy bills. Additionally, the Tackling Poverty Plan offers support and advice to help residents manage their finances and access benefits. These efforts reflect our commitment to assisting those residents struggling the most in these difficult times.

Digital exclusion is a significant challenge in Sandwell, impacting many residents who face barriers to accessing and engaging with the digital world. Initiatives like the Digital Den project are addressing this issue by providing infrastructure, training, and support services to enhance digital literacy and connectivity.

Sandwell's vision for a thriving economy is encapsulated in a series of strategic plans and commitments. The Sandwell Business Growth Plan, which outlines the council's strategy to support local businesses over the next two financial years, is focussed on innovation and expansion to bolster the economy.

Medium Term Financial Outlook

In the current volatile global economic climate public financial management continues to be difficult particularly due to uncertainty.

Inflation steadily reduced in 2024, but indications are that this will increase in 2025 and may not return to the 2% national target until at least 2026. The timing and level of inflation are key cost drivers for council services and are regularly monitored. Similarly, the timing and level of interest rate changes has been difficult to forecast due to global uncertainty, and this looks likely to continue to be a cause for concern for some time going forward.

A balanced budget has been set and approved for 2025/26, and the Medium Term Financial Plan (MTFP) forecasts the same position for 2026/27. However, this is dependent on the general economic climate and particularly the level of inflation. In addition, local government funding from central government is subject to reform in 2026/27. The scale and scope of the reform is not yet known, but indications are that it will build on the previous Fair Funding Review, first released in 2018. Assumptions on the level of grant funding in the MTFP will be tested as part of the budget challenge process within 2025/26.

The Government has committed to providing local authorities with more than 1 year funding settlements (currently forecast to be 3 years) which would give some measure of certainty going forward.

Political Structure

Sandwell has 72 councillors representing 24 wards. Following elections in 2024, there are 65 representing the Labour party, 5 representing the Conservative party, 1 representing the Green party and 1 independent.

The leader of the council is Cllr Kerrie Carmichael supported by 9 Cabinet members

Elected members have a statutory duty to set a balanced budget and approve a financial policy framework prior to the start of the financial year. In Sandwell, the Medium-Term Financial Strategy - encompassing the Medium Term Financial Plan; Capital Strategy; HRA Business Plan; and Treasury Management Strategy - was approved by the Council in February 2024 after scrutiny by committees and consideration by the Cabinet.

The Budget and Corporate Scrutiny Management Board received regular budget monitoring and performance reports during the year.

Organisational Overview

Sandwell Metropolitan Borough Council is a unitary authority which includes social care responsibility for adults and children together with statutory responsibility for a range of services including Education, Housing, Planning and Environment.

Councillors are supported by the Strategic Leadership Team (SLT) with Shokat Lal as the Chief Executive, leading 4 Executive Directors.

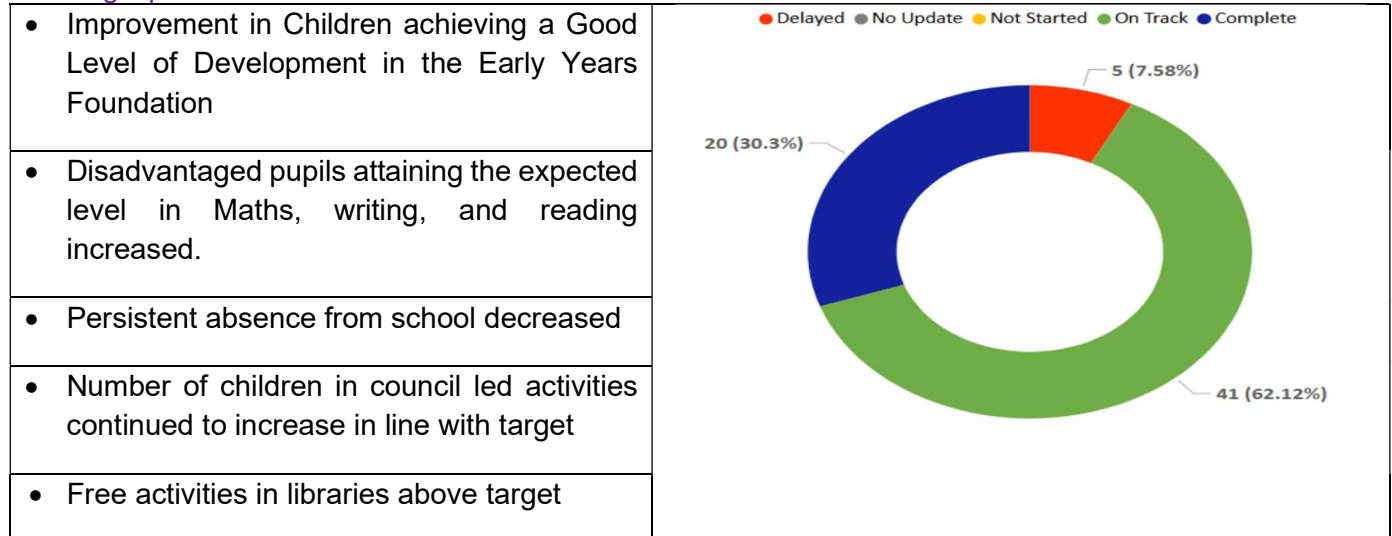
As Executive Director for Finance and Transformation, and the Council's Section 151 Officer, Alex Thompson is a member of SLT and is the lead officer responsible for the Council's financial affairs. This includes responsibility for preparing revenue and capital budgets for member approval each year, and for publishing the Council's annual financial statements.

Mike Jones is the Assistant Director of Legal & Governance and the council's Monitoring Officer. He is co-opted to SLT, and attends full Council meetings, to provide advice on governance and legal matters.

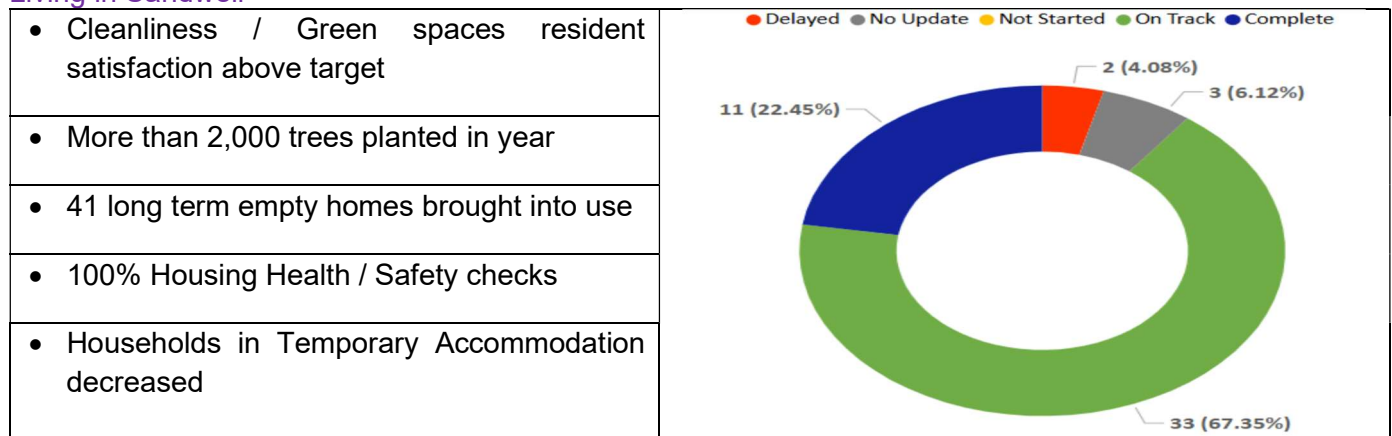
Performance

Accomplishments to Council Plan

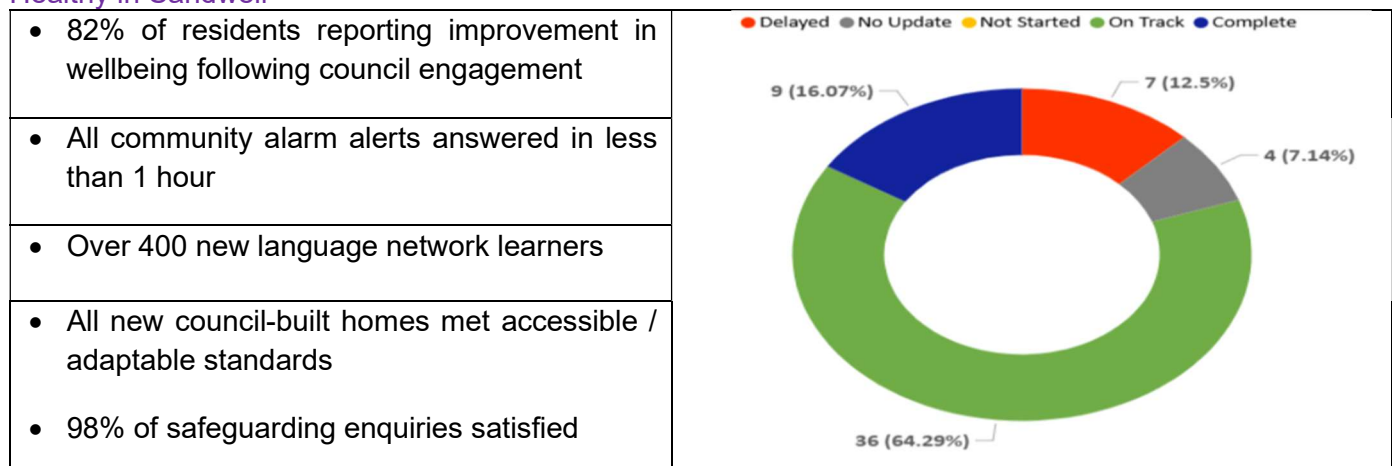
Growing Up in Sandwell



Living in Sandwell

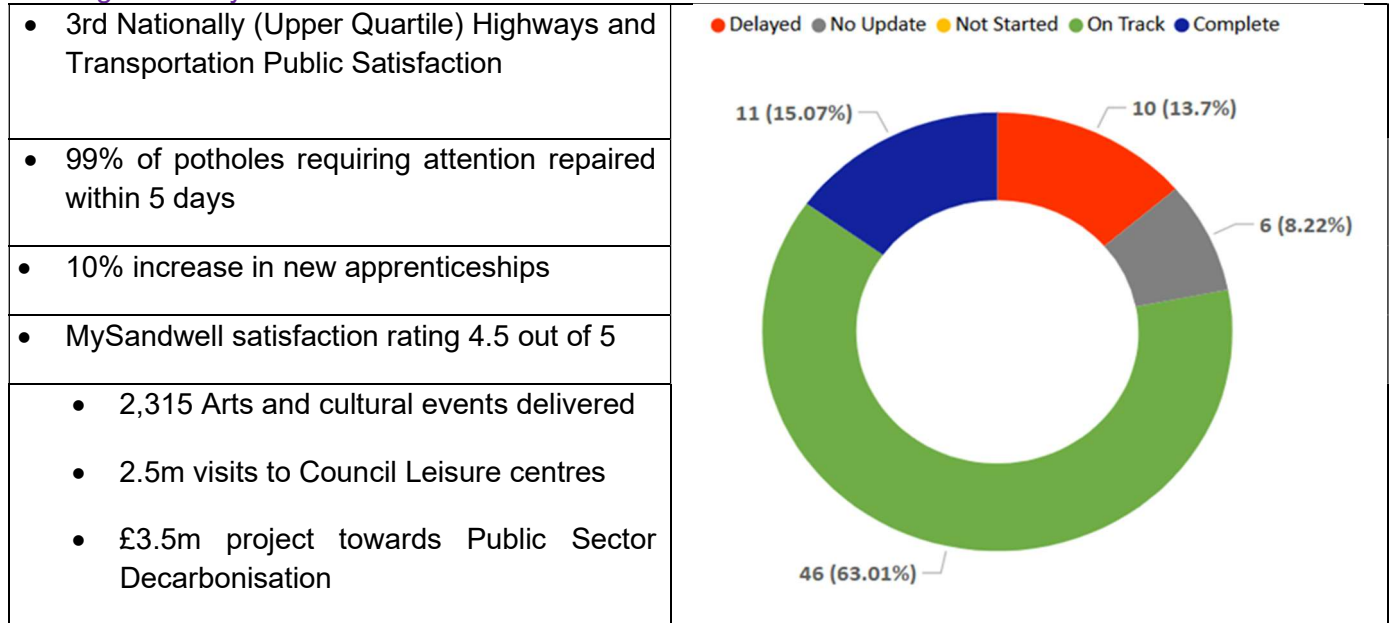


Healthy in Sandwell

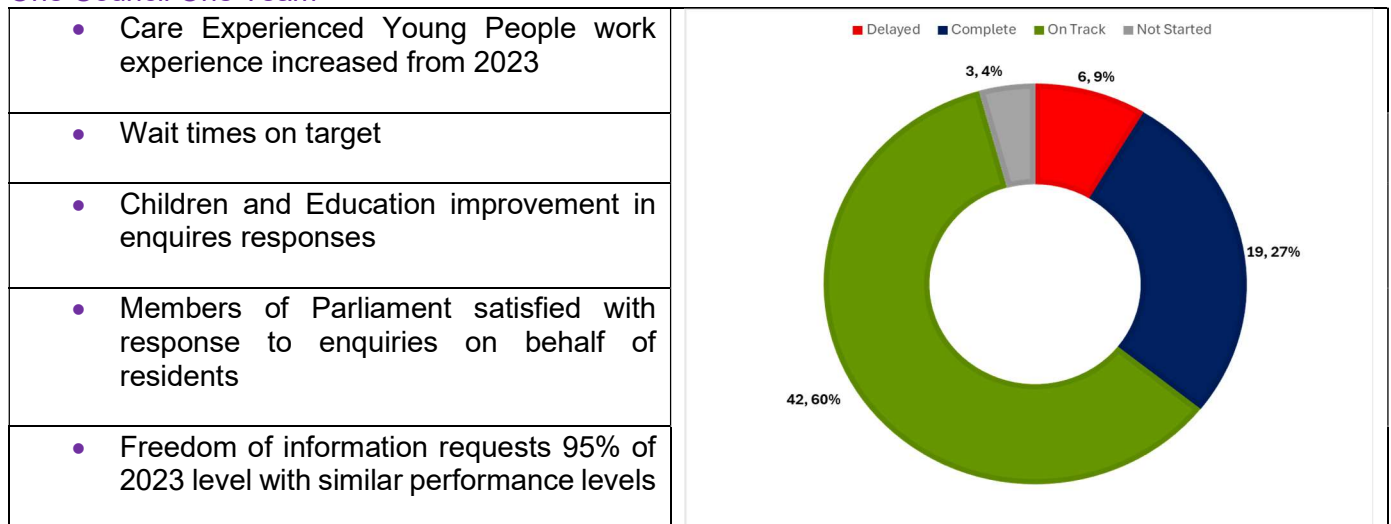


NARRATIVE REPORT

Thriving Economy in Sandwell



One Council One Team



Financial Performance

General Fund Services

The council set a net expenditure budget for 2024/25 of £333.0m financed by local taxation (£331.6m) and non-ringfenced government grants (£1.4m). The final budget included new ongoing efficiencies and savings of £11.9m for 2024/25 onwards, plus a further £7.0m of one-off efficiencies required in year. The final budget also included £5.8m contribution to earmarked reserves.

The outturn position against this budget was an improvement of £13.8m, which resulted in £3.4m underspend from services being added to General (unearmarked) reserves and an additional £10.4m contribution to earmarked reserves, resulting in a £16.2m increase in earmarked reserves overall, including the planned £5.8m contribution.

Additional income, set aside in earmarked reserves, included an increased dividend from Birmingham Airport of £5.6m and additional investment income from higher interest rates of £2.5m. Lower borrowing

NARRATIVE REPORT

costs from use of internal cash balances and the setting aside of contingency budgets not required in year resulted in contributions to earmarked reserves of £1.5m and £2.6m respectively. In addition, grants received from Central Government in respect of national policy for business rates were £6.1m higher than anticipated, which contributed to an addition of £4.9m to the earmarked business rates volatility reserves at year end.

Earmarked reserve balances (including the Dedicated Schools Grant reserve detailed below) at the end of the year are £159.6m (31 March 2024: £143.3m). Reserve balances will be reviewed in 2025/26 in line with the Council's approved Reserves Strategy, to ensure that they align with the strategic aims of the Council.

The Council has continued to maintain strong financial management processes, with monitoring reports presented monthly to SLT, and quarterly to Cabinet and to the Budget and Corporate Scrutiny Management Board.

Schools

Schools balances increased by £3.6m during the year, with a balance carried forward of £36.9m.

However, the Dedicated Schools Grant (DSG) was overspent by £0.4m in the year and this was reflected in the DSG reserve account which now has a balance of £5.3m. The overspend relates to the High Needs Block of the DSG and is largely due to an increasing number of new education and health care plans (EHCPs) issued.

Housing Revenue Account

The Council owns and rents out as social housing approximately 27,700 homes, with rental income of £135.7m in 2024/25 (2023/24: £127.1m). Rental income, together with other sources of funding such as charges for services and facilities, is held in a ring-fenced account referred to as the Housing Revenue Account (HRA). Additional detail is provided in the Housing Revenue Account section of this Statement of Accounts.

On 31 March 2025, the HRA held balances of £51.2m, an increase of £3.0m from last year. These balances are generally held for one-off items of expenditure or for capital investment in additional housing stock.

The Major Repairs Reserve is used specifically to part finance capital expenditure and the balance brought forward was due to a delay in the programme which has now been recovered, with the reserve reducing by £3.5m.

Statement of Accounts – Overview of Financial Performance

Within this Statement of Accounts, the Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost of providing services, irrespective of the source of funding, and includes non-cash movements such as depreciation, Pension Fund adjustments and revaluation of assets. The CIES reports net income of £89.7m in 2024/25.

The Movement in Reserves Statement shows net income of £89.7m, as reported in the CIES, and highlights the associated change in the reserves of the Council. General Fund balances improved by £23.2m, Housing Revenue Account balances decreased by £0.5m, and other usable reserves assigned to the approved Capital Programme decreased by £12.0m. Unusable reserves increased by £79.0m reflecting the non-cash movements included in the CIES.

Expenditure and Funding Analysis - identifies the adjustments between the financial outturn position, as reported to Cabinet, and the CIES.

NARRATIVE REPORT

Capital Strategy

The Council has a range of ambitious, affordable capital investment plans designed to achieve the objectives set out in the Council Plan and 2030 Vision.

The Capital Strategy, approved by Council, considers the Council's long-term aspirations, corporate objectives, affordability criteria and available resources to guide capital investment decisions over the next five years.

In addition, Capital Planning Principles were introduced in 2024 to guide the preparation of the Capital Programme.

The five-year Capital Programme is approved annually in February by Council as part of the Medium-Term Financial Strategy and Budget Report.

Capital Programme

The 2024/25 performance against a revised combined budget of £209.4m for both the General Fund and HRA capital programmes was expenditure of £144.0m, resulting in an underspend of £65.4m, of which £64.2m has been reprofiled into future years and £1.2m returned to Council resources for future allocation.

A breakdown of expenditure against budget is provided in the table below.

Service	2024/25				2025/26		
	Revised Budget	Outturn	Variance	Slippage to Future Years	Base Budget	Slippage from 2024/25	Original Budget
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Expenditure							
Adult Social Care	1,098	84	(1,014)	1,014	0	1,014	1,014
Children and Education	10,236	7,723	(2,513)	2,513	46,028	2,513	48,541
Place – Environment	36,441	24,438	(12,003)	11,808	35,192	11,808	47,000
Place – Housing	14,253	6,907	(7,346)	7,317	4,800	7,317	12,117
Place – Regeneration	64,577	27,824	(36,753)	36,732	21,746	36,732	58,478
Assistant Chief Executive	33	0	(33)	33	0	33	33
Finance and Transformation	10,240	7,735	(2,505)	1,559	4,700	1,559	6,259
Subtotal – General Fund	136,878	74,711	(62,167)	60,976	112,466	60,976	173,442
Housing Revenue Account	72,511	69,306	(3,205)	3,205	96,856	3,205	102,022
Total Expenditure	209,389	144,017	(65,372)	64,181	209,322	64,181	275,464
Financing							
Grants	117,227	80,869	(36,358)				153,150
Borrowing	57,115	12,492	(44,623)				84,111
Capital Receipts	8,245	19,018	10,773				13,110
Revenue Contributions (RCCO/MRR)	26,801	31,638	4,837				25,094
Total Financing	209,388	144,017	(65,372)				275,464

All projects are subject to regular monitoring and the reprofiling of budgets is approved by Council.

NARRATIVE REPORT

At 31 March 2025, capital grants unapplied (£74.5m) on the balance sheet represent 49% of the funds from this source needed to carry out the programme in 2025/26.

Capital receipts forecast are the result of right to buy sales of council dwellings. Corporate estate rationalisation being carried out by the corporate landlord service may result in further receipts becoming available.

Borrowing is forecast to be undertaken primarily within the HRA – largely for investment in current housing stock.

Pension Liabilities

The West Midlands Pension Fund is formally valued every three years (triennial) by an independent actuary to set future contribution rates with the most recent valuation as at 31 March 2022 being published on 31 March 2023. However, the value for the pension fund reported within these accounts is an accounting valuation, as defined by International Accounting Standard 19 – Employee Benefits, and is carried out on an annual basis. It is therefore prepared on a different basis to the formal Pension Fund valuation.

The Council's actuary, Hymans Robertson, advised that the Council's net pension position in relation to its share of the West Midlands Pension Fund had changed from a net asset of £21m (excluding pension ceiling) as at 31 March 2024 to a net asset of £270m as at 31 March 2025. This movement was primarily due to better than forecast performance of pension assets during 2024/25 due to market conditions.

Due to the Council's share of the pension fund moving into a net asset position the Council has applied an asset ceiling as required by IAS19 and IFRIC 14. The effect of the asset ceiling has been determined by the Scheme's actuaries on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions. Implementing the asset ceiling has reduced the net asset position by £395m (£156m in 2023/24) to a net liability position of £125m (liability of £135m in 2023/24).

It must be noted that pension fund valuations are based on a moment in time and are subject to financial conditions during the year. As such whilst economic conditions are volatile, this will lead to volatility within pension valuations as clearly demonstrated in recent years. The next triennial valuation will be as at 31 March 2025 and will set contribution rates for the period 2026-29.

Balance Sheet Management

Assets employed and managed by the Council total £3.0bn. The corporate estate is valued at £2.7bn and is subject to continuous review for purpose and alternative use.

Total reserves (net assets) are £2.2bn (Usable reserves £0.4bn, unusable reserves £1.8bn) with long term external borrowing of £0.4bn and £0.2bn of other long-term liabilities.

Reserves are considered adequate and are reviewed annually as part of the Medium-Term Financial Strategy cycle.

Cashflow forecasts are prepared for current and future financial years and are monitored daily. The cashflow forecast is regularly updated to take account of future changes, so that the cash position of the Council can be managed appropriately. Cash and cash equivalent balances at the end of the year were £62.6m (31 March 2024: £57.3m). During the year, the Council collected approximately:

- £162m council tax, of which it retained £136m
- £117m business rates, of which it retained £114m
- £141m Housing rents

In addition, £853m was managed by services in the form of fees and charges income and receipt of external grants. In total, cash inflows managed by the Council's Treasury Management team were £1.3bn.

Short-term provisions are held on the balance sheet of £7.8m (31 March 2024: £8.1m) mainly in respect of business rates appeals and potential insurance claims.

Statement of Accounts 2024/25

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2025. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (The Code), which in turn is underpinned by International Financial Reporting Standards.

International Financial Reporting Standard 16 (IFRS 16) which replaced IAS 17 is effective for reporting periods commencing 1 April 2024 and has been used in this Statement of Accounts. IFRS 16 has introduced a single lessee accounting model, and the council now recognises right to use assets for all leases with a term in excess of 12 months unless the underlying asset is of low value.

The code also stipulates that financial statements shall be prepared on a going concern basis. that is, the accounts have been prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

The Annual Governance Statement accompanies the published Statement of Accounts but, whilst this is a very important assurance document, it does not form part of the accounts.

Core Statements

The Comprehensive Income and Expenditure Statement – this details the cost of providing services. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific legal or accounting purposes.

The Balance Sheet is a summary of the Council's assets, liabilities, cash balances and reserves specifically at the year-end date.

The Cash Flow Statement shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

Supplementary Statements

Housing Revenue Account (HRA) shows the in-year economic cost of the social housing landlord function as defined under the Local Government Act 1989.

The Collection Fund, which summarises the collection and redistribution of council tax and business rates income.

The Notes to these financial statements provide further detail about the Council's accounting policies and individual transactions.

Group Accounts provide a consolidated overview of the Council's financial position combined with any organisations that are subject to Council control. In 2024/25, the financial position of Sandwell Children's Trust is combined with the Council's to form group accounts, as the Trust is a subsidiary that is wholly owned by the Council.

A **Glossary** of terms is available at the end of this publication.



Alex Thompson,
Executive Director
Finance &
Transformation
(S151)

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in line with the Local Government Act 1972. In this authority, that officer is the Executive Director for Finance and Transformation (S151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Responsibilities of the Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the 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 presents 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 2025.



**Chair – Audit & Risk Assurance Committee
Sandwell Metropolitan Borough Council**

Date: 24/02/26



**Executive Director of Finance & Transformation
Sandwell Metropolitan Borough Council**

Date: 24/02/26

Core Financial Statements

2024/25

CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

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.

Comprehensive Income and Expenditure Statement	Note	2024/25 Gross Expenditure £'000	2024/25 Gross Income £'000	2024/25 Net Expenditure £'000	Restated 2023/24 Gross Expenditure £'000	Restated 2023/24 Gross Income £'000	Restated 2023/24 Net Expenditure £'000
People							
Adult Social Care Services		200,057	(115,935)	84,122	186,954	(103,385)	83,569
Children's Services		140,950	(35,509)	105,441	130,872	(32,039)	98,832
Schools		323,015	(338,879)	(15,864)	295,490	(315,741)	(20,250)
Public Health		31,973	(30,993)	980	29,056	(28,232)	825
Place							
Environment		88,309	(19,213)	69,096	107,222	(23,909)	83,313
Housing		21,046	(16,870)	4,176	15,430	(13,045)	2,385
Regeneration		32,569	(11,027)	21,542	33,935	(11,436)	22,499
Housing Revenue Account (HRA)		89,312	(147,449)	(58,137)	14,077	(139,015)	(124,938)
Corporate Services							
Assistant Chief Executive		11,377	(1,626)	9,751	10,948	(1,815)	9,134
Chief Executive		3,651	(63)	3,588	2,054	(688)	1,366
Finance and Transformation		113,852	(87,162)	26,690	115,245	(89,332)	25,912
Corporate Items		16,167	(2,140)	14,027	20,463	(3,588)	16,875
Cost of Services		1,072,278	(806,866)	265,412	961,747	(762,225)	199,522
Other operating expenditure	14			9,695			9,907
Financing and investment income and expenditure	15			35,854			34,285
Taxation and non-specific grant income	16			(405,500)			(395,148)
(Surplus) / Deficit on Provision of Services				(94,539)			(151,434)
(Surplus) / deficit on revaluation of non-current assets				(1,960)			(39,826)
(Surplus) / deficit on revaluation of financial assets				4,900			(3,100)
Remeasurements of the net defined benefit liability/(asset)				1,874			9,694
Other Comprehensive (Income) and Expenditure				4,814			(33,232)
Total Comprehensive (Income) and Expenditure				(89,725)			(184,666)

Note: Figures for 2023-24 have been restated to reflect the Council reporting according to the Organisation Restructure in 2024-25 to allow like-for-like comparison. This is mostly within the Corporate Area.

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

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' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The 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 Housing Revenue Account (HRA) balance movements in the year following those adjustments.

Movement in Reserves		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024		19,046	176,657	195,703	48,171	3,547	42,956	81,923	372,301	1,722,255	2,094,556
Movement in Reserves During 2024/25											
Total Comprehensive Income and Expenditure		44,276	-	44,276	50,263	-	-	-	94,539	(4,814)	89,725
Adjustments between accounting basis & funding basis under regulations	12	(21,052)	-	(21,052)	(47,284)	(3,515)	(4,597)	(7,381)	(83,829)	83,829	-
Net Increase / Decrease before Transfers to Earmarked Reserves		23,224	-	23,224	2,979	(3,515)	(4,597)	(7,381)	10,710	79,015	89,725
Transfers (to)/from Earmarked Reserves	13	(19,802)	19,802	-	-	-	-	-	-	-	-
Increase / Decrease in Year		3,422	19,802	23,224	2,979	(3,515)	(4,597)	(7,381)	10,710	79,015	89,725
Balance at 31 March 2025		22,468	196,459	218,927	51,150	32	38,359	74,542	383,010	1,801,271	2,184,281

CORE FINANCIAL STATEMENTS

Movement in Reserves		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023		18,943	163,858	182,801	42,238	2,883	36,181	42,146	306,249	1,603,641	1,909,890
Movement in Reserves During 2023/24											
Total Comprehensive Income and Expenditure		43,305	-	43,305	108,129		-	-	151,434	33,232	184,666
Adjustments between accounting basis & funding basis under regulations	12	(30,403)	-	(30,403)	(102,196)	664	6,775	39,777	(85,383)	85,383	-
Net Increase / Decrease before Transfers to Earmarked Reserves		12,902	-	12,902	5,933	664	6,775	39,777	66,051	118,615	184,666
Transfers (to)/from Earmarked Reserves	13	(12,799)	12,799	-	-	-	-	-	-	-	-
Increase / Decrease in Year		103	12,799	12,902	5,933	664	6,775	39,777	66,051	118,615	184,666
Balance at 31 March 2024		19,046	176,657	195,703	48,171	3,547	42,956	81,923	372,301	1,722,255	2,094,556

CORE FINANCIAL STATEMENTS

Balance Sheet

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, ie 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 are those that the authority cannot use to provide services. This category of reserves includes those 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'.

	Note	31 March 2025 £'000	31 March 2024 £'000
Property Plant & Equipment	17	2,691,157	2,614,071
Right of Use Assets	18	12,385	-
Heritage Assets	19	4,320	4,320
Investment Properties	20	80,414	75,365
Intangible Assets	22	15,514	8,837
Long Term Investments	24	31,367	36,267
Long Term Debtors	24	5,698	5,058
Long Term Assets		2,840,855	2,743,918
Short Term Investments	24	78	5,287
Assets Held for Sale	21	0	-
Inventories	-	2,148	1,782
Short Term Debtors	25	132,742	107,819
Cash & Cash Equivalents	27	62,611	57,328
Current Assets		197,579	172,215
Bank Overdraft	27	(17,464)	(20,817)
Short Term Borrowing	24	(78,133)	(91,455)
Short Term Creditors	28	(138,236)	(104,716)
Provisions	30	(7,801)	(8,116)
Revenue Grants Receipts in Advance	41	(843)	(1,072)
Capital Grants Receipts in Advance	41	(6,096)	(29,436)
Current Liabilities		(248,573)	(255,612)
Provisions	30	(2,745)	(3,439)
Long Term Borrowing	24	(367,883)	(353,686)
Other Long Term Liabilities	29	(205,545)	(196,100)
Capital Grants Receipts in Advance	41	(29,407)	(12,740)
Long Term Liabilities		(605,580)	(565,965)
Net Assets		2,184,281	2,094,556
Usable Reserves	MIRS	383,010	372,301
Unusable Reserves	32	1,801,271	1,722,255
Total Reserves		2,184,281	2,094,556

* IFRS 16 Leases has been adopted for the first time in 2024/25. 2023/24 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in the accounting policies.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Sandwell Metropolitan Council as at 31 March 2025 and its income and expenditure the year then ended.



Executive Director - Finance and Transformation
Date: 24/02/26

CORE FINANCIAL STATEMENTS

Cash Flow Statement

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.

Cash Flow Statement	Note	2024/25 £'000	2023/24 £'000
Net surplus / (deficit) on the provision of services	CIES	94,539	151,434
Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	33	30,680	(18,937)
Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	33	(88,299)	(74,080)
Net cash flows from Operating Activities		36,920	58,417
Net cash flows from Investing Activities	34	(29,767)	(12,533)
Net cash flows from Financing Activities	35	1,482	(37,332)
Net increase / (decrease) in cash and cash equivalents		8,635	8,552
Cash and cash equivalents at the beginning of the reporting period		36,512	27,959
Net movement in cash and cash equivalents		8,635	8,552
Cash and cash equivalents at the end of the reporting period	27	45,147	36,510

* IFRS 16 Leases has been adopted for the first time in 2024/25. 2023/24 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in the accounting policies.

Notes to the Accounts

1. Change in Accounting Policies

IFRS16 Leasing

In 2024/25, the Council has changed its accounting policies to align with those in IFRS 16 Leases as adopted by the Code of Accounting Practice. In previous years, property, plant and equipment was only brought onto the Balance Sheet as an asset where the Council secured substantially all the risks and rewards incidental to ownership of the leased item (finance leases). For all other leases (operating leases), no assets were recognised, and rents were charged as expenses when they became payable.

From 1 April 2024, an asset representing the right to use the item over the lease term will be recognised for all leases, except Leases for items of low value or whose term is less than one year. These are exempt from IFRS16 disclosure requirements.

The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short-term leases i.e. existing leases that expire on or before 31 March 2025, and new leases with a duration of less than 12 months. Therefore, the Council will not recognise right of use assets and lease liabilities for these leases. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Also, with effect from 1 April 2024 IFRS16 also applies to Service Concession Agreements (PFI Contracts) and recognition of the resultant remeasurement of the lease liability. The contractual arrangements continue to be disclosed in the PFI Note.

Liabilities are also recognised in the Balance Sheet for the obligations that the Council has to pay rents for the rights acquired, discounted to their present value.

The transitional provisions of the Code are for the following amounts to be brought onto the Balance Sheet by adjusting the opening balances at 1 April 2024:

- liabilities for leases previously accounted for as operating leases, calculated as the present value of the remaining lease payments fixed at 1 April 2024, discounted by the Council's incremental borrowing rate in line with PWLB annuity rates. In calculating the liabilities, the incremental borrowing rate used was determined by the lease length and referenced to the PWLB annuity rates published for 1st April 2024.
- right-of-use assets for the leased items, measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the Balance Sheet on 31 March 2024.

This has resulted in the following additions to the balance sheet at 1st April 2024:

- £13.962m property, plant and equipment right of use assets
- (£13.757 land & buildings, £0.205m vehicles and equipment)
- £9.708m non-current creditors (lease liabilities)
- £0.546m current creditors (lease liabilities)

The newly recognised liabilities of £10.254m are less than the operating lease commitments of £11.233m at 31 March 2024 disclosed in the 2023/24 Statement of Accounts because £0.301m of the commitments have been excluded from the calculation of liabilities as relating to short-term leases and £0.254m from the exclusion of leases of low value. The remaining commitments have been reduced by £0.425m as a result of discounting them to present value.

NOTES TO THE ACCOUNTS

In making the transitional adjustments, the Council has applied the following practical expedients in the Code:

- hindsight has been applied in determining the lease term where the lease contains options to extend or terminate.
- leases due to expire before 1 April 2025 have been treated as short-term leases, irrespective of their overall term.

The mandated implementation of IFRS 16 impacts on the measurement of the liability for PFI/PPP arrangements.

In addition, the change in accounting treatment of Non-Commercial Leases with Peppercorn Rents may have an impact on the value of Right of Use Assets as reported in the Balance Sheet & associated disclosure notes.

At the time of publishing the draft statement of accounts the impact of these changes has not been included.

However, this will be added to the Final Statements of Accounts.

2. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts 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 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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-minimus level for the processing of accruals**, £10,000 for capital and £10,000 for revenue. The de-minimus policy for revenue requires that no accruals are actioned for individual amounts below £10,000; 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.

NOTES TO THE ACCOUNTS

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. **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.

v. **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.

vi. **Inventories and Long-term Contracts**

Inventories are shown in the Balance Sheet at the lower of cost and net realisable value.

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.

vii. **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 CIES is the council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the CIES 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 council'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 CIES. The impairment loss is measured as the difference between carrying amount and the revised future cash flows.

viii. **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 accruals basis to the relevant service line of the CIES. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable due to 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 accruals basis to the relevant service area line in the CIES 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 derived from the "Hymans Robertson" corporate bond yield curve.

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 pensions liability is analysed into the following components:

- **Service cost comprising:**
 - **Current service cost** – the increase in liabilities as a result of years of service earned this year; allocated in the CIES 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 CIES; 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 CIES. 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.
- **Effect of the asset ceiling** – the limitation on the Council's ability to realise pensions assets through reductions in future employer's contributions as a result of minimum funding requirements.

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

ix. **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 CIES 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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 CIES 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.

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 CIES 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 the fair value measurement section below of the accounting policies and the Financial Instruments note.

x. **Government Grants and Contributions**

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:

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- 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 CIES 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 CIES.

Where capital grants are credited to the CIES, 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 grants have been applied, they are 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.

Principal 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 principal or agent).

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

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.

When CIL is received without conditions; it is recognised at the commencement date of the chargeable development in the CIES 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.

xi. **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 CIES.

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 CIES.

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

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.

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

The Code requires local authorities with material interests in subsidiary and associated companies and joint ventures to prepare 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 Children's Trust**, which is a wholly owned company of 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.

xiii. Leases

The Council as Lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the current value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index,

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while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

The Council as Lessor

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. 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.

On conversion to an academy from a local authority maintained school a lease is granted for 125 years. These leases are finance leases and therefore not recognised on the balance sheet.

xiv. **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.

xv. **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

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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 and are in accordance with the Guidance on Stock Valuation for Resource Accounting (SVRA).

Property Plant and Equipment

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

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.

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As per CIPFA Code 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 from 1 April 2021 to 31 March 2025.

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 fair value measurement section below.

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, current value is used as a proxy for fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains may be credited to the CIES 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 CIES.

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 CIES.

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- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, 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:

<u>Asset</u>	<u>Useful Life (Years)</u>
Carriageways and Footways	28
Structures – Bridges	80
Highways (prior to split being applied between Footways and Structures)	36
Vehicles & Plant	7
Street Lighting	30
Land Drainage	30
Street Furniture	10
Equipment	5-10

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. For further details see the council's accounting policy for components.

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 below), 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.

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Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. 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 CIES. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES, 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.

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.

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xvi. **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 have used the following significant components when calculating dwelling depreciation:

<u>Component</u>	<u>Component Breakdown (%)</u>	<u>Component Useful Life (UEL)</u>
<u>Houses and Bungalows</u>		
Building Structure	51%	60 years
Roof	8%	40 years
Heating	10%	25 years
Electrics	5%	35 years
Other	26%	60 years
<u>Flats</u>		
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 CIES and Balance Sheet.

With the exception of council dwellings, 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 the year 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 council's 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.

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.

xvii. **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 of 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 ten 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.

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.

xviii. **Minimum Revenue Provision**

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. This provision replaces depreciation, revaluation and impairment losses or amortisation of non-current assets by means of an entry in the capital adjustment account.

The MRP Policy Statement was updated for 2024/25 for MRP on prudential borrowing from an annuity basis using the Council's Weighted Average Borrowing Rate for the remaining life of those Council assets, to an annuity basis using the PWLB annuity rate applicable to the remaining life of the asset being financed from borrowing.

There is no statutory requirement to make a MRP for the Housing Revenue Account (HRA) although there is the provision for a voluntary amount to be charged. No voluntary provision has been set aside in this financial year and the updated 30 year HRA Business Plan modelling assumes no voluntary repayments going forward.

MRP is also chargeable on other balance sheet liabilities and amounts chargeable are included in those specific accounting policies – xiii Leases, the Council as Lessee and xix Private Finance Initiative and Similar Contracts.

xix. **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.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

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

- **Fair value of the services** received during the year; debited to the relevant service line(s) in the CIES.
- **Finance cost** - an interest charge on the outstanding Balance Sheet liability; debited to the Financing and Investment Income and Expenditure line in the CIES.
- **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.

xx. **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 CIES 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.

xxi. **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 CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

- **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 proceeds 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 usable 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 Usable Capital Receipts Reserve.

- **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.

xxii. **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.

xxiii. **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 CIES 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.

xxiv. **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 £0.2974m 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 £4.545m in any policy year across all liability sections of cover.

Motor – The first £0.1698m of each motor claim for damage to a council vehicle and third-party claims. Third party losses are limited to £0.508m 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.

xxv. **VAT**

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

xxvi. **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 considers 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.

xxvii. **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 Black Country Integrated Care Board 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.

Rounding

Due to rounding some totals may not exactly agree with the sum of their component parts. These accounts are not adjusted for cross-casting immaterial differences between the main statements and disclosure notes.

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

The Code of Practice on Local Authority Accounting in the UK 2025-26 (“the Code”) has introduced the following changes in accounting standards, which will need to be adopted fully by the Council in the 2025-26 financial statements from 1 April 2025.

The Council is required to disclose information relating to the impact of the accounting changes on the financial statements of the adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Council. The Council is required to make disclosure of the estimated effect of the new standard in these financial statements.

The following accounting standards have changes next year, but these are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported financial information in the accounts and will therefore not have a material effect:

IAS 21 *The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)* issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

IFRS 17 *Insurance Contracts* issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

Changes to the measurement of non-investment assets within the 2025-26 Code include adaptations and interpretations of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statements of Accounts are:

- The council has interests in another entity that falls within the Group boundary on the basis of control and significant influence in line with the code. Financial information in respect of Sandwell Children's Trust is considered material to the overall financial position of the council and have been consolidated within the Group accounts presented.
- **Private Finance Initiative (PFI) and Similar Contracts** – Based on the scope of the Code and IFRIC 12, the Council has concluded that the four PFI schemes and Serco Limited Waste Contract fall under the scope of IFRIC 12. The PFI schemes and Service Concession assets are therefore accounted for on an on-balance sheet basis. The Accounting Policy for PFI details judgements made in applying capital spend to the assets held on the Balance Sheet.
- **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
- 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.

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.

5. 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.

The items in the council's Balance Sheet at 31 March 2025 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Asset Valuations & Non-Current Assets

Section	Narrative Summary	Consequences if actual results differ from assumptions
Valuation of HRA Dwellings	The HRA residential portfolio is valued based on a beacon methodology with a 40% EUV-SH factor applied. The current EUV-SH value of the stock is £1,418m. A further 120 properties are not currently occupied due to major refurbishment.	A reduction in the estimate value of HRA dwellings would result in a reduction to the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of approximately £141.8m.
Non-Current Assets	Asset valuations are based on current value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provide valuations as at 31 March 2025. The carrying value of non-current assets subject to valuation that did not receive a revaluation in 2024/25 totalled £72.1m. The Council's valuers use a combination of methodologies to value operational assets. These include Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs (such as floor area) that must be used to apply valuations. The estimated remaining useful life of all operational assets is reviewed annually.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the CIES. If the value of the Council's operational properties were to reduce by 10% this would result in a charge to the CIES of approximately £88.7m. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluation to the CIES and/or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current operational assets subject to potential revaluation is £887m.
Fair Value Measurement of Investment Property and Surplus Assets	The Council's external valuers use valuation techniques to determine the fair value of investment property. The valuers base their assumptions on observable data as far as possible but this is not always available. In that case, the valuers use the best information available. Please refer to Current Value of Non-Current Assets Note – Fair Value Measurement of Investment Properties and Surplus Assets for further details.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If investment property value were to reduce by 10% this would lead to a £7.6m reduction. If surplus assets value were to reduce by 10% this would lead to a £2.7m reduction. This would impact the Council's CIES Surplus/Deficit.

NOTES TO THE ACCOUNTS

Impairment Allowances

Section	Narrative Summary	Consequences if actual results differ from assumptions
Impairment Allowance for Doubtful Debt	As at 31 March 2025, the Council had an outstanding debtors' balance totalling £188.7m. Against this debtors' balance, there is an impairment allowance of £56m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.

Net Pension Position & Sensitivity Analysis

Section	Narrative Summary	Consequences if actual results differ from assumptions
Pension Valuation	The valuation of the net pension position 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, Hymans Robertson 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 £27.213m. The net liability shown on the balance sheet would not change in line with the sensitivity analysis due to the adjustment for the asset ceiling calculation. See Pension Note for further details. See Sensitivity Analysis Table below.

Change in Assumption	% Increase to Defined Benefit Obligation	Monetary Amount (£'000)
0.1% decrease in Real Discount Rate	2%	27,213
1 year increase in member life expectancy	4%	63,596
0.1% increase in Salary Increase Rate	0%	1,406
0.1% increase in Pension Increase/Revaluation Rate	2%	26,554

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgement has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, West Midlands Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

6. Material Items of Income and Expense

This note identifies material items of income and expenditure that are not disclosed separately in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment

Sandwell Aquatic centre was examined by our external valuer Wilkes, Head & Eve, with a £11.902m revaluation increase recorded, the property valuation moving from £60.360m in 2023/24 to £72.262m in 2024/25.

Two schools were derecognised during the year on conversion to academies. Net book value of the disposals was £15.424m and this cost is included in Financing and Investment Income and Expenditure.

- Moat Farm Infants School (inc. Lavendar Farm Children's Centre), £5.179m
- Rowley Hall Primary School & Children's Centre £10.245m

Other income

Birmingham Airport declared an ordinary dividend of £5.577m following a refinancing exercise. This income is not expected to be repeated in 2025/26.

7. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are 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.

Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no events since 31 March 2025, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

8. Prior Period Adjustments

Prior period adjustments may arise from 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.

NOTES TO THE ACCOUNTS

9. 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.

2024/25	As Reported to Management	Adjustments to arrive at net amount chargeable to General Fund and HRA	Net Expenditure Chargeable to General Fund and HRA	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
People					
- Adults	85,498	(284)	85,214	(1,092)	84,122
- Children's	102,561	(9,684)	92,877	12,564	105,441
- Schools	(1,091)	(12,525)	(13,616)	(2,248)	(15,864)
- Public Health	1,246	(6)	1,240	(260)	980
Place					
- Environment	75,723	(18,687)	57,036	12,060	69,096
- Housing	4,471	(293)	4,178	(2)	4,176
- Regeneration & Growth	10,063	1,622	11,685	9,857	21,542
Housing Revenue Account	(6,159)	(48,844)	(55,003)	(3,134)	(58,137)
Corporate Services					
- Assistant Chief Executive	10,235	165	10,400	(649)	9,751
- Chief Executive	333	(37)	296	3,292	3,588
- Finance & Transformation	26,199	(1,288)	24,911	1,779	26,690
- Corporate Budgets	30,883	(14,594)	16,289	(2,262)	14,027
Cost of Services	339,962	(104,455)	235,507	29,905	265,412
Other operating expenditure	-	13,997	13,997	(4,302)	9,695
Financing and Investment Income and Expenditure	(25,909)	89,052	63,143	(27,289)	35,854
Taxation and Non Specific Grant Income	(340,052)	1,202	(338,850)	(66,650)	(405,500)
(Surplus)/Deficit	(25,999)	(204)	(26,203)	(68,336)	(94,539)
Opening General Fund & HRA Balance			(243,874)		
(Surplus)/Deficit on General Fund and HRA Balance in year			(26,203)		
Closing General Fund & HRA Balance at 31 March 2025 *			(270,077)		

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

NOTES TO THE ACCOUNTS

2023/24 (Restated)	As Reported to Management	Adjustments to arrive at net amount chargeable to General Fund and HRA	Net Expenditure Chargeable to General Fund and HRA	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
People					
- Adults	84,595	(145)	84,450	(881)	83,569
- Children's	98,639	(9,745)	88,894	9,939	98,832
- Schools	(673)	(13,895)	(14,568)	(5,682)	(20,250)
- Public Health	1,015	(6)	1,009	(184)	825
Place					
- Environment	66,611	(15,952)	50,660	32,653	83,313
- Housing	2,760	(293)	2,468	(82)	2,385
- Regeneration & Growth	11,753	1,737	13,490	9,010	22,499
Housing Revenue Account	(1,367)	(30,036)	(31,403)	(93,535)	(124,938)
Corporate Services					
- Assistant Chief Executive	7,162	2,491	9,653	(519)	9,134
- Chief Executive	(840)	(41)	(881)	2,247	1,366
- Finance and Transformation	22,292	2,906	25,198	714	25,912
- Law and Governance	6,801	(6,801)	-	-	-
Corporate Budgets	31,666	(15,075)	16,591	284	16,875
Cost of Services	330,415	(84,855)	245,560	(46,035)	199,522
Other operating expenditure	-	14,092	14,092	(4,185)	9,907
Financing and Investment Income and Expenditure	(22,889)	63,350	40,461	(6,176)	34,285
Taxation and Non-Specific Grant Income	(317,341)	(1,605)	(318,946)	(76,202)	(395,148)
(Surplus)/Deficit	(9,815)	(9,018)	(18,835)	(132,598)	(151,434)
Opening General Fund & HRA Balance			(225,039)		
(Surplus)/Deficit on General Fund and HRA Balance in year			(18,835)		
Closing General Fund & HRA Balance at 31 March 2024 *			(243,874)		

NOTES TO THE ACCOUNTS

10. 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 (CIES). The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2024/25	Capital Adjustments at Directorate level £'000	Other Adjustments at Directorate level £'000	Total to arrive at amount charged to the GF & HRA £'000	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000
People:							
- Adult Social Care Services	(284)	-	(284)	699	(1,826)	35	(1,092)
- Children's Services	(9,734)	50	(9,684)	15,060	(2,512)	16	12,564
- Schools	(3,981)	(8,544)	(12,525)	-	(4,996)	2,748	(2,248)
- Public Health	(6)	-	(6)	4	(280)	16	(260)
Place:							
- Environment	(14,247)	(4,440)	(18,687)	13,161	(1,102)	1	12,060
- Housing	(293)	-	(293)	406	(402)	(6)	(2)
- Regeneration	(1,865)	3,487	1,622	10,530	(680)	7	9,857
Housing Revenue Account (HRA)	(21,415)	(27,430)	(48,845)	(966)	(2,167)	(1)	(3,134)
Corporate Services:							
- Assistant Chief Executive	-	165	165	9	(660)	2	(649)
- Chief Executive	(37)	-	(37)	3,309	(17)	-	3,292
- Finance and Transformation	(1,288)	-	(1,288)	3,344	(1,583)	18	1,779
- Corporate Items	-	(14,594)	(14,594)	-	(2,252)	(10)	(2,262)
Net Cost of Services	(53,150)	(51,306)	(104,456)	45,556	(18,477)	2,826	29,905
Other operating exp	-	13,997	13,997	(4,302)	-	-	(4,302)
Financing and Investment Income and Expenditure	13,762	75,291	89,053	(33,425)	6,136	-	(27,289)
Taxation and Non Specific Grant Income	-	1,202	1,202	(69,983)	-	3,333	(66,650)
(Surplus) or Deficit	(39,388)	39,184	(204)	(62,154)	(12,341)	6,159	(68,336)

NOTES TO THE ACCOUNTS

2023/24 (Restated)	Capital Adjustments at Directorate level £'000	Other Adjustments at Directorate level £'000	Total to arrive at amount charged to the GF & HRA £'000	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000
People:							
- Adult Social Care Services	(285)	140	(145)	93	(1,130)	156	(881)
- Children's Services	(9,684)	(61)	(9,745)	11,550	(1,598)	(13)	9,939
- Schools	(7,444)	(6,451)	(13,895)	-	(3,393)	(2,289)	(5,682)
- Public Health	(6)	-	(6)	6	(149)	(41)	(184)
Place:							
- Environment	(14,493)	(1,459)	(15,952)	33,244	(748)	157	32,653
- Housing	(219)	(74)	(293)	204	(268)	(19)	(82)
- Regeneration	(1,189)	2,926	1,737	9,537	(456)	(72)	9,010
Housing Revenue Account (HRA)	(20,471)	(9,565)	(30,036)	(72,740)	(1,472)	(19,323)	(93,535)
Corporate Services:							
- Assistant Chief Executive	-	2,491	2,491	-	(393)	(126)	(519)
- Chief Executive	(102)	62	(41)	2,257	(11)	(1)	2,246
- Finance and Transformation	(792)	3,698	2,906	1,877	(1,068)	(95)	714
- Law and Governance	(99)	(6,702)	(6,801)	-	-	-	-
- Corporate Items	-	(15,075)	(15,075)	-	284	-	284
Net Cost of Services	(54,785)	(30,070)	(84,855)	(13,969)	(10,401)	(21,665)	(46,035)
Other operating exp	-	14,092	14,092	(4,185)	-	-	(4,185)
Financing and Investment Income and Expenditure	26,461	36,889	63,350	(9,745)	4,094	(525)	(6,176)
Taxation and Non Specific Grant Income	-	(1,605)	(1,605)	(75,222)	-	(980)	(76,202)
(Surplus) or Deficit	(28,324)	19,306	(9,018)	(103,121)	(6,307)	(23,170)	(132,598)

Adjustments made to Directorate reports

Note 1 – Capital Adjustments at Directorate Level

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.

Note 2 – Other Adjustments at Directorate Level

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 CIES.

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

Note 3 – Adjustments for Capital Purposes

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.

Note 4 – Net Change for the Pensions Adjustments

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 CIES.

Note 5 – Other Differences

Other differences between amounts debited/credited to the CIES 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.

11. Expenditure and Income analysed by nature

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

Expenditure and Income by Nature	2024/25 £'000	2023/24 £'000
Expenditure:		
Employee Benefits Expenses / Officers remuneration	382,596	318,237
Other Services Expenses	658,473	663,316
Depreciation, Amortisation and Impairment	31,209	(19,863)
(Gain)/Loss on Disposal of Non-Current Assets	11,094	(4,185)
Net (Gain)/Loss on Financial Assets at FV	(65)	8,777
Interest Payments	33,754	32,352
Precepts and Levies	14,025	14,092
Support Services Recharges	-	58
Total Expenditure	1,131,086	1,012,784
Income:		
Fees and Charges and Other Service Income	(222,490)	(217,010)
Income from Council Tax and Business Rates	(289,880)	(277,842)
Government Grants and Contributions	(699,997)	(662,522)
Interest and Investment Income	(13,258)	(6,844)
Total Income	(1,225,625)	(1,164,218)
Surplus on Provision of Services	(94,539)	(151,434)

NOTES TO THE ACCOUNTS

12. 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.

2024/25	Usable Reserves					Total Usable Reserves	Total Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources							
<i>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:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	(10,940)	(1,400)	-	-	-	(12,340)	12,340
Right of Use Asset (Deferred Capital Receipt)	(29)	-	-	-	-	(29)	29
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(10)	(13)	-	-	-	(23)	23
Council tax and NDR (transfers to or from Collection Fund Adjustments Account)	3,333	-	-	-	-	3,333	(3,333)
Holiday pay (transferred to the Accumulated Absences Reserve)	2,836	13	-	-	-	2,849	(2,849)
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)	65,572	9,524	-	-	-	75,096	(75,096)
Total Adjustments to Revenue Resources	60,817	8,124	0	0	0	68,941	(68,941)

NOTES TO THE ACCOUNTS

2024/25 (Continued)	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000		
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(554)	(14,599)	15,153	-	-	0	0
Transfer of capital grants and contributions to Capital Grants Unapplied	(60,516)	(12,970)	-	-	6,228	(67,258)	67,258
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(19,410)	-	19,410	-	0	0
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(17,152)	(2,037)	-	-	-	(19,189)	19,189
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,647)	(6,392)	-	-	-	(10,039)	10,039
Total Adjustments between Revenue and Capital Resources	(81,869)	(55,408)	15,153	19,410	6,228	(96,486)	96,486
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(19,750)	-	-	(19,750)	19,750
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(22,925)	-	(22,925)	22,925
Application of capital grants to finance capital expenditure	-	-	-	-	(13,610)	(13,610)	13,610
Total Adjustment to Capital Resources	0	0	(19,750)	(22,925)	(13,610)	(56,285)	56,285
Total Adjustments	(21,052)	(47,284)	(4,597)	(3,515)	(7,382)	(83,830)	83,830

NOTES TO THE ACCOUNTS

2023/24	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000		
Adjustments to the Revenue Resources							
<i>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:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	(5,397)	(911)	-	-	-	(6,308)	6,308
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(76)	(449)	-	-	-	(525)	525
Council tax and NDR (transfers to or from Collection Fund Adjustments Account)	(980)	-	-	-	-	(980)	980
Holiday pay (transferred to the Accumulated Absences Reserve)	(2,341)	139	-	-	-	(2,202)	2,202
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):	49,384	(67,067)	-	-	-	(17,683)	17,683
Total Adjustments to Revenue Resources	40,590	(68,288)	-	-	-	(27,698)	27,698

NOTES TO THE ACCOUNTS

2023/24 (Continued)	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000		
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(624)	(13,239)	13,863	-	-	-	-
Transfer of capital grants and contributions to Capital Grants Unapplied	(53,255)	-	-	-	53,255	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(19,462)	-	19,462	-	-	-
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(11,393)	(1,206)	-	-	-	(12,599)	12,599
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,721)	-	-	-	-	(5,721)	5,721
Total Adjustments between Revenue and Capital Resources	(70,993)	(33,907)	13,863	19,462	53,255	(18,320)	18,320
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(7,088)	-	-	(7,088)	7,088
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(18,798)	-	(18,798)	18,798
Application of capital grants to finance capital expenditure	-	-	-	-	(13,478)	(13,478)	13,478
Total Adjustment to Capital Resources	-	-	(7,088)	(18,798)	(13,478)	(39,364)	39,364
Total Adjustments	(30,403)	(102,195)	6,775	664	39,777	(85,382)	85,382

NOTES TO THE ACCOUNTS

13. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund 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 2024/25.

The balances ring fenced for schools are also included below:

Earmarked Reserves	Opening Balance 1 April 2023	Transfer Out 2023/24	Transfer in 2023/24	Balance 31 March 2024	Transfer Out 2024/25	Transfer in 2024/25	Closing Balance 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Balances							
S31 Relief Grant	398	-	-	398	-	-	398
COVID Emergency Funding (S31 Business Rates Grant)	10,891	(5,092)	2,225	8,024	(2,766)	-	5,257
COVID Emergency Funding Grants	9,772	(4,591)	231	5,411	(4,478)	356	1,288
Better Care Fund	15,057	(536)	-	14,521		71	14,592
Insurance Reserve	8,487	(672)	-	7,815	(70)	-	7,746
Public Health Reserve	8,345	(957)	-	7,388	(1,339)	-	6,050
BSF PFI Sinking Fund Reserves	8,045	-	-	8,045	(476)	28	7,597
Sinking Fund Reserves	2,195	(85)	-	2,109	(148)	119	2,080
Serco Contract	3,628	-	5,674	9,302	(1,330)	-	7,972
Adults Social Care Grant	3,908	(15)	-	3,893	(3,795)	-	98
Finance General Reserve	503	(142)	-	361	-	470	831
SCT Reserve (a)	13	-	-	13	-	-	13
Dartmouth Park HLF	257	(89)	-	167	(41)		126
Teaching for Public Health Network	381	-	109	490	-	97	587
West Midland Regional Research	1,681	(189)	-	1,492	(408)	-	1,084
Private Sector Housing Reserve	1,613	-	128	1,741	(265)		1,476
Regeneration & Economy Reserve	2,377	(1,394)	1,400	2,383	-	1,063	3,446
Elections (Fallow year)	770	(202)	350	918	-	-	918
Borough Economy General Reserve	873	-	130	1,003	(463)	-	540
Aquatics Centre	100	-	-	100	-	-	100
Proceeds of Crime Act	841	-	121	962	(15)	-	947
Business Rates Volatility	7,000	-	1,823	8,823	-	4,852	13,675
Regeneration & Growth Capital Projects Support	5,706	-	-	5,706	(250)	-	5,456
Aquatic Centre - Replacement	3,700	-	-	3,700	-	-	3,700
Oracle Fusion	3,939	-	1,850	5,789	-	371	6,160
Invest to Save Reserve	2,342	(665)	-	1,677	-	-	1,677
SCT Reserve (b)	1,058	(240)	-	818	-	-	818
Cost of Exit Packages	1,452	-	-	1,452	-	-	1,452
Commonwealth Games	129	(101)	-	28	(28)	-	-
Kickstart Revaluation Reserve	1,750	-	399	2,149	(148)	-	2,001
Finance Corporate Improvement	1,055	-	-	1,055	-	-	1,055
Cemetery Reserve	1,446	(1,613)	1,446	1,279	-	-	1,279
Pay Award	1,000	-	-	1,000	-	-	1,000
Business Strategy & Change General Reserve	869	(569)	-	300	-	-	300

NOTES TO THE ACCOUNTS

Earmarked Reserves Continued	Opening Balance 1 April 2023	Transfer Out 2023/24	Transfer in 2023/24	Balance 31 March 2024	Transfer Out 2024/25	Transfer in 2024/25	Closing Balance 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
New Asset Register System	331	(129)	-	202	-	-	202
Forge Mill Farm Demolition	227	-	-	227	-	-	227
School Repairs Reserve	120	-	-	120	-	-	120
Post LAC Pupil Premium Grant	114	-	-	114	-	-	114
Borough Economy Grant Reserve	191	(13)	933	1,111	(58)	-	1,053
Social Care Grant	2,439	(702)	-	1,737	-	4,374	6,111
Financial Planning Reserve	7,746	-	1,353	9,099	(509)	-	8,590
Climate Change Reserve	600	-	-	600	-	-	600
Dedicated Schools Grant Reserve	5,560	-	129	5,689	(397)	-	5,292
Serco Reserve	4,448	(1,983)	-	2,465	-	1,385	3,850
Business Change	-	-	1,700	1,700	-	2,150	3,850
Cost of Living	-	(1)	1,500	1,499	(117)	-	1,382
Customer Journey	-	-	1,500	1,500	-	-	1,500
Bed Rails Compliance Review	-	-	211	211	-	-	211
Aquatic Centre Maintenance	-	-	399	399	-	-	399
Welfare Rights	-	-	77	77	-	173	250
Travellers Site	-	-	7	7	-	-	7
Local Area Budget	-	-	62	62	-	76	138
Black Country Festival	-	-	10	10	-	-	10
ACE Grant Reserve	-	-	28	28	(28)	-	-
Elections – Democracy	-	-	175	175	-	-	175
Contract Risk	-	-	6,002	6,002	-	6,048	12,050
Capital Financing Reserve	-	-	-	-	-	7,685	7,685
Adult Social Care Reserve	-	-	-	-	-	1,703	1,703
West Midlands Regional Research	-	-	-	-	-	229	229
Social Care Reserve	-	-	-	-	-	2,092	2,092
Total General Fund Earmarked Reserves	133,355	(19,980)	0	29,970	143,345	(17,129)	33,343
Schools Balances	30,505	-	2,808	33,313	-	3,587	36,900
Total Earmarked Reserves General Fund	163,860	(19,980)	0	32,778	176,658	(17,129)	36,930
HRA Earmarked Reserves	42,237	-	-	5,934	48,171	-	2,979
Major Repairs Reserve	2,883	-	-	664	3,547	(3,547)	32
Total Earmarked Reserves HRA	45,120	0	0	6,598	51,718	(3,547)	3,011

14. CIES - Other Operating Expenditure

	2024/25 £'000	2023/24 £'000
Levies	14,025	14,092
Net (Gains) and Losses on the Disposal of Non-Current Assets	(4,330)	(4,185)
	9,695	9,907

15. CIES - Financing and Investment Income and Expenditure

	2024/25 £'000	2023/24 £'000
Interest Payable and Similar Charges*	27,585	28,226
Net Interest on the Net Defined Benefit Liability (Asset)	6,136	4,094
Interest (Receivable) and Similar Income	(10,426)	(3,358)
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	(2,832)	(2,950)
Derecognition of Schools on Conversion to Academies	15,424	-
Net (Gains) and Losses on Fair Value Adjustments on Investment Properties	(78)	8,777
Net (Gains) and Losses on Fair Value Adjustments on Financial Liabilities	33	32
Net (Gains) and Losses on Fair Value Adjustments on Financial Assets	12	(536)
	35,854	34,285

* IFRS 16 Leases has been adopted for the first time in 2024/25. 2023/24 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in the accounting policies.

16. CIES - Taxation and Non-Specific Grant Income and Expenditure

	Note	2024/25 £'000	2023/24 £'000
Council Tax Income		(134,834)	(126,631)
Non-Domestic Rates Income and Expenditure		(155,047)	(151,211)
Non-Ringfenced Government Grants	41	(45,636)	(42,085)
Capital Grants and Contributions	41	(69,983)	(75,222)
		(405,500)	(395,149)

NOTES TO THE ACCOUNTS

17. 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.

Movements in 2024/25	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>							
At 1 April 2024	1,384,023	851,670	59,592	51,684	26,724	27,170	2,400,861
Adjustment for ROU assets (IFRS16)	6,072	12,731	-	-	-	-	18,803
Revised At 1 April 2024	1,390,095	864,401	59,591	51,684	26,723	27,170	2,419,664
Additions	37,140	8,750	7,975	33,235	2,576	132	89,808
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,424)	(4,502)	-	-	-	(7,851)	(15,777)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	2,875	13,514	-	-	-	(3,704)	12,685
Derecognition – Disposals	(10,536)	-	(1,230)	-	-	-	(11,766)
Derecognition – Other	-	(15,450)	(7,108)	-	-	-	(22,558)
Transfers	1,852	(5,646)	-	(5,776)	-	9,570	-
Transfers to/from Investment Property	-	(542)	-	216	-	-	(326)
Transfers to/from Assets Held for Sale	-	-	21	-	-	-	21
Transfers to/from Assets Held for Sale	-	-	-	-	-	(159)	(159)
At 31 March 2025	1,418,002	860,525	59,249	79,359	29,299	25,158	2,471,592
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2024	-	(2,436)	(31,242)	(265)	(54)	(1)	(33,998)
Depreciation charge	(18,677)	(16,741)	(6,235)	-	-	-	(41,653)
Depreciation written out to the revaluation reserve	714	16,846	-	-	-	231	17,791
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	17,831	-	-	(8,131)	-	-	9,700
Derecognition – Disposals	132	-	1,225	-	-	-	1,357
Derecognition - Other	-	1	7,106	-	-	-	7,107
Transfers	-	230	-	8	-	(230)	8
At 31 March 2025	-	(2,100)	(29,146)	(8,388)	(54)	-	(39,688)
At 31 March 2025	1,418,002	858,425	30,103	70,971	29,245	25,158	2,431,904
At 31 March 2024	1,384,023	849,234	28,349	51,419	26,669	27,169	2,366,863

NOTES TO THE ACCOUNTS

Movements in 2023/24	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>							
At 1 April 2023	1,281,724	773,416	53,736	110,941	25,373	29,745	2,274,935
Additions	30,138	8,371	9,986	33,862	1,350	-	83,707
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,876	16,079	-	-	-	(887)	17,068
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	75,551	(22,603)	-	-	-	(3,347)	49,601
Derecognition – Disposals	(9,166)	-	(1,121)	-	-	-	(10,287)
Derecognition – Other	-	(42)	(3,010)	(14)	-	-	(3,066)
Transfers	3,900	77,161	-	(83,216)	-	2,155	-
Transfers to/from Investment Property	-	(712)	-	(9,889)	-	(41)	(10,642)
Transfers to/from Assets Held for Sale	-	-	-	-	-	(455)	(455)
At 31 March 2024	1,384,023	851,670	59,592	51,684	26,724	27,170	2,400,861
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2023	-	(1,314)	(29,934)	(9,274)	(54)	(4)	(40,580)
Depreciation charge	(18,782)	(14,126)	(5,418)	-	-	(5)	(38,331)
Depreciation written out to the revaluation reserve	688	21,957	-	-	-	117	22,763
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	1	-	-	-	-	1
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	17,965	-	-	-	-	(67)	17,899
Derecognition – Disposals	129	-	1,100	-	-	-	1,229
Derecognition - Other	-	1	3,010	-	-	-	3,011
Transfers	-	(8,955)	-	9,009	-	(42)	13
At 31 March 2024	-	(2,436)	(31,243)	(265)	(54)	(1)	(33,998)
At 31 March 2024	1,384,023	849,234	28,349	51,419	26,669	27,169	2,366,863
At 31 March 2023	1,281,724	772,102	23,802	101,667	25,319	29,741	2,234,355

NOTES TO THE ACCOUNTS

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 or other decisions relating to infrastructure assets.

<i>Analysis of movement on net carrying amount:</i>	2024/25	2023/24
Net Book Value (modified historical cost)	£'000	£'000
at 1 April	247,207	237,887
Additions	23,101	18,336
Depreciation	(11,055)	(9,016)
Balance at 31 March	259,253	247,207

18. Right of Use Assets

As 2024/25 is the first year of new lease accounting arrangements with an application date of 1st April 2024 reliable comparative figures for 2023/24 are not available.

This table shows the change in the carrying amount of right-of-use assets held under leases by the Council:

	Land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Balance at 1 April 2024	13,757	205	13,962
Additions	-	172	172
Revaluations	(47)	-	(47)
Depreciation	(656)	(60)	(716)
Derecognition of sub lease	(986)	-	(986)
Balance 31 March 2025	12,068	317	12,385

19. Heritage Assets

The council will undertake a valuation exercise for the financial year ended 31st March 2028 in accordance with its policy to revalue Heritage assets formally every 10 years. The carrying value as at 31 March 2025 is £4.32m pending the conclusion of this valuation exercise.

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.

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 &

NOTES TO THE ACCOUNTS

Webb who provided a valuation of £0.184m. The remainder of the council's furniture collection was also reviewed in 2017/18.

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.

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.

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.

20. Investment Properties

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

Income and Expenditure	2024/25 £'000	2023/24 £'000
Rental income from investment property	(4,038)	(4,091)
Direct operating expenses arising from investment property	1,206	1,141
Net (gain) / loss	(2,832)	(2,950)

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:

Movement in the fair value of investment	2024/25 £'000	2023/24 £'000
Balance at start of the year	75,364	72,658
Additions	4,722	963
Disposals	(70)	(109)
Net gains / (losses) from fair value adjustments	80	(8,777)
Transfers	318	10,629
Other movement in the FV of Investment Property	-	-
Balance at the end of the year	80,414	75,364

21. Assets Held for Sale

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

Assets Held for Sale	2024/25 £'000	2023/24 £'000
Balance at start of year	-	-
Assets newly classified as held for sale:		
Property Plant and Equipment	159	455
Revaluation	(3)	-
Assets sold	(156)	(455)
Balance at year end	-	-

22. 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:

Intangible Assets	2024/25 £'000	2023/24 £'000
Balance at start of year	8,837	2,683
Purchases	6,856	6,330
Transfer	(21)	
Amortisation for the period	(158)	(176)
Net carrying amount at end of year	15,514	8,837
Comprising:		
Gross carrying amount	35,065	28,489
Accumulated amortisation	(19,551)	(19,652)
	15,514	8,837

23. Current Value of Non-Current Assets

Movement in the Current Value of Non-Current Assets

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip	Assets under Construction	Community Assets	Surplus Assets	Infrastructure Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	-	-	30,103	70,971	29,245	-	259,253	389,572
Valued at Current Value as at:								0
31 March 2025	1,418,002	786,319				25,158		2,229,479
31 March 2024		43,590						43,590
31 March 2023		9,589						9,589
31 March 2022		12,712						12,712
31 March 2021		6,215						6,215
Total Cost or Valuation	1,418,002	858,425	30,103	70,971	29,245	25,158	259,253	2,691,157

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.

NOTES TO THE ACCOUNTS

Level 2 – Significant Observable

The valuations for Land (including Farmland & Development), Office, Community Centres, 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

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 2024/25	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input level 3 £000's	Fair Value 31st March 2025 £000's
<u>Fair Value Category:</u>				
Investment Properties:				
Cleared Sites	-	174	-	174
Community Centres	-	-	160	160
Compounds	-	1,634	-	1,634
Health Centre	-	3,498	-	3,498
Industrial Sites	-	8,472	-	8,472
Land	-	16,721	-	16,721
Managed Workspace	-	-	-	0
Office	-	733	-	733
Retail Sites	-	38,142	-	38,142
Shops	-	8,858	-	8,858
Vacant Sites	-	328	-	328
Investment Properties – Assets Under Construction	-	1,694	-	1,694
Total Investment	-	80,254	160	80,414
Surplus Assets:				
Land	-	23,450	-	23,450
Vacant Sites	-	1,707	-	1,707
Total Surplus	-	25,157	0	25,157
Total	-	105,411	160	105,571

NOTES TO THE ACCOUNTS

Fair Value Hierarchy 2023/24	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input level 3 £000's	Fair Value 31st March 2024 £000's
Fair Value Category:				
Investment Properties:				
Cleared Sites	-	174	-	174
Compounds	-	1,472	-	1,472
Health Centre	-	3,512	-	3,512
Industrial Sites	-	7,594	-	7,594
Land	-	16,377	-	16,377
Managed Workspace	-	208	-	208
Office	-	337	-	337
Retail Sites	-	36,935	-	36,935
Shops	-	8,351	-	8,351
Vacant Sites	-	405	-	405
Total Investment	-	75,365	-	75,365
Surplus Assets:				
Land	-	26,548	-	26,548
Vacant Sites	-	620	-	620
Total Surplus	-	27,169	-	27,169
Total	-	102,534	-	102,534

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 2025 £000's	31 March 2024 £000's
Opening Balance	-	-
Recategorisation of Community Centre	160	-
Closing Balance	160	-

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 CIES.

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 Director of Finance on a regular basis regarding valuation matters.

NOTES TO THE ACCOUNTS

24. 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 plus Cash and Cash Equivalents		Debtors	
	31 March 25 £'000	31 March 24 £'000	31 March 25 £'000	31 March 24 £'000	31 March 25 £'000	31 March 24 £'000	31 March 25 £'000	31 March 24 £'000
Amortised Cost	84	84	873	-	62,689	62,614	40,255	40,317
Fair Value through Profit & Loss	-	-	4,825	5,058	-	-	-	-
Fair Value through Other Comprehensive Income	31,283	36,184	-	-	-	-	-	-
Total Financial Assets	31,367	36,268	5,698	5,058	62,689	62,614	40,255	40,317
Assets not defined as Financial Instruments	-	-	-	-	-	-	92,487	67,503
Total	31,367	36,268	5,698	5,058	62,689	62,614	132,742	107,820

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors and Liabilities		Borrowings		Creditors	
	31 March 25 £'000	31 March 24 £'000	31 March 25 £'000	31 March 24 £'000	31 March 25 £'000	31 March 24 £'000	31 March 25 £'000	31 March 24 £'000
Amortised Cost	(367,883)	(353,686)	(77,374)	(57,413)	(78,133)	(91,455)	(143,269)	(118,187)
Liabilities not defined as Financial Instruments	-	-	(128,171)	(138,687)	-	-	(12,431)	(7,346)
Total	(367,883)	(353,686)	(205,545)	(196,100)	(78,133)	(91,455)	(155,700)	(125,533)

NOTES TO THE ACCOUNTS

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 a number of 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 2025	31 March 2024
	£'000	£'000
Opening Balance	1,254	1,830
+ New Loans Granted	-	-
- Fair Value Adjustment on Initial Recognition	-	-
- Loans Repaid	(594)	(608)
+/- Other Changes	33	32
Balance Carried Forward	692	1,254

NOTES TO THE ACCOUNTS

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 2025 as FVOCI:

Description	Nominal Value £'000	Fair Value as at 31 March 25 £'000	Change in Fair Value during 2024/25 £'000	Dividends £'000
Birmingham Airport - Ordinary Shares	182	29,000	(4,900)	5,577
Birmingham Airport - Preference Shares	1,766	1,766	-	604
LEP Special Purpose Vehicle - Ordinary Shares	518	518	-	-
Investments in Equity Instruments	2,466	31,284	(4,900)	6,181

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 an approx.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.

NOTES TO THE ACCOUNTS

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:

	2024/25		2023/24	
	(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensive Income & Expenditure £'000	(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensive Income & Expenditure £'000
Net (gains)/losses on:				
Financial assets measured at fair value through profit or loss	13	-	(536)	-
Financial assets measured at amortised cost	4,380	-	690	-
Investments in equity instruments designated at fair value through other comprehensive income	-	4,900	-	(3,100)
Financial liabilities measured at amortised cost	32	-	32	-
Total net (gains)/losses	4,426	4,900	186	(3,100)
Interest revenue:				
Financial assets measured at amortised cost	(4,245)	-	(1,209)	-
Other financial assets measured at fair value through other comprehensive income	(6,181)	-	-	-
Total interest revenue	(10,426)	-	(1,209)	-
Interest expense	27,585	-	28,226	-

NOTES TO THE ACCOUNTS

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, 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 and are shown with the Birmingham Airport share value in the 'Unquoted Shares' column in the 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 and are shown in the column headed 'Other' in the table below:

The tables below detail the fair value of assets classified and reclassified by the authority at input level 3 in 2024/25 compared to 2023/24:

2024/25	Unquoted Shares £'000	Other £'000	Total £'000
Opening Balance	36,184	5,058	41,242
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains/ (losses) for the period:			
recognised in Surplus or Deficit on Provision of Services	-	(91)	(91)
recognised in Other Comprehensive Income and Expenditure	(4,900)	-	(4,900)
Disposals	-	(142)	(142)
Closing Balance	31,284	4,825	36,109

2023/24	Unquoted Shares £'000	Other £'000	Total £'000
Opening Balance	33,089	4,676	37,765
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains/ (losses) for the period:			
recognised in Surplus or Deficit on Provision of Services	-	479	479
recognised in Other Comprehensive Income and Expenditure	3,100	-	3,100
Disposals	(5)	(97)	(102)
Closing Balance	36,184	5,058	41,242

NOTES TO THE ACCOUNTS

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 2024/25. 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 2024/25 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 Not Held at Fair Value

The fair values calculated are as follows:

	31 March 2025		31 March 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	300,796	275,159	286,713	280,871
Non PWLB Debt	71,303	54,016	83,379	68,980
Other Local Authority Debt	37,624	37,703	30,148	30,148
Salix Loans (Interest Free)	692	692	1,253	1,253
Bank Overdraft	17,464	17,464	20,817	20,817
Other Temporary Borrowing	35,601	35,601	43,648	43,648
Total Debt	463,480	420,634	465,958	445,717
PFI & Finance Lease Liabilities	84,369	96,027	61,569	76,610
Creditors	118,811	118,811	93,213	93,213
Total Financial Liabilities	666,660	635,473	620,740	615,540

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

NOTES TO THE ACCOUNTS

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 £300.796m would be valued at £275.159m (this is the exit price for the PWLB loans including the penalty charge or reduction for discount

Financial Assets Not Held at Fair Value

Fair Values of Financial Assets	31 March 2025		31 March 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short Term:				
Cash Equivalents plus Short Term Investments	62,689	62,689	62,614	62,614
Current Debtors	40,255	40,255	40,317	40,317
Total Short Term Assets	102,944	102,944	102,931	102,931
Long Term				
Local Enterprise Partnership	84	84	84	84
Non-Current Debtors	873	873	-	-
Total Long Term Assets	957	957	84	84
Total Financial Assets	103,901	103,901	103,015	103,015

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

Assets held at Fair Value are not included in the above table and include the council's long-term investment in Birmingham Airport which was revalued as at the 31 March 2025 which has seen a decrease of £4.9m to £30.766m (including preference shares) and the LEP Special Purpose Vehicle which is valued at £0.518m.

NOTES TO THE ACCOUNTS

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 2025				
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities held at amortised cost				
PWLB	-	300,796	-	300,796
Non-PWLB	-	144,528	-	144,528
Soft Loans	-	692	-	692
Bank Overdraft	-	17,464	-	17,464
PFI & Finance Lease Liabilities	-	84,369	-	84,369
Creditors	-	118,811	-	118,811
Total Financial Liabilities	-	666,660	-	666,660
Financial Assets at amortised cost				
Investments plus Cash & Cash Equivalents	-	62,773	-	62,773
Debtors	-	41,128	-	41,128
Total Financial Assets	-	103,901	-	103,901
31 March 2024				
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities held at amortised cost				
PWLB	-	286,713	-	286,713
Non-PWLB	-	157,175	-	157,175
Soft Loans	-	1,253	-	1,253
Bank Overdraft	-	20,817	-	20,817
PFI & Finance Lease Liabilities	-	61,569	-	61,569
Creditors	-	93,213	-	93,213
Total Financial Liabilities	-	620,740	-	620,740
Financial Assets at amortised cost				
Investments plus Cash & Cash Equivalents	-	62,698	-	62,698
Debtors	-	40,317	-	40,317
Total Financial Assets	-	103,015	-	103,015

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 from 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 & Poors 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, taking into account their financial position, past 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 is £93.722m and is made up of long-term investments, short-term investments and cash & cash equivalents. Potential losses 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 very small risk in terms of recoverability applies to all council deposits, but there is no evidence at the 31 March 2025 that this was likely to crystallise.

NOTES TO THE ACCOUNTS

A table to show the investments held by the Council at the 31 March 2025 is below:

Fitch Credit Ratings (or equivalent)	31 March 2025 £'000	31 March 2024 £'000
AAA	40,500	33,200
AA	-	-
A	554	5,615
BBB	-	-
N/A	52,668	59,780
Total	93,722	98,595

Allowances for impairment losses have been calculated (exc. LEP working capital) for investments held at 31 March 2025, 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 provision have been set aside for the LEP working capital loan (£0.084m) due to future uncertainties and increased risk of default.

Equity investments held at Fair Value through Other Comprehensive Income are outside the scope of impairment and therefore no impairment is required in 2024/25.

The impairment requirements do not apply to the Kickstart loans categorised as assets held at Fair Value through Profit and Loss, 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 2024/25.

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:

Financial Instruments – Aged Debt Analysis	2024/25 £'000	2023/24 £'000
Less than 3 months	16,481	12,477
3 to 6 months	2,481	2,556
6 months to 1 year	2,440	2,127
More than 1 year	13,056	9,524
Total amounts overdue	34,458	26,684

NOTES TO THE ACCOUNTS

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 fixed rate borrowings is shown below, along with the maximum limits maturing in each period as approved by council in the Treasury Management Strategy. Maturity dates for LOBO loans have been assumed as next call option date as the earliest date for repayment should the lender implement their option.

Maturity Structure of Fixed Rate Borrowing	Principal Amount as at 31 March 25 £'000	Percentage of Total Fixed Rate Debt	Approved Indicator	Principal Amount as at 31 March 2024 £'000
Less than 1 year	65,952	16.4%	40%	42,254
Between 1 and 2 years	33,241	8.2%	30%	8,821
Between 2 and 5 years	63,698	15.8%	20%	17,136
Between 5 and 10 years	34,500	8.6%	25%	42,500
Between 10 and 20 years	28,203	7.0%	30%	38,203
Between 20 and 30 years	83,115	20.6%	40%	90,115
Between 30 and 40 years	94,454	23.4%	50%	116,454
Between 40 and 50 years	-	-	70%	20,000
Above 50 years	-	-	90%	20,000
	403,163			395,483

All amounts outstanding at balance sheet date are within the approved indicator levels.

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

NOTES TO THE ACCOUNTS

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 a decrease of £31.907m 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 £30.766m in Birmingham Airport and £0.518m in the Local Education Partnership. 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 in a position 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 £1.564m 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.

25. Short Term Debtors

Short Term Debtors	31 March 2025 £'000	31 March 2024 £'000
Other Government Entities	34,714	24,609
Trade Receivables	40,256	38,838
Local Taxation	28,025	21,855
Payments In Advance	29,747	22,517
Total	132,742	107,819

Comparative figures for 2023/24 have been amended in line a revised presentation of the groups of debtors reported.

The debtor figures above are net of provisions for impairment losses of £56,004k in 2024/25, (£50,802k in 2023/24). Additional information is provided in note 5

Government entities debts increase in the year were West Midlands Combined Authority (£4.2m), Schools and local councils (£3.0m), Sandwell Children's Trust (£1.2m) HMRC value added tax (£1.0m) and collection fund precepts (£0.8m).

26. 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:

Debtor Analysis for Local Taxation	31 March 2025			31 March 2024		
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	7,589	3,942	11,531	6,700	3,352	10,052
One to two years	4,043	1,267	5,310	3,320	855	4,175
More than two	10,465	719	11,184	7,476	152	7,628
Total	22,097	5,928	28,025	17,496	4,359	21,855

27. Cash and Cash Equivalents

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

Cash & Cash Equivalents	31 March 2025 £'000	31 March 2024 £'000
Bank current accounts	21,556	23,513
Short term deposits	41,055	33,815
	62,611	57,328
Bank Overdraft	(17,464)	(20,817)
Total Cash and Cash Equivalents	45,147	36,510

28. Short Term Creditors

Categories	31 March 2025 £'000	31 March 2024 £'000
Trade Payables	107,649	85,156
Other Payables	23,593	15,404
Finance Lease Creditors	6,994	4,156
Total	138,236	104,716

29. Other Long-Term Liabilities

Other Long Term Liabilities	31 March 2025 £'000	31 March 2024 £'000
Finance Lease Creditors	68,117	57,413
Deferred Liabilities	206	185
Finance Lease Creditors – Right of Use Assets	9,258	-
Deferred Creditors	3,415	3,487
Pensions Liability	124,549	135,015
Other Long Term Liabilities	205,545	196,100

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30. 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).

Short Term Provisions	Termination Benefits £'000	Insurance £'000	Business Rates Appeals £'000	Ordinary Residence Dispute £'000	Total £'000
Balance as at 31 March 2024	839	2,138	5,139	-	8,116
Additional Provisions	523	-	7,193	1,013	8,729
Amounts Used	(656)	(507)	(7,698)	-	(8,861)
Unused Amounts Reversed	(183)	-	-	-	(183)
Balance as at 31 March 2025	523	1,631	4,634	1,013	7,801

Long Term Provisions	Roway Lane Rent £'000	Insurance £'000	LEP Working Capital Loan £'000	Court House £'000	Total £'000
Balance as at 31 March 2024	114	3,075	84	165	3,438
Additional Provisions	-	-	-	-	-
Amounts Used	(114)	(414)	-	(165)	(693)
Unused Amounts Reversed	-	-	-	-	-
Balance as at 31 March 2025	-	2,661	84	-	2,745

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 £0.523m. These provisions reflect the known costs of all **termination benefits** approved as at 31 March 2025.
- An **insurance provision** of £4.292m for previous years' asset, employee and public liability claims held in line with recommendations made within the actuarial valuation. This provision is split between current and long-term provisions of £1.631m and £2.661m respectively.
- Further details on the **council's insurance fund** can be found within Notes to the accounts, accounting policies, (Provisions, Contingent, Liabilities and Contingent Assets).

NOTES TO THE ACCOUNTS

31. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement. Additional information is provided in Note 13 in respect of Earmarked reserves.

32. Unusable Reserves

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

Unusable Reserves	31-Mar-25 £'000	31-Mar-24 £'000
Revaluation Reserve	(345,416)	(353,977)
Capital Adjustment Account	(1,568,203)	(1,480,985)
Financial Instrument Revaluation Reserve	(23,036)	(27,936)
Financial Instruments Adjustment Account	474	497
Pensions Reserve	124,549	135,015
Collection Fund Adjustment Account	1,878	(1,455)
Accumulated Absences Account	9,433	6,585
Deferred Capital Receipts Reserve	(949)	-
Total Unusable Reserves	(1,801,270)	(1,722,256)

Note 32a - 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	2024/25 £'000	2023/24 £'000
Balance at 1 April	(353,977)	(325,067)
Upward Revaluation of Assets	(70,062)	(66,109)
Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provisions of Services	68,102	26,283
Surplus or Deficit on Revaluation of Non-Current Assets Not Posted to the Surplus or Deficit of the Provision of Services	(1,960)	(39,826)
Difference Between Fair Value Depreciation and Historical Cost of Depreciation	6,719	10,118
Accumulated Gains or Assets Sold or Scrapped	3,656	489
Amounts Written off to the Capital Adjustment Account	146	309
Balance at 31st March	(345,416)	(353,977)

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Note 32b - 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. The Adjustments between Accounting Basis and Funding Basis under Regulations Note provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2024/25 £'000	2023/24 £'000
Balance at 1 April	(1,480,985)	(1,394,702)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and Amortisation of non current assets	53,590	47,521
Revaluation and impairment losses/(gains) on property, plant and equipment	(22,372)	(67,446)
Revenue expenditure funded from capital under statute	21,589	11,150
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	27,125	9,678
	79,932	903
Adjusting amounts written out of the Revaluation Reserve	(10,591)	(11,013)
Net written out amount of the cost of non-current assets consumed in the year	69,341	(10,110)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve	(19,750)	(7,089)
Use of the Major Repairs Reserve	(22,925)	(18,797)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(67,258)	(32,742)
Applications of grants to capital financing from the Capital Grants Unapplied Account	(13,610)	(8,002)
Statutory provision for the financing of capital investment	(19,188)	(12,599)
Revenue Contributions to Capital	(10,041)	(5,721)
	(152,772)	(84,950)
Other Adjustments:		
Movements in the market value of Investment Properties debited or credited to the CIES	78	8,777
Movement in Donated Assets	(3,709)	-
Balance at 31 March	(1,568,203)	(1,480,985)

NOTES TO THE ACCOUNTS

Note 32c - 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.

Financial Instrument Reserve	2024/25	2023/24
	£'000	£'000
Balance at 1 April	(27,936)	(24,836)
Upward revaluation of investments	-	(3,100)
Downward revaluation of investments	4,900	-
Balance at 31 March	(23,036)	(27,936)

Note 32d - 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).

Financial Instruments Adjustment Account	2024/25	2023/24
	£'000	£'000
Balance at 1 April	497	1,022
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	(41)	(52)
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)	(15)	(505)
Salix Loans (EIR Adjustment)	33	32
Balance at 31 March	474	497

NOTES TO THE ACCOUNTS

Note 32e - 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	2024/25 £'000	2023/24 £'000
Balance at 1 April	135,015	131,629
Remeasurements of the net defined benefit liability / (asset)	(229,100)	(106,465)
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	42,189	43,755
Employer's pensions contributions and direct payments to pensioners payable in the year	(54,529)	(50,063)
Adjustment for IFRIC 14 – Change in the effect of the asset ceiling	230,974	116,159
Balance as at 31 March	124,549	135,015

Note 32f - 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 (CIES) as it falls due from payers, compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2024/25 £'000	2023/24 £'000
Balance at 1 April	(1,455)	(475)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	3,333	(980)
Balance as at 31 March	1,878	(1,455)

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Note 32g - Accumulated Absences Account

This account absorbs the differences that would arise on the General Fund and Housing Revenue Account Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

Accumulated Absences Account	2024/25 £'000	2023/24 £'000
Balance at 1 April	6,585	8,787
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,848	(2,202)
Balance as at 31 March	9,433	6,585

33. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2024/25 £'000	2023/24 £'000
Interest received	4,662	3,574
Interest paid	(28,450)	(26,055)
Dividends Received	6,181	-

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2024/25 £'000	2023/24 £'000
Depreciation	53,432	47,395
Impairment and downward valuations	(28,866)	(70,440)
Amortisation	158	126
Increase/(decrease) in creditors	14,769	9,945
(Increase)/decrease in debtors	(25,013)	(16,826)
(Increase)/decrease in inventories	(366)	(63)
Movement in pension liability	(12,340)	(6,308)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	26,086	9,678
Other non-cash items charged to the net surplus or deficit on the provision of services	2,820	7,555
	30,680	(18,937)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2024/25 £'000	2023/24 £'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	5,000	15,006
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16,103)	(13,864)
Any other items for which the cash effects are investing or financing cash flows	(77,196)	(75,222)
	(88,299)	(74,080)

34. Cash Flow Statement – Investing Activities

	2024/25 £'000	2023/24 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(115,443)	(107,582)
Purchase of short and long-term investments	-	(10,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15,154	13,864
Other receipts from investing activities	70,522	91,185
Net cash flows from investing activities	(29,767)	(12,533)

35. Cash Flow Statement – Financing Activities

	2024/25 £'000	2023/24 £'000
Cash receipts of short and long-term borrowing	313,421	274,956
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(5,966)	(3,724)
Repayments of short and long-term borrowing	(309,040)	(308,462)
Other payments/(receipts) from financing activities	3,067	(101)
Net cash flows from financing activities	1,482	(37,332)

36. Pooled Budgets

Utilising Section 75 of the National Health Act 2006, Sandwell Council has entered into a pooled budget arrangement in relation to the better care fund (BCF) with Black Country Integrated Care Board. The services are commissioned by Sandwell Council or Black Country Integrated Care Board depending upon the needs of the client and are provided by several methods including internal, external and voluntary sector organisations.

During 2024/25 Sandwell MBC hosted the Better Care Fund pooled budget the objectives and performance of the pooled budget are outlined below.

Better Care Fund (BCF)

Better Care Fund (BCF) came into operation on 1 April 2015 and is hosted by Sandwell MBC with contributions from the Black Country Integrated Care Board. It aims to improve the quality and cost effectiveness of services through greater integration of health, social care and voluntary/third sector provisions.

Improved Better Care Fund Grant in 2024/25 – Grant Funding of £23,021,432

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.

As part of the agreement any deficit or surplus arising on the pooled budget at the end of each financial year will be transferred in or out of a reserve held by Sandwell Council.

The standing orders and financial regulations of the pool host applies to the management of the pool fund and the financial performance of the pool for the year ended 31 March 2025 is shown below.

	Better Care Fund 2024/25 £'000	Better Care Fund 2023/24 Restated* £'000
SMBC as Lead Commissioner/Principal	51,152	45,874
ICB as Lead Commissioner/Principal	13,860	13,871
Net Expenditure	65,012	59,745
Income exc. Partner Contributions*	(70)	(36)
Net Expenditure	64,942	59,709
Partner Contributions:		
Sandwell & West Birmingham ICB	(33,477)	(31,673)
Sandwell MBC - I-BCF	(23,021)	(23,020)
SMBC ASC Discharge Grant*	(5,379)	(3,227)
ICB Discharge Grant*	(3,136)	(1,252)
Total Contribution	(65,013)	(59,172)
Net (Surplus) / Deficit in Year	(72)	537
Reserves brought forward	(14,519)	(15,056)
Net (surplus)/deficit transferred from Reserves	(72)	537
Total BCF Reserves	(14,591)	(14,519)

*There was £4.479m previously included in 2023/24 under "Income excluding Partner Contributions", comprising £3.227m from the SMBC Adult Social Care (ASC) Discharge Grant and £1.252m from the ICB ASC Discharge Grant.

These grants were pooled into the local area's joint funding arrangements via BCF and intended to support both the ICB and SMBC in reducing hospital discharge delays. For 2024/25, these amounts have been reclassified to "Partner's Contributions" as they form part of the Better Care Fund (BCF) allocation from 2025/26 onwards. Consequently, the 2023/24 comparative figures have been restated to ensure consistency of presentation.

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37. 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	Salary, Fees & Allowances	Other Emoluments	Total Remuneration exc Pension Contributions	Employers Pension Contribution	Total Remuneration inc Pension Contributions	Annualised Salary
2024/25	£	£	£	£	£	£
Shokat Lal (Chief Executive)	201,566	70	201,636	49,585	251,221	N/A
Assistant Chief Executive	95,567	-	95,567	23,702	119,269	N/A
Executive Director:						
Finance and Transformation – Interim* (a)	30,360	-	30,360	-	30,360	335,800
Finance and Transformation (b)	129,470	-	129,470	32,049	161,519	143,637
Place (c)	132,478	-	132,478	32,773	165,251	153,021
People (d)	-	-	-	-	-	-
Director:						
- Adult Social Care	113,237	20	113,257	28,081	141,338	N/A
- Children and Education	103,587	-	103,587	25,691	129,278	N/A
- Public Health	98,179	(298)	97,881	24,679	122,560	N/A
- Environment (e)	31,320	1,576	32,896	8,001	40,897	196,839
- Housing Services – Interim* (f)	6,400	-	6,400	-	6,400	155,733
- His Majesty's Senior Coroner Zafar Siddique	150,600	8,240	158,840	39,085	197,925	N/A

a) The Interim* Director of Finance and Transformation departed on 06/05/2024 (Annualised Salary £335,800)

b) The Executive Director of Finance and Transformation was appointed on 07/05/2024 (Annualised Salary £143,637)

c) The Executive Director of Place was appointed on 20th May 2024 (Annualised Salary £153,021)

d) The Executive Director of People post remained vacant during 2024-25

e) The Director of Environment departed on the 31st May 2024 (Annualised Salary £196,839). The post was deleted from this date.

f) The Interim* Director of Housing departed on the 15th April 2024 (Annualised Salary £155,733). The post was deleted from this date.

* Note: The Interims were employed through a third party. The third party amount is not the amount that would have been received by the postholder.

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Position Title	Salary, Fees & Allowances	Other Emoluments	Total Remuneration exc Pension Contributions	Employers Pension Contribution	Total Remuneration inc Pension Contributions	Annualised Salary
2023/24	£	£	£	£	£	£
Shokat Lal (Chief Executive)	191,475	39	191,514	47,103	238,617	-
Assistant Chief Executive (g)	48,567	-	48,567	11,947	60,514	87,134
Executive Director:						
Brendan Arnold (Finance and Transformation) (h)	185,639	-	185,639	-	185,639	325,090
Place (i)	-	-	-	-	-	-
People (j)	-	-	-	-	-	-
Director:						
- Adult Social Care	109,457	88	109,545	26,926	136,471	-
- Children and Education (k)	108,611	2,051	110,662	26,718	137,380	118,662
- Children and Education (Interim) (l)	8,491	-	8,491	2,089	10,579	-
- Public Health	100,557	203	100,760	24,737	125,497	-
- Environment	105,671	-	105,671	25,995	131,666	-
- Housing Services (m)	46,965	-	46,965	11,553	58,518	105,455
- Dean Epton (Housing Services) (Interim) (n)	102,400	-	102,400	-	102,400	184,623
- Regeneration and Growth (o)	98,738	13	98,751	24,289	123,040	118,098
- Finance (p)	50,089	-	50,089	12,322	62,410	116,767
	88,864	142,519				
- Law and Governance and Monitoring Officer (q)			231,383	21,860	253,243	118,269

g) The Assistant Chief Executive was appointed on 25th September 2023 (Annualised Salary £87,134)

h) The Interim Executive Director of Finance and Transformation was appointed on 5th September 2023 (Annualised Salary £325,090)

i) The Executive Director of Place Post remained vacant during 2023-24

j) The Executive Director of People Post remained vacant during 2023-24

k) The Director of Children and Education departed on 29th February 2024 (Annualised Salary £118,662)

l) The Director of Children and Education (Interim) was appointed on the 1st March 2024 (Annualised Salary £100,246)

m) The Director of Housing departed on the 10th September 2024 (Annualised Salary £105,455)

n) The Director of Housing (Interim) was appointed on 11th September 2023 (Annualised Salary £184,623)

o) The Director of Regeneration and Growth departed on the 31st January 2024 (Annualised Salary £118,098).

p) The Director of Finance departed on the 4th September 2023 (Annualised Salary £116,767)

q) The Director of Law and Governance departed on the 31st December 2023 (Annualised Salary £118,270)

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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	2024/25		2023/24	
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	184	267	92	196
£55,000 - £59,999	69	127	54	75
£60,000 - £64,999	59	54	35	32
£65,000 - £69,999	30	11	26	6
£70,000 - £74,999	27	7	19	8
£75,000 - £79,999	22	6	13	5
£80,000 - £84,999	17	7	14	8
£85,000 - £89,999	14	6	7	5
£90,000 - £94,999	7	5	9	8
£95,000 - £99,999	8	9	6	2
£100,000 - £104,999	5	1	3	-
£105,000 - £109,999	6	-	2	1
£110,000 - £114,999	2	-	-	1
£115,000 - £119,999	2	1	-	-
£120,000 - £124,999	-	1	-	-
£125,000 - £129,999	-	2	-	-
£130,000 - £134,999	1	2	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	1	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999*	1	1	-	-
£155,000 - £159,999*	-	-	-	1
£190,000 - £194,999*	-	-	-	1
	455	507	280	349

- Two employees had remuneration more than £150k but salary less than £150k. These have been included in £150k or above in banding note but excluded from Senior Officers Remuneration Note.

38. Members Allowances

The total amount paid during 2024/25 to elected members of the council in respect of basic and special responsibility allowances was £1.409m (£1.368m in 2023/24).

NOTES TO THE ACCOUNTS

39. External Audit Costs

	2024/25 £'000	2023/24 £'000
Sandwell Metropolitan Borough Council PSAA Scale Fee	632	598
ISA 315	-	13
Appointment of Auditor's Valuation Expert	10	10
Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for 2022/23	-	-
Total fees for appointed Auditor	642	621
<u>Fees payable in respect of other services provided by Grant Thornton</u>		
Teachers Pension Audit	13	20
Housing Benefit Audit	70	83
Children's Trust Audit	38	40
New Ledger / Data Transfer	10	-
Total additional fees	131	143
TOTAL	773	764

NOTES TO THE ACCOUNTS

40. Dedicated Schools Grant (DSG)

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	2024/25			2023/24		
	Central Expenditure £'000	ISB £'000	Total £'000	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG before academy and high needs recoupment	-	-	466,668	-	-	425,195
Academy and high needs figure recouped	-	-	(194,235)	-	-	(176,967)
Total DSG after academy and high needs recoupment	-	-	272,433	-	-	248,228
Plus: Brought forward	-	-	5,689	-	-	5,557
Agreed initial budgeted distribution	71,970	206,153	278,122	13,850	239,935	253,785
In year adjustments	-	-	-	-	(1,377)	(1,377)
Final budget distribution	71,970	206,153	278,122	13,850	238,558	252,408
Less: Actual central expenditure	69,274	-	69,274	13,174	-	13,174
Less: Actual ISB deployed to schools		203,556	203,556	-	233,545	233,545
In year carry forward	2,696	2,596	5,292	676	5,013	5,689
Carry forward	-	-	5,292			5,689
Net DSG position at the end of 2024/25			5,292			5,689

41. 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	31st March 2025	31st March 2024
	£'000	£'000
Accelerating Reform Grant	306	-
Social Housing Decarbonisation Fund	-	203
Homes for Ukraine Grant	-	179
Police and Crime Commissioner Elections Grant	-	244
Community Discharge Grant	125	147
Digital Planning Improvement Fund	100	100
Green Belt Grant	70	-
Other Grants	243	199
Total	844	1,072

Capital Grants Receipts in Advance	31st March 2025	31st March 2024
	£'000	£'000
Short Term:		
Renewal & Growth	1,077	1,077
Wednesbury (LUF)	-	14,755
Other Grants	4,687	13,250
Other Contributions	331	354
	6,095	29,436
Long Term:		
Section 106	1,423	1,626
Disabled Facilities Grant	7,828	8,860
Levelling Up Funding – Tipton Town	7,425	-
Levelling Up Funding – Haden Hill LC	2,462	-
Levelling Up Funding – Grove Lane	3,091	-
Food Waste Collection	1,914	-
Green Networking	2,470	-
Other Grants	1,464	1,024
Other Contributions	1,330	1,230
	29,407	12,740
Total	35,502	42,176

NOTES TO THE ACCOUNTS

The council credited the following grants, contributions and donations to the CIES:

	2024/25	2023/24
Credited to Taxation and Non Specific Grant Income	£'000	£'000
Non ring-fenced government grants:		
Section 31 Business Rates Grant	(43,071)	(36,710)
Services Grant	(710)	(4,116)
Business Rates Green Plant and Machinery Exemption Grant	(151)	(294)
Levy Surplus Grant	(853)	(854)
New Homes Bonus	(777)	(111)
Capacity Funding Grant	(61)	-
New Burdens Grant - Transparency	(13)	-
	(45,636)	(42,085)
Capital Grants and Contributions:	2024/25	2023/24
	£'000	£'000
Local Transport Plan Grant	(7,754)	(8,003)
WMCA – Active Travel Tranche 2	(2,677)	(853)
Bridge Repair Grant	-	(7)
Schools Basic Need Grant	(5,287)	(10,021)
Schools Capital Maintenance Grant	(1,219)	(5,398)
High Needs Grant	(1,485)	(5,753)
Devolved Formula Capital Grant	(530)	(635)
Homes England Grant	(3,175)	(510)
Department of Culture Media & Sports - Aquatic Centre Grant	-	(2,420)
Towns Fund Grant	(6,759)	(33,024)
Community Infrastructure Levy	-	(376)
PSDG Grant Heat Pump Technology	-	(64)
DFT Birchley Island	(701)	(311)
Childcare Expansion Grant	-	(429)
Haden Hill Leisure Centre	(508)	(334)
Wednesbury Schemes	(19,755)	(295)
Tipton Town Regeneration	(1,574)	(1,060)
West Midlands Combined Authority	(6,658)	-
UKSPF	(3,169)	-
Community Infrastructure Levy	(387)	-
PSDS Grant Heat Pump Technology	(110)	-
Other Grants	(2,272)	(3,422)
IFRS16 Peppercorn Assets Contribution	(3,709)	-
Other Contributions	(2,254)	(2,307)
	(69,983)	(75,222)
Total Grants and Contributions Credited to Taxation and Non Specific Grant Income	(115,619)	(117,307)

NOTES TO THE ACCOUNTS

Credited to Services	2024/25 £'000	2023/24 £'000
Grants and contributions:		
Dedicated Schools Grant	(269,679)	(248,553)
Rent Rebates	(38,342)	(39,962)
Rent Allowance Subsidy	(26,217)	(27,322)
Public Health Grant	(28,140)	(26,658)
Improved Better Care Fund	(15,418)	(16,933)
Pupil Premium Grant	(15,863)	(15,281)
Grants funding REFCUS	(7,211)	(5,300)
Adult Social Care Support Grant	(46,612)	(35,711)
PFI Grants	(13,535)	(13,535)
Universal Infant Free School Meals	(3,007)	(2,997)
Post 16 Funding	(2,876)	(2,675)
Supporting Families	(2,500)	(1,741)
Benefit Admin Grant	(1,032)	(1,072)
PE Sports Grant	(1,251)	(1,271)
New Burdens Grants	(1,298)	(1,613)
Household Support Grant	(7,657)	(6,970)
Preventing Homelessness Grant	(1,489)	(1,490)
Holiday Activities and Food Programme	(2,007)	(2,030)
Ukrainian Resettlement Grant	(943)	(378)
Discharge Fund Grant	(5,379)	(3,227)
Market Sustainability & Improvement Fund	(8,085)	(7,137)
Afghan Resettlement Grant	(34)	(1,815)
Additional Schools Grant	(4,155)	(4,956)
Unaccompanied Asylum Seeker Children	(2,325)	(1,189)
Family Hubs Grant	(1,468)	(1,779)
Connect the Classroom	(1,081)	(2,877)
Early Years Grant	(1,288)	(1,643)
Teacher Pay Grant	(3,101)	(1,798)
Teachers Pension Grant	(4,194)	-
Home Office Grants	(1,864)	-
Communities Against Drugs Grant	(1,715)	-
Other Government Grants under £1m	(6,400)	(8,922)
Other Contributions and Donations	(27,287)	(24,533)
Other Contributions and Donations - Better Care Fund Joint Funding	(30,357)	(31,673)
Covid 19 Wellbeing for Education Return Grant	(16)	-
Covid 19 Catch up Package Grant	(552)	(2,173)
Total Credited to Services	(584,378)	(545,214)

42. 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 the Grant Income Note.

NOTES TO THE ACCOUNTS

West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities (WMF&RA), levy precepts on the council. In addition, a levy from the West Midlands Integrated Transport Authority totalling £13.909m and a Flood Defence levy of £0.047m were made during the financial year.

The (WMF&RA) has a pooling arrangement with the Council for the deposit of daily surplus cash balances. Amounts deposited to the Council are recognised as a Current Liability on the Councils Balance Sheet due to the nature of repayment to the Fire Authority being on demand. As at 31st March 2025 surplus cash deposited with Sandwell Council was £31.965m compared to £26.540m at the end of the previous financial year. Interest due on balances held by the council was £2.070m and has been recognised as an interest expense within the Council's Comprehensive Income and Expenditure Statement.

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.

In 2024/25 payments to other organisations where Members have declared an interest totalled £5.311m (excluding £2.736m Schools) and income received totalled £0.076m (excluding £2.929m Schools)

Other Organisations

The council made grants to voluntary organisations amounting to £7.178m during 2024/25. The council has a direct shareholding in Environments for **Learning Sandwell PFI One Ltd** (the special purpose vehicle established by the LEP) and a £0.518m holding of 10% loan stock. Interest on these investments of £0 has been received in 2024/25.

The council has a pooled budget arrangement with **Black Country Integrated Care Board (ICB)** which relate to health and social care services under the Better Care Board (BCF). Further information can be found in the Pooled Budgets note.

Sandwell Inspired Partnership Services (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 £0.256m to SIPS in 2024/25 and received £0.005m in relation to goods and services supplied by the council to SIPS in the same year.

Sandwell is also a constituent member, together with the other six West Midlands metropolitan districts, of the **West Midlands Combined Authority (WMCA)** where they are represented on the WMCA Board by the Leader of the Council and other nominated council members. In addition to the Transport Levy the council made payments totalling £1.469m to WMCA in 2024/25 and received £22.231m in relation to goods and services supplied by the council to WMCA in the same year. The WMCA wholly owns both 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 £89.048m to Sandwell Children's Trust (SCT) in 2024/25 and received £5.799m in relation to goods and services supplied by the council to SCT in the same year.

SCT has an arrangement with the Council to pool their surplus cash holdings with the Councils cash on a daily basis. Amounts deposited with the Council are recognised as a current liability on the Councils Balance Sheet due to the nature of repayment to SCT being on a same day basis. As at 31st March 2025 surplus cash deposited with Sandwell Council was £0.218m compared to

NOTES TO THE ACCOUNTS

£11.542m at 31st March 2024. Interest does not accrue on balances held and therefore there is no interest expense recognised by the Council. SCT have been consolidated into the Councils group.

Pension Liabilities

Sandwell Council's total pension contributions is £49.979m of which £4.569m relates to staff who were transferred over to SCT. At the 2022 valuation the split of assets between Sandwell Council and SCT is £1,750m and £56m respectively, which is approximately 3% of the total IAS19 position.

43. Capital Expenditure and Capital Financing

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

	2024/25 £'000	2023/24 £'000
Opening Capital Financing Requirement	875,504	839,968
Prior Year Adjustments:		
Right of Use Assets – Initial Recognition	10,254	-
PFI IFRS16 Adjustments	18,904	
Revised Opening Capital Financing Requirement	904,662	839,968
Capital Investment:		
Property, Plant & Equipment	112,909	102,043
Heritage assets	-	-
Investment properties	4,722	963
Intangible assets	6,856	6,330
Right of Use Asset	172	-
Revenue Expenditure Funded from Capital under Statute	21,590	11,150
	146,249	120,486
Sources of Finance:		
Government grants & other contributions	(80,868)	(40,744)
Capital receipts	(19,750)	(7,089)
Direct revenue contributions	(10,041)	(5,721)
Minimum Revenue Provision	(19,188)	(12,599)
Major Repairs Reserve	(22,925)	(18,797)
	(152,772)	(84,950)
Closing Capital Financing Requirement	898,139	875,504
Explanation of movements in year:		
Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	6,523	35,536
Increase/ (decrease) in Capital Financing Requirement	6,523	35,536

44. Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. As at 31 March 2025 the Council had allocated resources to a five year programme covering the period 2025/26 to 2029/30 that amount to £646.687m (2024/25 to 2028/29 £550.068m).

Included within the 5 year programme are amounts that are legally committed as at 31 March 2025 that amount to £0.757m (31 March 2024 £8.167m).

Capital Commitments	£'000
Haden Hill Leisure Centre	757

NOTES TO THE ACCOUNTS

45. Leases

IFRS 16 was fully introduced within local authority accounts in 2024/25. This has had an impact on how the Council accounts for leases where it is the lessee.

The Council as Lessee

The Council lease contracts comprise of operational land and buildings, equipment and vehicles.

Lease Liabilities

The adjustments to the opening liability balances for assets newly recognised on transition were as follows:

	Property Plant and Equipment £'000	Investment Property £'000	Non-Current Creditors £'000	Current Creditors £'000
Balance at 31 March 2024	2,614,071	75,365	196,100	104,716
Assets/ Liabilities newly recognised on transition	10,254	-	9,708	546
Opening Balance 1 April 2024	2,624,325	75,365	205,808	105,262

Transactions Under Leases

The following expenses and cash flows in relation to leases were incurred:

	2024/25 £'000
<u>Comprehensive Income and Expenditure Statement</u>	
Interest expense in lease liabilities	441
Expense relating to short-term leases	301
Expense relating to leases of low-value items	254
Income from subletting right-of-use assets	(64)

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	31 March 2025 £'000
Less than one year	1,018
One to five years	3,851
More than five years	8,105
Total undiscounted liabilities	12,974

NOTES TO THE ACCOUNTS

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:

Expenditure and Income by Nature	2024/25 £'000	2023/24 £'000
Not later than one year	3,521	4,227
Later than one year and not later than five years	12,799	10,913
Later than five years	168,466	160,528
Total	184,786	175,668

Of the total amount receivable for future lease income of £184.786m, £4.819m relates to a lease that commenced after 31st March 2025.

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.

46. 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 2024/25 was £9.6m (£9.6m in 2023/24).

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, £8.191m 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 portorage, 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 2024/25 totalled £8.1m (2023/24 was £7.6m).

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 2024/25 was £3.3m (2023/24 was £3.2m).

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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 2024/25 was £1.5m (2023/24 was £1.4m).

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	Total School Solutions	BSF Rowley Campus	Portway	Total PFI Schemes	Total Finance Lease Liabilities
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	Current	(2,326)	(1,466)	(2,209)	(389)	(6,390)	(6,390)
	Long Term	(16,727)	(6,223)	(37,412)	(7,755)	(68,117)	(68,117)
	Total	(19,053)	(7,689)	(39,621)	(8,144)	(74,507)	(74,507)
Balance at 31 March 2024	Current	(1,423)	(859)	(1,688)	(186)	(4,156)	(4,156)
	Long Term	(13,594)	(5,094)	(30,609)	(8,116)	(57,413)	(57,413)
	Total	(15,017)	(5,953)	(32,297)	(8,302)	(61,569)	(61,569)
Adjustment to Liability for IFRS16		(6,071)	(3,078)	(9,484)	(271)	(18,904)	(18,904)
Restated Opening Liability at 1 April 2024		(21,088)	(9,031)	(41,781)	(8,573)	(80,473)	(80,473)
Movement in Year		(2,035)	(1,342)	(2,160)	(429)	(5,966)	(5,966)
<u>Analysis of Movement in Year:</u>							
Capital Additions in year		-	-	-	-	-	-
Write down of liability		2,035	1,342	2,160	429	5,966	5,966
		2,035	1,342	2,160	429	5,966	5,966

NOTES TO THE ACCOUNTS

The table below provides a schedule of unitary payments due to be made under PFI contracts, split over their component parts:

Schedule of payments due to be made under PFI contracts	Within 1 Year	Within 2 - 5 Years	Within 6 - 10 Years	Within 11 - 15 Years	Total
	£'000	£'000	£'000	£'000	£'000
Riverside Housing PFI					
Liability Repayments	2,326	16,061	665	-	19,052
Interest Charges	985	1,877	35	-	2,897
Operating Costs	2,854	11,724	2,847	-	17,425
Lifecycle Costs	3,482	3,816	893	-	8,191
	9,647	33,478	4,440	-	47,565
Total School Solutions PFI					
Liability Repayments	1,466	6,223	-	-	7,689
Interest Charges	719	1,378	-	-	2,097
Operating Costs	1,011	3,714	-	-	4,725
Lifecycle Costs	126	503	-	-	629
	3,322	11,818	-	-	15,140
BSF Rowley Campus PFI					
Liability Repayments	2,209	11,860	20,171	5,381	39,621
Interest Charges	3,777	12,681	8,728	513	25,699
Operating Costs	1,660	6,640	8,296	1,482	18,078
Lifecycle Costs	510	1,446	3,589	90	5,635
	8,156	32,627	40,784	7,466	89,033
Portway PFI					
Liability Repayments	389	1,960	3,081	2,714	8,144
Interest Charges	553	1,909	1,599	781	4,842
Operating Costs	354	1,417	1,772	1,209	4,752
Lifecycle Costs	222	786	1,138	479	2,625
	1,518	6,072	7,590	5,183	20,363
Total Payments	22,643	83,995	52,814	12,649	172,101

NOTES TO THE ACCOUNTS

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	Buildings (Total Schools) £'000	Buildings (Rowley Campus) £'000	Land & Buildings (Portway) £'000	Total £'000
Balance at 1 April 2024	51,001	31,788	53,476	13,688	149,953
Adjustment for IFRS16	6,071	3,078	9,484	271	18,904
Restated Balance at 1 April 2024	57,072	34,866	62,960	13,959	168,857
Additions	1,531	147	354	152	2,184
Revaluations	(6,456)	(2,960)	(9,018)	(397)	(18,831)
In Year Depreciation	(681)	(676)	(1,399)	(262)	(3,018)
Depreciation Written Out	681	676	2,557	262	4,176
Other Movements	(562)	-	-	-	(562)
Balance at 31 March 2025	51,585	32,053	55,454	13,714	152,806

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 £31.993m in 2024/25 to Serco Limited (£28.637m in 2023/24).

NOTES TO THE ACCOUNTS

The table below provides a schedule of liability payments due to be made over the remaining life of the contract:

Schedule of payments due to be made under PFI contracts	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Total £'000
SERCO					
Operating Costs	35,480	151,417	219,117	23,229	429,243
Lifecycle and Other Costs	1,908	7,819	11,152	1,235	22,114
	37,388	159,236	230,269	24,464	451,357

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:

	31/03/2025 £'000	31/03/2024 £'000
Balance as at 1 April	7,592	3,818
Replacement asset (start of period)	594	4,187
Depreciation	(832)	(413)
Other Adjustments	-	-
Balance as at 31 March	7,354	7,592

As at the 31st March 2025 the Council had £3.9m (£2.4m at 31st March 2024) of prepayments relating to the contract with Serco Limited.

47. Impairment Losses

During 2024/25 one material Impairment Loss amounting to £8.131m has been identified in relation to the Council's Non-Current assets.

Reversal of impairment losses recognised in previous years amounting to £22.243m were recognised in 2024/25.

The Councils Valuers carried out impairment reviews where deemed appropriate, to determine if there were any material changes in property values from the 1 April 2024 to 31 March 2025.

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.

48. Termination Benefits

The council terminated 36 employee contracts (excluding schools) in 2024/25 to meet the ongoing challenges of the difficult economic climate and budget reductions, incurring liabilities of £0.827m.

The following table summarises the exit packages that the council has provided for:

(Exit Packages) Band	Total Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (£'000)		Details of Termination Packages - Cost of Prior Year's Included in Current Year	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	Numbers	Cost (£'000)
£0 - £20,000	1	0	23	17	24	17	110	103	2	29
£20,001 - £40,000	0	0	6	4	6	4	162	117	-	-
£40,001 - £60,000	1	0	1	3	2	3	82	168	2	103
£60,001 - £80,000	0	0	1	0	1	0	60	-	2	125
£80,001 - £100,000	0	0	1	0	1	0	100	-	-	-
£100,001 - £150,000	0	0	1	2	1	2	118	256	1	166
£150,001 - £200,000	0	0	1	2	1	2	195	355	-	-
£201,000 - £250,000	0	0	0	0	0	0	-	-	-	-
£250,001 - £300,000	0	0	0	1	0	1	-	272	1	263
£300,001 - £350,000	0	0	0	0	0	0	-	-	-	-
TOTAL	2	0	34	29	36	29	827	1271	8	686

A provision of £0.839m was created for employees approved as planned leavers at 31 March 2024 at the end of 2023/24. Of this £0.656m was utilised, £0.183m was released back to services and £0.121m re-provided for in 2024/25.

Further termination costs of £0.411m not included in the 2023/24 provision have been incurred. This has been funded by Directorates. Agreements were made in 2024/25 for 4 employees to leave the council in future years at an estimated cost of £0.052m; a provision has therefore been created for this amount. Further provision of £0.351m has been created for 2024/25 leavers for whom costs have been estimated but not yet incurred.

As at 31/03/2025, the council holds a total provision of £0.523m.

Schools terminated 42 employee contracts in 2024/25, incurring liabilities of £0.421m.

49. 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 2024/25 the council paid £21.894m (2023/24 £17.144m) to the DFE in respect of teachers' pension costs. This represents 23.68% of teacher's pensionable pay. Estimated contributions for 2025/26 are £22.989m 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 2024/25 these amounted to £3.327m (2023/24 £3.118). 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 2024/25 the council paid £0.043m (2023/24 £0.038m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. Estimated contributions for 2025/26 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 2024/25 the council paid an employer's pension contribution of £49.979m (2023/24 £45.718m) based on 24.6% 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. Contributions for 2025/26 were estimated at £49.712m based on 24.6% of pensionable pay.

The capital cost of awarding discretionary additional benefits relating to the year 2024/25 was £0.688m (2023/24 £1.022m). These costs have been met from revenue.

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:

NOTES TO THE ACCOUNTS

	2024-25 £'000	2023-24 £'000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Current Service Cost	37,183	39,317
Past Service Costs	910	344
Settlements and Curtailments	(2,040)	-
Financing and Investment Income and Expenditure		
Net Interest Expense	6,136	4,094
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	42,189	43,755
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)	58,878	(51,952)
- Actuarial gains and losses arising on changes in demographic assumptions	(3,188)	(11,454)
- Actuarial gains and losses arising on changes in financial assumptions	(271,477)	(102,439)
- Experience (gain) / loss	(13,313)	59,380
Changes in the effect of the asset ceiling	230,974	116,159
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,874	9,694
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(42,189)	(43,755)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's Contributions payable to scheme	49,979	45,718
Retirement benefits payable to pensioners	4,550	4,345
Net Movement in Reserves	12,340	6,308

*Under IFRIC14, an asset ceiling limits the amount of the net pension asset that can be recognised to the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan. An adjustment has been made in the Accounts to apply this asset ceiling, as calculated by the actuary, as the year end results showed a net asset in the pension scheme.

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, PO Box 3948, Wolverhampton WV1 1XP.
Website: <https://www.wmpfonline.com>.

NOTES TO THE ACCOUNTS

Pensions assets and liabilities recognised in the Balance Sheet

The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2025 have been provided by the Funds' Actuary and are detailed below:

	2024/25 £'000	2023/24 £'000
-		
Present Value of the defined benefit obligation		
Local Government Pension Scheme (funded)	(1,544,166)	(1,769,210)
Local Government Pension Scheme (unfunded)	(9,530)	(11,091)
Teachers Pension Scheme (unfunded)	(36,207)	(35,602)
Total Present Value of the defined benefit obligation	(1,589,903)	(1,815,903)
Fair Value of assets in the local government pension scheme	1,860,363	1,837,335
Surplus / (Deficit) in the scheme:		
Local Government Pension Scheme (LGPS)	306,667	57,034
Teachers Pension Scheme (TPS)	(36,207)	(35,602)
Net asset/(liability) before consideration of asset ceiling	270,460	21,432
Effect of the asset ceiling on Net Asset/(Liability)	(395,009)	(156,447)
Revised Balance Sheet Net Pension Liability	(124,549)	(135,015)

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2024/25 £'000	2023/24 £'000
Opening Balance at 1 April	(1,815,903)	(1,805,410)
Current Service Cost	(37,183)	(39,317)
Past service costs / curtailment	(910)	(344)
Settlements	4,979	-
Interest on pension liabilities	(87,438)	(85,281)
Contributions by scheme participants	(13,038)	(12,320)
Benefits paid	67,062	67,911
Unfunded benefits paid	4,550	4,345
Remeasurement (gain) / loss:		
-Actuarial gains and losses arising on changes in financial assumptions	271,477	102,439
-Actuarial gains and losses arising on changes in demographic assumptions	3,188	11,454
- Experience (gain) / loss	13,313	(59,380)
Closing Balance at 31 March	(1,589,903)	(1,815,903)

Reconciliation of fair value of the scheme (plan) assets:	2024-25 £'000	2023-24 £'000
Opening Balance at 1 April	1,837,335	1,714,069
Settlements	(2,939)	-
Interest Income	88,890	81,187
Contributions by scheme participants	13,038	12,320
Employer contributions	49,979	45,718
Benefits paid	(67,062)	(67,911)
Return on assets less interest	(58,878)	51,952
Closing Balance at 31 March	1,860,363	1,837,335

NOTES TO THE ACCOUNTS

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. Statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. When there is a deficit on the LGPS this 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	2024/25 £'000	2023/24 £'000
Debt Securities	744,882	624,249
Private Equity	115,631	135,250
Real Estate	126,123	117,583
Investment Funds and Unit Trusts	784,077	873,207
Derivatives	(817)	-
Cash	90,467	87,046
Total	1,860,363	1,837,335

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. Hyman Robertson LLP, an independent firm of actuaries, has assessed the liabilities of both schemes. The main assumptions used in their calculations have been:

	2024/25	2023/24
Mortality Assumptions:		
Longevity at 65 for current pensioners		
• Men	20.5 years	20.6 years
• Women	23.3 years	23.3 years
Longevity at 65 for future pensioners		
• Men	21.2 years	21.3 years
• Women	24.7 years	24.7 years
Financial Assumptions:		
Rate of Increase in Salaries (LGPS)	3.75%	3.75%
Rate of CPI Inflation	2.75%	2.75%
Rate of Increase in Pensions	2.75%	2.75%
Discount Rate	5.80%	4.85%

Changes in Assumptions on Conversion of Schools to Academies

The assets and liabilities of 2 schools were transferred out of the scheme during 2024/25 and, 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 was considered. These transfers were not deemed to be significant and therefore there has not been any remeasurement of the profit and loss items. No schools were transferred in 2023/24.

50. Contingent Assets and Liabilities

Contingent Liabilities

There are presently 3 active civil litigation claims (3 in 2023/24) and 2 active employment tribunal cases (1 in 2023/24).

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 – Unlodged 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, Analyse Local, to estimate the potential loss of income in respect of future successful valuation appeals.

Analyse Local has provided a threats report identifying potential appeals of £0.050m. Using information from Analyse Local on the historic proportion of threats that have progressed to check and challenge we have included £0.043m of these threats within our appeals provision. We have excluded the remaining £0.006m because it is not possible to estimate with reliability the outflow of cash required to settle these potential 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.

Major Projects – Housing Revenue Account

The Council has entered into contracts for major refurbishment works to its housing stock. During the course of these works, contractors have submitted cost assessments that differ materially from the valuations determined by the Council's quantity surveyors.

Unless the contractor provides sufficient evidence to substantiate the additional costs claimed, the matter will be referred to arbitration; the outcome of which cannot be reliably estimated at this time.

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 2024/25 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

Housing Revenue Account

2024/25

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.

HOUSING REVENUE ACCOUNT

HRA Income and Expenditure Statement	2024/25	2023/24
	£'000	£'000
<u>Income:</u>		
Dwelling Rents	(135,731)	(127,084)
Non-Dwelling Rents	(1,560)	(2,341)
Charges for Services & Facilities	(4,444)	(3,877)
PFI Grant	(5,714)	(5,713)
Total Income	(147,449)	(139,015)
<u>Expenditure:</u>		
Repairs & Maintenance	42,437	47,657
Supervision & Management	38,152	30,215
Rent, Rates, Taxes & Other Charges	2,332	2,490
PFI Contract	5,936	5,794
Depreciation & Impairment of Non-Current Assets	(934)	(72,740)
Movement in Impairment Allowance for Bad Debts	1,389	661
Total Expenditure	89,312	14,077
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	(58,137)	(124,938)
(Gain) or loss on sale of HRA Non Current Assets	(4,161)	(4,080)
(Gain) or loss on revaluation of HRA Non Current Assets	20	(108)
PFI Interest payable and similar charges	1,090	1,776
Pensions Interest Costs	767	561
Interest payable and similar charges	25,637	24,127
Interest and Investment Income	(2,509)	(2,088)
Movement on Impairment Losses	-	-
Capital grants and contributions receivable	(12,970)	(3,379)
(Surplus) / Deficit for the year on HRA services	(50,263)	(108,129)
Movement on Housing Revenue Account Balance Statement	2024/25	2023/24
	£'000	£'000
Balance on the HRA at the end of the previous reporting period	(48,170)	(42,237)
(Surplus)/deficit for the year on the Income and Expenditure Statement	(50,263)	(108,129)
Adjustments between accounting basis and funding basis under statue	47,283	102,196
(Increase)/decrease in year on the HRA	(2,980)	(5,933)
Balance on the HRA at the end of the current reporting period	(51,150)	(48,170)

Note to the Statement of Movement on the HRA Balance

HRA Income and Expenditure Statement	2024/25	2023/24
	£'000	£'000
Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year		
Depreciation & impairment of Non-Current Assets	966	72,740
Gain or loss on sale of HRA Non-Current Assets	4,161	4,080
Gain or loss on revaluation of HRA Non-Current Assets	(20)	108
Capital grants and contributions receivable	12,971	3,379
Pension Reserve	1,400	911
Accumulated Compensated Absences Account	(13)	(139)
	19,465	81,079
Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year		
Amortisation of premiums, discounts & LOBOs	13	449
PFI Finance Lease Creditor	2,037	1,206
Capital expenditure funded by the HRA	6,392	-
	8,442	1,655
Net additional amount required by statute to be credited to the HRA Balance for the year	27,907	82,734

HOUSING REVENUE ACCOUNT

Notes to the HRA Accounts

1. Housing Stock as at 31 March

Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 31 March 2025	Total No. 31 March 2024
<u>0 Bedroom</u>						
Bungalow			2		2	2
Flat		18	24		42	42
<u>1 Bedroom</u>						
Houses	-	1	2	-	3	3
Flats	219	1,390	4,402	146	6,157	6,161
Bungalows	383	317	664	-	1,364	1,365
<u>2 Bedroom</u>						
Houses	1,542	820	507	246	3,115	3,132
Flats	121	2,320	2,234	107	4,782	4,812
Bungalows	6	51	56	73	186	183
<u>3 Bedroom</u>						
Houses	6,352	2,777	1,616	137	10,882	10,993
Flats	47	204	225	4	480	485
Bungalows	1	1	9	1	12	12
<u>4 Bedroom</u>						
Houses	407	156	35	70	668	657
Bungalows	-	-	2	-	2	2
<u>5 Bedroom</u>						
Houses	8	5	1	-	14	14
<u>6 Bedroom</u>						
Houses	3	1	1	1	6	5
<u>7 Bedroom</u>						
Houses	-	-	-	1	1	1
<u>8 Bedroom</u>						
Houses	-	-	1	-	1	1
Total Stock	9,089	8,061	9,781	786	27,717	27,870

The housing stock at 31 March 2025 includes 952 council dwellings (963 at 31 March 2024) 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

	2024/25 £'000	2023/24 £'000
Dwellings	1,418,001	1,384,023
Other Land and Buildings	1,194	1,204
Surplus Assets	3,531	2,400
Vehicles, Plant and Equipment	3,021	3,501
Assets Under Construction	66,538	39,701
Investment Property	90	120
Intangible Assets	4,210	2,281
Total Balance Sheet Value	1,496,585	1,433,230

The council entered into a 25 year PFI contract in March 2006 with Riverside Housing Association for the refurbishment of 1,095 dwellings of which 952 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 2024/25, no losses 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 2024 was £3,460.059m, 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 £1,384.023m 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 vacant possession value of council dwellings as at 31 March 2025 was £3,545.046m and the balance sheet value as at 31 March 2025 was £1,418.002 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.

	2024/25	2023/24
	£'000	£'000
Opening Balance as at 1 April	3,548	2,882
Depreciation on Dwellings to the MRR during year	18,676	18,782
Depreciation on other Non-Current Assets	733	681
Amounts transferred to HRA	-	-
Capital expenditure on land, houses & other property within HRA	(22,925)	(18,797)
Closing Balance as at 31 March	32	3,548

5. Capital Expenditure

Capital expenditure on land, houses and other property within the HRA has been financed as follows:

	2024/25	2023/24
	£'000	£'000
Capital Expenditure	69,305	59,032
Sources of Funding:		
Prudential Borrowing	10,000	30,240
Grants	12,970	3,379
Major Repairs Reserve	22,925	18,797
Revenue Contribution	6,392	-
Usable Capital Receipts	17,018	6,616
Total Funding	69,305	59,032

6. Capital Receipts

Net Capital Receipts received from the disposal of land, houses and other property within the HRA are summarised below:

	2024/25	2023/24
	£'000	£'000
Land & Buildings	49	125
Council Houses	14,776	13,343
Total Capital Receipts	14,825	13,468

7. Depreciation Charge

As required by the Code, the council has charged depreciation on all HRA properties, including non-dwellings. In 2024/25 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:

	2024/25	2023/24
	£'000	£'000
Dwellings	17,964	18,083
PFI Dwellings	713	698
Neighbourhood Offices	19	19
Equipment	665	612
Assets Not Held for Sale	-	-
Intangible	49	49
Total Depreciation	19,410	19,461

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.

The Code also requires that previous years' losses should be reversed if the circumstances giving rise to the loss change. Due to an increase in the value of Housing Stock there were £23.9m previous year losses reversed during 2024/25 relating to HRA properties.

9. Rent Arrears

Arrears of rent due from tenants of council dwellings are shown below:

	2024/25	2023/24
	£'000	£'000
Current Tenants	5,478	5,911
Former Tenants	3,835	5,874
Total Arrears	9,313	11,785

HOUSING REVENUE ACCOUNT

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:

	2024/25 £'000	2023/24 £'000
Provision b/fwd 1 April	5,562	5,130
Write Off / On Charged to Provision	(2,634)	(229)
Additional Provision	1,400	661
Provision c/fwd 31 March	4,328	5,562

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:

	2024/25 £'000	2023/24 £'000
PFI Credit Receivable	(5,713)	(5,713)
Total Government Subsidy Payable / (Receivable)	(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:

	2024/25 £'000	2023/24 £'000
HRA Surplus as at 31st March	51,150	48,171
Less Earmarked Balances:		
- Working Balance	(10,500)	(7,400)
- Contingencies	(8,400)	(8,387)
- Capital Investment	(15,000)	(15,000)
- Carry Forward Commitments	(181)	(181)
Uncommitted HRA Resources	17,069	17,203

Collection Fund

2024/25

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 non-domestic rates.

COLLECTION FUND

Collection Fund Statement

2023/24			2024/25		
Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Income					
151,320	-	151,320	161,559	-	161,559
1,046	-	1,046	202	-	202
-	102,448	102,448	-	115,157	115,157
-	10,656	10,656	-	1,475	1,475
-	-	0	583	-	583
Contribution towards previous year's estimated Collection Fund Deficit					
152,366	113,104	265,470	162,344	116,632	278,976
Total Income					
Expenditure					
Precepts:					
127,008	-	127,008	135,870	-	135,870
15,548	-	15,548	16,860	-	16,860
5,605	-	5,605	5,882	-	5,882
-	-	0	-	-	0
-	-	0	-	-	0
-	109,560	109,560	-	114,106	114,106
-	1,107	1,107	-	1,153	1,153
-	419	419	-	420	420
-	-	0	-	-	0
-	-	0	-	-	0
Provisions:					
4,645	82	4,727	4,357	2,921	7,278
-	195	195	-	(511)	(511)
-	-	0	-	-	0
-	-	0	-	-	0
Disregarded Amounts:					
-	-	0	-	370	370
-	-	0	-	-	0
59	53	112	-	1,623	1,623
Distribution of Estimated Collection Fund Surplus					
152,865	111,416	264,281	162,969	120,082	283,051
Total Expenditure					
(499)	1,688	1,189	(625)	(3,450)	(4,075)
Collection Fund Surplus / (Deficit) in year					
(436)	865	429	(935)	2,547	1,612
Opening Balance at 1 April					
(935)	2,547	1,612	(1,560)	(903)	(2,463)
Closing Balance at 31 March					

Notes to the Collection Fund

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 began 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.

1. 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 to the General Fund in 2024/25 to the value of £42.378m which is included within the Comprehensive Income and Expenditure Statement.

The total amount collectable by the council in 2024/25 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

Non-domestic multiplier	2024/25 £
Total rateable value as at 31 March	303,986,866
Non domestic multiplier	0.499

COLLECTION FUND

The share of Business Rates payable were originally estimated as £114.107m to be retained by the council and £1.153m 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 2024/25 was £115.157m.

2. 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 78,217 for 2024/25 as compared to the 2023/24 base of 76,765. The tax base for 2024/25 has been calculated as follows:

Council tax base	Band D Equivalents Number
Band A	24,966
Band B	26,398
Band C	16,122
Band D	6,682
Band E	3,229
Band F	702
Band G	92
Band H	25
	78,217

In 2024/25 the council set Band D Council Tax at £1,823.17.

3. 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.

2023/24					2024/25			
Bad Debts		Appeals			Bad Debts		Appeals	
Council Tax	NNDR	Council Tax	NNDR		Council Tax	NNDR	Council Tax	NNDR
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
19,180	4,795		4,946	Balance as at 1 April	22,739	3,369		5,139
(373)	(1,507)	-	-	Write Offs in Year	(944)	(1,328)	-	-
3,979	81	-	193	Increase / (Decrease) to provision in year	3,725	2,892	-	(506)
22,786	3,369	0	5,139	SMBC Balance as at 31 March	25,520	4,933	0	4,633

The CT opening share of bad debts has reduced by £0.047 due to the change in the SMBC share from 85.66% to 85.48%

Group Accounts

2024/25

GROUP ACCOUNTS

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.

Group Comprehensive Income and Expenditure Statement	Note	2024/25 Gross Expenditure £'000	2024/25 Gross Income £'000	2024/25 Net Expenditure £'000	Restated 2023/24 Gross Expenditure £'000	Restated 2023/24 Gross Income £'000	Restated 2023/24 Net Expenditure £'000
People							
Adult Social Care Services		200,027	(115,905)	84,123	186,912	(103,343)	83,569
Children's Services		150,518	(36,206)	114,312	147,269	(44,494)	102,775
Schools		322,894	(338,758)	(15,864)	295,283	(315,534)	(20,250)
Public Health		31,565	(30,585)	980	28,545	(27,720)	825
Place							
Environment		88,280	(19,184)	69,096	107,169	(23,856)	83,313
Housing		21,046	(16,870)	4,176	15,430	(13,045)	2,385
Regeneration		32,004	(10,462)	21,542	33,427	(10,928)	22,499
Housing Revenue Account (HRA)		89,312	(147,449)	(58,137)	14,077	(139,015)	(124,938)
Corporate Services							
Assistant Chief Executive		10,884	(1,133)	9,751	9,321	(188)	9,134
Chief Executive		3,651	(63)	3,588	2,054	(688)	1,366
Finance and Transformation		110,319	(83,630)	26,690	113,435	(87,523)	25,912
Corporate Items		16,121	(2,094)	14,027	20,273	(3,398)	16,875
Cost of Services		1,076,623	(802,339)	274,284	973,198	(769,733)	203,464
Other operating expenditure	14			9,695			9,907
Financing and investment income and expenditure	15			35,854			34,285
Taxation and non-specific grant income	16			(405,500)			(395,148)
(Surplus) / Deficit on Provision of Services				(85,667)			(147,491)
(Surplus) / deficit on revaluation of non-current assets				(1,960)			(39,826)
(Surplus) / deficit on revaluation of financial assets				4,900			(3,100)
Remeasurements of the net defined benefit liability/ (asset)				1,874			9,694
Other Comprehensive Income and Expenditure				4,814			(33,232)
Total Comprehensive Income and Expenditure				(80,853)			(180,723)

Note: Figures for 2023-24 have been restated to reflect the Council reporting according to the Organisation Restructure in 2024-25 to allow like-for-like comparison. This is mostly within the Corporate Area.

GROUP ACCOUNTS

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.

	Note	31 March 2025 £'000	31 March 2024 £'000
Property Plant & Equipment	17	2,691,157	2,614,071
Right of Use Assets	18	12,385	-
Heritage Assets	19	4,320	4,320
Investment Properties	20	80,414	75,365
Intangible Assets	22	15,514	8,837
Long Term Investments	24	31,367	36,267
Long Term Debtors	24	5,698	5,058
Long Term Assets		2,840,856	2,743,918
Short Term Investments	24	78	5,287
Assets Held for Sale	21	-	-
Inventories	-	2,148	1,782
Short Term Debtors	G4	120,645	96,356
Cash & Cash Equivalents	-	62,611	68,604
Current Assets		185,481	172,028
Bank Overdraft	27	(18,073)	(20,817)
Short Term Borrowing	24	(78,133)	(91,455)
Short Term Creditors	G5	(145,323)	(115,449)
Provisions	30	(7,801)	(8,116)
Revenue Grants Receipts in Advance	41	(843)	(1,072)
Capital Grants Receipts in Advance	41	(6,096)	(29,436)
Current Liabilities		(256,269)	(266,345)
Provisions	30	(2,745)	(3,439)
Long Term Borrowing	24	(367,883)	(353,686)
Other Long Term Liabilities	29	(205,545)	(196,100)
Capital Grants Receipts in Advance	41	(29,407)	(12,740)
Long Term Liabilities		(605,580)	(565,965)
Net Assets		2,164,488	2,083,636
Usable Reserves	MIRS	363,218	361,381
Unusable Reserves	32	1,801,270	1,722,255
Total Reserves		2,164,488	2,083,636

GROUP ACCOUNTS

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.

Group Cash Flow Statement	2024/25	2023/24
	£'000	£'000
Net surplus / (deficit) on the provision of services	85,667	147,492
Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	27,668	(13,395)
Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	(88,298)	(74,080)
Net cash flows from Operating Activities	25,036	60,017
Net cash flows from Investing Activities	(29,768)	(12,533)
Net cash flows from Financing Activities	1,483	(37,332)
Net increase / (decrease) in cash and cash equivalents	(3,249)	10,152
Cash and cash equivalents at the beginning of the reporting period	47,785	37,634
Net movement in cash and cash equivalents	(3,249)	10,152
Cash and cash equivalents at the end of the reporting period	44,538	47,786

GROUP ACCOUNTS

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.

Group Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	195,703	48,170	3,547	42,956	81,923	372,301	1,722,255	2,094,556	(10,920)	2,083,637
Movement in Reserves During 2024/25										
Total Comprehensive Income and Expenditure	127,524	50,263	-	-	-	177,787	(4,814)	172,973	(92,121)	80,853
Adjustments between Group Accounts and Council Accounts	(83,248)	-	-	-	-	(83,248)	-	(83,248)	83,248	-
TOTAL	44,276	50,263	-	-	-	94,539	(4,814)	89,725	(8,872)	80,853
Adjustments between accounting basis & funding basis under regulations (Note 12)	(21,052)	(47,284)	(3,515)	(4,597)	(7,382)	(83,830)	83,862	-	-	-
Increase / Decrease in Year	23,224	2,979	(3,515)	(4,597)	(7,382)	10,709	79,048	89,725	(8,872)	80,853
Balance at 31 March 2025	218,927	51,150	32	38,359	74,541	383,009	1,801,303	2,184,281	(19,792)	2,164,490

GROUP ACCOUNTS

Group Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	182,801	42,237	2,883	36,181	42,146	306,249	1,603,641	1,909,891	(6,977)	1,902,913
Movement in Reserves During 2023/24										
Total Comprehensive Income and Expenditure	49,659	108,129	-	-	-	157,788	33,232	191,020	(3,942)	187,078
	(6,353)	-				(6,353)	-	(6,353)	0	(6,353)
Adjustments between Group Accounts and Council Accounts										
TOTAL	43,305	108,129	-	-	-	151,434	33,232	184,666	(3,942)	180,724
Adjustments between accounting basis & funding basis under regulations (Note 12)	(30,403)	(102,196)	664	6,775	39,777	(85,383)	85,383	-	-	-
Increase / Decrease in Year	12,902	5,933	664	6,775	39,777	66,051	118,615	184,666	(3,942)	180,724
Balance at 31 March 2024	195,703	48,170	3,547	42,956	81,923	372,301	1,722,255	2,094,556	(10,920)	2,083,636

1. **Accounting Policies**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2024/25 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 the Council entity accounts, with additional policies specific to the Group set out below.

2. **Consolidated Group Entities**

Sandwell Children's Trust

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 their own external auditors. For 2024/25, and at the time this statement was prepared this audit was in progress. The Trust has accumulated financial deficits of £19.792m through increased expenditure compared to the annual contract sum.

In 2024 the Council and Trust Board engaged an external review to analyse current spending patterns and forecast future requirements. This review is ongoing. Whilst the Trust continues to operate a deficit, the Council will continue to provide cash support and consolidate their accounts on a going concern basis. The deficit for 2024/25 is £8.872m (£3.942m 2023/24) and the s.25 Report of the Chief Finance Officer within the Medium Term Financial Strategy highlights that the council intends to resolve this issue within 2025/26 as part of the planning for the 2026/27 budget and beyond.

The council has considered the guidance in IFRS 10 and has 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 £89m which is a material sum compared to the council's net cost of services of £244m.

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

The trust has compiled management accounts only at this time so some of the draft information presented is likely to change in the final accounts.

3. **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 the Related Parties Note to the single entity accounts.

Group Comprehensive Income and Expenditure Statement (GCIES) – 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 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.

4. **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.

Debtor Analysis	2024/25 £'000	2023/24 £'000
Trade Receivables	22,818	28,854
Prepayments	29,747	22,517
Other Receivable Amounts (Council Tax, Business Rate and HMRC)	68,280	44,986
Total	120,646	96,356

5. **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	2024/25 £'000	2023/24 £'000
Trade Payables	114,736	95,889
Other Payables	23,593	15,404
Finance Lease Creditors (Note 45)	6,995	4,156
Total	145,324	115,449

Glossary

2024/25

GLOSSARY

Accruals – Income and expenditure are recognised as they are earned or incurred, not as money is received or 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.

CIES – 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.

GLOSSARY

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

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.

Right of Use Asset - An asset representing the council's right to use an asset that has been leased to the council. It appears on the balance sheet and is valued based on the lease payments and related costs.

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.

SONIA - Sterling Overnight Index Average rate; the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

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.

Annual Governance Statement

2024/25

Annual Governance Statement 2024/25



Foreword

We are pleased to present Sandwell Metropolitan Borough Council's Annual Governance Statement for 2024/25.

While we have recently come out of government intervention, we remain committed to our continued improvement and transformation in all that we deliver.

While the Council is now working within a much stronger governance system, it will continue to take time and hard work to become fully established.

We have therefore taken the opportunity provided by the legal requirement to produce an Annual Governance Statement to review our systems to record the progress we have made and to be honest about the progress we still need to make.

We also welcomed the engagement of the Council's Audit and Risk Assurance Committee and our external auditors Grant Thornton in scrutinising and challenging our systems and encouraging and supporting us to improve them further.



Councillor Kerrie Carmichael
Sandwell Council Leader

Kerrie Carmichael

Date 25/02/2026



Shokat Lal
Chief Executive

Date: 25/02/2026

A handwritten signature in black ink, appearing to be 'Shokat Lal', written over a light blue grid background.

What is Governance?

Governance describes the systems by which the Council directs and controls its functions and how these relate to its communities and stakeholders. It is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

Good governance is vital in contributing to effective:

- ✓ Leadership and management
- ✓ Performance and risk management
- ✓ Stewardship of public money and
- ✓ Public engagement and outcomes for our citizens and service users.

Conversely, weak, or poor governance is likely to have a detrimental impact and the Council's ability to deliver best value.



1. Introduction

1.1 This Annual Governance Statement (the “Statement”) is a public facing assessment of the effectiveness of Sandwell Metropolitan Borough Council (the Council’s) governance framework during 2024–25. The Statement contains three main elements:

- (i) An explanation of the Council’s governance framework and context;
- (ii) The Council’s review of the effectiveness of the governance framework in the reporting period based on internal and external data and assessments; and
- (iii) The Council’s assessment of significant governance issues it faces and its action plan to manage and mitigate those issues.

1.2 Delivering good governance is a process of continuous review and improvement. This Statement provides a “snapshot” of the effectiveness of governance at the point of publication within the Council’s ongoing programme to review and improve its governance, as set out in its action plans.

1.3 The Statement is approved by the Council’s Audit and Risk Assurance Committee under its delegated powers and signed by the Committee’s Chair and the Chief Executive.

Scope of responsibility

1.4 The 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 statutory 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.

1.5 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. These arrangements are set out in this statement.

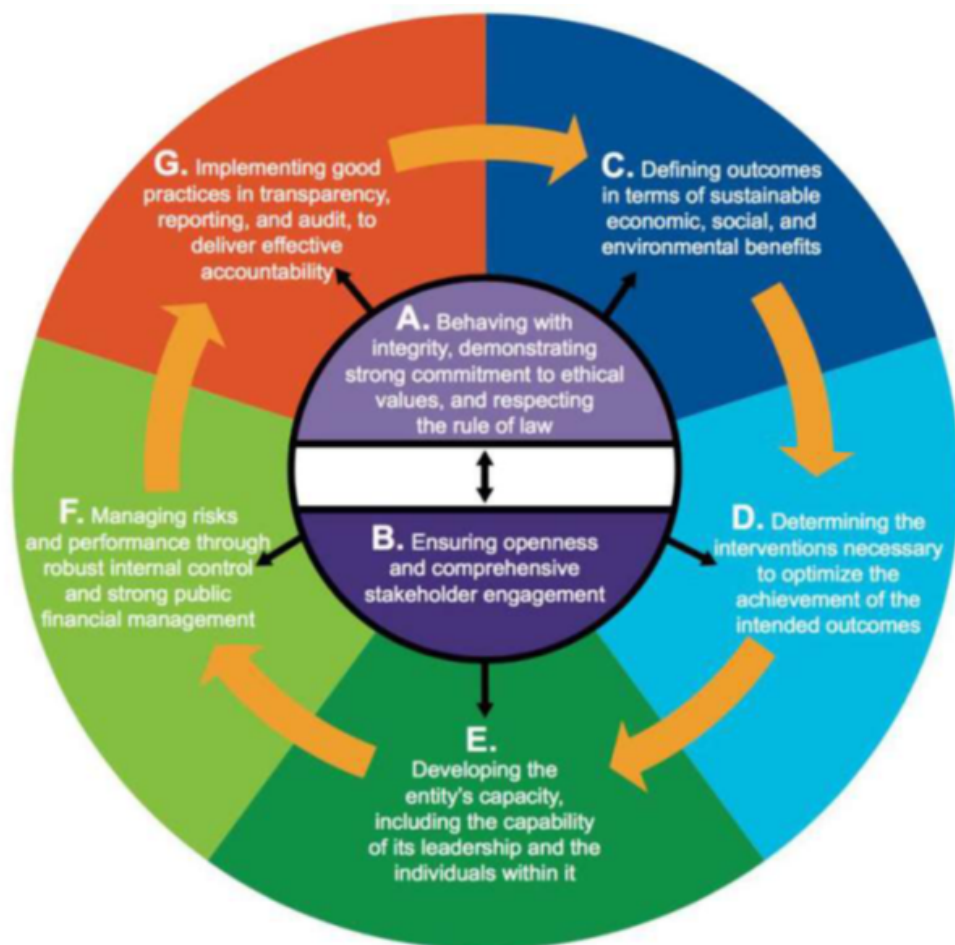
1.6 This Statement meets the Council’s duty to prepare and approve an annual governance statement under regulations 4 (3) and 6 (1) of the Accounts and Audit (England) Regulations 2015 and accompanies the Council’s Annual Statement of Accounts.



2. Governance

2.1 Governance describes the systems by which the Council directs and controls its functions and how these relate these to its communities and stakeholders. It is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

2.2 The Council has a Local Code of Corporate Governance, in line with the latest principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government.' These principles have been adopted in this statement and details of how they operate in the Council are set out below –



3. Governance and Control Frameworks

3.1 The Council's governance framework comprises:

- (i) a suite of governance and strategic policies and documents;**
- (ii) its systems and processes of governance; and**
- (iii) the Council's culture and people that direct and control the authority and its activities and through which it engages with and accounts to Sandwell's communities.**

3.2 The Council's governance framework enables it to:

- (i) monitor and measure the achievement of its strategic objectives;**
- (ii) deliver and measure assurance of best value;**
- (iii) act ethically and openly; and**
- (iv) manage risk to a reasonable level recognising that no governance framework can eliminate all risk or give an absolute assurance of effectiveness.**

Extent of control and influence

3.3 This statement reflects the governance framework in place covering the Council together with the Sandwell Children's Trust (the Trust) due to the Council's ownership of the Trust.

3.4 The Children's Trust is a trading subsidiary company wholly owned by the Council which 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.



3.5 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.

3.6 In addition to the above, there is also a range of key services that are delivered through partnerships on behalf of the Council including with Serco, Sandwell Leisure Trust and Riverside Housing. Contracts are in place and monitored for these arrangements.

Governance Framework

3.7 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.

3.8 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. Risks and control measures are subject to review in a range of forums overseen by the Performance Board and reported to Strategic Leadership Team and Audit and Risk Assurance Committee.

3.9 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 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 delivery of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, their impact should they be realised and to manage them efficiently, effectively and economically.

3.10 The Governance Framework has been in place at the Council for the year ended 31 March 2025 and up to the date of the approval of the delayed Statement of Accounts.



Policy Framework

3.11 In 2024, the Council produced a new “Council Plan 2024–2027”. The plan centres around four strategic themes:



All underpinned by a One Council One Team foundational theme.



4. Decision-making

The Constitution

4.1 The Council has a Constitution which sets out its rules for decision making and the checks and balances in place to ensure decision making is lawful, subject to scrutiny and is open and transparent, including but not limited to:

- (i) An **ethical framework** with Codes of Conduct for both Councillors and officers and obligations to register and declare private interests and gifts and hospitality.
- (ii) Clear **separation of powers** between those exercised by the Leader and Cabinet and by Full Council and the powers delegated to committees by Full Council set out in their terms of reference.
- (iii) **Access to information rules** requiring decision making and other formal meetings of Councillors are held with advance notice in public and public access to all relevant documentation, unless the Council can demonstrate it is in the public interest to withhold the information.
- (iv) **Financial Regulations**, which provide the framework for managing the authority's financial affairs.
- (v) **Contract Standing Orders** to govern how the Council procures goods, services and works from external contractors.
- (vi) A protocol on how Councillors and officers should work together (**the "Member-Officer Protocol"**).

4.2 The Full Council and the Leader and Cabinet have also agreed a **Scheme of Delegation** of executive and non-executive powers to officers. Executive Directors are required to agree a scheme of delegation for the exercise of powers to officers within their directorates. The Strategic Leadership Team (see below) has agreed standard delegations to officers at tiers 3 and 4 of the officer structure.

4.3 In addition to the Constitution, the Council must comply with the general law as it governs local authorities and as interpreted by the courts. The constitutional rules are supplemented on an operational level by the Council's clear framework for forward planning of decisions and workflows to ensure high quality evidence-based decision-making. The Constitution can be found on www.sandwell.gov.uk and includes the scheme of delegation.

4.4 Information on the Council's executive arrangements, scrutiny and audit functions are set out in Appendix 1.



Councillors

4.5 The borough is made up of 24 wards each represented by 3 Councillors, giving a total of 72 Councillors. Councillor conduct and behaviour is required to comply with a **local code of conduct** and the **Nolan Principles** (See Appendix 2). Councillor behaviours and practices are underpinned by three overarching principles:

- (i) **Respect for others.** Councillors should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their sex, sexual orientation, gender reassignment, race, religion and belief, disability, age, marriage and civil partnership. They should respect the impartiality and integrity of the Council's statutory officers and its other employees.
- (ii) **Duty to uphold the law.** Councillors should uphold the law and, on all occasions, act in accordance with the trust that the public has entrusted in them.
- (iii) **Stewardship.** Councillors should do whatever they are able to do to ensure that the Council uses its resources efficiently in compliance with its statutory obligations.

Officers

4.6 The Council has appointed officers to discharge powers that must be assigned to an individual officer, collectively known as statutory officers. There are three principal statutory officers for governance purposes (known as the "golden triangle"):

- (i) **Head of Paid Service** is the Chief Executive, who is responsible for all Council staff to deliver the Council's services and functions;
- (ii) **Section 151 Officer** is the Executive Director of Finance and Transformation, who is responsible for ensuring the proper administration of the Council's financial affairs and ensuring value for money; and
- (iii) **Monitoring Officer** is the Assistant Director – Legal and Assurance, who is responsible for ensuring legality and promoting high standards of public conduct.

4.7 Both the S.151 Officer and Monitoring Officer have a statutory duty to suspend a Council decision being made if they consider it is likely to result in unlawful expenditure in the case of the S.151 Officer or an unlawful decision in the case of the monitoring officer. The S.151 Officer must also ensure the Council sets a balanced budget each year and reports on the robustness of the Council's finances and adequacy of reserves as part of the annual budget.



4.8 Other key statutory officers include:

- (i) **Director of Children and Education Services**, who is responsible for the safeguarding of all children and young people;
- (ii) **Director of Adult Social Care**, who is responsible for safeguarding of vulnerable adults and meeting the needs of all adults with social care needs; and
- (iii) **Director of Public Health**, who has overall responsibility for the Council's duties to assess, protect and improve the health and wellbeing of the people in its area.

Strategic Leadership Team

4.9 The Strategic Leadership Team (SLT) is the Council's senior officer group led by the Chief Executive and comprises the Council's Directors and other key officer invitees as required. SLT has overall responsibility and accountability for the vision and culture of the organisation, the implementation and development of political strategies and priorities, the organisation and management of staff and delivery against the Council's priorities. Whilst SLT collectively has no formal delegated decision-making powers, its members agree to exercise their delegated powers in a consistent way across the Council and the rationale for doing so.

4.10 SLT plays the leading role in setting the culture of the Council and modelling standards of behaviour and performance, including ensuring it seeks and listens to feedback from staff and their representatives (Trade Unions).

4.11 All Executive Directors, Directors and Statutory Officers are accountable for service performance and compliance with Council policies and practices and internal control systems in their directorate. Each provides an annual letter and undertaking to the S.151 Officer on financial control. This is used for ongoing monitoring and to support future self-assess against the CIPFA Financial Management Code.

4.12 The Council has a framework for the training and development of members and officers at all levels to ensure it has the capacity to meet the demands of delivering the Sandwell Plan 2024–2027.

4.13 SLT and the Leader and Cabinet work collaboratively to deliver the Council's priorities, progressing the development of policy through forward planning and cabinet reports. There are weekly joint briefing meetings and individual Directors work with their respective Cabinet lead members, including consultation on the exercise of delegated powers and the development of future Cabinet reports within the portfolio. Outcomes from these meetings are fed into SLT and Cabinet and joint meetings to ensure cross-cutting issues are identified and addressed.



5 .Putting the principles into practice in Sandwell

5.1 Sandwell Council is confident that its governance arrangements are robust. Following central government intervention and the appointment of independent Commissioners the Council has reviewed, with the assistance of external specialist organisations, its corporate arrangements and has implemented a schedule of changes.

5.2 The Council recognises that improvement and progress will need to continue and evolve in order that we can respond effectively to extensive sector change, meet rising Government and customer expectations and ensure the quality and responsiveness of services.

5.3 Key elements of Council systems and processes from 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
• Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong public financial management. • Implementing good practices in transparency, reporting and audit to deliver effective accountability.	• The Constitution (including the Head of Paid Service, Monitoring Officer and Chief Financial Officer • Director of Public Health • Corporate Plan • Corporate Performance Management Framework and regular public reporting • Medium term financial plan • Strategic risk register • Scrutiny Function • Codes of conduct • Schemes of delegation • Ethical Standards and Member Development Committee • Audit and Risk Assurance Committee • Internal and external audit • Independent external reviews (Ofsted, ICO) • Code of Corporate Governance • Whistleblowing and Anti-Fraud and Corruption Strategy • Information Governance Board • Procurement and Contract Procedure Rules and Financial Regulations • Modern.gov - Committee management information system • Children's Trust Strategic Partnership, Operational Partnership and Improvement Board • Customer Complaints and compliments system (My Sandwell portal) • Schools Forum • Health and Safety	• MHCLG continued to engage with the Council during 2024 in order to monitor continued progress and were satisfied of the Council's continued progress (following the Council coming out of intervention in March 2024). • Annual Statement of Accounts • External Audit – Audit Findings Report and Value for Money Assessment • 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 Counter 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 • Self-Assessment – Financial Management Code

5.4 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.



6. Key changes and challenges

6.1 The key changes to the Governance framework during 2024/25, or after the year end but prior to this statement being finalised include:

- An expanded and refreshed review of internal governance structures and frameworks to ensure robust and effective governance arrangements are in place. This work takes the form of a full review of the Constitution based on a move to a clearer, improved form and approach, combined with consolidation of internal structures. Taken collectively these actions are designed to ensure effective accountability across all aspects of decision-making and operation, whilst ensuring agility of operation and practice within the organisation.
- A comprehensive Corporate Performance Management Framework is in operation and continues to be developed as the Council matures and embeds a positive approach to performance and accountability and ensures a continued sustainable model.
- Improved maturity and recognition of current and emerging strategic risks combined with appropriate actions to ensure the Council responds in a timely manner.
- In October 2024 the Regulator of Social Housing published a Regulatory Judgement in relation to the recently adopted Consumer Standards. The regulator reached a conclusion that there were serious failings in delivering the outcome of the Safety and Quality Consumer Standard, and that significant improvement was needed. Following this a Housing Improvement/Transformation Programme was established in order to remedy the issues raised.
- Establishment of a Procurement Board in 2024 comprising senior and key statutory officers to oversee all major procurement initiatives, review and oversee admittance of activities to the Corporate Procurement Pipeline. The board also oversees the development and implementation of procurement and contract management strategies and works to ensure all procurement activities align sector best practice and ensure value for money and social value objectives are met.



7. 2024/25 Review of Effectiveness

7.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control.

7.2 The review of effectiveness is informed by the work of Councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework, 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).

7.3 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. The Committee maintained its focus on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its strategic risks effectively and maintained a strong working relationship, through regular meetings with the Council's External Auditors Grant Thornton, Internal Auditors and Senior Officers.

Internal Audit

7.4 Internal Audit reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the Council can confirm that the arrangements conform to these requirements and general compliance with the Public Sector Internal Audit Standards that were in place during the year. From 1 April 2025 these have been replaced by the Global Internal Audit Standards – within the framework set out by CIPFA in their Application Note – Global Internal Audit Standards in the UK Public Sector

7.5 The Internal Audit Opinion for 2024/25 given in their annual report, was that Internal Audit were able to provide reasonable assurance that the Council had adequate and effective governance, risk management and internal control processes.

7.6 They also noted that they had issued seven limited assurance reports during the year.



7.7 During the 2024/25-year Internal Audit completed 20 pieces of work where a level of assurance was given, these were split as follows –

Level of Assurance	Number of Reviews
Substantial	5
Reasonable	8
Limited	7
None	-

7.8 Key issues and progress in responding to internal audit management actions is, where appropriate, reported to SLT following review by the Performance Board as part of the corporate performance management framework to ensure oversight and escalate issues where required

7.9 The Council's internal management and operational structures continues to demonstrate an increasing maturity and awareness in responding to pre-planned and reactive audit activities. Robust and effective actions are consistently taken in response to individual audits adding greater assurance to oversight arrangements and improving the effectiveness of subsequent monitoring of audit recommendations.

External Audit

7.10 In previous years there have been significant delays in finalising financial accounts, due to technical accounting issues, resource issues and delays to external audit work.

7.11 The issues faced by the Council have been experienced by local authorities across the country, with a significant backlog in the publication of audited accounts of local bodies. To deal with the backlog of outstanding unaudited accounts across local bodies, on 31 July 2024, the Ministry of Housing, Communities and Local Government (MHCLG) announced their intention to implement a series of 'backstop' deadlines, by which audits of outstanding accounts must have been completed.



7.12 The legislation includes backstop dates up to and including financial year 2027/28 in order “to allow full assurance to be rebuilt over several audit cycles”.

The backstop dates are:

- Financial year 2022/23: 13 December 2024 – which the Council met
- Financial year 2023/24: 28 February 2025 – which the Council met
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

7.13 To comply with the anticipated backstop legislation, time did not allow for a full audit to take place of the Council’s 2022/23 or 2023/24 accounts, and the council’s external auditor, Grant Thornton, applied the backstop for both financial years. Grant Thornton’s audit opinions were issued with a disclaimer of opinion. Effectively this means that the auditor was not able to gain the assurance necessary to give an unmodified opinion by the backstop date. In plain terms, a disclaimer means that the auditor was unable to form an opinion. In this instance, the reason for this was the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing.

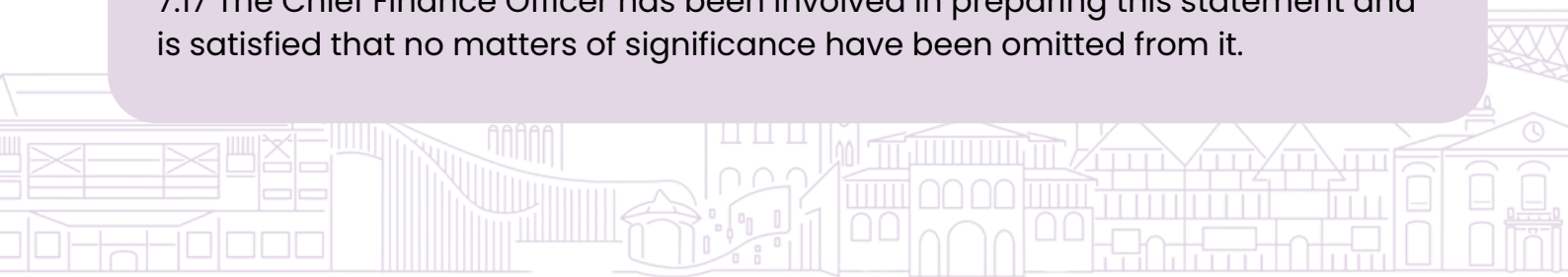
7.14 A full audit of the 2024/25 accounts is expected to be completed by the backstop date of 27 February 2026.

CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government

7.15 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.

7.16 The interim S.151 Officer left the Council in May 2024, and a new Executive Director of Finance and Transformation took up the role of S.151 Officer under the new senior management structure. A review of the role of the Council’s S.151 Officer against the CIPFA Statement on the Role of the Chief Finance Officer will be undertaken.

7.17 The Chief Finance Officer has been involved in preparing this statement and is satisfied that no matters of significance have been omitted from it.



Managing the risk of Fraud and Corruption

7.18 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.

Sandwell Children's Trust Limited

7.19 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 their own external auditors. For 2024/24 their audit opinion was:

- The financial statements give a true and fair view of the state of the company's affairs as of 31 March 2025 and of its loss for the year then ended
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The Trust's Internal Auditors also provided reasonable assurance that the Trust had adequate and effective governance, risk management and internal control processes

7.20 The Children's Trust has accumulated financial deficits through increased expenditure beyond that allocated through the annual contract sum process. In 2024 the Council and Trust Board engaged an external review to analyse spending patterns and forecast future expenditure requirements. This review has since been completed and a series of actions put in place. Whilst the Trust continued to operate with a deficit during the 2024/25 financial year, the Council continued to provide cash advances and provided a letter of comfort that the Trust be reported as a going concern.

7.21 Reporting in the 2024/25 accounts outlines the scale of the financial deficit and the s.25 Report of the Chief Finance Officer within the Medium-Term Financial Strategy of February 2025 highlighted the intent to resolve this issue within 2025/26 as part of the planning for the 2026/27 budget and beyond. In response, a three-year contract sum has been agreed from 2025/26, along with an additional sum in each of the three years in order to offset the cumulative deficit by 2027/28. The Trust is expected to manage its finances within this sum and to ensure that any overspends incurred in any particular year are offset in full by underspends in other years within the three-year contract period.

7.22 The statutory duty to provide children's social care services remains with the Council. As such, comprehensive governance arrangements including Operational and Strategic Partnership Boards and a Service Delivery Contract and 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.

7.23 In July 2023 Ofsted and the Care Quality Commission undertook an Area SEND inspection of the Sandwell Local Area Partnership. The inspection outcome was that the local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). They highlighted that the local area partnership must work jointly to make improvements and made several recommendations.

7.24 Following their inspection of Children's Services in May 2022 Ofsted concluded that services 'require improvement to be good'. This represented significant progress as Children's Services had been rated inadequate by Ofsted for more than a decade. They praised improved governance and effective relationships between the Council and Trust, noting that the new Chief Executive at the Trust had worked effectively with senior leaders to set a clear strategic pathway which had already changed the culture and begun to improve services for vulnerable children and families. However, their report did highlight areas for further improvement, particularly around supporting children out of neglectful situations quicker, and planning the transition into care more effectively.

7.25 Since the initial preparation of the Annual Governance Statement for 2024/25, Sandwell Children's Trust has been subject to a further Ofsted inspection during October 2025. The outcome of that inspection has now been confirmed with an updated rating of 'Good' for the Trust. In their assessment Inspectors reported that children and families who needed it received effective help and support and social workers acted quickly when children needed protection. Responses to domestic abuse and exploitation concerns were well coordinated and children who are looked after by Sandwell were living in safe, stable homes and have strong relationships with social workers. Children's own views help to shape care plans, their health needs are prioritised, and education outcomes were improving. Inspectors also highlighted that sustained leadership, strong partnerships, with improvements were delivering positive outcomes across all areas of children's social care services.



7.26 For care experienced young people, inspectors recognised significant progress with a few areas identified for improvement. Most young people experienced positive relationships with personal advisers and benefit from a comprehensive local offer. Leaders were already making further improvements in this area, making sure that all young people are fully aware of their rights and entitlements and building on the good work that was recognised.

7.27 Leadership was highlighted as a key strength, with clear strategic direction and governance. A strong learning culture was noted in the Trust, with an embedded practice model and workforce strategy that supports professional growth and stability. Equity, diversity and inclusion remains a priority, and staff describe leaders as visible, approachable, and supportive, contributing to a positive organisational culture.

7.28 The Council continues to work closely with the Trust to ensure the improvements identified from the inspection are maintained and developed.

The Financial Management Code

7.29 The Council has previously undertaken a self-assessment exercise against the new Financial Management Code. The Code includes the following core principles by which authorities should be guided in managing their finances:

- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture. Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- **Financial management** – 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** – 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.

7.30 The self-assessment found the Council complied with the Code. However, there were a limited number of matters where areas for improvement were identified. As a result of this, an action plan was prepared, and its ongoing implementation will be reviewed during 2025/26.



Constitution Review

7.31 The review of the Council's constitution and decision-making processes continued during 2024/25. A new model Constitution has been introduced comprising the following sections –

Part 1 – Introduction.

Part 2 – Decision Making & Decision Makers.

Part 3 – Scrutiny & Open Government.

Part 4 – Governance & Ethics.

7.32 Much of the Constitution has now been updated, including changes to Cabinet, Executive Member and Officer delegation. New Contracts, Procurement and Financial are in development taking account of the requirements of the Procurement Act 2023; a review of the Scrutiny function around pre decision making and policy development took place during Autumn 2025, and a new Scrutiny Protocol and Scrutiny Procedure rules have since been adopted by Full Council. Updates to the Council's decision-making arrangements including the forward plan and report templates and report writing have now been implemented, with an ongoing development programme introduced for officers on the requirements for completing reports for all decision-making and scrutiny member bodies.

7.33 New Member and Executive Development Programmes have been delivered that have informed by the needs of Members and focus on their development, training and support requirements from both a corporate and personal Councillor perspective. The Council has a newly elected Councillor induction programme which is subject to annual review and refresh to best meet the needs of those new to the Councillor role.

7.34 The form and content of development programmes take account of national sector best practice with ongoing engagement with the Local Government Association (LGA), Centre for Governance and Scrutiny (CfGS) and similar sector forums to ensure training is appropriate, whilst ensuring all Councillors have access to and are engaged in regional and national networks, again ensuring best practice and knowledge are shared.



8. Significant Governance Issues

8.1 Following the end of government intervention in March 2024, the Improvement Plan programme ended. Sustained improvement in governance controls, structures and activity had been embedded into existing arrangements. Where actions on the Improvement Plan remained 'open' at the close of the programme, these were mapped to existing plans and governance arrangements (for example local, business, and corporate plans) and recorded in an Assurance Plan. This Assurance Plan was built into the quarterly corporate performance management reporting arrangements for 2024/25 to ensure continued oversight of key workstreams whilst ensuring that the council continues its journey to becoming an outstanding organisation.

8.2 To provide assurance that the council continued to address the recommendations made by Grant Thornton, a progress report was presented to the Audit and Risk Assurance Committee in December 2024. There were no concerns raised by the committee when this report was presented.

8.3 Throughout the reporting cycle for 2024/25, no items have needed to be escalated for review and discussion. For anything that was a concern, action was already being undertaken, either through business planning or other governance mechanisms. Therefore, continuation of the current process and Assurance Plan into 2025/26 was considered duplication of activity and the process was closed from 30 March 2025.

Governance Review and Reset

8.4 The governance landscape for the Council comprises the constitution, wrap around policy suite, inward and outward facing forums, boards and member / officer boards, the procedures processes and systems through which decisions are applied and implemented, and associated systems which monitor compliance.

8.5 The effectiveness of structures and processes are key components of governance. These include member committees and bodies together with a wide range of internal officer boards. Both elements have evolved over several years and have not been subject to strategic review and reset during that period.

8.6 An initial review of the current governance landscape highlighted what could be seen as a confusing and complex environment. This is formed of multiple structures with often overlapping responsibilities aligned with historic operating structures. The review identified bureaucracy, unclear reporting lines and accountability, and slow decision-making results.



8.7 The Council has established a Governance Board as part of its wider Transformation programme to oversee and develop the Council's governance arrangements, which will:

- have overall responsibility for ensuring that the principles within the Code of Corporate Governance are adhered to;
- ensure that the Council's values are kept to the fore in all decisions and actions;
- ensure good decision making takes place through availability of information and clear accountabilities;
- have robust strategic risk management processes in place to protect the Council, colleagues, and for the residents, businesses and communities of Sandwell; and
- comply with the Council's regulatory obligations.

8.8 The Council has a Protocol for Member/Employee Relations. The protocol seeks to reflect the principles underlying the respective Codes of Conduct which apply to Members and Officers.

8.9 The shared objective of these Codes is to enhance and maintain the integrity (real and perceived) of local government and the Codes, therefore, demand very high standards of personal conduct. Much work has been undertaken in recent times to improve this, and work will continue to further develop this.

8.10 There is a need to strengthen management compliance with regulations (both internal and external) and procedures. Through a variety of routes, including the work of the internal and external auditors, instances were identified where management had not consistently met this requirement. The need to do so will be constantly re-enforced and will form a key part of the governance review.

8.11 With several key and senior officers leaving the Council, alongside constrictions in the recruitment marketplace, the Council has had to bring in a number of interim officers and consultants in specialist areas in order to help achieve its objectives. There is a need to ensure that by using such an approach, that this translates to successful outcomes. There also needs to be a move to recruit permanent officers into these posts as soon as possible.

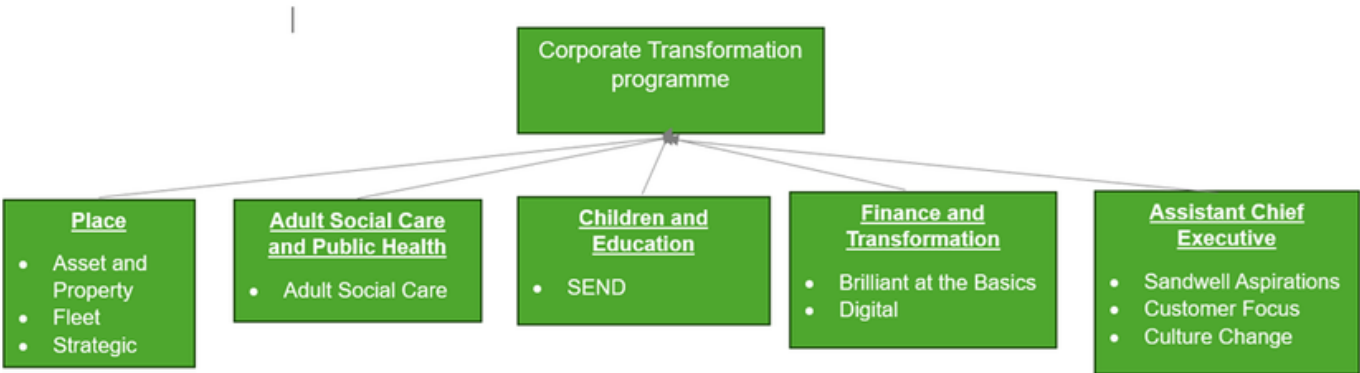


8.12 The Council established its Corporate Transformation Programme in 2024 as part of its intervention improvement plan to address financial sustainability and service performance challenges.

Following the successful completion of Governance and Decision Making, Oracle Fusion, Value Realisation and Waste Management, an independent review of the programme identified the need to reset the programme to strengthen prioritisation, accountability, and delivery focus.

8.13 There is a Corporate Transformation Board charged with oversight of the delivery of the Transformation Programme. This is supported by several programme working groups and lead officers who report through to the Board. The way in which the overarching board and wider programme operates is currently in the process of being refreshed to ensure a consistent project management approach is followed across each theme.

8.14 Although the MTFS is balanced through 2026/27, material funding gaps from 2027/28 create a defined requirement for the programme to deliver timely and measurable savings. The refreshed programme is intended to provide clearer outcomes, strengthened governance, and improved assurance over delivery and financial impact.



Refreshed Corporate Transformation Programme 2025

8.15 The recommendations resulting from the independent review are being progressed with the intention of embedding the refreshed structure and programme over the coming 6-month period providing a focused and auditable roadmap to strengthen programme control and support the Council’s financial sustainability.



8.16 There were also delays and large contract overspends on several major capital housing projects. This aligns with longer term issues experienced with ensuring integration of Housing Services within the wider organisation, including consistency of policy, practice, and procedure. Interventions have been identified by the Council's Strategic Leadership Team and continue to be applied to Housing Services to ensure compliance.

8.17 Several plans have now been put in place to help remedy these issues as part of the Housing Transformation Programme. Identified actions and resourcing requirements are detailed within the plans with structured monitoring of delivery and compliance in place as an additional assurance mechanism. An update on this programme was presented to the Council's Audit and Risk Assurance Committee in both September 2024 and November 2025. Following receipt of the assessment opinion for the Regulator of Social Housing these findings were reported to SLT and Cabinet in late 2024 and an Improvement Plan put in place.

8.18 There is a need for the Council to review its governance and monitoring arrangements for overseeing group and associated companies. This includes those operating at arms-length where they continue to play a key shared role in the Council's provision of services.

8.19 An action plan to address the above issues is included at Appendix A to this Statement.



“ 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.”



Councillor Kerrie Carmichael
Sandwell Council Leader



Shokat Lal
Chief Executive



Appendix 1 – Political Leadership and Scrutiny

1. The Leader and Cabinet

1.1 The Council has adopted the strong ‘leader and cabinet’ form of executive arrangement under the Local Government and Public Involvement in Health Act 2007 with a Cabinet of up to ten Councillors, meeting in public to make executive decisions on matters of strategy and borough-wide significance.

1.2 Each Cabinet Member also has a portfolio of responsibility for the delivery of services, which are aligned to each of the 10 Vision Ambitions, for which they are accountable.

1.3 The Leader has agreed a scheme of delegation of executive powers under which:

- (i) The Leader and Cabinet make significant decisions collectively, save in cases of urgency.
- (ii) The Leader and/or a Cabinet member makes all key decisions with a value over £500,000 or where there is a significant effect on two or more wards.
- (iii) A Scheme of Delegation of all other “non-key” decisions are delegated to officers with powers dependent on their seniority and areas of responsibility.

2. Full Council and Decision Making

2.1 The Constitution and the statutory framework governing local authorities reserve specific decision-making powers to the Full Council of all the Councillors. Most importantly, this includes the power to set the annual budget and Council tax and agree major policies. The Leader and Cabinet must make decisions within the budget and policy framework set by the Full Council.

2.2 Full Council appoints committees to make decisions in specific areas, such as planning, licensing and audit. Each committee has terms of reference setting out their delegated powers. Full Council and committees also delegate powers to officers. Full Council agrees its Scheme of Delegation of Powers to officers at every annual Council meeting in May.

3. Audit and assurance

3.1 The Audit and Risk Assurance Committee is critical to the oversight of good governance as its remit includes receiving assurance on the Council’s financial management, internal control and anti-fraud measures, including the approval of the Council’s statement of accounts which includes this Statement.



5. Overview and Scrutiny

4.1 Full Council must appoint one or more member bodies to discharge statutory overview and scrutiny functions. The Council has 5 Scrutiny Management Boards –

- (i) Budget and Corporate Scrutiny Management Board.
- (ii) Children's Services and Education Scrutiny Board.
- (iii) Economy, Skills, Transport and Environment Scrutiny Board.
- (iv) Health and Adult Social Care Scrutiny Board.
- (v) Safer Neighbourhoods and Active Communities Scrutiny Board.

4.2 Each Scrutiny Management Board agrees an annual work plan focusing on strategic priorities and adopts a “critical friend” approach towards the Leader and Cabinet. The most effective scrutiny occurs pre-decision and the Council’s Overview and Scrutiny committees now each have a pro-active work programme. However, if a Scrutiny Management Board wishes to review a Cabinet decision after it has been made, it can exercise its power of call in.

4.3 Each Scrutiny Board may make recommendations to the Leader and Cabinet on the decision, who are required to reconsider their decisions taking account of any scrutiny recommendations.



Appendix 2 – Conduct, standards and behaviour

1. Councillors

1.1 The Council has a clear ethical framework based on the Standards of Conduct in Public Life (the Nolan Principles). The Monitoring Officer is the Council's lead officer for maintaining high standards of conduct in the authority reporting to the Ethical Standards and Member Development Committee. The Committee has an independent (non-voting chair) and a further independent person appointed under the Localism Act 2011 to provide advice to the Monitoring Officer, the Committee and individual Councillors subject to complaints.

1.2 There is a Code of Conduct for Councillors, including obligations to register and declare specific private interests at meetings (and not participate where required) and to declare gifts and hospitality from third parties. Councillors are required to receive training on the Code of Conduct and ethical standards.

1.3 The Council has a complaints procedure for the consideration of complaints that a Councillor has breached the Code of Conduct. The Monitoring Officer is responsible for handling complaints and may require a complaint to be investigated. The Monitoring Officer may refer an investigation to a hearing by the Ethical Standards and Member Development Committee to determine whether a Councillor has breached the Code of Conduct and, if so, the sanction.

1.4 A Code of Conduct for employees and disciplinary policy is in place with an obligation to declare and register private interests and gifts and hospitality from third parties.

1.5 The Council's Ethical Standards and Member Development Committee has an annual work plan and receives a regular report on the Ethical Framework providing details of the declarations and conduct in the reporting period to identify issues and patterns for the Monitoring Officer and Full Council to consider.

1.6 The Council is committed to creating and maintaining an anti-fraud culture and high ethical standards in the administration of public funds. Commercial relationships between the Council and third-party organisations or individuals are subject to a robust due diligence process.



2. Officers

2.1 The Council's officers are employed to advise Councillors on matters of policy and strategy and to implement decisions at operational level using delegated powers (agreed under the Scheme of Delegation). Officers manage the Council's staff and all other aspects of day-to-day operations. The Council's management structure can be found in the Constitution.

2.2 The Council's Member Officer Protocol provides practical guidance on how Councillors and officers work together positively, respecting their different roles in delivering the Council's priorities. The Protocol provides guidance on the boundaries between the roles and responsibilities of Councillors and officers and can be found on the Council's website.



Action Plan – Annual Governance Statement 2024/25

Appendix 3

Ref	Governance issue as identified in the 2023/24 AGS (published February 2025)	Action	Responsible Officer	Update as at July 2025	Update as at January 2026
1	Governance review and reset	Establish a process to fully map the council's governance arrangements, to understand and evaluate what changes are necessary, and in doing so to enable these to be delivered sustainably to ensure the smooth, efficient, and effective operation of the organisation.	Monitoring Officer December 2025	A comprehensive methodology has been established to map existing governance arrangements. Extensive review, discovery and survey work has been undertaken to date and a baseline position established of existing governance arrangements and structures. New principles and models of operation and assurance have been produced, designed to ensure governance and control framework structures are robust, effective and agile to meet the changing needs of the organisation.	Completed
2	Member/Officer Relationships	To continue to develop strong Member Officer working relationships in line with the Protocol for Member/Employee Relations.	Monitoring Officer December 2025	A range of interactive sessions have been held involving all members and officers, externally facilitated by the local Government Association (LGA). Feedback from LGA facilitators has been positive and recognising the positive, respectful and strong relationships between members and officers, whilst also demonstrating clear awareness of the differing roles and responsibilities.	Continuing

Action Plan – Annual Governance Statement 2024/25

Appendix 3

Ref	Governance issue as identified in the 2023/24 AGS (published February 2025)	Action	Responsible Officer	Update as at July 2025	Update as at January 2026
3	Management compliance with regulations and procedures	Establish a council wide assurance and accountability framework for senior management to ensure compliance with regulations and procedures.	Chief Executive Executive Director – Finance & Transformation Monitoring Officer December 2025	A range of assurance and accountability frameworks establish and operate to oversee and ensure compliance. The Monitoring Officer, Head of Paid Service and S.151 Officer meet regularly through the Statutory Officers Group to assess compliance and identify emergent issues. Regular engagement is undertaken with the Head of Audit to identify compliance with audit recommendations and to identify additional opportunities to improve monitoring arrangements to ensure compliance.	Continuing
4	Organisational structure and efficiency	To complete the senior management restructure, and to ensure that it is operating in an effective manner and meeting the requirements of new and emerging executive orders.	Chief Executive December 202	Phase 2 of the senior management restructure has now been approved by relevant member bodies following consultation with all staff impacted by the proposals. Implementation is underway and largely implemented across Finance and Transformation and the Place Directorates. Recruitment to roles within the Assistant Chief Executives suite of services commenced July 2025. Arrangements for the Adults Social Care and Public Health, along with the Education and Children's Services Directorates will be progressed by the respective Executive Directors over the coming months.	Phase 2 of the senior management restructure has been completed and stage 3 is now in progress with postholders taking up their positions in January 2026.

Action Plan – Annual Governance Statement 2024/25

Appendix 3

Ref	Governance issue as identified in the 2023/24 AGS (published February 2025)	Action	Responsible Officer	Update as at July 2025	Update as at January 2026
5	Transformation Programme	To continue to monitor and deliver the various elements within the Transformation Programme.	Executive Director – Finance & Transformation March 2026	The Council has an ambitious and wide-ranging transformation programme that is supported by robust and effective monitoring and evaluation arrangements. These include several programme boards each supported by a clear action and implementation plan against which progress on delivery is assessed. In May 2025 the programme was reviewed resulting in revised governance recommendations. These are being developed for implementation throughout 2025/26.	The Corporate Transformation Programme continues to operate under robust governance arrangements, with revised structures following a May 2025 review being implemented during 2025/26 to strengthen prioritisation, accountability and delivery, and to ensure the programme is focused on delivering timely, measurable savings and clear outcomes in response to emerging funding gaps from 2027/28, supporting the Council's long-term financial sustainability
6	Housing transformation	To ensure that the actions and resourcing requirements within the Housing Transformation Plan, and from the outcome of the Regulator of Social Housing's judgement, are monitored and delivered in accordance with agreed timescales.	Executive Director – Place April 2026	A robust improvement transformation plan has been established for the Council's housing functions. Actions and key milestones for delivery are subject to regular, incisive monitoring through relevant governance boards and structures, including corporate performance reporting frameworks. In addition, member oversight is assured through cyclical reporting to Cabinet, Audit and Risk Assurance Committee and the Budget and Corporate Scrutiny Management Board	Progress continues to be made in implementing the actions in the improvement plan.

Action Plan – Annual Governance Statement 2024/25

Appendix 3

Ref	Governance issue as identified in the 2023/24 AGS (published February 2025)	Action	Responsible Officer	Update as at July 2025	Update as at January 2026
7	Use of interim postholders and consultants	Review current arrangements for the use of all key interim post holders and consultants to ensure that outcomes against cost are clearly defined and are being delivered. Ultimately to move to recruit into key posts.	Strategic Leadership Team February 2026	Regular reports are now submitted to SLT on the scope of use of interim postholders. The agreement and implementation of phase two of the strategic leadership review programme will enable the necessary changes to service structures, reporting spans and lines of management to now be made at pace, ensuring clear, robust and effective management arrangements and moving towards permanent recruitment to key roles, reducing reliance on interim appointments.	With the implementation of phase 2 confirmed and phase 3 of the senior management restructure nearing completion – this will result in a reduction in the use of interim officers.
8	Governance and monitoring arrangements for overseeing group and associated companies.	There is a need for the Council to review its governance and monitoring arrangements for overseeing group and associated companies. This includes those operating at arms-length where they continue to play a key shared role in the Council's provision of services.	Executive Director – Finance & Transformation Monitoring Officer November 2025	A comprehensive methodology has been established to map existing governance arrangements. Proposals will come forward during September 2025 to introduce a new Companies Governance Protocol and supporting structures to ensure effective oversight of companies more aligned with sector norms and best practice. Further proposals will also come forward at the same time to introduce a new Partnerships Register and Partnerships Protocol to act provide additional structure and assurance.	A proposal is due to come forward in January which will to see a new mechanism introduced in line with CIPFA best practise.

