Sandwell
Metropolitan Borough Council

Statement of Accounts

2018/19

STATEMENT OF ACCOUNTS
CONTENTS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sandwell Metropolitan Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the and the Group Cash Flow Statement, the Group Movement in Reserves Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.
In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources, 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, the Executive Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts , the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources 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 Executive Director of Resources is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017**,** except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, Sandwell Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion

Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:

The Council's children's social care service has been subject to an improvement notice since March 2010. In June 2015 Ofsted reported findings with an overall judgement that children's services were inadequate, and consequently the Council implemented an improvement plan. The required improvements in performance were not made and on 6 October 2016 the Council was issued with a

Statutory Direction, from the Secretary of State for Education, to set up a Children's Trust to deliver children's social care services.

In response to this Direction, the Council set up a Children's Trust, with the service ultimately transferring on 1 April 2018. However, the basis of the findings of the Ofsted and CQC inspection of local area services for children and young people with special educational needs and/or disabilities, published on 27 March 2017, in addition to the reports of the current Ofsted inspection programme into children's services, most recently published on 29 January 2018, was that Children's services in Sandwell were still inadequate. There have been six monitoring visits since the last inspection. Ofsted have recognised that improvements in the service are being made but have noted that further progress is needed if the issues raised in their last inspection report are to be fully addressed.

Having considered the findings and conclusions of Ofsted's inspections and monitoring visits, together with the results of our audit work, we have concluded that there are weaknesses in the Authority's arrangements for delivering services for children in need of help and protection, children looked after and care leavers.

These matters are evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Sandwell Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

M C Stocks

Mark C Stocks, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham
30 September 2020

MESSAGE FROM THE EXECUTIVE DIRECTOR OF RESOURCES

Local Government is facing enormous challenges. Nine years of austerity has left councils managing increasing demand for our services whilst having significantly less resources available to deliver those services. The sector deserves enormous credit for the way it has managed this seemingly impossible challenge.

Two important national factors have helped this process:

1. A grudging understanding by national politicians and the public that austerity has an impact on services;
2. The stability provided by a 4-year funding settlement allied to a local government funding formula that has remained largely unchanged for 5 years.

We can no longer rely on either of these factors for the following reasons:

1. The Prime Minister's seemingly premature announcement of the 'end of austerity' has not been backed-up with additional funding being made available.
2. 2019/20 is the last year of the previous funding settlement and there is no date fixed for the announcement of the next settlement.
3. The Government has embarked on a review of the local government funding formula that is creating unnecessary instability and which appears designed to move a greater share of funding to county councils.

As a result, local government is facing a period of huge uncertainty. My personal view is that this should be the key focus of our national public sector financial bodies, rather than their constant focus on the notional valuation of assets that have no material value in a local government context.

Sandwell Council is in a good position to manage our way through this uncertainty. Our finances continue to be well managed and we still have a reasonable, albeit reducing, level of reserves. We have a clear sense of purpose and optimism based around our 2030 Vision. We have a highly committed and engaged workforce, led by a permanent senior management team.

Financially, our biggest risk continues to be the Sandwell Children's Trust. The financial implications of the increase in demand for children's social care services requires a national solution – it cannot be managed by individual councils. It is to be hoped that national government understands this and takes some action as part of the comprehensive spending review.

Finally, I want to put on record my thanks to the whole of the finance team who have been responsible for the production of this Statement of Accounts. The team is roughly half the size it was back in 2010 but the knowledge, dedication and commitment of the team continues to be a credit to Sandwell.

Darren Carter, CPFA
Executive Director of Resources
March 2019

About Sandwell

The Borough

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

Sandwell is home to strong and vibrant communities. Our growing population (currently 325,460) is diverse with more than 34% of our population from ethnic backgrounds. Our six towns of Oldbury, Rowley Regis, Smethwick, Tipton, Wednesbury and West Bromwich have distinct identities and characteristics. Sandwell's rich past and multi-cultural heritage is central to its uniqueness and continues to shape its future.

Sandwell is, however, an area of widespread deprivation with huge and increasing demand for council services. Many Sandwell residents including our children and young people experience poor outcomes; 36.5% of children in Sandwell live in poverty. The Council has an ambitious plan to tackle these challenges and ensure every child and young person can realise their full potential.

The 2030 Vision

In 2030, Sandwell is a thriving, optimistic and resilient community. It's where we call home and where we're proud to belong - where we choose to bring up our families, where we feel safe and cared for, enjoying good health, rewarding work, feeling connected and valued in our neighbourhoods and communities, confident in the future, and benefiting fully from a revitalised West Midlands.

These words underpin the Sandwell 2030 Vision, setting out an ambitious agenda for what we are going to achieve in the coming years.

Ambition 1

Sandwell is a community where our families have high aspirations and where we pride ourselves on equality of opportunity and on our adaptability and resilience.
Too many Sandwell children live in deprived households – and this restricts social mobility from one generation to the next.

Children growing up in households where a parent does not work, or has low skills, are more likely to be out of work, in low income jobs or have a low level of education attainment themselves.

Our ambition is to break this cycle by 2030. To do this, we need to:

- improve children’s life chances;
- have high expectations of children to achieve; and
- raise aspirations in schools and at home.

Ambition 2

Sandwell is a place where we live healthy lives and live them for longer, and where those of us who are vulnerable feel respected and cared for.
Sandwell people have less healthy lifestyles than the national average. People are living longer but are often in poor health as they get older – we want people to live well for longer.

Everyone can help make this happen. By 2030, we will:

- all be taking more responsibility for improving our own health and the health of our families;
- have excellent co-ordination between social care and the NHS;
- have a strong approach – with all partner organisations – to prevent ill health and improve long-term health and wellbeing; and
- be doing well in protecting our most vulnerable adults and children.

Ambition 3

Our workforce and young people are skilled and talented, geared up to respond to changing business needs and to win rewarding jobs in a growing economy.
Sandwell's low level of skills and qualifications is holding back people from achieving their potential.

Having the right skills is important for people to get better paid jobs, and this is likely to become ever more important as lower skilled jobs will be at risk from automation.

For Sandwell people to take up the jobs and opportunities available in 2030, we must:

- make sure people have the right mix of skills to equip them for the future job market;
- provide the right training – including the right balance of high-quality vocational training, apprenticeships and academic provision; and
- nurture links between education and business to fully understand what the job market needs and tailor it accordingly.

Ambition 4

Our children benefit from the best start in life and a high quality education throughout their school careers with outstanding support from their teachers and families.
Giving children the best start in life through a good quality, well-rounded education is vital to increasing their life opportunities and social mobility.

Our aim is that by 2030:

- high-quality primary and secondary education will be attracting and keeping young families in Sandwell;
- we will be expecting more for our children;
- the quality of teaching will be much better;
- technical and vocational education will have dramatically improved, with strong co-operation between schools and colleges; and
- parents will be more involved and schools will be excellent at developing skills to prepare children for life and raising their aspirations.

Ambition 5

Our communities are built on mutual respect and taking care of each other, supported by all the agencies that ensure we feel safe and protected in our homes and local neighbourhoods.
Sandwell's violent crime and anti-social behaviour levels are currently similar to the national average.

More will be done in the coming years to reduce crime and anti-social behaviour – and our long-term plans to reduce deprivation and improve every child's life chances will also help with this.

Our focus will be on:

- continuing our effective working with the police and partner organisations;
- building stronger community links;
- preventing crime and anti-social behaviour; and
- dealing effectively with domestic violence, female genital mutilation (FGM) and modern slavery.

Ambition 6

We have excellent and affordable public transport that connects us to all local centres and to jobs in Birmingham, Wolverhampton, the airport and the wider West Midlands.
Sandwell is well placed at the heart of the West Midlands transport system. We must make sure people have efficient and cost-effective ways to get to job and leisure opportunities.

Around 30,000 Sandwell residents already commute to Birmingham every day.

The West Midlands Combined Authority (WMCA) aims to improve links both within the region and into the national network via HS2.

By 2030, Sandwell will be reaping the rewards from better transport links across the region and growth in Birmingham, the rest of the Black Country and beyond.

Ambition 7

We now have many new homes to meet a full range of housing needs in attractive neighbourhoods and close to key transport routes.
Sandwell needs new areas of quality housing in places where people want to live and bring up their families and can easily get to jobs across the region by public transport.

Significant numbers of new homes will also support businesses, town centres and local services.

We also need well-placed new business sites to attract and retain successful employers.

To help achieve our 2030 vision:

- we will identify major development opportunities along public transport routes and develop plans with the community and developers to make this happen; and
- around 8,500 new homes will be built on sites with rapid transport connections into Birmingham, including the Dudley Port line, Metro and Jewellery line (Worcester to Birmingham).

Ambition 8

Our distinctive towns and neighbourhoods are successful centres of community life, leisure and entertainment where people increasingly choose to bring up their families.
The distinctiveness of Sandwell's six towns is a major strength. These towns already provide a focus for community life and have further potential.

By 2030:

- our six towns will be more vibrant, focusing on their individual strengths, strong heritage and community;
- Sandwell's industrial heritage will have been given new life, creating local pride and jobs;
- the great work already achieved in parks and green spaces will be kept up, and we will have made the most of our canals to link these aspects of community life; and
- families will be choosing to move into and stay in Sandwell and be proud of their town.

Ambition 9

Sandwell has become a location of choice for industries of the future where the local economy and high performing companies continue to grow.
The new West Midlands Combined Authority (WMCA) says the region's strengths and opportunities lie in the advanced manufacturing sector, new digital industries and the harnessing of environmental technologies.

Sandwell has many strong businesses that are developing to build resilience for the future – but there is more we need to do to put Sandwell at the forefront of a successful regional economy.

By 2030, Sandwell will have geared up to attract the industries of the future to locate, expand or do business in the borough.

This means making sure the best companies have the land, trained workforce and necessary infrastructure to grow and prosper.

Sandwell's economy will be resilient and flexible, able to respond and evolve because all the basics will be in place.

Ambition 10

Sandwell now has a national reputation for getting things done, where all local partners are focused on what really matters in people's lives and communities.
To build a more resilient and successful Sandwell, we all need to work together and focus on addressing the things that really matter in people's lives.

We need to tackle the challenges and get the basics right by working together in a different way.

By 2030, Sandwell will be:

- nationally recognised for getting things done by everyone working together;
- a place known for trying out new things and taking measured risks – adopting new ideas from businesses, voluntary and community organisations, schools and colleges, and local people.

The Council

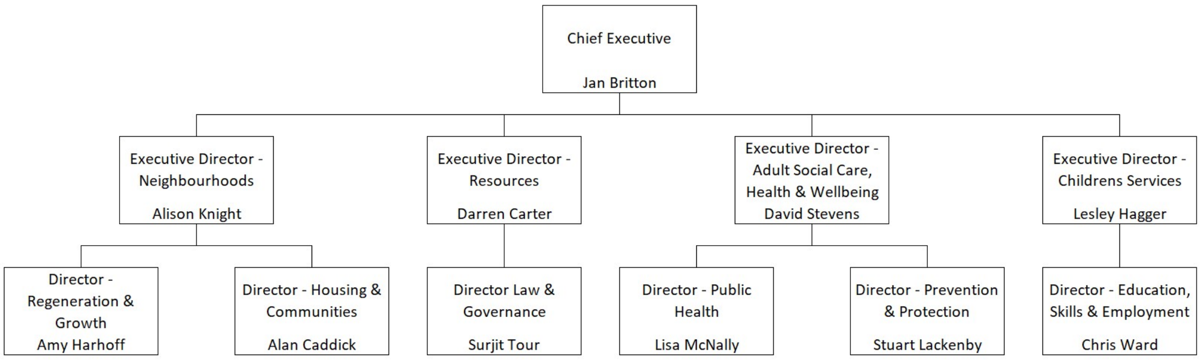
Political Leadership

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

At the start of the year Councillor Eling was Leader with Councillor Khatun as Deputy. Councillor Eling subsequently resigned as Leader and Councillor Trow was confirmed as the new Leader at the meeting of the Council in March 2019 with Councillor Khatun as Deputy. On 3 May 2019 Councillor Steve Trow stepped down as Leader of Sandwell Council with immediate effect. At the Annual Council meeting on 21 May 2019 new Leader of the Council Councillor Yvonne Davis was elected. On 8 July 2020 Councillor Yvonne Davis stepped down as lead. Deputy Leader Councillor Maria Crompton is currently acting as leader of Sandwell Council.

Organisational Structure

A permanent senior management team is now in place, led by the Chief Executive and supported by four Executive Directors and six Directors. The structure has been designed to provide sufficient capacity for day-to-day leadership of the council and our 4,126 employees as well as delivering the strategic drive needed to take forward our 2030 vision.



Dr Alison Knight, the Executive Director of Neighbourhoods, has responsibility for all 'place' functions, shaping and driving the Neighbourhood's agenda, and line manages two Director posts:

- Amy Harhoff, the Director of Regeneration and Growth; and
- Alan Caddick, the Director of Housing and Communities.

Darren Carter, the Executive Director of Resources is the Council's statutory Section 151 Officer and line manages:

- Surjit Tour, the Director – Law & Governance and statutory Monitoring Officer;
- plus three Level 2 Service Managers responsible for Finance, Human Resources and ICT / Revenues & Benefits.

Lesley Hagger, the Executive Director of Children's Services is the statutory Director of Children's Services (DCS) and line manages:

- Chris Ward, the Director of Education, Skills and Employment.

David Stevens is the Deputy Chief Executive and Executive Director of Adult Social Care, Health and Wellbeing and line manages:

- Stuart Lackenby, the Director of Prevention & Protection; and
- Lisa McNally, the Director of Public Health.

On 3 July 2019 Jan Britton resigned from his role as Chief Executive of Sandwell Council. At the full council meeting on 16 July 2019 councillors appointed David Stevens as Interim Chief Executive. On 14 January 2020 at a meeting of the Council David Stevens was appointed as Chief Executive. Stuart Lackenby has taken over the statutory role of Director of Adults Services and was permanently appointed on 14 January 2020 while Neil Cox was appointed as Director of Prevention and Protection on the same date.

LGA Corporate Peer Challenge Follow Up visit January 2019

The focus of the follow-up was to specifically review progress and developments in response to the peer challenge feedback and recommendations in the 2018 Corporate Peer Challenge. The team concluded it was clear the Council had embraced the original recommendations and recognised that significant progress has been made against many of the recommendations. There had also been progress on all fronts which is “commendable given it is only 12 months since the original review”.

Revenue Outturn

Sandwell’s net general fund balance decreased by £13.172m in 2018/19.

The majority of services across Sandwell have ended the year in surplus and are carrying forward combined surpluses of £22.204m to future years. This demonstrates the continued success of our multi-year budget planning process and is a key part of our overall strategy of protecting front-line services for the people of Sandwell.

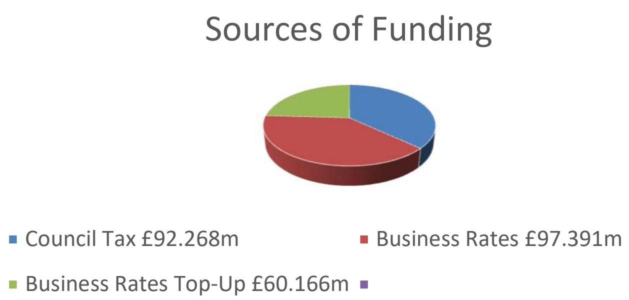
However, in common with many other councils, Sandwell Children’s Trust has experienced significant financial challenges in its’ first full year of operation.

The Housing Revenue account balance increased by £4.464m in 2018/19.

Our maintained schools have ended the year with surplus balances of £21.838m, an increase of £2.060m compared to the previous year. 2 schools ended the year in deficit.

Sources of funding

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



Capital Outturn

Capital expenditure of £77.629m was incurred during 2018/19, including:

£1.031m	Various ICT projects
£18.936m	New schools/school refurbishments
£3.200m	Disabled Facilities Grant
£6.105m	Various Highways related schemes
£37.813m	Housing Revenue Account

Performance Indicators

Key financial outturn performance indicators for 2018/19 compared to 2017/18 are as follows:

Key Performance Indicator			2018/19	Change from 2017/18	2017/18	Commentary
1	Revenue Collection Performance					
1.1	Council Tax Collection Rate		99%	↔	99%	A higher figure is beneficial in improving the Council's cash flow and also reducing administration costs.
1.2	Business Rates Collection Rate		98%	↓	99%	A higher figure is beneficial in improving the Council's cash flow and also reducing administration costs.
1.3	General Debtors					
	1.3.1	Total Amount Billed to Date (£m)	77	↑	76	Target for Q4 is 90% collection rate, so this is ahead of target in year and ahead on the position as at last year. Billed debt has decreased on this time last year.collection rate.
	1.3.2	Collection Rate	85%	↓	87%	
	1.3.3	Average No. of Days to receive payment from Customers	72	↑	80	A lower figure is beneficial to the Council in relation to improved cash flow and reduced administration costs.
	1.3.4	Credit Notes Raised as a % of Total Customer Invoices	4%	↔	4%	A lower figure helps to save time in dealing with customer queries and reduces the cost of administration.
	1.3.5	Proportion of Debt > 90 days old from invoice date	54%	↓	42%	A lower figure helps to improve the council's cash flow.
1.4	Housing Rents					
	1.4.1	Value of Rent Debit to Date (£m)	118	↓	120	A small % decrease in the value of the rent debit.
	1.4.2	Collection Rate	96%	↔	97%	No change in the collection rate.
2	Accounts Payable					
2.1	Proportion of Payments made by Electronic means (BACS & Bank Transfers)		93%	↔	93%	A higher figure is beneficial in terms of reducing administration costs and improved processes. Suppliers of goods and services receive prompt payment of invoices and therefore improved cash flow.

Treasury Management

At 31 March 2019, the council's external debt was £517.577m (£498.245m at 31 March 2018) and its investments totalled £42.846m (£41.351m at 31 March 2018).

The council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). This figure is a gauge for the council's debt position and represents the 2018/19 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. At 31 March 2019 the CFR was £741.112m, down from £751.966m at 31 March 2018.

The council maintained an average balance of £68.252m of internally managed funds. The internally managed funds received an average return of 0.698%. The comparable performance indicator is the average 7-day LIBID rate as at 31 March 2019, which was 0.568%. The LIBID rate saw a sharp increase in August 2018 to reflect the MPC's Bank Rate increase from 0.50% to 0.75%. The council has seen a steady increase on returns, towards the second half of 2018/19.

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

General Fund Balance

We end the year with a General Fund Balance of £62.037m, a reduction of £13.172 million compared to the position as at 31 March 2018. This includes:

- £22.204m of surpluses that are being carried forward to invest in front-line services and £27.728m that has been earmarked for specific purposes.

Our level of free balances is £12.105 million, which equates to 5% of net general fund expenditure, and is in line with council policy of maintaining free balances of between 3-5% of net general fund expenditure.

Going Concern

Sandwell MBC carries out functions that are essential to the local community. We have a strong track record of financial stability, managing funding reductions whilst protecting front-line services. After almost 9 years of austerity we have maintained a prudent level of reserves and we continue to be resilient in the face of the significant financial challenges facing local government. Our Medium Term Financial strategy is robust and we have a strong track record of delivering savings.

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

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

Cash Flows

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. During 2018/19, net cash and cash equivalents increased by £48.301m.

Assets and Liabilities

The Council continues to maintain a strong balance sheet. Long term assets are valued at £2,130.100m. Long term liabilities are valued at £1,298.694m, including a net deficit of £756.538m attributable to the council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Barnett Waddingham).

The results of the most recent review were used to prepare the 2018/19 accounts. The 2018/19 past service and future service contribution rates for the council and employees were adjusted in order to address this deficit over time. Note 43 explains the pensions liability in more detail.

IFRS 9 - Proposed Treatment of Airport Shares

The Council invests in a number of financial instruments. The introduction of IFRS9 from the 1st April 2018 has required that these instruments be reviewed and re-categorised to ensure compliance with the code guidance.

Under IFRS9 the category of asset previously entitled ‘available for sale’ has been removed. For this class of asset the authority has the option to treat them as either, Fair Value through Profit and

Loss (FVPL) or make a one-off irrevocable election to designate them as Fair Value through Other Comprehensive Income (FVOCI). There are two key criteria that need to be met in order to make this election:

i) The asset must be an equity instrument i.e. a “contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities”,

ii) The asset must not be held for trading.

The shares clearly meet the definition of an equity instrument in that there is a residual interest in the airports assets after deducting its liabilities, and the shares were primarily held to promote economic development rather than making financial gains from increases in fair value and so are not held for trading. Therefore, it is Sandwell’s view that the shares meet both of these criteria and that it is reasonable to elect to designate them as FVOCI.

As a result, any gains or losses on the movement in the shares’ value will not be debited to the Surplus or Deficit on the Provision of Services but will instead be accumulated in the Financial Instruments Revaluation Reserve until the shares are derecognised, at which point the net gain or loss would be transferred to the General Fund Balance.

Termination Benefits

The council terminated the contracts of a number of employees in 2018/19 to meet the ongoing challenges of the difficult economic climate and budget reductions. In total 51 employees left the council’s employment during the year incurring liabilities of £3.378m.

In 2017/18 a provision of £2.253m was created for employees approved as planned leavers at 31 March 2018. Of this £1.553m was utilised and £0.593m re-provided for in 2019/20. Costs of £1.162m not included in the 2017/18 provisions have been incurred. £1.053m of this has been funded by Directorates and £0.109m from the Council’s Corporate Resources.

There are also agreements in place for a further 31 employees to leave the council during 2019/20 or later at an estimated cost of £2.718m. A provision for this amount has therefore been created for future and outstanding termination benefit costs which are expected to be incurred in 2019/20.

Partnership Working

With shrinking resources, increased demand, and increased deprivation in Sandwell, there is a risk that partners and the Council could become more insular in their focus. We have guarded against this in Sandwell through our Vision and our successful working relationships with partners.

We celebrate long-established successful relationships with our key partners which includes constructive working practices at a strategic and an operational level. The Council actively co-ordinates and manages the strategic partnership arrangements. Our four statutory strategic partnerships are well-established and are growing in maturity. These forums bring together statutory partners and non-statutory partners and have helped develop the 2030 Vision:

- Health and Wellbeing Board
- Sandwell Safeguarding Children’s Board
- Sandwell Safeguarding Adult’s Board

- Safer Sandwell Partnership

The strategic partnerships are collaborating by bringing together the four Chairs focusing on areas of work with shared outcomes. Their commitment to collaboration is reflected in the values and behaviours agreed in the group partnership protocol.

Sandwell's Voluntary and Community Sector

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

The council has a long history of supporting the VCS, for example through grants, subsidised use of premises and free access to training. The voluntary sector support budget is in excess of £3.200m pa and has been protected from cuts for more than 10 years. This budget is used to provide core funding for a range of local VCS organisations, including infrastructure bodies, local community centres and advice centres. Alongside this support, the Sandwell Compact and the VCS funding strategy have provided a firm basis for the development of our relationships with the sector.

In more recent years' relationships with the sector have evolved to reflect a much stronger partnership approach with more opportunities for real dialogue about changing needs and genuine engagement around problem solving and service redesign. Recent examples include a co-design approach to funding advice services and the Better Health Programme, initiatives led by community groups to address food poverty and developing a visible early help offer for families.

Governance

In reviewing the Council's priorities and its implications for its governance arrangements, the council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

2019/20 & Beyond

Vision 2030 Ambitions

One of the key principles used in the development and launch of Vision 2030 was a strong commitment to engagement with key partners and staff. Over 900 face-to-face interviews were held with Sandwell residents and staff contributed over 2,000 suggestions. This commitment to engaging with our communities has continued in 2018/19 with over 3,000 young people taking part in workshops and surveys. A borough conference is planned for Summer 2019.

Key Risks

Governance

The Council has made significant progress in undertaking a governance review that began during 2018/19. The review is driven by two principal drivers;

i) The need to align governance arrangements with the 2030 Vision; and
ii) It being recognised good practice for Councils to review their governance arrangements on a periodic basis.

Financial Risks

In common with all other local authorities, Sandwell continues to face the ongoing challenge of reducing central government funding combined with increasing demand for our services.

The budget report approved by Council in March 2019 set a balanced budget that did not rely on the use of reserves to fund revenue service provision.

However, the financial position of the Sandwell Children's Trust continues to be a matter of concern. The Council allocated an extra £13m to the Trust in 2018/19 to reflect increasing demand based on due diligence undertaken by advisors appointed by the Department for Education (DfE) overseen by the DfE appointed Commissioner. Even after this significant increase in funds the Trust has ended the year with a deficit of £6.5m.

Operational Model / Strategy & Resource Allocation

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

- Sandwell's Vision 2030 which sets out our key strategic plans for the borough.
- The four service area business plans that were approved by Cabinet in February and which detail the resources allocated to each service area and how they will be used to deliver the key activities planned for the coming years.
- The Council budget report and Medium Term Financial Strategy approved by Council in March which sets out our assumptions about the future financial resources available to the Council as we approach the end of the 4-year funding settlement.

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

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

1. **The Authority's Responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Acting Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

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

The Acting Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2019.

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

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2019.

Ahmad Bostan

Chair, Audit Committee
Sandwell Metropolitan Borough Council

Rebecca Maher

Acting Section 151 Officer
Sandwell Metropolitan Borough Council

Comprehensive Income & Expenditure Statement

2018/19

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.

2017/18 Restated Gross Expenditure £'000	2017/18 Restated Gross Income £'000	2017/18 Restated Net Expenditure £'000		2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
			People			
143,398	(59,221)	84,177	Adult Social Care Services	149,496	(62,103)	87,393
258,260	(265,234)	(6,974)	Schools	262,356	(271,753)	(9,397)
85,838	(19,173)	66,665	Children's Services	118,771	(17,921)	100,850
20,839	(25,585)	(4,746)	Public Health	19,922	(24,900)	(4,978)
			Performance			
166,797	(157,380)	9,417	Resources	186,712	(154,200)	32,512
7,185	(266)	6,919	Corporate Management	1,265	(1,511)	(246)
			Place			
64,981	(9,629)	55,352	Housing & Comminuties	60,969	(9,037)	51,932
36,266	(9,301)	26,965	Regeneration & Growth	47,800	(15,050)	32,750
71,074	(130,634)	(59,560)	Housing Revenue Account	75,812	(130,425)	(54,613)
(59,302)	-	(59,302)	- Reversal of previous revaluation losses	(60,924)	-	(60,924)
795,336	**(676,423)**	**118,913**	**Cost of Services**	**862,179**	**(686,900)**	**175,279**
		13,791	Levies			13,071
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		7,809	(Gains) / Losses on the disposal of non current assets			2,601
		154	Losses on Revaluation of Assets Held for Sale			29
		-	Losses on Revaluation of Available for Sale Assets			-
		24,451	**Other Operating Expenditure**			**18,398**
		29,171	Interest payable and similar charges			31,368
		21,581	Net interest on the net defined benefit liability (asset)			18,439
		(2,857)	Interest receivable and similar income			(1,644)
		(2,246)	Income and expenditure in relation to investment properties			(2,836)
		(2,971)	Changes in the Fair Value of investment properties			6,182
		-	Changes in the Fair Value of Financial Assets			(787)
		42,678	**Financing and Investment Income and Expenditure**			**50,722**
		(92,268)	Council Tax income			(97,929)
		-	NDR from Pool			-
		(97,391)	Retained Business Rates			(96,095)
		(60,166)	Business Rates Top Up			(50,660)
		-	Small Business Rates Relief s31 Grant			-
		9,386	Collection Fund (Surplus) / Deficit			41
		-	Revenue Support Grant			-
		(27,817)	Capital grants and contributions			(38,465)
		(268,256)	**Taxation and Non Specific Grant Income**			**(283,108)**
		(82,214)	**(Surplus) / Deficit on Provision of Services**			**(38,709)**
		(90,919)	(Surplus) / deficit on revaluation of non current assets			(7,340)
		590	(Surplus) / deficit on revaluation of financial assets			(81)
		(105,451)	Actuarial (gains) / losses on pension assets and liabilities			(42,110)
		(78)	Any other (gains) / losses required to be included			79
		(195,858)	**Other Comprehensive Income and Expenditure**			**(49,452)**
		(278,072)	**Total Comprehensive Income and Expenditure**			**(88,161)**

Balance Sheet

2018/19

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1 April 17 £'000	Restated 31 March 2018 £'000		Note ref	31 March 2019 £'000
930,418	1,016,880	Council Dwellings	10	1,105,937
513,449	607,257	Other Land & Buildings	10	582,280
221,004	222,154	Infrastructure	10	221,499
22,876	23,271	Vehicles, Plant, Furniture & Equipment	10	21,597
22,251	20,624	Community Assets	10	18,812
15,311	13,568	Assets Under Construction	10	18,221
12,058	17,115	Surplus Assets	10	17,368
1,737,367	**1,920,869**	**Property Plant & Equipment**		**1,985,714**
3,931	4,192	Heritage Assets	11	4,193
88,718	86,402	Investment Properties	12	78,498
3,201	3,196	Intangible Assets	14	2,463
55,860	55,520	Long Term Investments	16	55,601
3,818	3,591	Long Term Debtors	-	3,631
1,892,895	**2,073,770**	**Long Term Assets**		**2,130,100**
4	5,021	Short Term Investments	16	11,029
593	281	Assets Held for Sale	13	-
1,474	1,300	Inventories	-	1,465
40,391	37,493	Short Term Debtors	17	54,636
56,661	55,191	Cash & Cash Equivalents	19	53,464
99,123	**99,286**	**Current Assets**		**120,594**
(77,764)	(72,378)	Bank Overdraft	19	(22,350)
(23,022)	(55,908)	Short Term Borrowing	16	(77,810)
(72,096)	(77,875)	Short Term Creditors	20	(79,490)
(7,785)	(6,652)	Provisions	22	(10,316)
(78)	(713)	Revenue Grants Receipts in Advance	35	(2,569)
(2,420)	(2,418)	Capital Grants Receipts in Advance	35	(3,876)
(183,165)	**(215,944)**	**Current Liabilities**		**(196,411)**
(3,882)	(4,239)	Provisions	22	(3,562)
(465,703)	(450,420)	Long Term Borrowing	16	(447,312)
(935,496)	(822,921)	Other Long Term Liabilities	21	(832,616)
(10,272)	(12,104)	Capital Grants Receipts in Advance	35	(15,204)
(1,415,353)	**(1,289,684)**	**Long Term Liabilities**		**(1,298,694)**
393,500	**667,428**	**Net Assets**		**755,589**
185,423	193,463	Usable Reserves	MIRS	201,167
208,077	473,965	Unusable Reserves	24	554,422
393,500	**667,428**	**Total Reserves**		**755,589**

Cash Flow Statement

2018/19

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Restated 2017/18 £'000		2018/19 £'000	2018/19 £'000	Note Refs
(82,214)	**Net (surplus) / deficit on the provision of services**		**(38,709)**	
6,769	**Adjustments to net (surplus) / deficit on the provision of services for non cash movements**		**(61,128)**	25
44,719	**Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities**		**56,195**	25
(30,726)	**Net cash flows from Operating Activities**		**(43,642)**	
	Investing Activities:			
75,426	Purchase of property, plant and equipment, investment property and intangible assets	65,760		
165,161	Purchase of short and long term investments	157,042		
(17,343)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,097)		
(160,144)	Proceeds from short and long term investments	(151,032)		
(26,881)	Other receipts from investing activities	(43,057)		
36,219	**Net cash flows from Investing Activities**		**10,616**	
	Financing Activities:			
(53,661)	Cash receipts of short and long term borrowing	(218,089)		
8,194	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,519		
36,058	Repayments of short and long term borrowing	199,295		
(9,409)	**Net cash flows from Financing Activities**		**(15,275)**	
(3,916)	**Net (increase) / decrease in cash and cash equivalents**		**(48,301)**	
(21,103)	Cash and cash equivalents at the beginning of the reporting period		(17,187)	19
3,916	Net movement in cash and cash equivalents		48,301	
(17,187)	**Cash and cash equivalents at the end of the reporting period**		**31,114**	19

Movement in Reserves Statement

2018/19

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. This statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund Balance and the Housing Revenue Account Balance movements in the year following those adjustments.

MOVEMENT IN RESERVES STATEMENT

	Restated General Fund Balance £'000	*Restated* Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	*Restated* Revaluation Reserve £'000	*Restated* Capital Adj Account £'000	Financial Instruments Adj A/C £'000	Financial Instrument Revaluation Reserve £'000	Available for Sale Reserve £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Collection Fund Adj A/C £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance as at 31 March 2017	**126,246**	**35,649**	**7,863**	**15,665**	**185,423**	**163,475**	**877,974**	**(1,536)**	**-**	**21,189**	**(851,158)**	**(6,208)**	**(3,922)**	**199,814**	**385,237**
Prior Year Adjustment (Note 7)					0	7,288	(3,169)							4,119	4,119
Restated Balance as at 1 April 2017	**126,246**	**35,649**	**7,863**	**15,665**	**185,423**	**170,763**	**874,805**	**(1,536)**	**-**	**21,189**	**(851,158)**	**(6,208)**	**(3,922)**	**203,933**	**389,356**
Movement in Reserves During 2017/18															
Total Comprehensive Income and Expenditure	(5,542)	87,756	-	-	82,214	90,919	-	-	-	(590)	105,451	-	**78**	195,858	**278,072**
Adjustments between accounting basis & funding basis under regulations (Note 8)	12,972	(88,124)	(47)	1,025	(74,174)	(5,413)	115,230	74	-	-	(30,016)	(883)	(4,818)	74,174	-
Increase / Decrease in Year	**7,430**	**(368)**	**(47)**	**1,025**	**8,040**	**85,506**	**115,230**	**74**	**-**	**(590)**	**75,435**	**(883)**	**(4,740)**	**270,032**	**278,072**
Restated Balance at 31 March 2018 carried forward	**133,676**	**35,281**	**7,816**	**16,690**	**193,463**	**256,269**	**990,035**	**(1,462)**	**-**	**20,599**	**(775,723)**	**(7,091)**	**(8,662)**	**473,965**	**667,428**
Movement in Reserves During 2018/19															
Total Comprehensive Income and Expenditure	(41,870)	80,579	-	-	38,709	7,340	-	-	20,680	(20,599)	42,110	-	**(79)**	49,452	**88,161**
Adjustments between accounting basis & funding basis under regulations (Note 8)	26,156	(75,424)	8,405	9,858	(31,005)	(6,810)	66,754	116	-	-	(39,825)	693	10,077	31,005	-
Increase / Decrease in Year	**(15,714)**	**5,155**	**8,405**	**9,858**	**7,704**	**530**	**66,754**	**116**	**20,680**	**(20,599)**	**2,285**	**693**	**9,998**	**80,457**	**88,161**
Balance at 31 March 2019 carried forward	**117,962**	**40,436**	**16,221**	**26,548**	**201,167**	**256,799**	**1,056,789**	**(1,346)**	**20,680**	**-**	**(773,438)**	**(6,398)**	**1,336**	**554,422**	**755,589**

* Restated balances as per note 7 – Prior Period Adjustments

1. **Accounting Policies**

i. **General Principles**

The Statement of Accounts summarises the council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

ii. **Accruals of Income and Expenditure**

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

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

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

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

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

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue 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 £1,000 for revenue. The de-minimus policy for revenue requires that no accruals are actioned for individual amounts below £1,000; unless, for a group of similar transactions, there would be a material impact upon the accounts of not recognising the income and expenditure in the relevant accounting period.

iii. **Cash and Cash Equivalents**

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

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

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

iv. **Exceptional Items**

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

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

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

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

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

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

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

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

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

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

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

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

viii. **Council Tax and Non-Domestic Rates**

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

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

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

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

ix. **Employee Benefits**

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

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service area line in the CI&ES at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructure.

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

Post Employment Benefits

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

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

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

Teachers' and National Health Service Pension Schemes

Arrangements for both the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The schemes are therefore accounted for as if they were defined contribution schemes with no liability for future payments of benefits being recognised in the Balance Sheet. The Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.40% 2018/19, (2.55% 2017/18) based on the indicative rate of return on high quality corporate bonds.

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

The change in the net 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 CI&ES to the services for which the employees worked;

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

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

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

  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

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

x. **Events after the Balance Sheet Date**
Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&ES is the amount payable for the year according to the loan agreement.

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

Financial Assets

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

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

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

Under IAS 39 Financial assets were classified as follows:

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

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

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

As per the IFRS 9 change to the Code, the reclassification of assets has been applied to the assets held by the council in 2018/19 – a note showing the reclassification has been included in the Financial Instruments note 16.

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

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

xii. **Foreign Currency Translation**
Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding as at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CI&ES.

xiii. **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:

- The council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution, are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 Non Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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 Lyng Ward of Sandwell and the West Bromwich BID scheme is in the West Bromwich Central Ward. These schemes are funded by a BID levy paid by non domestic ratepayers. The council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant service lines in the CI&ES.

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement 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.

xiv. **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. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES.

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

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

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

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

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

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

- Sandwell Land and Property Ltd, which is a subsidiary of the council.
- Sandwell Children's Trust Ltd, which is a subsidiary of the council.

xvi. **Leases**

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

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

<u>The Council as Lessee</u>

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

Lease payments are apportioned between:

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

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

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

Operating Leases
Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (eg, if there is a rent free period at the commencement of the lease).

<u>The Council as Lessor</u>

Finance Leases
Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the CI&ES also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the CI&ES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element of the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases
Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CI&ES. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (eg, 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.

xvii. **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.

xviii. **Capital Accounting**
<u>Non Current Asset Valuations</u>
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 (WH&E). The Code requires that, as a minimum, non current assets are revalued every five years. However, it is recommended that revaluation should take place more regularly where it is determined that a five-yearly valuation is insufficient to keep pace with material changes in fair value. The council operates a five year rolling programme, although an annual review is also undertaken to assess if there are material changes that require specific assets to be revalued more frequently.

The beacon valuations appertaining to Council Dwellings have been carried out by Savills in 2018/19 and are in accordance with the Guidance on Stock Valuation for Resource Accounting (SVRA). A full valuation has been undertaken in 2018/19 with the intention to complete desktop valuations for the 4 year period up to 2021/22. Again, this is in line with the latest SVRA guidance.
Property Plant & Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during

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

As a general rule, the council adopts a zero de-minimus 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).

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 (eg parks, historic buildings, gallery exhibits). They are valued at historic cost, but where this information is not available the asset is valued at a nominal value of £1. The value of such assets is therefore insignificant and no entry appears on the balance sheet.

Infrastructure
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.

Assets Under Construction
These assets are held at historic cost.

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

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

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

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

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

Decreases in values are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the reduction is offset against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the excess is charged to the relevant service line(s) in the CI&ES.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the loss is offset against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the loss is charged to the relevant service line(s) in the CI&ES.

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

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

In general, depreciation is calculated on the opening balance of an asset on a straight line basis over its estimated remaining useful life (RUL). As a guide, the useful lives of assets falling under PP&E are as follows:

Infrastructure	40 years
Vehicles & Plant	7 years
Street Lighting	30 years
Street Furniture	10 years
Equipment	5 -10 years

In relation to PP&E Buildings, the council has adopted a weighted average RUL that reflects the prevailing condition of individual assets based upon condition assessments carried out by the Council's Urban Design / Building Services section.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 xxx), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. In general, Investment properties receive a physical revaluation on a rolling three year cycle. However, where the value of a property exceeds £1.000m, a full valuation will be undertaken on an annual basis. Properties that do not receive a physical revaluation in a given year are uplifted based upon current market indices where it is appropriate to do so. Further details can be found in note 4 to the accounts.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. They are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds, the Capital Receipts Reserve.

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.
The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or is set aside to reduce the council's underlying need to

borrow. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The write off of disposals is not a charge against Council Tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are 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.

xix. **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 (ie it has a different useful life or is depreciated on a different basis).

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

- Main Structure (remaining assets that do not fall into any of the below)
- Roof
- External
- Heating
- Electrical
- Other (any other item that is deemed significant, eg Swimming Pool, Lift)

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

In order to assess materiality, the council has instructed WH&E to provide individual PP&E valuations on a componentised basis so that the impact upon depreciation can be determined. From the results of this process the council has concluded that componentisation would not materially affect the level of depreciation charged on any of its PP&E assets valued during 2018/19 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.

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

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

xx. **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
The majority 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 five years by external valuers or relevant experts making reference to appropriate commercial markets. The assets are deemed to have indeterminable lives and a high residual value therefore the council does not consider it appropriate to charge depreciation. Acquisitions and donations are rare and where they do occur acquisitions are recognised at cost and donations at valuation.

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

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

xxi. **Minimum Revenue Provision**

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

The calculation for supported borrowing was previously based on 4% of the adjusted Capital Financing Requirement (Outstanding Debt) for the General Fund. However, for 2016/17 onwards it has been deemed more prudent to adopt the Asset Life (Equal Instalments) method where the useful life applied to the debt is based on the average useful life of the council's depreciable operational assets. For Sandwell, this useful life has been calculated to be 38 years.

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

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

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

xxii. **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 five elements:

- Fair value of the services received during the year; debited to the relevant service line(s) in the CI&ES;

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

- Contingent rent – increases in the amount to be paid for the property arising during the contract; debited to the Financing and Investment Income and Expenditure line in the CI&ES;

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

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

xxiii. **Provisions, Contingent Liabilities and Contingent Assets**

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg 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.

xxiv. **Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to form part of the Net Cost of Services in the CI&ES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

xxv. **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.

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

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non current asset has been charged as expenditure to the relevant service line in the CI&ES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxvii. **Insurance Funding Arrangements**

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

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

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

Motor – The first £0.150m of each motor claim for damage to a council vehicle and third party claims. Third party losses are limited to £0.410m 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, in light of 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.

xxviii. **VAT**

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

xxix. **Carbon Reduction Commitment Energy Efficiency Scheme**

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The council is required to purchase and surrender allowances, either prospectively or retrospectively, on the basis of emissions, ie carbon dioxide produced, as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the council's services and is apportioned to services on the basis of energy consumption.

xxx. **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 assuming that they will act in their own economic best interest.

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

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

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

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

xxxi. **Pooled Budgets**

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

The Council is party to a pooled budget arrangement and has considered the S75 agreement. The arrangement with the Sandwell and West Birmingham Clinical Commissioning Group has been assessed as a joint operation under IFRS11. The council is host to the arrangement however the two parties account for their own share of the pool's income, expenditure, assets and liabilities in line with the agreement and in line with respective commissioning responsibilities. Furthermore, members of the pooled budget only account for expenditure when it is spent by the pool and any cash held by the pool at year end is shared with a creditor in the host and debtor in the other parties in respect of that cash.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code.

New standards introduced in the 2019/20 code that apply from 1 April 2019 are:

- IAS 40 Investment Property: Transfers of Investment Property provides clarification on transfers to or from the Investment Property long-term asset balance sheet classification. We do not anticipate this to have a material impact on the accounts;

- IFRIC 22 Foreign Currency Transactions and Advance Consideration provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The Council, currently, does not have any material transactions within the scope of the amendment. We do not anticipate this to have a material impact on the accounts;

- IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting treatments for uncertainties in income taxes and may apply to local authority Group Accounts;

- IFRS 9 Financial instruments - prepayment features with negative compensation amends IFRS9 to clarify that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. This clarification will only impact if the lender has to make a settlement payment in the event of termination by the borrower and the Council does not anticipate this will have a material impact in 2019/20; and

- IFRS 16 Leases will require a substantial change in accounting for leases. It will mean local authorities recognising the right-of-use asset on the balance sheet for the majority of leases, subject to exemptions, with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. CIPFA/LASAAC has deferred implementation of IFRS16 for local government to 1 April 2020.

The 2019/20 Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 Statement of Accounts.

3. **Critical Judgements in Applying Accounting Policies**

Funding where the council acts as the Agent

The Black Country Local Enterprise Partnership (note 29) receives funding to aid regeneration and infrastructure development within the areas occupied by the four Black Country local authorities. The Council has determined that it acts as the agent for these schemes and therefore any income received, and expenditure incurred (excluding any costs relating to the management of the fund) will not be included within the CI&ES.

Accounting for Schools

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

- IAS 16, Property, Plant and Equipment;

- IAS 17, Leases; and

- LAAP Bulletin 101, Accounting for Non-Current Assets Used by Local Authority Maintained Schools

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

- Community and Foundation/Trust Schools - all land and buildings should be recognised;

- Voluntary Controlled (VC) and Voluntary Aided (VA) - all land and buildings should be recognised except where land and buildings are owned by religious bodies;

- Academy Schools - no non-current assets should be recognised as they maintain their own financial records and are managed, controlled and funded independently of the Council.

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

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

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

Sandwell Land and Property Company

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

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

The schools land has been assessed and under IAS 17 it is deemed the land lease has a finite life of 125 years however, this is not likely to be substantially all of the assets life. Therefore, the land will be transferred back to SLaP in 125 years and use as it sees fit. As such SLaP retains the majority of the risks and rewards of ownership and as such the arrangement has the characteristics of an operating lease and not recognised in the single entity accounts of the Council's accounts.

Sandwell Children's Trust

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

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

- SCT is a 100% wholly owned company;
- The council is the primary funder of SCT;
- The council has a director and elected member on the board of SCT; and
- The expenditure for SCT amounts to approximately £70m which is a material sum compared to the council's net cost of services of £180m.

It's accounts have therefore been consolidated into the group accounts on a line by line basis.

Sandwell Childrens Trust Pensions

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

Private Finance Initiative (PFI) and Similar Contracts

The Council has assessed the 4 PFI schemes and Serco Waste Contract under IFRIC 12 and have concluded that as the Council is deemed to control the services provided under the contracts, the assets are therefore regarded as PFI and Service Concession Assets. The accounting policies for

PFI schemes and similar contracts have been applied to these arrangements and the associated assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet as though the Council owned the assets.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account 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 2019 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, 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 £38.297m.

However, the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pensions liability had reduced by £26.541m as a result of updated financial and demographic assumptions.

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

	+0.1% £'000	**-0.1% £'000**
	Change	**Change**
Adjustment to discount rate	(38,297)	39,036
Adjustment to long term salary increase	(38,160)	(46,170)
Adjustment to pension increases and deferred revaluation	34,977	(34,344)
	+1 Year	**-1 Year**
Adjustment to life expectancy assumptions	81,227	(78,167)

Pension Guarantees

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

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

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

- The funding basis, where post-employment benefit obligations are discounted to a present value based on the anticipated return from pension fund assets, or

- The accounting basis, where post-employment benefit obligations are discounted to a present value based on market yields for high quality corporate bonds as required by International Accounting Standard 19, Employee Benefits (IAS19).

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

Non-Domestic Rates Provision

Following the introduction of the retained business rates scheme in April 2013, the Collection Fund is now liable for the settlement of any successful appeals lodged against the rateable value of business properties. A provision of £3.952m has been set aside for the council’s share of 99%. The full provision has been based on a report from Analyse Local which is a specialist revenue forecasting tool that the Council subscribe to. The report includes total potential net losses of £6.694m but appeals in relation to cash points (ATM’s) have been excluded from the total provision as the supreme court decision in May 2020 was that ATM’s are not liable for additional business rates and as a result ATM sites subject to this adjustment will be removed from ratings lists.

Fair Value Measurement

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

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

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

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

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

Impairment Allowances

At 31 March 2019 the council had the following balances of debtors outstanding for which appropriate impairment allowances have been made:

	Arrears	Impairment Allowance	
Trade Receivables	£29.811m	£2.122m	(7%)
Council Tax	£18.730m	£13.358m	(71%)
Non Domestic Rates (NDR)	£3.146m	£1.188m	(38%)
Housing Benefit	£6.832m	£6.508m	(95%)
HRA	£8.244m	£4.908m	(60%)
Payments in Advance	£14.120m	£0.000m	(0%)
Other	£5.750m	£1.052m	(18%)
	£86.633m	£29.136m	(34%)

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

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

5. **Material Items of Income and Expense**

Council Dwellings

The valuation of council dwellings is carried out in accordance with the Guidance on Stock Valuation for Resource Accounting by external valuers appointed by the council.

In 2018/19 there were net re-valuation gains on council dwellings totalling £75.558m. This represents an increase of approximately 7% and is in line with market expectations. Gains of £60.924m were posted to the CI&ES in 2017/18 to reverse accumulated revaluation losses incurred in previous years.

Non Current Assets

The carrying value of non current assets that did not receive a revaluation in 2018/19 totalled £486.505m. An upward movement in the market of 1% would equate to an increase in value of £4.865m.

Pensions Contributions for 2017/18 – 2019/20

In April 2017 the Council made an upfront payment of £50.800m in respect of pension contributions for the three years from 2017/18 to 2019/20 in order to save a net £2.700m over those three financial years. The full payment was accounted for as a reduction in the Council’s net pension liability in 2017/18, however accounting regulations require that the amount due in relation to 2018/19 of £17.000m is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and also in the Defined Benefit Pension Schemes Note 43.

This means that there is a difference of £16.900m between the net pension liability and the pension reserve, equal to the amount that has been paid in relation to employer's contributions for 2019/20. This difference will remain until the 2019/20 accounts when all payments will have been recognised.

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

6. **Events after the Reporting Period**

The statement of accounts was authorised for issue on 31 July 2019. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 3 May 2019 Councillor Steve Trow stepped down as Leader of Sandwell Council with immediate effect. At the Annual Council meeting on 21 May 2019 new Leader of the Council Councillor Yvonne Davis was elected. On 8 July 2020 Councillor Yvonne Davis stepped down as lead. Deputy Leader Councillor Maria Crompton is currently acting as leader of Sandwell Council.

On 3 July 2019 Jan Britton resigned from his role as Chief Executive of Sandwell Council. At the full council meeting on 16 July 2019 councillors appointed David Stevens as Interim Chief Executive. On 14 January 2020 at a meeting of the Council David Stevens was appointed as Chief Executive. Stuart Lackenby has taken over the statutory role of Director of Adults Services and was permanently appointed on 14 January 2020 while Neil Cox was appointed as Director of Prevention and Protection on the same date.

On 26 June 2019 Cabinet approved the use of the Councils Revenue balances to fund £5.000m of Sandwell Children's Trust's 2018/19 deficit. This has been reflected in both the Councils and the Trust's 2018/19 statements.

COVID-19

COVID-19 was categorised as a pandemic by the World Health Organisation on 11 March 2020. The Council's focus during the period from the commencement of the pandemic has been to ensure our residents are supported and businesses are protected as much as possible from the economic impact. The Council has assessed the short term impact of initial measures on its cash flow and temporary borrowing arrangements.

The Council has now entered a reset and recovery phase to ensure that it can continue to support its residents and businesses through the ongoing pandemic. The Council has a strong level of general reserves which could be deployed to fund any costs not me by Central Government. Additional costs incurred by the Council to date have been captured and are being regularly updated and reviewed. These costs include the reduction in collections rates of Council Tax and Business Rates, loss of income for charging services such as car parking, planning applications, residential centres and visitor attractions, the additional costs of PPE and food support for the vulnerable. The funding received so far has been sufficient to meet the costs incurred in the short term, however, the council is working with various groups to ensure that it is able to feedback to Government on the financial impact of COVID-19. The savings programme for 2019/20 was not impacted and programmes in place for 2020/21 will be rigorously monitored as part of the authorities financial monitoring processes. However, these impacts are not expected to be material to the 2018/19 financial statements

7. **Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Building Schools for the Future (BSF) PFI Sinking Fund
A change in accounting treatment resulted in the short term creditors balance being overstated by £3.370m where the sinking fund had been incorrectly treated as a creditor. Management considered the treatment would be more appropriate as an earmarked reserve in the 2018/19 accounts and the decision was taken to adjust the prior year accounts accordingly. The overall effect of the prior period adjustment is as follows:
Balance Sheet: Closing Balance of short term creditors for 17/18 has decreased by £3.370m
Balance Sheet: Closing Balance of Usable reserves for 17/18 has increased by £3.370m
CIES: The net cost of services for Schools for 17/18 has decreased by £3.370m

Other Long Term Liabilities
A misinterpretation of an accounting model produced by an external partner resulted in a misstatement of the outstanding Finance Lease Creditor liability on the Riverside PFI. The overall effect of the prior period adjustment is as follows:
Balance sheet: Closing balance of Short Term Creditors for 2016/17 decreased by £0.412m and a decrease of £0.513m in 2017/18
Balance sheet: Closing balance of Other Long Term Liabilities 2016/17 decreased by £3.732m and also a decrease of £3.708m in 2017/18
Balance sheet: Closing balance of Unusable Reserves for 2016/17 increased by £4.144m and a decrease of £4.221m in 2017/18
CIES: Interest payable and similar charges reduced by £4.221m in 17/18.

Sandwell Land and Property Company (SLaP)
Previously, the land and buildings owned by the Sandwell Land & Property (SLaP) company had been included within the Councils single entity accounts on the basis that all the rewards and risks of ownership lie with the Council. This accounting treatment had been agreed by the Councils previous auditors KPMG and its consultants at the time PWC.

However, following a management review of the documentation, the Council were of the opinion that the above treatment is correct for the buildings element of the assets but that the land element should be removed from the Councils single entity accounts (as explained in note 3 - Sandwell Land and Property Company) and then re-applied as part of the Group accounts on the basis that the rewards and risks lie with the SLaP.

Due to the balances being material, prior period adjustments have been applied to the 2016/17 and 2017/18 accounts. The overall effect of the prior period adjustment is as follows:
Balance Sheet: Closing balance of Other Land & Buildings decreased by £51.275m in 2016/17 and £51.275m in 2017/18
Balance Sheet: Closing balance of Long Term Investments increased by £26.286m in 2016/17 and £26.286m in 2017/18
Balance Sheet: Closing balance of Unusable Reserves decreased by £24.989m in 2016/17 and £24.989m in 2017/18.
CIES: (Surplus)/Deficit on revaluation of non current assets has decreased by £0.064m.

Asset Revaluations
During the audit of the 2018/19 accounts the Auditors challenged the opening values of a number of high value assets, mainly schools, held within the accounts. These assets formed part of the councils 5 year rolling valuation programme and, as a result, some of them had not been re-valued for up to 4 years.

The Councils valuers could not provide sufficient evidence that the carrying values of these assets were accurate and, as a result, additional valuations have been undertaken and applied to the accounts for the financial years 2016/17, 2017/18 and 2018/19 as at the 31 March.

The values of these assets are deemed to be material and so a prior period adjustment has been applied to the accounts. The overall effect of the prior period adjustment is as follows:
Balance Sheet: Closing balance of Other Land and Buildings increased by £29.108m in 2016/17 and £36.922m in 2017/18
Balance Sheet: Closing balance of Unusable Reserves increased by £29.108m in 2016/17 and £36.922m in 2017/18.
CIES: The Net Cost of Services in 2017/18 for Childrens Services has decreased by £4.721m, Housing and Communities has increased by £0.233m and Regeneration and Growth has decreased by £2.917m.
CIES: (Gains)/Losses on the disposal of non current assets has decreased by £0.472m.

The following notes have been restated for 2017/18 to reflect the impact of the Prior Period Adjustments detailed above:
Note 9 – Earmarked Reserves
Note 10 – Property Plant and Equipment
Note 16 – Financial Instruments
Note 20 – Short Term Creditors
Note 21 – Other Long Term Liabilites
Note 24 – Unusable Reserves
Note 25 – Cash Flow Statement
Note 26 – EFA
Note 27 – Note to the EFA
Note 28 – Expenditure and Income analysed by nature
Note 40 – Private Finance Initiative and Similar Contracts
Housing Revenue Account Statement

Restatement tables showing the adjustments and impacts are provided subsequent to this note.

Restated Balance Sheet 2016/17	Balances as Previously Stated at 31 March 2017 £'000	Restatement (Note 7) Other Long Term Liabilities £'000	SLaP £'000	Asset Revaluations £'000	Restated Balances at 31 March 2017 £'000	Balances as Previously Stated at 31 March 2018 £'000
Other Land & Buildings	535,616	-	(51,275)	29,108	513,449	621,610
Property Plant & Equipment	**1,759,534**	**-**	**(51,275)**	**29,108**	**1,737,367**	**1,935,222**
Long Term Investments	29,574	-	26,286	-	55,860	29,234
Long Term Assets	**1,863,787**	**-**	**(24,989)**	**29,108**	**1,892,895**	**2,036,848**
Short Term Creditors	(72,508)	412	-	-	(72,096)	(81,758)
Other Long Term Liabilities	(939,228)	3,732	-	-	(935,496)	(826,629)
Total Net Assets	**385,237**	**4,144**	**(24,989)**	**29,108**	**393,500**	**647,904**
Usable Reserves	185,423	-	-	-	185,423	190,093
Unusable Reserves	199,814	4,144	(24,989)	29,108	208,077	457,811
Total Reserves	**385,237**	**4,144**	**(24,989)**	**29,108**	**393,500**	**647,904**

Restated Balance Sheet 2017/18	Balances as Previously Stated at 31 March 2018 £'000	Restatement (Note 7) BSF PFI Sinking Fund £'000	Other Long Term Liabilities £'000	SLaP £'000	Asset Revaluations £'000	Restated Balances at 31 March 2018 £'000
Other Land & Buildings	621,610	-	-	(51,275)	36,922	607,257
Property Plant & Equipment	**1,935,222**	**-**	**-**	**(51,275)**	**36,922**	**1,920,869**
Long Term Investments	29,234	-	-	26,286	-	55,520
Long Term Assets	**2,036,848**	**-**	**-**	**(24,989)**	**36,922**	**2,073,770**
Short Term Creditors	(81,758)	3,370	513	-	-	(77,875)
Other Long Term Liabilities	(826,629)	-	3,708	-	-	(822,921)
Total Net Assets	**647,904**	**3,370**	**4,221**	**(24,989)**	**36,922**	**667,428**
Usable Reserves	190,093	3,370				193,463
Unusable Reserves	457,811		4,221	(24,989)	36,922	473,965
Total Reserves	**647,904**	**3,370**	**4,221**	**(24,989)**	**36,922**	**667,428**

Restated Movement in Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adj Account £'000	Total Unusable Reserves £'000
Balance as at 31 March 2017	126,246	35,649	185,423	163,475	877,974	199,814
Prior Year Adjustment (Note 7)	0	0	0	7,288	(3,169)	4,119
Restated as at 1 April 2017	**126,246**	**35,649**	**185,423**	**170,763**	**874,805**	**203,933**
Total Comprehensive Income and Expenditure as at 31 March 2018	(16,790)	83,535	66,745	90,983	0	195,922
Prior Year Adjustment (Note 7)	11,248	4,221	15,469	(64)	0	(64)
Restated Total Comprehensive Income and Expenditure as at 31 March 2018	**(5,542)**	**87,756**	**82,214**	**90,919**	**0**	**195,858**
Adjustments between accounting basis & funding basis under regulations (Note 8) as at 31 March 2018	20,850	(83,903)	(62,075)	(5,622)	103,340	62,075
Prior Year Adjustment (Note 7)	(7,878)	(4,221)	(12,099)	209	11,890	12,099
Restated Adjustments between accounting basis & funding basis under regulations (Note 8) as at 31 March 2018	**12,972**	**(88,124)**	**(74,174)**	**(5,413)**	**115,230**	**74,174**
Increase / Decrease in Year	**3,370**	**0**	**3,370**	**145**	**11,890**	**12,035**
Restated Balance at 31 March 2018 carried forward	**133,767**	**35,281**	**193,463**	**256,269**	**990,035**	**473,965**

Restated Comprehensive Income & Expenditure Statement	Balances as Previously Stated at 31 March 2018	Restatement (Note 7)			Restated Balances at 31 March 2018
		BSF PFI Sinking Fund	Other Long Term Liabilities	Asset Revaluations	
	£'000	£'000	£'000	£'000	£'000
People					
Schools	(3,604)	(3,370)	-	-	(6,974)
Children's Services	71,386	-	-	(4,721)	66,665
Performance					
Resources	9,417	-	-		9,417
Place					
Housing & Comminuties	55,119	-	-	233	55,352
Regeneration & Growth	29,882	-	-	(2,918)	26,964
Cost of Services	**129,689**	**(3,370)**	**-**	**(7,406)**	**118,913**
(Gains) / Losses on the disposal of non current assets	8,281			(472)	7,809
Other Operating Expenditure	**24,923**	**-**	**-**	**(472)**	**24,451**
Interest payable and similar charges	33,392		(4,221)		29,171
Financing and Investment Income and Expenditure	**46,899**	**-**	**(4,221)**	**-**	**42,678**
(Surplus) / Deficit on Provision of Services	**(66,745)**	**(3,370)**	**(4,221)**	**(7,878)**	**(82,214)**
(Surplus) / deficit on revaluation of non current assets	(90,983)			64	(90,919)
Actuarial (gains) / losses on pension assets and	(105,451)				(105,451)
Other Comprehensive Income and Expenditure	**(195,922)**	**-**	**-**	**64**	**(195,858)**
Total Comprehensive Income and Expenditure	**(262,667)**	**(3,370)**	**(4,221)**	**(7,814)**	**(278,072)**

8. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017/18

	Usable Reserves														
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adj Account £'000	Financial Instruments Adj A/C £'000	Available for Sale Reserve £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Collection Fund Adj A/C £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Adjustments to the Revenue Resources															
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:															
Pensions costs (transferred to (or from) the Pensions Reserve)	28,064	1,952				**30,016**					(30,016)			**(30,016)**	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(58)	(16)				**(74)**			74					**74**	-
Council tax and NDR (transfers to or from Collection Fund)	4,818					**4,818**							(4,818)	**(4,818)**	-
Holiday pay (transferred to the Accumulated Absences Reserve)	914	(31)				**883**						(883)		**(883)**	-
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						-								-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(2,764)	(30,148)				**(32,912)**	(5,413)	38,325						**32,912**	-
Total Adjustments to Revenue Resources	**30,974**	**(28,243)**	**-**	**-**	**-**	**2,731**	**(5,413)**	**38,325**	**74**	**-**	**(30,016)**	**(883)**	**(4,818)**	**(2,731)**	**-**
Adjustments between Revenue and Capital Resources															
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,437)	(15,465)	16,902			-								-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						-								-	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			-								-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(14,184)		14,184		-								-	-
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(16,456)	(17,292)				**(33,748)**		33,748						**33,748**	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,806)	(12,940)				**(15,746)**		15,746						**15,746**	-
Total Adjustments between Revenue and Capital Resources	**(18,002)**	**(59,881)**	**14,205**	**14,184**	**-**	**(49,494)**	**-**	**49,494**	**-**	**-**	**-**	**-**	**-**	**49,494**	**-**
															-
Adjustments to Capital Resources															-
Use of the Capital Receipts Reserve to finance capital expenditure			(14,252)			**(14,252)**		14,252						**14,252**	-
Use of the Major Repairs Reserve to finance capital expenditure				(14,184)		**(14,184)**		14,184						**14,184**	-
Application of capital grants to finance capital expenditure					(12,005)	**(12,005)**		12,005						**12,005**	-
Cash payments in relation to deferred capital receipts					13,030	**13,030**		(13,030)						**(13,030)**	-
Total Adjustment to Capital Resources	**-**	**-**	**(14,252)**	**(14,184)**	**1,025**	**(27,411)**	**-**	**27,411**	**-**	**-**	**-**	**-**	**-**	**27,411**	**-**
Total Adjustments	**12,972**	**(88,124)**	**(47)**	**-**	**1,025**	**(74,174)**	**(5,413)**	**115,230**	**74**	**-**	**(30,016)**	**(883)**	**(4,818)**	**74,174**	**-**

2018/19

	Usable Reserves														
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adj Account £'000	Financial Instruments Adj A/C £'000	Available for Sale Reserve £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Collection Fund Adj A/C £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Adjustments to the Revenue Resources															
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:															
Pensions costs (transferred to (or from) the Pensions Reserve)	37,841	1,984				**39,825**					(39,825)			**(39,825)**	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(100)	(16)				**(116)**			116					**116**	-
Council tax and NDR (transfers to or from Collection Fund)	(10,077)					**(10,077)**							10,077	**10,077**	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(738)	45				**(693)**						693		**693**	-
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						**-**								**-**	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	15,137	(30,490)				**(15,353)**	(6,810)	22,163						**15,353**	-
Total Adjustments to Revenue Resources	**42,063**	**(28,477)**	**-**	**-**	**-**	**13,586**	**(6,810)**	**22,163**	**116**	**-**	**(39,825)**	**693**	**10,077**	**(13,586)**	**-**
Adjustments between Revenue and Capital Resources															
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,610)	(16,120)	17,730			**-**								**-**	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						**-**								**-**	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			**-**								**-**	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(15,496)		15,496		**-**								**-**	-
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(15,940)	(14,495)				**(30,435)**		30,435						**30,435**	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,054)	(836)				**(1,890)**		1,890						**1,890**	-
Total Adjustments between Revenue and Capital Resources	**(15,907)**	**(46,947)**	**15,033**	**15,496**	**-**	**(32,325)**	**-**	**32,325**	**-**	**-**	**-**	**-**	**-**	**32,325**	**-**
															-
Adjustments to Capital Resources															-
Use of the Capital Receipts Reserve to finance capital expenditure			(6,628)			**(6,628)**		6,628						**6,628**	-
Use of the Major Repairs Reserve to finance capital expenditure				(15,496)		**(15,496)**		15,496						**15,496**	-
Application of capital grants to finance capital expenditure					(9,814)	**(9,814)**		9,814						**9,814**	-
Cash payments in relation to deferred capital receipts					19,672	**19,672**		(19,672)						**(19,672)**	-
Total Adjustment to Capital Resources	**-**	**-**	**(6,628)**	**(15,496)**	**9,858**	**(12,266)**	**-**	**12,266**	**-**	**-**	**-**	**-**	**-**	**12,266**	**-**
Total Adjustments	**26,156**	**(75,424)**	**8,405**	**-**	**9,858**	**(31,005)**	**(6,810)**	**66,754**	**116**	**-**	**(39,825)**	**693**	**10,077**	**31,005**	**-**

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19. The balances ring fenced for schools are also included below.

	Balance as at 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Restated (Note 7)	Restated Balance as at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance as at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:								
Insurance	**9,131**	-	477	-	**9,608**	(3,000)	1,483	**8,091**
BSF PFI Sinking Fund	**0**	-	-	3,370	**3,370**	-	375	**3,745**
Replacement of Oracle	**2,625**	-	-	-	**2,625**	-	-	**2,625**
Sinking Fund Reserves	**2,652**	-	686	-	**3,338**	-	886	**4,224**
Social Fund Reserve	**361**	(210)	-	-	**151**	(151)	-	-
Revenue Grants	**1,047**	-	-	-	**1,047**	-	-	**1,047**
Grants Irregularities	**1,031**	-	-	-	**1,031**	-	-	**1,031**
Early Help Reserve	**1,083**	-	-	-	**1,083**	(1,083)	-	-
West Midlands Regional Research	**513**	(170)	-	-	**343**	(56)	-	**287**
SCT Set Up Costs	**0**	-	770	-	**770**	-	-	**770**
Regeneration & Economy	**191**	(5)	-	-	**186**	-	-	**186**
Teaching for Public Health Network	**247**	-	41	-	**288**	-	32	**320**
Childrens Workforce Development	**97**	-	-	-	**97**	(67)	-	30
Dartmouth Park HLF	**409**	-	-	-	**409**	(40)	-	**369**
Private Sector Housing Reserve	**254**	-	-	-	**254**	(75)	-	**179**
Integrated Care Records	**0**	-	-	-	**0**	-	301	**301**
Other Earmarked Reserves	**452**	(110)	93	-	**435**	(253)	105	**287**
Total General Fund	**20,093**	**(495)**	**2,067**	**3,370**	**25,035**	**(4,725)**	**3,182**	**23,492**
Balances Held by Schools under a Scheme of Delegation	**34,406**	**(855)**	-	**-**	**33,551**	**(1,000)**	-	**32,551**
HRA:								
HRA Balance	**32,937**	(667)	-	-	**32,270**	-	4,465	**36,735**
HRA Welfare Reform Reserve	**2,712**	-	299	-	**3,011**	-	690	**3,701**
Total HRA	**35,649**	**(667)**	**299**	**-**	**35,281**	-	**5,155**	**40,436**

10. **Property, Plant and Equipment**

The following tables show the in year movements in valuation, accumulated depreciation and impairments over the year for Property, Plant and Equipment. The opening balances in relation to Council Dwellings for 2017/18 have been adjusted to reflect a movement between the Gross Cost / Valuation section and the Depreciation & Impairment section of the note. There has been no impact upon the net position of these assets disclosed in the accounts.

	Council Dwellings	Other Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	**961,380**	**578,939**	**320,037**	**83,157**	**22,889**	**17,360**	**25,937**	**2,009,699**
Prior Period Adjustment	(18,526)	(42,017)	-	-	-	-	-	**(60,543)**
Restated balance at 1 April 2017	**942,854**	**536,922**	**320,037**	**83,157**	**22,889**	**17,360**	**25,937**	**1,949,156**
Additions	33,067	9,508	9,548	6,510	99	16,880	-	**75,612**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	60,112	-	-	-	-	3,715	**63,827**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	59,302	18,881	-	-	-	-	(329)	**77,854**
Derecognition - Disposals	-	(11,170)	-	-	-	-	(446)	**(11,616)**
Assets reclassified (to) / from Held for Sale	(11,858)	-	-	-	-	-	(111)	**(11,969)**
Other movements in Cost or Valuation	8,148	13,695	-	-	(1,722)	(18,631)	2,429	**3,919**
Restated At 31 March 2018	**1,031,513**	**627,948**	**329,585**	**89,667**	**21,266**	**15,609**	**31,195**	**2,146,783**
Accumulated Depreciation and Impairment								
At 1 April 2017	**(30,962)**	**(43,323)**	**(99,033)**	**(60,281)**	**(638)**	**(2,049)**	**(13,879)**	**(250,165)**
Prior Period Adjustment	18,526	19,848	-	-	-	-	-	**38,374**
Restated balance at 1 April 2017	**(12,436)**	**(23,475)**	**(99,033)**	**(60,281)**	**(638)**	**(2,049)**	**(13,879)**	**(211,791)**
Depreciation Charge	(14,793)	(11,846)	(8,398)	(5,995)	-	-	(88)	**(41,120)**
Depreciation written out to the Revaluation Reserve	12,435	14,490	-	180	-	-	81	**27,186**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(49)	-	(180)	-	-	(108)	**(337)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(131)	-	(120)	-	-	-	**(251)**
Derecognition - Disposals	-	248	-	-	-	-	-	**248**
Other movements in Depreciation and Impairment	161	72	-	-	(4)	8	(86)	**151**
Restated At 31 March 2018	**(14,633)**	**(20,691)**	**(107,431)**	**(66,396)**	**(642)**	**(2,041)**	**(14,080)**	**(225,914)**
Net Book Value								
At 1 April 2017	**930,418**	**513,447**	**221,004**	**22,876**	**22,251**	**15,311**	**12,058**	**1,737,365**
At 31 March 2018	**1,016,880**	**607,257**	**222,154**	**23,271**	**20,624**	**13,568**	**17,115**	**1,920,869**

	Council Dwellings £'000	Other Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation								
At 1 April 2018	**1,031,513**	**627,948**	**329,585**	**89,667**	**21,266**	**15,609**	**31,195**	**2,146,783**
Additions	26,556	8,399	7,725	4,301	170	17,522	826	**65,499**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(19,516)	-	-	-	-	1,393	**(18,123)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	60,924	(4,133)	-	-	-	-	(274)	**56,517**
Derecognition - Disposals	-	(4,636)	-	(1,698)	-	-	(1,170)	**(7,504)**
Assets reclassified (to) / from Held for Sale	(13,169)	-	-	-	-	-	(568)	**(13,737)**
Other movements in Cost or Valuation	16,082	(1,310)	136	-	(1,982)	(12,778)	692	**840**
At 31 March 2019	**1,121,906**	**606,752**	**337,446**	**92,270**	**19,454**	**20,353**	**32,094**	**2,230,275**
Accumulated Depreciation and Impairment								
At 1 April 2018	**(14,633)**	**(20,691)**	**(107,431)**	**(66,396)**	**(642)**	**(2,041)**	**(14,080)**	**(225,914)**
Depreciation Charge	(16,141)	(14,540)	(8,516)	(5,971)	-	-	(87)	**(45,255)**
Depreciation written out to the Revaluation Reserve	14,633	10,789	-	-	-	-	149	**25,571**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(52)	-	-	-	-	(56)	**(108)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(153)	-	-	-	(79)	(700)	**(932)**
Derecognition - Disposals	-	78	-	1,694	-	-	146	**1,918**
Other movements in Depreciation and Impairment	172	97	-	-	-	(12)	(98)	**159**
At 31 March 2019	**(15,969)**	**(24,472)**	**(115,947)**	**(70,673)**	**(642)**	**(2,132)**	**(14,726)**	**(244,561)**
Net Book Value								
At 1 April 2018	**1,016,880**	**607,257**	**222,154**	**23,271**	**20,624**	**13,568**	**17,115**	**1,920,869**
At 31 March 2019	**1,105,937**	**582,280**	**221,499**	**21,597**	**18,812**	**18,221**	**17,368**	**1,985,714**

11. Heritage Assets

There has been no material change to the carrying value of heritage assets in 2018/19 since the last valuations performed in 2017/18. The carrying value as at 31 March 2019 is £4.193m.

Art Collection

An art collection displayed at Ingestre Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £1.402m. The remainder of the council's art collection was also reviewed in 2017/18. There have been no material changes reported by the Museum Service Manager in 2018/19 and therefore the value for the remaining art collection stays at £0.424m.

17th Century Furniture

The council's museums display some fine examples of 17th century furniture. The furniture collection held at Ingestre Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £0.184m. The remainder of the council's furniture collection was also reviewed in 2017/18. There have been no material changes reported by the Museum Service Manager in 2018/19 and therefore the value for the remaining furniture collection stays at £0.382m.

Civic Regalia & Presentational Silver

The civic regalia and presentational silver are assets that have been donated to or purchased by the council, which currently amount to over 100 items. Valuations provided by Fattorinis in 2017/18 estimated the collection held at the Mayor's Parlour to be worth £1.413m with the remaining collection, which was reviewed by the Museum Service Manager, deemed to have had no material change; no further changes in value have been reported in 2018/19 and the value remains at a value of £0.052m.

Other

The council holds other miscellaneous heritage assets including a collection of Ruskin pottery which was last valued at £0.081m and the Helen Caddick Ethnographical Collection estimated to be worth £0.075m. No material changes have been reported by the Museum Services Manager in 2018/19.

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

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

12. Investment Properties

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

2017/18 £'000		2018/19 £'000
2,907	Rental income from investment property	3,520
(661)	Direct operating expenses arising from investment property	(684)
2,246	**Net gain / (loss)**	**2,836**

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:

2017/18 £'000		2018/19 £'000
88,718	**Balance at start of the year**	**86,402**
-	Subsequent expenditure	33
(2,764)	Disposals	(2,969)
4,367	Net gains / (losses) from fair value adjustments	(4,129)
(3,919)	Other changes	(839)
86,402	**Balance at the end of the year**	**78,498**

13. Assets Held for Sale

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

	2017/18 £'000	2018/19 £'000
Balance outstanding at start of year	**593**	**281**
Assets newly classified as held for sale:		
Property Plant and Equipment	11,969	13,737
Revaluation losses	(154)	(29)
Assets sold	(12,207)	(13,830)
Other movements	80	(159)
Balance outstanding at year end	**281**	**-**

14. Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is five years. The carrying value of intangible assets is amortised on a straight line basis. The movement on Intangible Asset balances during the year is as follows:

	2017/18 £'000	2018/19 £'000
Balance at start of year	**3,201**	**3,196**
Purchases	751	140
Amortisation for the period	(756)	(873)
Net carrying amount at end of year	**3,196**	**2,463**
Comprising:		
Gross carrying amount	19,218	19,358
Accumulated amortisation	(16,022)	(16,895)
	3,196	**2,463**

15. **Fair Value of Non Current Assets**

Movement in the Fair Value of Non Current Assets

	Valued at Historical Cost	Net Book Value at Date of last Valuation					Total
		2014/15	2015/16	2016/17	2017/18	2018/19	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Plant & Equipment							
Council Dwellings	-	-	-	-	-	1,105,937	1,105,937
Land & Buildings	-	46,806	50,243	32,028	44,930	408,273	582,280
Infrastructure	221,499	-	-	-	-	-	221,499
Vehicles, Plant & Equipment	21,597	-	-	-	-	-	21,597
Community Assets	18,812	-	-	-	-	-	18,812
Assets Under Construction	18,221	-	-	-	-	-	18,221
Surplus Assets Not Held for Sale	-	2,786	4,365	747	4,191	5,279	17,368
Heritage Assets	-	-	-	-	4,193	-	4,193
Investment Properties	-	-	60	6,206	7,343	64,889	78,498
Intangible Assets	2,463	-	-	-	-	-	2,463
	282,592	**49,592**	**54,668**	**38,981**	**60,657**	**1,584,378**	**2,070,868**
Assets Held for Sale	-	-	-	-	-	-	-
Total	**282,592**	**49,592**	**54,668**	**38,981**	**60,657**	**1,584,378**	**2,070,868**

Fair Value Measurement of Investment Properties & Surplus Assets

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

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

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

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

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

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

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

Level 3 – Significant Unobservable
Community Centres have been based on a comparable approach either by estimated market rental values or subsidised passing rents. The valuers have had to draw on a number of their own assumptions and utilised third party resources in order 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 2017/18

2017/18	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input Level 3 £000's	Fair Value 31 March 2018 £000's
Fair Value Category				
Investment Properties				
Car Parks	-	121	-	121
Cleared Sites	-	2,338	-	2,338
Community Centres	-	-	272	272
Compounds	-	1,323	-	1,323
Depots	-	2	-	2
Farms	-	470	-	470
Industrial Sites	-	6,478	-	6,478
Land	-	41,755	-	41,755
Retail Sites	-	25,091	-	25,091
Shops	-	8,281	-	8,281
Vacant Sites	-	271	-	271
Total Investment	-	**86,130**	**272**	**86,402**
Surplus Assets				
Car Parks	-	2,894	-	2,894
Cleared Sites	-	-	-	-
Depots	-	235	-	235
Land	-	4,453	-	4,453
Vacant Sites	-	9,533	-	9,533
Total Surplus	-	**17,115**	-	**17,115**

Fair Value Hierarchy 2018/19

2018/19	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input Level 3 £000's	Fair Value 31 March 2019 £000's
Fair Value Category				
Investment Properties				
Car Parks	-	121	-	121
Cleared Sites	-	757	-	757
Community Centres	-	-	256	256
Compounds	-	986	-	986
Depots	-	3	-	3
Farms	-	-	-	-
Industrial Sites	-	6,244	-	6,244
Land	-	36,673	-	36,673
Retail Sites	-	24,950	-	24,950
Shops	-	8,340	-	8,340
Vacant Sites	-	168	-	168
Total Investment	**-**	**78,242**	**256**	**78,498**
Surplus Assets:				
Car Parks	-	2,694	-	2,694
Cleared Sites	-	-	-	-
Depots	-	256	-	256
Land	-	4,310	-	4,310
Vacant Sites	-	10,230	-	10,230
Total Surplus	-	**17,490**	-	**17,490**

There has been no transfer between input levels during 2018/19. There has been no change in the valuation techniques used to determine fair value.

Reconciliation of Fair Value Measurements – Level 3

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

Investment: Community Centres Categorised Within Level 3

	31 March 2018 £000's	31 March 2019 £000's
Opening Balance	**397**	**272**
Transfers to Level 3	-	-
Transfers from Level 3	(119)	-
Gains/ Losses included resulting from a change in Fair Value	-	**(16)**
Additions	-	-
Disposals	(6)	
Closing Balance	**272**	**256**

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

Quantitative Information about Fair Value Measurements – Level 3
As required by the Code the quantitative information relating to the fair value of Level 3 inputs is detailed in the following table:

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

The fair value of the authority's Investment and Surplus Assets are measured and reviewed annually. The council's valuations are undertaken by external valuers in accordance with the following guidance relating to asset valuations for accounting purposes:

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

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

16. **Financial Instruments**

Categories of Financial Instruments
The following categories of financial instrument are carried in the Balance Sheet;

Financial Assets:

	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		Total	Total
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit & Loss	-	-	2,864	3,623	-	-	-	-	2,864	3,623
Amortised Cost	26,620	26,620	727	8	60,212	64,493	21,730	27,112	109,289	118,233
Fair Value through Other Comprehensive Income - Designated Equity Instruments	28,900	28,981	-	-	-	-	-	-	28,900	28,981
Fair Value through Other Comprehensive Income - Other	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	**55,520**	**55,601**	**3,591**	**3,631**	**60,212**	**64,493**	**21,730**	**27,112**	**141,053**	**150,837**
Non-Financial Assets	-	-	-	-	-	-	-	-	86,684	78,498
Total	**55,520**	**55,601**	**3,591**	**3,631**	**60,212**	**64,493**	**21,730**	**27,112**	**227,737**	**229,335**

Financial Liabilities:

	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit & Loss	-	-	-	-	-	-	-	-	-	-
Amortised Cost	450,420	447,312	80,883	77,364	55,908	77,810	74,359	74,542	661,570	677,028
Total Financial Assets	**450,420**	**447,312**	**80,883**	**77,364**	**55,908**	**77,810**	**74,359**	**74,542**	**661,570**	**677,028**
Non-Financial Assets	-	-	-	-	-	-	-	-	-	-
Total	**450,420**	**447,312**	**80,883**	**77,364**	**55,908**	**77,810**	**74,359**	**74,542**	**661,570**	**677,028**

Reclassification and Remeasurement of Financial Instruments as at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

		New Classification as @ 1 April 2018			
	Carrying Amount b/f as @ 1 April 2018	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit & Loss	Non-Financial Instrument Balances
	£'000	£'000	£'000	£'000	£'000
PREVIOUS CLASSIFICATION					
LEP Working Capital Loan	84	84	-	-	-
Credit Union Loan	250	250	-	-	-
General Deferred Debtors	712	712	-	-	-
General Deferred Debtors - Travel Passes	7	7	-	-	-
Mortgages & Advances - SOCH 1980 Acc	1	1	-	-	-
Mortgages & Advances - Maturity Loan	8	8	-	-	-
Mortgages & Advances - Local Authority Mortgage	-	-	-	-	-
Mortgages & Advances - Kickstart Loans	2,864		-	2,864	-
Short Term Investments	5,021	5,021	-	-	-
Short Term Debtors	21,730	21,730			-
Schools Bank Account - Cash	19,090	19,090	-	-	-
Cash Equivalents	36,101	36,101	-	-	-
Loans and Receivables	85,868	83,004	-	2,864	-
Ordinary Shares - Birmingham Airport	26,563	-	26,563	-	-
Preference Shares - Birmingham Airport	1,766	-	1,766	-	-
Sandwell Land and Property Share Equity	26,286	26,286			
Ordinary Shares - BSF Special Purpose Vehicle	571	-	571	-	-
Available for Sale	55,186	26,286	28,900	-	-
n/a	-			-	-
Fair Value Through Profit & Loss	-	-	-	-	-
Investment Assets Held	86,402	-	-	-	86,402
Assets Held for Sale	281	-	-	-	281
Total Non-Financial Assets	86,683	-	-	-	86,683
Reclassified Amounts at 1 April 2018	**227,737**	**109,290**	**28,900**	**2,864**	**86,683**
Remeasurements at 1 April 2018	-	-	-	-	-
Remeasured Carrying Amounts at 1 April 2018	227,737	109,290	28,900	2,864	**86,683**
Impact on General Fund Balance	-	-	-	-	-
Impact of Financial Instruments Revaluations Reserve	-	-	-	-	-

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new Balance Sheet at 1 April 2018 for financial assets are incorporated into the Balance Sheet; IFRS 9 changed some categories of financial instruments, but there were no associated losses or remeasurements associated with this change.

01 April 2018	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit & Loss	Non-Financial Instrument Balances	Total Balance Sheet Carrying Amount
	£'000	£'000	£'000	£'000	£'000
Remeasured Carrying Amounts at 1 April 2018	**109,289**	**28,900**	**2,864**	**86,684**	**227,737**
Non-Current Investments	26,620	28,900	-		
Non-Current Debtors	727	-	2,864		
Current Investments	60,212	-	-		
Current Debtors	21,730				

Application of Classification Requirements at 1 April 2018

- Money Market Funds are funds that invest in short-term assets and aim to offer returns in line with money market rates and/or to preserve the value of the investment. The authority has a number of money market funds all classified as Low Volatility NAV (LVNAV) funds and as at the 1 April 2018 had two money market funds that held a total of £10.200m (included in the cash equivalents figures). The funds available to the authority are strictly for payment of principal and interest and funds deposited are prohibited from any market valuation fluctuations. As at 31 March 2019 this applies to all of the money market funds available to the authority and as such the authority has taken the decision to class LVNAV money market funds as amortised cost and not fair value through profit and loss (FVPL) in 2018/19.

- Shares with a carrying value of £28.329m were reclassified from available for sale to fair value through other comprehensive income (FVOCI) as they are classed as equity instruments – the Council has a contract and receives dividends but is not obligated to exchange the shares with the holder entity under conditions that are unfavourable. Please see 'Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income' for more information.

- Kickstart loans with a carrying amount of £2.864m were reclassified from loans and receivables to FVPL because, although contractual payments are determinable, they have elements based on the property market that are not specifically principal or interest. As an additional note these are Capital loans and will have no impact on the General Fund Balance.

Reclassification and Remeasurement of Impairment Losses at 1 April 2018

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model.

	Loss Allowance Classification as @ 1 April 2018		
	Impairment Allowance brought forward	**Amortised Cost**	**Fair Value through Other Comprehensive Income**
PREVIOUS CLASSIFICATION	**£'000**	**£'000**	**£'000**
Total Loans and Receivables	1,876	1,876	-
Available for Sale	-	-	-
Reclassified Amounts at 1 April 2018	**1,876**	**1,876**	-
Remeasurement from Incurred Losses to Expected Losses Basis at 1 April 2018	-	-	-
Impairment Loss Allowance at 1 April 2018	**1,876**	**1,876**	**-**

Under the accounting requirements the carrying value of the financial instruments value, is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments 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 accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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 borrowings and investments disclosed in the Balance Sheet at their carrying value are made up of the following categories of financial instruments:

	31 March 2018		Total	31 March 2019		Total
	Current	Long Term		Current	Long Term	
	£'000	£'000	£'000	£'000	£'000	£'000
LIABILITIES						
Borrowings:						
Financial Liabilities (principal)	48,449	449,725	**498,174**	70,833	446,142	**516,975**
Plus accrued interest	6,986	-	**6,986**	6,509	-	**6,509**
Soft Loans	40	30	**70**	34	567	**601**
Other Accounting Adjustments	433	665	**1,098**	434	603	**1,037**
Total Borrowings at amortised cost	**55,908**	**450,420**	**506,328**	**77,810**	**447,312**	**525,122**
PFI & Finance Lease Liabilities	3,516	77,367	**80,883**	4,948	72,416	**77,364**
Creditors	74,359	-	**74,359**	74,542	-	**74,542**
TOTAL LIABILITIES	**133,783**	**527,787**	**661,570**	**157,300**	**519,728**	**677,028**
ASSETS						
Loans & Receivables:						
Investments	5,000	26,620	**31,620**	11,000	26,620	**37,620**
Debtors	21,730	727	**22,457**	27,112	8	**27,120**
Cash & Cash Equivalents	55,191	-	**55,191**	53,465	-	**53,465**
Plus accrued interest	21	-	**21**	29	-	**29**
Total Loans & Receivables at amortised cost	**81,942**	**27,347**	**109,289**	**91,606**	**26,628**	**118,234**
Unquoted Equity Investment at cost	-	28,900	**28,900**	-	28,981	**28,981**
Total Investments	**-**	**28,900**	**28,900**	**-**	**28,981**	**28,981**
Kickstart Loans	-	2,864	**2,864**	-	3,623	**3,623**
through profit and loss	**-**	2,864	**2,864**	**-**	3,623	**3,623**
TOTAL ASSETS	**81,942**	**59,111**	**141,053**	**91,606**	**59,232**	**150,838**

NB – Liabilities as at 31st March 2018 for PFI & Finance Lease Liabilities and Creditors have been restated as per note 7 Prior Period Adjustments

The Council has a number of loans from Salix Finance Ltd outstanding that are held at 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 by the Council over the life of the instrument, resulting in a higher amortised cost than the outstanding principal. Interest is debited at a higher effective rate of interest than the rate receivable from 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 2018	31 March 2019
	£'000	£'000
Opening Balance	111	71
+ New Loans Granted	-	571
- Fair Value Adjustment on Initial Recognition	-	(42)
- Loans Repaid	(40)	(40)
- Impairment Losses	-	-
- Decrease in the Discounted Amount	-	-
+/- Other Changes	-	-
Balance Carried Forward	**71**	**560**

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 2019 as FVOCI:

Description	Nominal Value	Fair Value as at 31 March 2019	Change in Fair Value during 2018/19	Dividends
	£'000	£'000	£'000	£'000
Birmingham Airport - Ordinary Shares	18,217	26,644	81	1,458
Birmingham Airport - Preference Shares	1,766	1,766	-	111
BSF Special Purpose Vehicle - Ordinary Shares	571	571	-	-
Investments in Equity Instruments	**20,554**	**28,981**	**81**	**1,569**

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

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

Gains/Losses of Financial Instruments

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

	2017/18		2018/19	
	Surplus or (Deficit) on the Provision of Services £'000	Other Comprehensive Income & Expenditure £'000	Surplus or (Deficit) on the Provision of Services £'000	Other Comprehensive Income & Expenditure £'000
Net Gains/(Losses) on:				
Financial assets measured at fair value through other comprehensive income	1,843	(590)	1,569	81
Financial liabilities measured at amortised cost	-	-	42	-
Total Net Gains/(Losses)	1,843	(590)	1,611	81
Interest Revenue:				
Financial assets measured at amortised cost	1,014	-	1,108	-
Total Interest Revenue	1,014	-	1,108	-
Interest Expense:				
Fee Expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	(33,391)	-	(31,921)	-
Total Fee Income	(33,391)	-	(31,921)	-
Total Financial Instruments Gains/(Losses)	(30,534)	(590)	(29,202)	**81**

Fair Values of Financial Assets

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

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

Reclassification of fair value of assets held at input level 2 to level 3 in 2018/19

The LEP loan notes the 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 have been reclassified at input level 3 from level 2 in 2018/19 and are shown with the Birmingham Airport share value in the ‘Unquoted Shares’ column in the 2018/19 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 have been reclassified at input level 3 from level 2 in 2018/19 and are shown in the column headed ‘Other’ in the 2018/19 table that follows.

The tables below detail the fair value of assets classified and reclassified by the authority at input level 3 in 2018/19 compared to 2017/18:

2017/18	Unquoted Shares	Other	Total
	£'000	£'000	£'000
Opening Balance	28,919	-	28,919
- Transfers into Level 3	-	-	-
- Transferes out of Level 3	-	-	-
- Total gains or (losses) for the period included in Other Comprehensive Income & Expenditure	(590)	-	(590)
- Additions	-	-	-
- Disposals	-	-	-
Balance Carried Forward	**28,329**	**-**	**28,329**

2018/19	Unquoted Shares	Other	Total
	£'000	£'000	£'000
Opening Balance	28,329	-	28,329
- Transfers into Level 3	571	2,864	3,435
- Transferes out of Level 3	-	-	-
- Total gains or (losses) for the period included in Other Comprehensive Income & Expenditure	81	759	840
- Additions	-	-	-
- Disposals	-	-	-
Balance Carried Forward	**28,981**	**3,623**	**32,604**

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 assessed 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 2018/19. 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 2018/19 to provide the fair value under PWLB debt redemption rate procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities
The fair values calculated are as follows:

	Restated 31 March 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt	364,750	595,488	350,250	503,454
Non PWLB Debt	93,977	164,492	93,962	134,344
Other Local Authority Debt	14,138	14,138	12,902	14,741
Salix Loan	71	71	560	560
Other Temporary Borrowing	33,392	33,392	67,448	67,448
Total Debt	**506,328**	**807,581**	**525,122**	**720,547**
PFI & Finance Lease Creditors	80,883	139,637	77,364	125,218
Trade Creditors	74,359	74,359	74,542	74,542
Total Financial Liabilities	**661,570**	**1,021,577**	**677,028**	**920,307**

NB – Liabilities as at 31st March 2018 for PFI & Finance Lease Creditors and Trade Creditors have been restated as per note 7 Prior Period Adjustments

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

However, the Council 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 £350.250m would be valued at £582.353m (this is the exit price for the PWLB loans including the penalty charge). If the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB and the various banks would raise a penalty charge for early redemption.

It should be noted that the Non PWLB Debt held by the authority includes mainly Lender Option Borrower Option (LOBO) loans, where the lender has an option to change the interest rate built into the loan agreement at a future date.
For the LOBO loans entered into by SMBC, the authority, as the borrower, has the option to repay the loan in full when the lender option has been triggered. As a result, there is no risk that the authority will be tied into future interest rate increases imposed by the lender.

The value of these assets are presented in the accounts at level 2 within the fair value hierarchy.

Financial Assets

	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short Term:				
Fixed Market Deposits	5,000	5,000	11,000	11,000
Short Term Debtors	21,730	21,730	27,112	27,112
Cash Equivalents	55,191	55,191	53,465	53,465
Plus accrued interest	21	21	29	29
	81,942	**81,942**	**91,606**	**91,606**
Long Term:				
Birmingham Airport Shares	28,329	28,329	28,410	28,410
BSF Special Purpose Vehicle	571	571	571	571
Local Enterprise Partnership	84	84	84	84
Credit Union Loan	250	250	250	250
Long Term Debtors	3,591	3,591	3,631	3,631
Total Assets	**114,767**	**114,767**	**124,552**	**124,552**

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

The council's long-term investment in Birmingham Airport was revalued as at the 31 March 2019. It has been concluded that the movement in fair value, although not material, should be reflected within the accounts; the carrying value of the investment has increased from £28.329m to £28.410m.

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

In 2018/19 the council invested £0.250m in the 6 Towns Credit Union. As this gives rise to contractual cashflows of solely principal interest on specific days, then it is shown at amortised cost in the balance sheet.

Fair Value Hierarchy for Financial Assets and Financial Liabilities

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

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

	Restated 31 March 2018			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total £'000
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	498,174	-	**498,174**
Plus accrued interest	-	6,986	-	**6,986**
Soft Loans	-	70	-	**70**
Other Accounting Adjustments	-	1,098	-	**1,098**
Total Borrowings at amortised cost	**-**	**506,328**	**-**	**506,328**
PFI & Finance Lease Liabilities	-	80,883	-	**80,883**
Creditors	-	74,359	-	**74,359**
TOTAL LIABILITIES	**-**	**661,570**	**-**	**661,570**
ASSETS				
Loans & Receivables:				
Investments	-	31,620	-	**31,620**
Long Term Debtors	-	727	-	**727**
Short Term Debtors	-	21,730	-	**21,730**
Cash & Cash Equivalents	-	55,191	-	**55,191**
Kickstart Loans	-	2,864	-	**2,864**
LEP Special Purpose Vehicle	-	571	-	**571**
Plus accrued interest	-	21	-	**21**
Total Loans & Receivables at amortised cost	**-**	**112,724**	**-**	**112,724**
TOTAL ASSETS	**-**	**112,724**	**-**	**112,724**

NB – Liabilities as at 31st March 2018 for PFI & Finance Lease Liabilities and Creditors have been restated as per note 7 Prior Period Adjustments

	31 March 2019			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total £'000
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	516,975	-	**516,975**
Plus accrued interest	-	6,509	-	**6,509**
Soft Loans	-	601	-	**601**
Other Accounting Adjustments	-	1,037	-	**1,037**
Total Borrowings at amortised cost	**-**	**525,122**	**-**	**525,122**
PFI & Finance Lease Liabilities	-	77,364	-	**77,364**
Creditors	-	74,542	-	**74,542**
TOTAL LIABILITIES	**-**	**677,028**	**-**	**677,028**
ASSETS				
Loans & Receivables:				
Investments	-	37,620	-	**37,620**
Long Term Debtors	-	7	-	**7**
Short Term Debtors	-	27,112	-	**27,112**
Cash & Cash Equivalents	-	53,465	-	**53,465**
Plus accrued interest	-	30	-	**30**
Total Loans & Receivables at amortised cost	**-**	**118,234**	**-**	**118,234**
TOTAL ASSETS	**-**	**118,234**	**-**	**118,234**

Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash).

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. The risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

Credit Risk Management Practices

This risk is minimised through 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 for deposits 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 in financial institutions of £71.911m made up of long-term investments, short-term investments and cash & cash equivalents (exc. school accounts), cannot be assessed generally as the risk of any institution failing to make interest payments or repay the sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

A table to show investments held by the Council at the 31 March 2019 is below:

Current Ratings (Fitch or Equivalent)	As at 31/03/2018 £'000	As at 31/03/2019 £'000
AAA	10,200	31,000
AA+	-	-
AA	5,000	11,000
AA-	10,000	-
A+	-	-
A	15,300	-
A-	601	596
BBB+	-	-
N/A	29,234	29,315
Balance Carried Forward	**70,335**	**71,911**

Allowances for impairment losses have been calculated (exc. LEP working capital and Credit Union loans) for investments held at 31 March 2019, applying the expected credit losses model. The expected credit loss model results in a nil value notional loss and as such, no adjustment has been made to the carrying value of these instruments in the Council's accounts.

Full provisions have been set aside for the LEP working capital loan (£0.084m) and the Credit Union loan (£0.250m) due to future uncertainties and increased risk of default.
Equity investments held at FVOCI are outside the scope of impairment and therefore no impairment is required in 2018/19. The impairment requirements do not apply to the Kickstart loans categorised as assets held at FVPL, as current market prices are considered to be an appropriate reflection of credit risk and therefore, no further impairment will be required for this investment category in 2018/19.
During the year the authority did not write off any financial assets with contractual amounts outstanding and that are still subject to enforcement activity.

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

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

The council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets provide access to longer term funds. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

	2017/18 £'000	2018/19 £'000
Less than three months	8,237	10,713
Three to six months	2,315	1,356
Six months to one year	1,707	1,773
More than one year	4,303	4,603
Total	**16,562**	**18,445**

The Council has an impairment allowance in place for 31 March 2019 of £2.122m to mitigate against this risk (£1.876m as at 31 March 2018).

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

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

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

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

	Approved Minimum Limits	Approved Maximum Limit (of total debt)	Principal 31 March 2018 £'000	Principal 31 March 2019 £'000
Less than one year	0%	20% (£117m)	48,489	70,867
Between one and two years	0%	20% (£117m)	3,602	19,883
Between two and five years	0%	25% (£146m)	52,080	47,414
Between five and ten years	0%	50% (£292m)	56,800	42,140
More than ten years	10%	90% (£525m)	337,273	337,272
			498,244	**517,576**

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

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

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

The council has a number of 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 increase by £121.743m 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 £28.410m in Birmingham Airport and £0.571m 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 £1.449m gain or loss being recognised in the Financial Instrument Revaluation Reserve.

Foreign Exchange Risk – The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

17. Short Term Debtors

	2017/18 £'000	2018/19 £'000
Trade Receivables	21,730	27,112
Prepayments	3,290	14,120
Other Receivable Amounts (Council Tax, Business Rates and HMRC)	12,473	13,404
Total	**37,493**	**54,636**

The debtor figures above are net of provisions for impairment losses of £29.136m in 2018/19 (£30.613m in 2017/18). These provisions enable the write-off of arrears on housing rents, rates, community charges, Council Tax and other sundry debtors. Age and collectability of debt are factors that are considered when calculating yearly impairment losses

18. Debtors for Local Taxation

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

2017/18				2018/19		
Council Tax £'000	NNDR £'000	Total £'000		Council Tax £'000	NNDR £'000	Total £'000
2,303	1,317	3,620	Less than one year	2,565	1,248	3,813
820	430	1,250	One to two years	834	372	1,206
3,632	342	3,974	More than two	3,608	377	3,985
6,755	**2,089**	**8,844**	**Total**	**7,007**	**1,997**	**9,004**

19. Cash and Cash Equivalents

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

	2017/18 £'000	2018/19 £'000
Bank current accounts	19,090	21,868
Short term deposits	36,101	31,596
	55,191	**53,464**
Bank Overdraft	(72,378)	(22,350)
Total Cash and Cash Equivalents	**(17,187)**	**31,114**

20. Short Term Creditors

	Restated 2017/18 £'000	2018/19 £'000
Trade Payables	60,430	57,869
Other Payables	13,929	16,673
Finance Lease Creditors (Note 40)	3,516	4,948
Total	**77,875**	**79,490**

21. Other Long Term Liabilities

	Restated 2017/18 £'000	2018/19 £'000
Finance Lease Creditors (Note 40)	77,367	72,416
Deferred Liabilities	203	165
Deferred Creditors	3,528	3,497
Pensions Liability (Note 43)	741,823	756,538
Other Long Term Liabilities	**822,921**	**832,616**

22. Provisions

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

	Opening Balance at 1 April 2018 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2019 £'000
Current Provisions					
Termination Benefits	**2,253**	2,717	(1,553)	(106)	**3,311**
Insurance	**1,967**	1,037	-	-	**3,004**
Collection Fund Provisions	**2,302**	1,651	-	-	**3,953**
Carbon Reduction Scheme	**28**	-	-	-	**28**
Single Status - Equal Pay Settlement	**102**		(82)	-	**20**
Total Current Provisions	**6,652**	**5,405**	**(1,635)**	**(106)**	**10,316**
Long Term Provisions					
Insurance	**4,239**		(1,011)	-	**3,228**
6 Towns Credit Union Loan	**-**	250			**250**
LEP Working Capital Loan	**-**	84			**84**
Total Long Term Provisions	**4,239**	334	**(1,011)**	**-**	**3,562**
Total Provisions	**10,891**	**5,739**	**(2,646)**	**(106)**	**13,878**

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 of £3.953m set aside to mitigate this liability as well as to cover any potential liabilities arising from the local Council Tax reduction scheme.
- In light of council wide restructuring required to address efficiency savings as a result of central government cuts, the accounts include termination benefit provisions totalling £3.311m. These provisions reflect the known costs of all termination benefits approved as at 31 March 2019.
- An insurance provision of £6.233m for previous years' asset, employee and public liability claims held in line with recommendations made within the actuarial valuation. Further details on the council's insurance fund can be found within accounting policy (xxvii) on page 43.

23. Usable Reserves

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

General Fund Balance

The council held total revenue balances of £62.037m as at 31 March 2019. However, included within this figure are approved committed items relating to directorate surpluses carried forward into 2018/19 and additional approved revenue expenditure on specific items in future years. Free balances available to the council at 31 March 2019 are £12.105m.

	2017/18 £'000	2018/19 £'000
Revenue Balance	**75,209**	**62,038**
less Committed Items:		
Revenue Contribution to Capital Expenditure	(2,965)	-
Target Carry Forwards or deficit to be funded centrally	(24,883)	(22,204)
Earmarked Balances	(36,142)	(27,728)
Total Available Resources	**11,219**	**12,106**

Schools Balances

Any balances relating to schools are ring fenced and cannot be appropriated by the Council. In 2018/19 the Individual School Budgets (ISB) generated a deficit of £1.000m reducing school balances to £32.551m.

Schools are directly funded from a Dedicated Schools Grant (DSG). In 2018/19, 26 schools overspent their DSG budget totalling £2.455m and 59 under spent totalling £3.684m. Other non schools' budgets, which are part of the overall ISB over spent by £2.229m resulting in a total deficit of £1.000m.

Usable Capital Receipts

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

	2017/18 £'000	2018/19 £'000
Amounts receivable in year	16,902	17,730
Amounts applied to finance new capital investment in year	(14,252)	(6,628)
Pooled capital receipts paid to DCLG	(2,697)	(2,697)
Total increase / (decrease) in realised capital resources	**(47)**	**8,405**
Balance brought forward 1 April	**7,863**	**7,816**
Balance carried forward 31 March	**7,816**	**16,221**

24. **Unusable Reserves**

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

	Restated 2017/18 £'000	2018/19 £'000
Revaluation Reserve	(256,269)	(256,799)
Available for Sale Financial Instruments Reserve	(20,599)	-
Financial Instrument Revaluation Reserve	-	(20,680)
Capital Adjustment Account	(990,035)	(1,056,789)
Financial Instruments Adjustment Account	1,462	1,346
Pensions Reserve	775,723	773,438
Collection Fund Adjustment Account	8,662	(1,336)
Accumulating Compensated Absences Adjustment Account	7,091	6,398
Total Unusable Reserves	**(473,965)**	**(554,422)**

<u>Revaluation Reserve</u>

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.

	Restated 2017/18	2018/19	
	£'000	£'000	£'000
Balance at 1 April	**(170,763)**		**(256,269)**
Upward revaluation of assets	(182,052)	(94,396)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	91,133	87,056	
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	**(90,919)**		**(7,340)**
Difference between fair value depreciation and historical cost depreciation	2,925		4,871
Accumulated gains on assets sold or scrapped	2,488		1,939
Amounts written off to the Capital Adjustment Account	-		-
Asset Transfers	-		-
Balance at 31 March	**(256,269)**		**(256,799)**

Available For Sale Financial Instruments Reserve

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

	2017/18 £'000	2018/19 £'000
Balance at 1 April	(21,189)	(20,599)
Reclassification of Assets	-	20,599
Upwards or (downward) movement in Assets	590	-
Balance at 31 March	**(20,599)**	**-**

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	-	-
Transfers into FIRR from Available for Sale Reserve	-	(20,599)
Revised Balance at 1 April	**-**	**(20,599)**
Total (gains) or losses for fair value through Other Comprehensive Income		
Birmingham Airport In Year Revaluation	-	(81)
Balance at 31 March	**-**	**(20,680)**

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	Restated 2017/18 £'000	2018/19 £'000	£'000
Balance at 1 April	**(874,805)**		**(990,035)**
Prior year adjustments (Note 1 (v) & 3)	-	-	
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Depreciation of non current assets	41,879	46,127	
Revaluation and impairment losses on property, plant and equipment	(77,449)	(56,345)	
Revenue expenditure funded from capital under statute	11,121	13,012	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	26,108	22,384	
HRA Debt Settlement	-		
Govt Grants Differed Write Out	-		
	1,659		**25,178**
Adjusting amounts written out of the Revaluation Reserve	(5,413)		(6,810)
Net written out amount of the cost of non current assets consumed in the year	**(3,754)**		**18,368**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve	(14,252)	(6,628)	
Use of the Major Repairs Reserve	(14,184)	(15,496)	
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(17,174)	(24,988)	
Applications of grants to capital financing from the Capital Grants Unapplied Account	(12,005)	(9,814)	
Statutory provision for the financing of capital investment	(33,748)	(30,435)	
Capital expenditure charged against the General Fund and HRA balances			
Revenue Contributions to Capital	(15,746)	(1,890)	
	(107,109)		**(89,251)**
Movements in the market value of Investment Properties debited or credited to the CI&ES	(4,367)		4,129
Movements in the Donated Assets Account	-		-
Balance at 31 March	**(990,035)**		**(1,056,789)**

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).

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**1,536**	**1,462**
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	(56)	(56)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
Market Loans (LOBOs)	(18)	(18)
Salix Loans (EIR Adjustment)	-	(42)
Balance at 31 March	**1,462**	**1,346**

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**851,158**	**775,723**
Remeasurements of the net defined benefit liability / (asset)	(105,451)	(42,110)
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	76,463	88,511
Employer's pensions contributions and direct payments to pensioners payable in the year	(46,447)	(48,686)
Balance at 31 March	**775,723**	**773,438**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement (CI&ES) as it falls due from payers, compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund. The opening balance of £8.662m on this reserve has decreased to a negative £1.336m during the year.

Accumulating Compensated Absences Adjustment Account

This account absorbs the differences that would arise on the General Fund and Housing Revenue Account Balance by accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 December. The opening balance of £7.091m on this reserve has decreased to £6.398m during the year.

25. Cash Flow Statement

Net cash flows from operating activities include the following items:

	2017/18 £'000	2018/19 £'000
Interest Paid	(31,295)	(30,144)
Interest Received	111	149
Dividends Received	1,843	1,569

	Restated 2017/18 £'000	2018/19 £'000
Adjustments to net surplus / deficit on the provision of services for non cash movements		
Non Cash Transactions:		
Depreciation, impairment and amortisation of non current assets	35,570	10,218
Sale of non current assets - disposals (carrying value)	(26,108)	(22,384)
Net charges made for retirement benefits in accordance with IAS19	(30,016)	(56,825)
Appropriations to / from Collection Fund Adjustment Account	(4,818)	-
Appropriations to / from Accumulated Absences Account	(883)	693
Gains / Losses on Revaluation	4,367	(4,129)
Other non cash transactions	33,897	93
	12,009	**(72,334)**
Items on an Accruals Basis:		
Increase / (decrease) in Inventories	(174)	164
Increase / (decrease) in Debtors	(404)	17,601
(Increase) / decrease in Creditors	(5,438)	(3,572)
(Increase) / decrease in Provisions	776	(2,987)
	(5,240)	**11,206**
Total adjustments to net surplus/deficit on the provision of services for non cash movements	**6,769**	**(61,128)**
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		
Sale of non current assets - proceeds	16,902	17,730
Taxation & Specific Grants	27,817	38,465
Total adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	**44,719**	**56,195**

Reconciliation of liabilities arising from financing activities

	2018-19	Financing Cashflows	Non Cash changes		2018-19
	1 April		Acquisition	Non Cash Changes	31 March
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowings	(450,420)	3,066	-	42	(447,312)
Short Term Borrowings	(55,908)	(21,902)	-	-	(77,810)
On balance sheet PFI liabilities	(85,104)	3,004			(82,100)
Total Liabilities from financing activities	(591,432)	(15,832)	-	42	(607,222)

26. **Expenditure and Funding Analysis**

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

2017/18 Restated	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	76,535	3,038	**79,573**	4,604	**84,177**
- Schools	632	(17,678)	**(17,046)**	10,072	**(6,974)**
- Children's	81,751	(19,006)	**62,745**	3,920	**66,665**
- Public Health	144	(4,828)	**(4,684)**	(62)	**(4,746)**
Performance					
- Resources	18,159	205	**18,364**	(8,947)	**9,417**
- Corporate Management	24	6,457	**6,481**	438	**6,919**
Place					
- Neighbourhoods & Regeneration and Economy	68,350	(2,788)	**65,562**	16,755	**82,317**
Housing Revenue Account	(45,941)	(28,527)	**(74,468)**	(44,394)	**(118,862)**
Cost of Services	**199,654**	**(63,127)**	**136,527**	**(17,614)**	**118,913**
Other operating expenditure	13,791	-	**13,791**	10,660	**24,451**
Financing and Investment Income and Expenditure	(35,737)	123,615	**87,878**	(45,200)	**42,678**
Taxation and Non Specific Grant Income	(245,258)	-	**(245,258)**	(22,998)	**(268,256)**
(Surplus) or Deficit	**(67,550)**	**60,488**	**(7,062)**	**(75,152)**	**(82,214)**

Opening General Fund & HRA Balance	**(161,895)**
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	(7,062)
Closing General Fund & HRA Balance at 31 March 2018 *	**(168,957)**

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

2018/19	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	76,296	6,438	**82,734**	4,659	**87,393**
- Schools	563	(17,303)	**(16,740)**	7,343	**(9,397)**
- Children's	89,362	(11,938)	**77,424**	23,426	**100,850**
- Public Health	395	(5,398)	**(5,003)**	25	**(4,978)**
Performance					
- Resources	17,882	7,823	**25,705**	6,807	**32,512**
- Corporate Management	(696)	524	**(172)**	(74)	**(246)**
Place					
- Housing & Communities	45,087	(671)	**44,416**	7,516	**51,932**
- Regeneration & Growth	24,477	(3,706)	**20,771**	11,979	**32,750**
Housing Revenue Account	(39,014)	(32,933)	**(71,947)**	(43,590)	**(115,537)**
Cost of Services	**214,352**	**(57,164)**	**157,188**	**18,091**	**175,279**
Other operating expenditure	13,071	-	**13,071**	5,327	**18,398**
Financing and Investment Income and Expenditure	(34,120)	108,985	**74,865**	(24,143)	**50,722**
Taxation and Non Specific Grant Income	(234,565)	-	**(234,565)**	(48,543)	**(283,108)**
(Surplus) or Deficit	**(41,262)**	**51,821**	**10,559**	**(49,268)**	**(38,709)**

Opening General Fund & HRA Balance	**(168,957)**
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	10,559
Closing General Fund & HRA Balance at 31 March 2019 *	**(158,398)**

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

27. Note to the Expenditure and Funding Analysis

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

2017/18 Restated	**Capital Adjustments at Directorate level (Note 1) £'000**	**Other Adjustments at Directorate level (Note 2) £'000**	**Total to arrive at amount charged to the General Fund & HRA £'000**	**Adjustments for Capital Purposes (Note 3) £'000**	**Net change for the Pensions Adjustments (Note 4) £'000**	**Other Differences (Note 5) £'000**	**Total Adjustment between Funding and Accounting Basis £'000**
People							
- Adults	(1,093)	4,131	3,038	1,377	3,115	112	4,604
- Schools	(7,004)	(10,674)	(17,678)	-	9,339	733	10,072
- Children's Services	(17,833)	(1,173)	(19,006)	639	3,059	222	3,920
- Public Health	(27)	(4,801)	(4,828)	27	-	(89)	(62)
Performance							
- Resources	(1,394)	1,599	205	940	(9,809)	(78)	(8,947)
- Corporate Management	(87)	6,544	6,457	416	22	-	438
Place							
- Neighbourhoods & Regeneration and Economy	(17,445)	14,657	(2,788)	13,824	2,861	70	16,755
Housing Revenue Account	(17,118)	(11,409)	(28,527)	(44,214)	(149)	(31)	(44,394)
Net Cost of Services	**(62,001)**	**(1,126)**	**(63,127)**	**(26,991)**	**8,438**	**939**	**(17,614)**
Other operating expenditure	-	-	-	10,660	-	-	10,660
Financing and Investment Income and Expenditure	125,787	(2,172)	123,615	(66,633)	21,581	(148)	(45,200)
Taxation and Non Specific Grant Income	-	-	-	(27,816)	-	4,818	(22,998)
(Surplus) or Deficit	**63,786**	**(3,298)**	**60,488**	**(110,780)**	**30,019**	**5,609**	**(75,152)**

2018/19	Capital Adjustments at Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Adjustments for Capital Purposes (Note 3) £'000	Net change for the Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	Total Adjustment between Funding and Accounting Basis £'000
People							
- Adults	(1,079)	7,517	6,438	1,372	3,179	108	4,659
- Schools	(7,040)	(10,263)	(17,303)	-	7,827	(484)	7,343
- Children's Services	(18,026)	6,088	(11,938)	20,814	3,017	(405)	23,426
- Public Health	(27)	(5,371)	(5,398)	27	-	(2)	25
Performance							
- Resources	(1,570)	9,393	7,823	1,572	5,162	73	6,807
- Corporate Management	(87)	611	524	(93)	20	(1)	(74)
Place							
- Housing & Communities	(7,440)	6,769	(671)	6,184	1,321	11	7,516
- Regeneration & Growth	(10,050)	6,344	(3,706)	10,732	1,241	6	11,979
Housing Revenue Account	(18,608)	(14,325)	(32,933)	(43,256)	(381)	47	(43,590)
Net Cost of Services	**(63,927)**	**6,763**	**(57,164)**	**(2,648)**	**21,386**	**(647)**	**18,091**
Other operating expenditure	-	-	-	5,327	-	-	5,327
Financing and Investment Income and Expenditure	111,574	(2,589)	108,985	(41,637)	18,439	(945)	(24,143)
Taxation and Non Specific Grant Income	-	-	-	(38,465)	-	(10,078)	(48,543)
(Surplus) or Deficit	**47,647**	**4,174**	**51,821**	**(77,423)**	**39,825**	**(11,670)**	**(49,268)**

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 CI&ES.

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

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

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 ie 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 CI&ES.

Note 5 – Other Differences
Other differences between amounts debited/credited to the CI&ES and amounts payable/receivable to be recognised under statute:

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

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

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

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

Restated 2017/18 £'000		2018/19 £'000
351,375	Employee Benefits Expenses	347,915
467,679	Other Services Expenses	509,774
(23,580)	Depreciation, Amortisation and Impairment	4,447
7,963	Loss on Disposal of Non Current Assets	2,630
50,752	Interest Payments	49,807
16,488	Precepts and Levies	15,769
(137)	Support Services Recharges	44
870,540	**Total Expenditure**	**930,386**
(192,892)	Fees and Charges and Other Service Income	(203,914)
(180,274)	Income from Council Tax and Business Rates	(193,984)
(562,617)	Government Grants and Contributions	(567,378)
(8,897)	Support Services Recharges	(4,734)
(8,074)	Interest and Investment Income	915
(952,754)	**Total Income**	**(969,095)**
(82,214)	**Net Expenditure**	**(38,709)**

29. **Agency Services**

The Council acts as an agent for Growing Places, Growing Priority Sectors (Black Country Growth Deal), the Land Development Fund and Black Country Superfast Broadband monies; the distribution of which is managed by the Black Country Local Enterprise Partnership and Black Country Joint Committee.

Growing Places funding of £14.4m was received in 2011/12. No additional monies were received for Growing Places during 2018/19. Grant of £2.389m has been distributed in 2018/19.

The Land Development fund is a loans fund for which Public Works Loan Board (PWLB) funding is available. One project was accessing this facility and has drawn loan funding of £1.6m during 2015/16 and 2016/17. Interest on the loan was being repaid on a six monthly basis with full repayment of the balance due at the earlier of site disposal or 10 years from the date of the loan agreement. The loan has been repaid in full during the 2018/19 financial year, therefore no projects are currently accessing this fund.

A sum of £2.389m has been claimed from the Growing Places funding for the Black Country Superfast Broadband Project. This money was paid out to the contractor to fund the work of extending the superfast broadband across the Black Country. Only income and expenditure in relation to transactions directly incurred by the council is recognised in its financial statements for these funds where the council acts as the Agent.

30. **Pooled Budgets**

Utilising Section 75 of the National Health Act 2006, the council has established joint working arrangements with Sandwell & West Birmingham Clinical Commissioning Group (CCG) and hosts the Better Care Fund Pooled Budget as a joint operation.

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

In addition to the Better Care fund the government announced the award of the Improved Better Care Fund Grant (iBCF) in 2017/18 and this is also encompassed within the BCF Pooled Budget in accordance with government guidance.

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

The procurement and contract procedure rules and financial regulations of the pool host applies to the management of the pool fund and the financial performance for the pool for the year ended 31 March 2019 is shown below.

Better Care Fund 2017/18 £'000		**Better Care Fund 2018/19 £'000**
28,592	Gross Expenditure	41,990
-	Income exc. Partner Contributions	-
28,592	**Net Expenditure**	**41,990**
	Partner Contributions:	
(23,793)	Sandwell & West Birmingham CCG	(25,434)
(11,485)	Sandwell MBC - I-BCF	(16,091)
(35,278)	**Total Contribution**	**(41,525)**
(6,686)	**Net (Under) / Over Spend in Year**	**465**
(63)	(Under) / Over Spend B/Fwd	(6,749)
-	(Over) / Under Spend Written Off In Year	-
(6,749)	**(Under) / Over Spend C/Fwd**	**(6,284)**

The table above shows the whole pooled budget the council commissioned and spent £32.176m in year (£19.740m in 2017/18), receiving a contribution of £15.621m from Sandwell & West Birmingham CCG. At the year end the councils accounts include an underspend of £6.284m which will be rolled forward into 2019/20.

31. Officers' Remuneration

Senior Employees

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

Position Title 2017/18	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Employers Capital Costs £	Total Remuneration inc Pension Contributions £
Chief Executive	141,600	-	**141,600**	20,844	-	**162,444**
Director:					-	
- Monitoring Officer (Interim) (a)	61,596	-	**61,596**	-	-	**61,596**
- Monitoring Officer (b)	51,128	-	**51,128**	7,519	-	**58,647**
- Education	91,645	-	**91,645**	13,507	-	**105,152**
- Children's Services (interim) (c)	235,641	-	**235,641**	-	-	**235,641**
- Children's & Families (Interim) (d)	173,304	-	**173,304**	-	-	**173,304**
- Children's & Families (e)	12,917	-	**12,917**	1,899	-	**14,816**
- Adult Social Care	122,955	-	**122,955**	18,110	-	**141,065**
- Regeneration & Economy (f)	29,837	29,723	**59,560**	4,404	-	**63,964**
- Neighbourhoods (Interim) (g)	66,082	-	**66,082**	-	-	**66,082**
- Neighbourhoods (h)	67,846	-	**67,846**	9,991	-	**77,837**
- Homes and Communities (i)	59,190	-	**59,190**	8,010	-	**67,200**
- Public Health (j)	65,674	-	**65,674**	9,444	-	**75,118**
- Prevention & Protection	92,083	-	**92,083**	13,571	-	**105,654**
- Resources	119,966	-	**119,966**	17,670	-	**137,636**

Position Title 2018/19	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Employers Capital Costs £	Total Remuneration inc Pension Contributions £
Chief Executive	144,354	-	**144,354**	23,430	-	**167,784**
Executive Director						
- Adult Social Care, Health & Wellbeing	127,965	-	**127,965**	20,769	-	**148,734**
- Neighbourhoods	122,872	-	**122,872**	19,944	-	**142,816**
- Children's Services (k)	89,969	5,000	**94,969**	14,589	-	**109,558**
- Resources	125,419	-	**125,419**	20,357	-	**145,776**
Director:						
- Director of Law & Governance & Monitoring O	100,805	-	**100,805**	16,369	-	**117,174**
- Education, Skills and Employment	97,030	-	**97,030**	15,775	-	**112,805**
- Regeneration & Growth (l)	85,131		**85,131**	13,817	-	**98,948**
- Housing and Communities	100,825	-	**100,825**	16,369	-	**117,194**
- Director of Public Health	91,073	-	**91,073**	13,006	-	**104,079**
- Prevention & Protection	97,367	-	**97,367**	15,812	-	**113,179**

a) The Interim Monitoring Officer departed on 3 September 2017.
b) The Monitoring Officer was appointed on 4 September 2017 (Annualised Salary £89,290).
c) The Interim Director of Children's Services departed on 31 March 2018.
d) The Interim Director of Children's & Families departed on 12 January 2018 and the post remained vacant until 25 February 2018.
e) The Director of Children's & Families was appointed on 26 February 2018 (Annualised Salary £138,664).
f) The Director of Regeneration & Economy became vacant on 14 July 2017 (Annualised salary £103,718).
g) The Interim Director of Neighbourhoods departed on 3 September 2017.
h) The Executive Director of Neighbourhoods was appointed on 4 September 2017 (Annualised Salary £118,487).
i) The Director of Homes & Communities was appointed on 6 September 2017 (Annualised salary £95,873).
j) The Director of Public Health was vacant between 2 September 2017 and 31 December 2017 (Annualised salary £89,891).
k) The Director of Children's Services was appointed on 30th July 2018 (Annualised Salary £145,413).
l) The Director of Regeneration and Growth was appointed on 28th May 2018 (Annualised Salary £117,234).

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

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

Remuneration Band	Number of Employees			
	2017/18		2018/19	
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	74	38	43	37
£55,000 - £59,999	44	13	37	10
£60,000 - £64,999	33	17	29	14
£65,000 - £69,999	31	14	14	8
£70,000 - £74,999	13	10	15	13
£75,000 - £79,999	6	2	7	2
£80,000 - £84,999	4	2	3	1
£85,000 - £89,999	4	-	6	-
£90,000 - £94,999	4	-	2	2
£95,000 - £99,999	2	-	1	-
£100,000 - £104,999	-	-	1	1
£110,000 - £114,999	-	-	1	-
£115,000 - £119,999	1	-	-	-
£135,000 - £139,999	-	-	-	1
	216	**96**	**159**	**89**

32. **Members Allowances**
The total amount paid during 2018/19 to elected members of the council in respect of basic and special responsibility allowances was £1.368m (£1.254m in 2017/18).

33. **External Audit Costs**
In addition to the fees disclosed in the table below, fees of £0.016m and £0.005m respectively are payable in 2019/20 for the completion of Audit work by Grant Thornton in relation to the Housing Benefit certification and Teachers Pension 2018/19. Also, fees of £0.015m will be paid by SMBC in 2019/20 in relation to the 2018/19 external audit of Sandwell Land and Property Limited by Grant Thornton.

	2017/18 £'000	2018/19 £'000
Fees payable to KPMG the appointed auditor for the year 2017/18 and prior with regard to external audit services carried out in that year	199	40
Fees payable to KPMG for the certification of grant claims and returns for 2017/18 and prior	14	9
Fees payable in respect of other services provided by KPMG during 2017/18 and prior	20	35
Fees payable to Grant Thornton appointed auditor for the year 2018/19 with regard to external audit services carried out	-	153
CFO insights (non-audit service provided by Grant Thornton) 2018/19	-	13
Total	**233**	**250**

34. Dedicated Schools Grant

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.

	Central Expenditure £000	ISB £000	Total £000
Final DSG For 2018/19 Before Academy Recoupment			321,569
Academy Figure Recouped for 2018/19			(105,985)
Total Final DSG After Academy Recoupment for 2018/19			**215,584**
Bought Forward From 2017/18			-
Agreed Initial Budgeted Distribution in 2018/19	**10,614**	**204,970**	**215,584**
In Year Adjustments	-	-	-
Final Budgeted Distribution for 2017/18	**10,614**	**204,970**	**215,584**
Less Actual Central Expenditure	(10,441)	-	(10,441)
Less Actual ISB Deployed To Schools	-	(205,007)	(205,007)
Local Authority Contribution For 2018/19	-	-	-
Carry Forward To 2018/19	**173**	**(37)**	**136**

35. Grant Income

The council has received a number of 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 also splits them between current and long term liabilities. The balances at each year end are as follows:

Capital Grants Receipts in Advance	**31 March 2018 £'000**	**31 March 2019 £'000**
Short Term:		
Renewal & Growth	1,165	1,137
Standards Fund	670	1,559
Other Grants	567	1,145
Other Contributions	16	35
	2,418	**3,876**
Long Term:		
Section 106	5,153	5,445
Homes England	-	1,725
Disabled Facilities Grant	2,637	3,300
Other Grants	1,668	1,674
Other Contributions	2,646	3,060
	12,104	**15,204**
Total	**14,522**	**19,080**

Revenue Grants Receipts in Advance	**31 March 2018 £'000**	**31 March 2019 £'000**
Other Grants	713	2,569
Total	**713**	**2,569**

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

Credited to Taxation and Non Specific Grant Income	2017/18 £'000	2018/19 £'000
Schools Basic Need Grant	13,518	18,454
Local Transportation Plan Grant	4,999	4,685
Schools Capital Maintenance Grant	2,924	2,822
Challenge Fund Grant	1,831	-
Standards Fund	889	-
Lottery Funding	27	-
Homes England Grant	-	3,620
Presumption Grant	-	2,546
Aquatic Centre Grant	-	1,054
Additional Highways Maintenance Grant	-	1,420
Other Grants	2,404	1,155
Other Contributions	1,225	2,709
Total	**27,817**	**38,465**

Credited to Services	2017/18 £'000	2018/19 £'000
Dedicated Schools Grant	209,992	215,188
Rent Rebates	67,768	64,088
Rent Allowances	51,882	48,828
Public Health Grant	25,366	24,714
Pupil Premium Grant	15,846	15,604
Private Finance Initiative Grant	7,822	7,822
New Homes Bonus	5,249	3,598
Housing Subsidy	5,713	5,713
Education Services Grant	1,064	-
Business Rates Compensation Grant	10,264	13,453
Young People's Learning Agency	3,171	3,144
Universal Infant Free School Meals	3,587	3,576
Benefit Administration Grant	2,169	2,038
Families & Communities Grant	1,449	2,096
Local Reform & Community Voices Grant	2,150	1,448
Skills Funding Agency	1,313	1,377
Improved Better Care Fund	11,485	16,091
Discretionary Housing Payment	1,373	1,349
PE Sport Grant	1,184	1,480
Home Office Grant	1,156	711
Independent Living Fund	1,092	1,058
SEND Reform Grant	274	254
Adoption Support Grant	93	57
Other Grants	4,713	9,439
Total	**436,175**	**443,126**

36. **Related Parties**

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

Central Government - Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates. Receipts in respect of Council Tax and Non Domestic Rates are shown in the CI&ES on page 20. Details of other grants received are analysed in more detail in Note 35.

Other Public Bodies - West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities, for which details can be found on page 117 as part of the Collection Fund Revenue Account, levy precepts on the council. In addition, a Transport Levy totalling £11.846m was paid to West Midlands Combined Authority and a Flood Defence Levy of £0.083m was paid to the Environment Agency during the financial year.

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

However, Councillor S Eling's spouse has been identified as a board member of Sandwell Women's Aid, to which the council made payments totalling £0.631m in 2018/19.

Councillor P Hughes is a Director of Sandwell Leisure Trust and Councillor J Underhill is a member of Sandwell Inspired Partnership Services.

In 2018/19 payments made to other organisations where Members have declared an interest totalled £0.779m and income received totalled £0.025m.

Chief Officers and Other Officers - The Chief Executive Officer has been identified as a Governor of Sandwell College and a Director of the Sandwell Land and Property Company. The Deputy Chief Executive has been identified as a Director of Sandwell Futures Ltd and Environments for Learning Sandwell PFI One Ltd. There were no other significant transactions between the council and its Directors and related parties identified during the year.

Other Organisations
The council made grants to voluntary organisations amounting to £5.259m during 2018/19.

<u>Sandwell Leisure Trust</u>
Sandwell Leisure Trust (SLT) is a charitable company limited by guarantee that manages sports facilities and provides sports development in Sandwell. The principal income of the Leisure Trust is from the council, which takes the form of a management fee. The amount paid in 2018/19 was £2.886m which included the management fee and other fees. Amounts received from the SLT for services provided by the Council was £0.538m.

<u>Sandwell Futures Ltd</u>
Sandwell Futures Ltd is a Local Education Partnership (LEP) established under the Building Schools for the Future (BSF) initiative. The council made total payments of £19.541m to the LEP during 2018/19 mainly relating to the building and renovation costs of schools. The council has a 10% shareholding and a £0.084m holding of 10% loan stock in the company. The council also has a direct shareholding in Environments for Learning Sandwell PFI One Ltd (the special purpose vehicle established by the LEP) and a £0.571m holding of 10% loan stock. Interest on these investments of £0.081m has been received in 2018/19.

<u>Sandwell Inspired Partnership Services (SIPS)</u>
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 £0.395m to SIPS in 2018/19 and received £0.151m in relation to goods and services supplied by the council to SIPS in the same year.

<u>Sandwell Land and Property Limited (SL&P)</u>
Sandwell Land and Property Ltd (SL&P) was established on 31 March 2011 in order to protect and maintain ownership of land and property currently occupied by school establishments. The council is the sole shareholder of SLP. Under the Code the company is classed as a subsidiary of the

council; their financial activities have been consolidated 100% into the financial statements. The SLP is a company limited by shares, the liability of the council in the event of the winding up of the company is limited to the sum of £1.

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

The broad impact of the adjustments is as follows:

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

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

SL&P
The adjustments required SL&P to treat its lease of the land to the Council as an operating lease. The accounting entries proposed recognise £26m of land on SL&P balance sheet, with the corresponding entry in P&L reserve. This reflects the historic 'fair value' of land transferred and is allowable under FRS102 (see Note 7 – Prior Period Adjustments)

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

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

Share Issues – Nil Consideration
Some share issues (c£7m) were made for properties that ultimately were not transferred into the SLaP and so were made at nil consideration, which is not allowed under existing legislation. As a result, the SLaP would, need to recognise a receivable (Debtor) for the amounts due from the Council in respect of the allotted shares and the Council would need to recognise a liability. However, the Council do not consider that it will need to meet this liability as the company is 100% wholly owned by SMBC and the Council are planning to wind up the company.

Land Transfers – Nil Value
Some of the land (c. £15m) that was transferred into the SLaP from SMBC accounts was done at nil value.

Land Transfers – Ownership Rights

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

The historical issues associated with the SLaP and transfer of shares to Sandwell in exchange for land has resulted in the requirement to post entries into the 2018/19 accounts relating to prior years. These adjustments were material to the Council's single entity accounts.

The legal issues associated with the SLaP have not been corrected. Potentially this results in a liability of £6.7m from the Council to the company. As the sole shareholder of the company, the authority does not feel it would be beneficial to expend resources at the expense of the tax payer to correct the historical issues. The intention is to wind the company up during 2020/21 as the protection believed to be afforded by the transfer of land to the company in order to protect the councils assets is no longer required. As such neither the Council nor the company have recognised the liability (Council) or asset (company) in their accounts but these have been shown as contingent liabilities and contingent assets respectively

West Midlands Combined Authority
The council is also a constituent member, together with the other six West Midlands Metropolitan districts, of the West Midlands Combined Authority (WMCA). In addition to the Transport Levy the council made payments totalling £1.252m to WMCA in 2018/19 and received £0.261m 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 incorporated on 15 February 2018 as a company limited by guarantee, transferring Children's social care function to the Trust from 1 April 2018. The council made payments totalling £62.938m to Sandwell Children's Trust (SCT) in 2018/19 and received £4.919m in relation to goods and services supplied by the council to SCT in the same year. SCT have been consolidated into the Council's group accounts and can be found from page 120.

37. **Capital Expenditure and Capital Financing**

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

	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	**767,351**	**747,743**
Capital Investment		
Property Plant & Equipment	75,612	65,499
Heritage Assets	18	-
Investment Properties	-	33
Intangible Assets	751	140
REFCUS	11,121	13,012
Sources of Finance		
Capital Receipts	(14,252)	(6,628)
Government Grants & Other Contributions	(29,180)	(34,802)
Major Repairs Reserve	(14,184)	(15,496)
Direct Revenue Contributions	(15,746)	(1,890)
Minimum Revenue Provision	(33,748)	(30,435)
Closing Capital Financing Requirement	**747,743**	**737,176**
Explanation of Movements in Year		
Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	-	-
Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(19,608)	(10,567)
Increase/(decrease) in Capital Financing Requirement	**(19,608)**	**(10,567)**

38. **Capital Commitments**

The Council has to plan its capital spending in advance of work proceeding. As at 31 March 2019 the Council had allocated resources to a five year programme covering the period 2019/20 to 2023/24 that amount to £392.566m. The main areas to which these resources have been allocated are the Council's housing investment programme (£265.032m), adaptations for disabled (£28.799m), the school capital programme (£21.807m), structural maintenance of roads and bridges (£17.002m), integrated transport block (£8.470m), acquisition of vehicles (£7.500m), the aquatic centre for the Common Wealth Games 2022 (£4.112m), new social care & health centre (£9.948m), ICT end user computing (£6.440m) and property refurbishment (£4.739m).

Included within the five year programme are amounts which are legally committed as at 31 March 2019 that amount to £165.679m.

39. **Leases**

Council as Lessee

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

The council has acquired a number of administrative buildings by entering into operating leases. The future minimum lease payments due under non cancellable leases in future years are;

31 March 2018 £'000		31 March 2019 £'000
1,013	Not later than 1 year	1,161
3,634	Later than 1 year and not later than 5 years	3,678
11,786	Later than 5 years	10,105
16,433		**14,944**

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

2017/18 £'000		2018/19 £'000
	Minimum lease payments:	
145	- Adult Social Care	169
1,572	- Housing & Communities and Regeneration & Growth	1,048
1,717		**1,217**
(77)	**Sublease payments receivable**	**(63)**
1,640		**1,154**

Council as Lessor

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

The council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses. The future minimum lease payments receivable under non cancellable leases in future years are;

31 March 2018 £'000		31 March 2019 £'000
4,801	Not later than 1 year	4,829
11,970	Later than 1 year and not later than 5 years	12,447
152,718	Later than 5 years	153,470
169,489		**170,746**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

40. **Private Finance Initiatives and Similar Contracts**

Private Finance Initiatives

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 Harvills Hawthorn and Millfields 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 2018/19 was £8.4m (£8.3m in 2017/18).

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, £29.807m 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, Whiteheath 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 back to the Council's ownership. The contract for tested services (including caretaker services and porterage, cleaning and waste management, grounds, gardens and playing fields maintenance, security services and catering) is to be market tested on the 10th anniversary of service commencement and every 5 years thereafter. The Council can issue a voluntary termination giving 20 days notice or can terminate upon contractor default or persistent breach or breach of refinancing provisions. The contractor can also terminate upon default by the Council giving 30 days notice.

The unitary charge payments made during 2018/19 totalled £6.9m (2017/18 was £6.8m). The total capital cost of the scheme is in the region of £44.955m.

Total Schools Solutions
The Council entered into 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 handback 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 2018/19 was £2.7m (2017/18 was £2.7m).

Portway Lifestyle Centre
The Council entered into 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 the majority 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 sub lets 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 2018/19 was £1.3m (2017/18 was £1.3m).

The table below details the movement on the liabilities held on the council's balance sheet relating to PFI and service concession contracts:

		Riverside Housing £'000	Total School Solutions £'000	BSF Rowley Campus £'000	Portway £'000	Total PFI Schemes £'000	Service Concessions £'000	Total Finance Lease Liabilities £'000
Restated Balance at 31 March 2018	- Current	(1,752)	(473)	(638)	(403)	(3,266)	(763)	(4,029)
	- Prior Period Adjustment	513	0	0	0	513	0	513
	- Restated Current	**(1,239)**	**(473)**	**(638)**	**(403)**	**(2,753)**	**(763)**	**(3,516)**
	- Long Term	(27,391)	(7,279)	(38,177)	(7,447)	(80,294)	(781)	(81,075)
	- Prior Period Adjustment	3,708	0	0	0	3,708	0	3,708
	- Restated Long Term	**(23,683)**	**(7,279)**	**(38,177)**	**(7,447)**	**(76,586)**	**(781)**	**(77,367)**
Balance at 31 March 2019	- Current	(2,299)	(522)	(1,286)	(367)	(4,474)	(474)	(4,948)
	- Long Term	(21,381)	(6,757)	(36,891)	(7,080)	(72,109)	(307)	(72,416)
Movement in Year		**1,242**	**473**	**638**	**403**	**2,756**	**763**	**3,519**
Analysis of Movement in Year:								
Capital Additions in year						0		0
Write down of liability		1,242	473	638	403	2,756	763	3,519
		1,242	**473**	**638**	**403**	**2,756**	**763**	**3,519**

NB: Riverside Housing Current and Long Term balance at 31 March 2018 Restated as per Note 7 – Prior Period Adjustments

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

	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000	Within 21 - 25 Years £'000
Riverside Housing PFI						
Liability Repayments	2,299	6,367	14,154	859	-	-
Interest Charges	2,917	9,395	13,644	733	-	-
Operating Costs	2,778	11,887	16,770	7,163	-	-
Lifecycle Costs	2,008	14,026	11,487	2,286	-	-
	10,002	**41,675**	**56,055**	**11,041**	-	-
Total School Solutions PFI						
Liability Repayments	522	2,695	5,256	697	-	-
Interest Charges	1,300	4,780	4,471	323	-	-
Operating Costs	844	3,461	4,569	570	-	-
Lifecycle Costs	105	430	562	116	-	-
	2,771	**11,366**	**14,858**	**1,706**	**-**	-
BSF Rowley Campus PFI						
Liability Repayments	1,286	4,593	10,084	14,510	7,704	-
Interest Charges	3,616	13,643	15,491	11,221	2,848	-
Operating Costs	1,793	7,001	8,751	8,751	3,568	-
Lifecycle Costs	157	2,686	1,836	3,248	795	-
	6,852	**27,923**	**36,162**	**37,730**	**14,915**	-
Portway PFI						
Liability Repayments	367	1,664	1,776	1,808	3,136	-
Interest Charges	445	1,625	1,610	1,163	510	-
Operating Costs	385	1,692	2,407	2,777	2,794	-
Lifecycle Costs	122	452	1,121	1,742	1,106	-
	1,319	**5,433**	**6,914**	**7,490**	**7,546**	-
Total Payments	**20,944**	**86,397**	**113,989**	**57,967**	**22,461**	-

The table below shows the movement on the carrying amount of the PFI assets held within the council's balance sheet:

	Council Dwellings (Riverside) £'000	Land & Buildings (Total Schools) £'000	Land & Buildings (Rowley Campus) £'000	Land & Buildings (Portway) £'000	Total £'000
Balance as at 1 April 2018	**41,353**	**22,409**	**39,911**	**13,056**	**116,729**
Prior Year Adjustments	-	**987**	**2,213**	(9,287)	**(6,087)**
Revised Balance As At 1st April 2018	**41,353**	**23,396**	**42,124**	**3,769**	**110,642**
Additions	833	143	932	58	1,966
Revaluations	(45)	(1,443)	(1,326)	(67)	(2,881)
Re-classifications	-	-	-	-	-
In Year Depreciation	(645)	(600)	(1,027)	(88)	(2,360)
Depreciation Written Out	611	600	1,027	88	2,326
Other Movements	(492)	-	-	-	(492)
Balance as at 31 March 2019	**41,615**	**22,096**	**41,730**	**3,760**	**109,201**

Similar Contracts

Serco Waste Contract

The council entered into 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 at nil value. However, for the duration of the contract Serco 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 will be solely used for the delivery of this contract for the assets' entire lives. Ownership of these assets will revert back to the council at the end of the agreement.

The council-owned depot located at Shidas Lane is to be leased to Serco for the duration of the contract for which a peppercorn rent is payable. Serco 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 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 £21.968m in 2018/19 to Serco Limited (£20.470m in 2017/18).

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

	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000	Within 21 - 25 Years £'000
Serco Waste Contract						
Liability Repayments	25,141	114,088	179,892	231,959	-	-
	25,141	**114,088**	**179,892**	**231,959**	**-**	**-**

41. **Impairment Losses and Reviews**

During 2018/19 Net Impairment Losses of £1.040m have been identified in relation to the Council's Non Current assets. There has been no reversal of impairment losses recognised in previous years.

The Council's Valuers carried out a number of impairment reviews to determine if there were any material changes in property values from the 1st April 2018 to 31st March 2019.

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.

It should be noted that, at the request of the Council's newly appointed Auditors, the Council has undertaken an analysis of its PPE and Investment assets applying accumulated property indices to individual assets within each property group to determine if there has been a material movement in value since the assets where last valued within their rolling valuation cycle. As a result, all schools have been revalued in 2018/19 as at 31 March 2019.

42. **Termination Benefits**

The council terminated the contracts of a number of employees in 2018/19 to meet the ongoing challenges of the difficult economic climate and budget reductions.

In total 51 employees left the council's employment during the year incurring liabilities of £3.378m. This includes a provision created in 2017/18 of £2.253m for 24 employees approved as planned leavers as at 31 March 2018, £1.553m of this provision was utilised in 2018.19. Costs of £1.825m have been met from the council's available resources which includes £0.877m for the creation of a provision where costs remain outstanding but relating to employees leaving in 2018/19 and expect to be incurred in 2019/20.

There are also agreements in place for a further 28 employees to leave the council during 2019/20 at an estimated cost of £2.173m. A provision has therefore been made for future and outstanding termination benefit costs which are expected to be incurred in 2019/20.

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

Band	Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	87	24	554	356
£20,001 - £40,000	13	4	419	113
£40,001 - £60,000	15	11	730	544
£60,001 - £80,000	6	8	439	554
£80,001 - £100,000	5	5	450	460
£100,001 - £150,000	4	13	496	1,587
£150,001 - £200,000	2	1	343	160
£201,000 - £250,000	2	1	418	224
	134	**67**	**3,849**	**3,998**

43. **Defined Benefit Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The council participates in three pension schemes:

<u>Teachers</u>

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 2018/19 the council paid £11.316m (2017/18 £11.191m) to the DFE in respect of teachers' pension costs. This represents 16.48% of teacher's pensionable pay. Estimated contributions for 2019/20 are £11.542m which is again representative of a contribution rate of 16.48%. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2018/19 these amounted to £3.125m (2017/18 £3.159m). 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 2018/19 the council paid £0.063m (2017/18 £0.067m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% of pensionable pay. Estimated contributions for 2019/20 are £0.064m based on a contribution rate of 14.3.%.

Other Employees
Other employees of the council contribute to the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. In 2018/19 the council paid an employer's pension contribution of £22.809m (2017/18 £21.356m) based on 16.2% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Estimated contributions for 2019/20 are £25.419m based on 17.7% of pensionable pay.

In addition, the council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2018/19 these amounted to £1.529m (2017/18 £1.440m) representing 0.1% of pensionable pay. The capital cost of awarding discretionary additional benefits relating to the year 2018/19 was £2.590m (2017/18 £4.045m). 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:

Comprehensive Income and Expenditure Statement	Local Government 2017/18 £'000	Local Government 2018/19 £'000	Teachers Pension Scheme 2017/18 £'000	Teachers Pension Scheme 2018/19 £'000
Cost of Services				
Current service costs	54,059	53,893	-	-
Past service costs			-	-
Settlements and curtailments	260	15,581	-	-
Administration expenses	563	598	-	-
Financing and Investment Income and Expenditure				
Net interest expense	20,614	17,393	967	1,046
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**75,496**	**87,465**	**967**	**1,046**
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)	(7,122)	(15,569)	-	-
- Actuarial gains and losses arising on changes in demographic assumptions	-	(115,254)	-	(2,342)
- Actuarial gains and losses arising on changes in financial assumptions	(95,758)	89,594	(1,153)	1,461
- Experience (gain) / loss	-	-	(1,418)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(27,384)**	**46,236**	**(1,604)**	**165**

Movement in Reserves Statement	Local Government 2017/18 £'000	Local Government 2018/19 £'000	Teachers Pension Scheme 2017/18 £'000	Teachers Pension Scheme 2018/19 £'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	75,496	87,465	967	1,046
Actual amount charged against the General Fund Balance for pensions in the year				
Employer's Contributions payable to scheme	43,288	45,561	-	-
Retirement benefits payable to pensioners	-	-	3,159	3,125

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2019 is a loss of £451.223m relating to the LGPS, and a loss of £13.677m in relation to the Teachers 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, Civic Centre, St Peter's Square, Wolverhampton, WV1 1SL

The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2019 have been provided by the Funds' Actuary and are detailed below:

Reconciliation of present value of the scheme liabilities	Local Government 2017/18 £'000	Local Government 2018/19 £'000	Teachers Pension Scheme 2017/18 £'000	Teachers Pension Scheme 2018/19 £'000
Opening Balance at 1 April	**2,080,000**	**2,052,302**	**49,903**	**45,140**
Current Service Cost	54,059	53,893	-	-
Interest on pension liabilities	55,668	51,774	967	1,046
Contributions by scheme participants	9,315	9,978	-	-
Remeasurement (gain) / loss:				
- Actuarial gains and losses arising on changes in demographic assumptions	-	(115,254)	-	(2,342)
- Actuarial gains and losses arising on changes in financial assumptions	(95,758)	89,594	(1,153)	1,461
- Experience (gain) / loss	-	-	(1,418)	-
Benefits paid	(55,237)	(58,291)	(3,159)	(3,125)
Past service costs / Curtailment	3,614	18,320	-	-
Settlements	641	(1,635)	-	-
Closing Balance at 31 March	**2,052,302**	**2,100,681**	**45,140**	**42,180**

Reconciliation of fair value of the scheme assets	Local Government 2017/18 £'000	Local Government 2018/19 £'000
Opening Balance at 1 April	**1,278,745**	**1,355,619**
Interest Income	35,054	34,381
Remeasurement gain / (loss)	7,122	15,569
Administration expenses	(563)	(598)
Settlements	3,995	1,104
Employers contributions	77,188	28,561
Contributions by scheme participants	9,315	9,978
Benefits paid	(55,237)	(58,291)
Closing Balance at 31 March	**1,355,619**	**1,386,323**

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Present Value of Liabilities					
Local Government Pension Scheme (funded)	(1,647,900)	(1,608,078)	(2,063,623)	(2,037,255)	(2,087,257)
Local Government Pension Scheme (unfunded)	(20,165)	(18,257)	(16,377)	(15,047)	(13,424)
Teachers Pension Scheme (unfunded)	(51,092)	(51,273)	(49,903)	(45,140)	(42,180)
Total Present Value of Liabilities	**(1,719,157)**	**(1,677,608)**	**(2,129,903)**	**(2,097,442)**	**(2,142,861)**
Fair Value of assets in the local government pension scheme	**1,032,770**	**1,024,322**	**1,278,745**	**1,355,619**	**1,386,323**
Surplus / (Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(635,295)	(602,013)	(801,255)	(696,683)	(714,358)
Teachers Pension Scheme (TPS)	(51,092)	(51,273)	(49,903)	(45,140)	(42,180)
Total	**(686,387)**	**(653,286)**	**(851,158)**	**(741,823)**	**(756,538)**

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £2,143m has a substantial impact on the net worth of the council as recorded in the Balance Sheet in a negative overall balance of £756m, however statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The Local Government Pension Scheme's assets comprise of the following asset categories:

Asset Category	2017/18 £'000	2018/19 £'000
Equities	831,477	819,392
Bonds	152,670	186,600
Property	107,169	117,747
Alternatives	176,517	218,680
Cash	87,786	43,904
Total	**1,355,619**	**1,386,323**

Basis for Estimating Assets & Liabilities

Pension fund liabilities for both schemes have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Barnett Waddingham, an independent firm of actuaries, has assessed the liabilities of both schemes. The main assumptions used in their calculations have been:

	Local Government		Teachers Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	21.9	20.9	21.9	20.9
Women	24.3	23.2	24.3	23.2
Longevity at 65 for future pensioners				
Men	24.0	22.6		
Women	26.6	25.0		
Rate of CPI Inflation	2.30%	2.40%	2.30%	2.30%
Rate of Increase In Salaries (LGPS)	3.80%	3.90%		
Rate of Increase In Pensions	2.30%	2.40%	2.35%	2.50%
Discount Rate	2.55%	2.40%	2.40%	2.20%

The figures provided by the actuary include an allowance for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. The estimated impact on the total liabilities at 31 March 2019 has been allowed for as a past service cost and has resulted in an increase in the defined benefit obligation as at 31 March 2019.

44. Contingent Assets and Liabilities

Sandwell Land and Property Company (SLaP)

Due to historical legal matters associated with the issue of shares to the council by the SLaP and the transfer of assets to the SLaP by the council there is the potential for the company to request consideration of approximately £6m from the council in return for shares that have been issued at nil consideration at present. The council considers that it is highly improbable that the amount will become payable due to the council being the sole shareholder in the company. Therefore, no provision has been made in the accounts for this sum.

Contingent Liabilities

There are presently 9 active civil litigation claims (11 in 2017/18) and 4 active employment tribunal cases (7 in 2017/18).

Equal Pay

The council has in recent years received a number of claims for back pay arising from the Equal Pay Initiative. It is not certain that all valid claims have yet been received by the council or that precedents set by other authorities in the settlement of claims will be applicable. A provision of £0.020m for Equal Pay has been calculated based on an assessment of potential claims.

Municipal Mutual Insurance Co Ltd (MMI)

Municipal Mutual Insurance Co 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 a number of 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 into 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 recently issued a further 10% levy to all scheme members and this is now due for payment by the council.

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 2018/19 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

Housing Revenue Account

2018/19

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.

Restated 2017/18 £'000	HRA Income and Expenditure Statement	2018/19 £'000
	Income:	
(120,321)	Dwelling Rents	(118,304)
(172)	Non-Dwelling Rents	(246)
(2,605)	Charges for Services & Facilities	(2,680)
(5,714)	PFI Grant	(5,714)
(128,812)	**Total Income**	**(126,944)**
	Expenditure:	
32,822	Repairs & Maintenance	38,036
26,499	Supervision & Management	24,723
492	Rent, Rates, Taxes & Other Charges	478
4,078	PFI Contract	4,319
(44,213)	Depreciation & Impairment of Non Current Assets	(43,251)
838	Movement in Impairment Allowance for Bad Debts	677
20,516	**Total Expenditure**	**24,982**
(108,296)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account**	**(101,962)**
-	HRA Services share of Corporate and Democratic Core	-
(108,296)	**Net Cost of HRA Services**	**(101,962)**
(1,302)	(Gain) or loss on sale of HRA Non Current Assets	(741)
(98)	(Gain) or loss on revaluation of HRA Non Current Assets	1,001
-	Loss on revaluation of Assets Held for Sale	-
2,990	PFI Interest payable and similar charges	2,494
(4,221)	PFI Interest Payable and similar charges prior year movement	-
2,101	Pensions Interest Costs	2,365
21,108	Interest payable and similar charges	20,052
(38)	Interest and investment income	(169)
-	Income & Expenditure in relation to Investment Properties	-
-	Capital grants and contributions receivable	(3,619)
(87,756)	**(Surplus) / Deficit for the year on HRA services**	**(80,579)**

Restated 2017/18 £'000	Movement on Housing Revenue Account Balance Statement	2018/19 £'000
(32,937)	Balance on the HRA at the end of the previous reporting period	**(32,270)**
(87,756)	(Surplus)/deficit for the year on the Income and Expenditure Statement	(80,579)
88,124	Adjustments between accounting basis and funding basis under statue	75,424
368	Net increase/(decrease) before transfers to or from reserves	(5,155)
299	Transfers to/(from) earmarked reserves	690
667	(Increase)/decrease in year on the HRA	**(4,465)**
(32,270)	Balance on the HRA at the end of the current reporting period	**(36,735)**

Restated 2017/18 £'000		2018/19 £'000
	Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year	
44,213	Depreciation & impairment of Non Current Assets	43,251
1,302	Gain or loss on sale of HRA Non Current Assets	741
98	Gain or loss on revaluation of HRA Non Current Assets	(1,001)
-	Loss on revaluation of Assets Held for Sale	-
-	Capital grants and contributions receivable	3,619
(1,951)	Pension Reserve Adjustments	(1,984)
31	Accumulated Compensated Absences Account	(45)
43,693		**44,581**
	Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year	
16	Amortisation of premiums, discounts & LOBOs	16
825	PFI Finance Lease Creditor	1,242
4,221	PFI Finance Lease Creditor prior year movement	-
787	PFI Capital expenditure funded by the HRA	833
12,152	Capital expenditure funded by the HRA	3
14,184	Net transfer to / (from) Major Repairs Reserve	15,496
12,246	Minimum Revenue Provision	13,253
44,431		**30,843**
88,124	**Net additional amount required by statute to be credited to the HRA Balance for the year**	**75,424**

Notes to the Housing Revenue Account

1. **Housing Stock as at 31 March**

Total No. 2017/18	Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 2018/19
	1 Bedroom					
3	Houses	-	1	2	-	**3**
6,208	Flats	219	1,475	4,470	60	**6,224**
1,376	Bungalows	386	318	673	-	**1,377**
	2 Bedroom					
3,169	Houses	1,628	861	541	102	**3,132**
4,861	Flats	130	2,397	2,264	80	**4,871**
128	Bungalows	3	50	57	52	**162**
	3 Bedroom					
11,842	Houses	6,817	2,965	1,748	125	**11,655**
546	Flats	48	271	225	-	**544**
12	Bungalows	1	1	9	1	**12**
	4 Bedroom					
612	Houses	414	143	33	22	**612**
2	Bungalows	-	-	2	-	**2**
	5 Bedroom					
9	Houses	7	2	-	-	**9**
	6 Bedroom					
2	Houses	1	1	1	-	**3**
	8 Bedroom					
1	Houses	-	-	1	-	**1**
28,771	**Total Stock**	**9,654**	**8,485**	**10,026**	**442**	**28,607**

The housing stock at 31 March 2019 includes 1,020 council dwellings (1,030 at 31 March 2018) included within the Riverside Housing PFI contract, which are included on the council's Balance Sheet.

2. Balance Sheet Movement in HRA Non Current Assets

	Council Dwellings	Land & Building	Intangible	Equipment	Surplus Assets	Assets Held for Sale	Assets under Construction	Investment Properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
as at 1 April 2018	**1,031,513**	**1,857**	**258**	**6,217**	**5,039**	**440**	**12,897**	**8,191**	**1,066,412**
Additions	26,556	-	-	276	16	-	10,981	-	37,829
Revaluations - Revaluation Reserve	-	-	-	-	924	-	-	-	924
Revaluations - CI&ES	60,924	-	-	-	(454)	-	-	-	60,470
Disposals	-	-	-	-	-	(13,010)	-	(1,001)	(14,011)
Assets reclassified (to) / from Held for Sale	(13,169)	-	-	-	-	13,169	-	(2,383)	(2,383)
Other Movements	16,082	-	-	-	(64)		(14,788)	(206)	1,024
as at 31 March 2019	**1,121,906**	**1,857**	**258**	**6,493**	**5,461**	**599**	**9,090**	**4,601**	**1,150,265**
Depreciation & Impairment									
as at 1 April 2018	**(14,633)**	**(132)**	**(81)**	**(4,346)**	**(1,401)**	**(440)**	**(23)**	**(2,629)**	**(23,685)**
In Year Depreciation	(16,141)	(34)	(50)	(216)	-	-	-	-	(16,441)
Depreciation Written Out - Revaluation Reserve	14,633	-	-	-	49	-	-		14,682
Impairment Losses / Reversals - Revaluation Reserve	-	-	-	-	(56)	-	-		(56)
Impairment Losses / Reversals - CI&ES	-	-	-	-	(700)	-	(79)		(779)
Other Movements	172	-	-	-	(29)	(159)	(12)	13	(15)
as at 31 March 2019	**(15,969)**	**(166)**	**(131)**	**(4,562)**	**(2,137)**	**(599)**	**(114)**	**(2,616)**	**(26,294)**
Balance Sheet Amount									
as at 1 April 2018	**1,016,880**	**1,725**	**177**	**1,871**	**3,638**	**-**	**12,874**	**5,562**	**1,042,727**
as at 31 March 2019	**1,105,937**	**1,691**	**127**	**1,931**	**3,324**	**-**	**8,976**	**1,985**	**1,123,971**

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. 1,020 of these assets are included in the table above as they form part of the council's assets held within the Balance Sheet.

3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2018 after revaluation was £2,764.442m, 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 £1,105.777m and included a regional social housing discount factor of 40%. The difference shows the economic cost to Government of providing council housing at sub market rents.

The closing balance sheet value as at 31 March 2019 was £1,105.937m 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.

	2017/18 £'000	2018/19 £'000
Opening Balance as at 1 April	**-**	**-**
Depreciation on Dwellings to the MRR during year	14,184	15,496
Depreciation on other Non Current Assets	283	300
Amounts transferred to HRA	(283)	(300)
Capital expenditure on land, houses & other property within HRA	(14,184)	(15,496)
Closing Balance as at 31 March	**-**	**-**

5. **Capital Expenditure**

Capital expenditure on land, houses and other property within the HRA during 2018/19 is £37.829m. This expenditure has been financed as follows:

	2017/18 £'000	2018/19 £'000
Capital Expenditure	**49,482**	**37,829**
Sources of Funding:		
Prudential Borrowing	12,640	17,245
Grants	-	3,635
Major Repairs Reserve	14,184	15,496
Revenue Contribution	12,940	836
Usable Capital Receipts	9,718	617
Total Funding	**49,482**	**37,829**

6. **Capital Receipts**

Net Capital Receipts received from the disposal of land, houses and other property within the HRA during 2018/19 are summarised below:

	2017/18 £'000	2018/19 £'000
Land & Buildings	821	655
Council Houses	14,645	15,466
Total Capital Receipts	**15,466**	**16,121**

7. **Depreciation Charge**

As required by the Code, the council has charged depreciation on all HRA properties, including non dwellings. In 2018/19 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:

	2017/18 £'000	2018/19 £'000
Dwellings	14,184	15,496
PFI Dwellings	609	645
Garages	-	-
Neighbourhood Offices	35	34
Equipment	197	216
Assets Not Held for Sale	2	-
Intangible	50	50
Total Depreciation	**15,077**	**16,441**

8. **Revaluation and Impairment Losses**

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment losses. During 2018/19 there were revaluation losses of £1.500m charged directly to the HRA. There were impairment losses totalling £0.778m charged directly to the HRA.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. Previous year losses of £60.924m were reversed during 2018/19 relating to Council Dwellings.

9. **Rent Arrears**

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

	2017/18 £'000	2018/19 £'000
Current Tenants	3,345	4,112
Former Tenants	2,632	3,108
Total Arrears	**5,977**	**7,220**

10. **Provisions & Reserves**

The Council has set aside money to allow for the possibility that a proportion of the outstanding rent arrears 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:

	2017/18 £'000	2018/19 £'000
Provision b/fwd 1 April	**3,310**	**3,386**
Write Off / On Charged to Provision	(762)	(175)
Additional Provision	838	677
Provision c/fwd 31 March	**3,386**	**3,888**

In addition, earmarked reserves totalling £3.701m are held by the HRA for the specific purposes as detailed in the table below:

	Balance as at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance as at 31 March 2019 £'000
Welfare Reform Reserve	**3,011**	-	690	**3,701**
Total HRA	**3,011**	**-**	**690**	**3,701**

11. **Government Subsidy**

The Council entered into a 25 year PFI agreement with Riverside Housing for the management and maintenance of circa 1,100 properties. 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:

	2017/18 £'000	2018/19 £'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:

	2017/18 £'000	2018/19 £'000
HRA Surplus as at 31st March	32,270	36,735
Less Earmarked Balances:		
- Working Balance	(7,400)	(7,400)
- Contingencies	(8,510)	(8,387)
- Capital Investment	(11,200)	(15,000)
- Carry Forward Commitments	(181)	(181)
Uncommitted HRA Resources	**4,979**	**5,767**

Collection Fund

2018/19

2017/18				2018/19		
Council Tax £'000	NDR £'000	Total £'000		Council Tax £'000	NDR £'000	Total £'000
			Income			
		105,979	- Council Tax Payers	113,200	-	113,200
		96,299	- Business Rates Payers	-	100,253	100,253
		(3,536)	- Transitional Protection Payment	-	(994)	(994)
		9,272	Contribution towards previous year's estimated Collection Fund Deficit	490	9,158	9,648
0	**0**	**208,014**	**Total Income**	**113,690**	**108,417**	**222,107**
			Expenditure			
			Precepts:			
		91,418	- Sandwell MBC	97,313	-	97,313
		8,301	- West Midlands Police Crime Commissioner	9,282	-	9,282
		4,069	- West Midlands Fire & Rescue Authority	4,249	-	4,249
			Non Domestic Rates:			
		-	- Central Government	-	422	422
		97,391	- Sandwell MBC	-	96,095	96,095
		984	- West Midlands Fire & Rescue Authority	-	971	971
		444	- Cost of Collection Allowances	-	441	441
			Provisions:			
		4,129	- Bad Debts	1,646	123	1,769
		518	- Appeals	-	1,667	1,667
		939	Distribution of Estimated Collection Fund Surplus 2016/17		-	-
0	**0**	**208,193**	**Total Expenditure**	**112,490**	**99,719**	**212,209**
0	**0**	**(179)**	**Surplus / (Deficit) in year**	**1,200**	**8,698**	**9,898**
237	**(8,429)**	**(8,192)**	**Opening Balance at 1 April**	**266**	**(8,637)**	**(8,371)**
266	**(8,637)**	**(8,371)**	**Closing Balance at 31 March**	**1,466**	**61**	**1,527**

Notes to the Collection Fund

1. **General**

Billing authorities act as agents, 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 (ie 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 could be less or more than predicted.

This account shows the transactions of the billing authority in relation to Council Tax and NDR and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

Collection Fund surpluses declared by the billing authority in relation to both Council Tax and NDR are apportioned to the relevant precepting bodies in the subsequent financial year; likewise, deficits are proportionately charged to the relevant bodies in the following year.

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

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

In 2013/14 the local government finance regime was revised with the introduction of the retained Business Rates Scheme. The main aim of the scheme is to give councils a greater incentive to grow business within the borough; however it does also increase the financial risk to the council due to non-collection and the volatility of the NDR tax base. The council retained 49% of all NDR received, with the remainder being shared between West Midlands Fire & Rescue Authority (WMF&RA) (1%) and Central Government (50%). This scheme ended in 2016/17.

In 2017/18, Sandwell Metropolitan Borough Council entered into a pilot scheme where the council retained 99% of all NDR received and the remaining 1% was retained by West Midlands Fire & Rescue Authority (WMF&RA). This pilot scheme continued throughout 2018/19. As a result of the pilot, Central Government support grants are reduced to the council. Instead, income generated through Business Rates, Council Tax and self-generated income is required 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.

2. **Income from Non Domestic Rates**

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

The total amount collectable by the council in 2018/19 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

	2018/19 **£**
Total rateable value as at 31 March	258,482,479
Non domestic multiplier	0.480

The share of business rates payable were originally estimated as £96.095m to be retained by the council and £0.971m to WMF&RA; these sums have been paid and charged to the Collection Fund in year.

The total income from Business Rate payers collected in 2018/19 was £100.253m. This includes transitional protection payments of £0.994m which, under the new regulations, should have a neutral impact on the Business Rate retention scheme. Transitional protection payments have to be repaid to Central Government.

With the introduction of the new 100% scheme, a baseline level was set by Central Government for each authority, which identified the expected level of retained business rates and a top up or tariff amount to ensure that authorities received their baseline amount. For 2018/19 it was estimated that the council would receive additional top up grant to the General Fund of £50.1m which is included within the Comprehensive Income and Expenditure Statement on page 20.

3. **Council Tax**

The council calculated a Council Tax base of 72,206 for 2018/19 as compared to the 2017/18 base of 71,217. The tax base for 2018/19 has been calculated as follows:

	Band D Equivalents Number
Band A	22,047
Band B	24,759
Band C	15,204
Band D	6,293
Band E	3,104
Band F	686
Band G	91
Band H	22
	72,206

In 2018/19 the council set Band D Council Tax at £1,347.71. Council Tax Benefit is no longer received by the council; this has been replaced by local Council Tax reduction scheme which is administered by each authority.

4. **Collection Fund Provisions**

The Collection Fund provides for impairment losses 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 also the council's share of this liability; the remaining liability being met proportionately by the preceptors.

2017/18					2018/19			
Impairment losses		Appeals			Impairment losses		Appeals	
Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000		Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000
17,164	1,334	-	1,807	Balance as at 1 April	16,261	2,612	-	2,325
(2,125)	(1,628)	-	-	Write Offs in Year	(2,518)	(1,535)	-	-
1,222	2,906	-	518	Increase / (Decrease) to Provision in Year	1,646	123	-	1,667
16,261	**2,612**	**-**	**2,325**	**Balance as at 31 March**	**15,389**	**1,200**	**-**	**3,992**
(14,276)	**2,586**	**-**	**2,302**	**SMBC's Proportion of Provisions:**	**13,358**	**1,188**	**-**	**3,953**

Group Accounts

2018/19

The Group Comprehensive Income and Expenditure Statement combines the income and expenditure figures of the Council with the Council's share of operating results of those entities in which it has a financial interest.

Restated 2017/18 Gross Expenditure £'000	Restated 2017/18 Gross Income £'000	Restated 2017/18 Net Expenditure £'000		2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
			People			
143,398	(59,221)	84,177	Adult Social Care Services	149,496	(62,055)	87,441
258,260	(265,234)	(6,974)	Schools	262,142	(271,713)	(9,571)
85,838	(19,173)	66,665	Children's Services	118,014	(19,348)	98,666
20,839	(25,585)	(4,746)	Public Health	19,922	(24,900)	(4,978)
			Performance			
166,797	(157,380)	9,417	Resources	186,712	(151,395)	35,317
7,185	(266)	6,919	Corporate Management	1,265	(1,511)	(246)
			Place			
64,981	(9,629)	55,352	Housing & Communities	60,969	(8,857)	52,112
36,266	(9,301)	26,965	Regeneration & Growth	47,800	(14,353)	33,447
71,074	(130,634)	(59,560)	Housing Revenue Account	75,812	(130,421)	(54,609)
(59,302)	-	(59,302)	- Reversal of previous revaluation losses	(60,924)	-	(60,924)
795,336	**(676,423)**	**118,913**	**Cost of Services**	**861,208**	**(684,553)**	**176,655**
		13,791	Levies			13,071
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		7,809	(Gains) / Losses on the disposal of non current assets			2,601
		154	Losses on Revaluation of Assets Held for Sale			29
		-	Losses on Revaluation of Available for Sale Assets			-
		24,451	**Other Operating Expenditure**			**18,398**
		29,171	Interest payable and similar charges			31,368
		21,581	Net interest on the net defined benefit liability (asset)			18,439
		(2,857)	Interest receivable and similar income			(1,666)
		(2,246)	Income and expenditure in relation to investment properties			(2,836)
		(2,971)	Changes in the fair value of investment properties			6,182
			Changes in the Fair Value of Financial Assets			(787)
		42,678	**Financing and Investment Income and Expenditure**			**50,700**
		(92,268)	Council Tax income			(97,929)
		-	NDR from Pool			-
		(97,391)	Retained Business Rates			(96,095)
		(60,166)	Business Rates Top Up			(50,660)
		-	Small Business Rates Relief s31 Grant			-
		9,386	Collection Fund Surplus (-) / Deficit			41
		-	Revenue Support Grant			-
		(27,817)	Capital grants and contributions			(38,465)
		(268,256)	**Taxation and Non Specific Grant Income**			**(283,108)**
		(82,214)	**(Surplus) / Deficit on Provision of Services**			**(37,355)**
		(189,933)	(Surplus) / deficit on revaluation of non current assets			(10,970)
		590	(Surplus) / deficit on revaluation of available for sale financial assets			(81)
		(105,451)	Actuarial (gains) / losses on pension assets and liabilities			(42,110)
		(78)	Any other (gains) / losses required to be included			79
		(294,872)	**Other Comprehensive Income and Expenditure**			**(53,082)**
		(377,086)	**Total Comprehensive Income and Expenditure**			**(90,437)**

The Group Balance Sheet shows as at 31 March the assets and liabilities of the group, through combining the Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

Restated 1 April 17 £'000	Restated 31 March 2018 £'000		Note ref	31 March 2019 £'000
930,418	1,016,880	Council Dwellings		1,105,937
638,749	732,557	Other Land & Buildings		711,424
221,004	222,154	Infrastructure		221,499
22,876	23,271	Vehicles, Plant, Furniture & Equipment		21,597
22,251	20,624	Community Assets		18,812
15,311	13,568	Assets Under Construction		18,221
12,058	17,115	Surplus Assets		17,368
1,862,667	**2,046,169**	**Property Plant & Equipment**		**2,114,858**
3,931	4,192	Heritage Assets		4,193
88,718	86,402	Investment Properties		78,498
3,201	3,196	Intangible Assets		2,463
29,574	29,234	Long Term Investments		29,315
3,818	3,591	Long Term Debtors		3,631
1,991,909	**2,172,784**	**Long Term Assets**		**2,232,958**
4	5,021	Short Term Investments		11,029
593	281	Assets Held for Sale		-
1,474	1,300	Inventories		1,465
40,391	37,493	Short Term Debtors	5	48,233
56,662	55,192	Cash & Cash Equivalents		61,044
99,124	**99,287**	**Current Assets**		**121,771**
(77,764)	(72,378)	Bank Overdraft		(22,350)
(23,022)	(55,908)	Short Term Borrowing		(77,810)
(72,508)	(77,875)	Short Term Creditors	6	(82,234)
(7,785)	(6,652)	Provisions		(10,316)
(78)	(713)	Revenue Grants Receipts in Advance		(2,569)
(2,420)	(2,418)	Capital Grants Receipts in Advance		(3,876)
(183,577)	**(215,944)**	**Current Liabilities**		**(199,155)**
(3,882)	(4,239)	Provisions		(3,562)
(465,703)	(450,420)	Long Term Borrowing		(447,312)
(939,228)	(822,921)	Other Long Term Liabilities		(832,616)
(10,272)	(12,104)	Capital Grants Receipts in Advance		(15,204)
(1,419,085)	**(1,289,684)**	**Long Term Liabilities**		**(1,298,694)**
488,371	**766,443**	**Net Assets**		**856,880**
185,423	193,463	Usable Reserves		201,167
280,756	550,788	Unusable Reserves		634,875
22,192	22,192	Group Income & Expenditure Reserve	MIRS	20,838
488,371	**766,443**	**Total Reserves**		**856,880**

The Group Cashflow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

Restated 2017/18				2018/19		
Sandwell MBC £'000	Sandwell Children's Trust £'000	Group Total £'000		Sandwell MBC £'000	Sandwell Children's Trust £'000	Group Total £'000
(82,214)	**-**	**(82,214)**	**Net (surplus) / deficit on the provision of services**	**(38,709)**	**1,568**	**(37,141)**
6,769	**-**	**6,769**	**Adjustments to net (surplus) / deficit on the provision of services for non cash movements**	**(61,128)**	**(9,147)**	**(70,275)**
44,719	**-**	**44,719**	**Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities**	**56,195**	**21**	**56,216**
(30,726)	**-**	**(30,726)**	**Net cash flows from Operating Activities**	**(43,642)**	**(7,558)**	**(51,200)**
			Investing Activities:			
75,426	-	75,426	Purchase of property, plant and equipment, investment property and intangible assets	65,760	-	65,760
165,161	-	165,161	Purchase of short and long term investments	157,042	-	157,042
(17,343)	-	(17,343)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,097)	-	(18,097)
(160,144)	-	(160,144)	Proceeds from short and long term investments	(151,032)	(21)	(151,053)
(26,881)	-	(26,881)	Other receipts from investing activities	(43,057)	-	(43,057)
36,219	**-**	**36,219**	**Net cash flows from Investing Activities**	**10,616**	**(21)**	**10,595**
			Financing Activities:			
(53,662)	-	(53,662)	Cash receipts of short and long term borrowing	(218,089)	-	(218,089)
8,194	-	8,194	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,519	-	3,519
36,058	-	36,058	Repayments of short and long term borrowing	199,295	-	199,295
(9,410)	**-**	**(9,410)**	**Net cash flows from Financing Activities**	**(15,275)**	**-**	**(15,275)**
(3,917)	**-**	**(3,917)**	**Net (increase) / decrease in cash and cash equivalents**	**(48,301)**	**(7,579)**	**(55,880)**
(21,103)	-	(21,103)	Cash and cash equivalents at the beginning of the reporting period	(17,186)	-	(17,186)
3,917	-	3,917	Net movement in cash and cash equivalents	48,301	7,579	55,880
(17,186)	**-**	**(17,186)**	**Cash and cash equivalents at the end of the reporting period**	**31,115**	**7,579**	**38,694**

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.

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adj Account £'000	Financial Instruments Adj A/C £'000	Financial Instrument Revaluation Reserve £'000	Available for Sale Reserve £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Collection Fund Adj A/C £'000	Total Unusable Reserves £'000	Total Council Reserves £'000	Group Reserves £'000	Total Group Reserves £'000
Balance as at 31 March 2017	**126,246**	**35,649**	**7,863**	**15,665**	**185,423**	**170,763**	**848,519**	**(1,536)**	**-**	**21,189**	**(851,158)**	**(6,208)**	**(3,922)**	**177,647**	**363,070**	**26,287**	**389,357**
Movement in Reserves During 2017/18																	
Total Comprehensive Income and Expenditure	(5,542)	87,756	-	-	82,214	90,919			-	(590)	105,451		**78**	195,858	**278,072**	99,014	**377,086**
Adjustments between Group Accounts and Council Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Group Reserves accounted for through equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Net Increase/(Decrease) before Transfers	**(5,542)**	**87,756**	**-**	**-**	**82,214**	**90,919**	**-**	**-**	**-**	**(590)**	**105,451**	**-**	**78**	**195,858**	**278,072**	**99,014**	**377,086**
Adjustments between accounting basis & funding basis under regulations (Note 8)	12,972	(88,124)	(47)	1,025	(74,174)	(5,413)	115,230	74	-	0	(30,016)	(883)	(4,818)	74,174	-	-	-
Increase / Decrease in Year	**7,430**	**(368)**	**(47)**	**1,025**	**8,040**	**85,506**	**115,230**	**74**	**0**	**(590)**	**75,435**	**(883)**	**(4,740)**	**270,032**	**278,072**	**99,014**	**377,086**
Restated Balance at 31 March 2018 carried forward	**133,676**	**35,281**	**7,816**	**16,690**	**193,463**	**256,269**	**963,749**	**(1,462)**	**0**	**20,599**	**(775,723)**	**(7,091)**	**(8,662)**	**447,679**	**641,142**	**125,301**	**766,443**
Movement in Reserves During 2018/19																	
Total Comprehensive Income and Expenditure	(41,870)	80,579	-	-	38,709	7,340	-	-	20,680	(20,599)	42,110	-	**(79)**	49,452	88,161	2,276	90,437
Adjustments between Group Accounts and Council Accounts	(63,019)	-	-	-	(63,019)	-	-	-	-	-	-	-	-	-	(63,019)	63,019	-
Changes in Group Reserves accounted for through equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase/(Decrease) before Transfers	**(104,889)**	**80,579**	**-**	**-**	**(24,310)**	**7,340**	**-**	**-**	**20,680**	**(20,599)**	**42,110**	**-**	**(79)**	**49,452**	**25,142**	**65,295**	**90,437**
Adjustments between accounting basis & funding basis under regulations (Note 8)	26,156	(75,424)	8,405	9,858	(31,005)	(6,810)	66,754	116		-	(39,825)	693	10,077	31,005	-	-	-
Increase / Decrease in Year	**(78,733)**	**5,155**	**8,405**	**9,858**	**(55,315)**	**530**	**66,754**	**116**	**20,680**	**(20,599)**	**2,285**	**693**	**9,998**	**80,457**	**25,142**	**65,295**	**90,437**
Balance at 31 March 2019 carried forward	**54,943**	**40,436**	**16,221**	**26,548**	**138,148**	**256,799**	**1,030,503**	**(1,346)**	**20,680**	**0**	**(773,438)**	**(6,398)**	**1,336**	**528,136**	**666,284**	**190,596**	**856,880**

1. **Accounting Policies**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2018/19 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

Members within the Group have been classified as subsidiaries and have been consolidated into the Group Financial Statements on a line by line basis where appropriate. Details included in respect of the classification can be found within Note 2.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 1 to the Council entity accounts, with additional policies specific to the Group set out below.

2. **Consolidated Group Entities**

Sandwell Children's Trust

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

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

- SCT is a 100% wholly owned company;
- The council is the primary funder of SCT;
- The council has a director and elected member on the board of SCT; and
- The expenditure for SCT amounts to approximately £70m which is a material sum compared to the council's net cost of services of £180m.

It's accounts have therefore been consolidated into the group accounts on a line by line basis.

Sandwell Land & Property Limited (SLaP)

The Sandwell Land and Property Company (SLaP) was established late in 2010/11 with the intention of protecting and maintaining ownership of land and property currently occupied by school establishments. This is a wholly owned company of Sandwell MBC and all directors are related to the council.

On 31 March 2011 school assets, both land and buildings, legally owned by the council were transferred to Sandwell Land and Property Limited. The arrangement was treated as a sale and leaseback and school assets were leased back to the council at £1 per annum for a duration of 125 years.

A review of this accounting treatment in 2018/19 concluded that the land held within the school assets did not meet the definition of a sale and leaseback. This required the value of land to be recognised in the Sandwell Land and Property Limited accounts. The value of the buildings remains in the Sandwell MBC accounts and buildings continue to be treated as a sale and leaseback arrangement.

In order to correctly recognise the land within these accounts, a prior period adjustment has been made, whereby the original cost of the land to the company of £26,286m has been included within tangible fixed assets. Retained earnings brought forward have been adjusted accordingly.

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 Note 36 - Related Parties, to the single entity accounts.

Group Comprehensive Income and Expenditure Statement (GCI&ES) – provides the details of the income and expenditure recognised in year by the group, in a specified format, in accordance with generally accepted accounting practices.

Group Movement in Reserves Statement (GMiRS) – provides a reconciliation of the movement in year on the different reserves held and how the balance of resources generated or used in the year reconciles to the Council’s statutory requirements for raising Council Tax.

Group Balance Sheet – shows the value of assets and liabilities recognised by the group at 31 March 2019 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. **Property Plant and Equipment**

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

	Council Dwellings £'000	Other Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation								
At 1 April 2017	**961,380**	**578,939**	**320,037**	**83,157**	**22,889**	**17,360**	**25,937**	**2,009,699**
Prior Period Adjustment	(18,526)	83,283	-	-	-	-	-	**64,757**
Restated balance at 1 April 2017	**942,854**	**662,222**	**320,037**	**83,157**	**22,889**	**17,360**	**25,937**	**2,074,456**
Additions	33,067	9,508	9,548	6,510	99	16,880	-	**75,612**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	60,112	-	-	-	-	3,715	**63,827**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	59,302	18,881	-	-	-	-	(329)	**77,854**
Derecognition - Disposals	-	(11,170)	-	-	-	-	(446)	**(11,616)**
Assets reclassified (to) / from Held for Sale	(11,858)	-	-	-	-	-	(111)	**(11,969)**
Other movements in Cost or Valuation	8,148	13,695	-	-	(1,722)	(18,631)	2,429	**3,919**
Restated At 31 March 2018	**1,031,513**	**753,248**	**329,585**	**89,667**	**21,266**	**15,609**	**31,195**	**2,272,083**
Accumulated Depreciation and Impairment								
At 1 April 2017	**(30,962)**	**(43,323)**	**(99,033)**	**(60,281)**	**(638)**	**(2,049)**	**(13,879)**	**(250,165)**
Prior Period Adjustment	18,526	19,848	-	-	-	-	-	**38,374**
Restated balance at 1 April 2017	**(12,436)**	**(23,475)**	**(99,033)**	**(60,281)**	**(638)**	**(2,049)**	**(13,879)**	**(211,791)**
Depreciation Charge	(14,793)	(11,846)	(8,398)	(5,995)	-	-	(88)	**(41,120)**
Depreciation written out to the Revaluation Reserve	12,435	14,490	-	180	-	-	81	**27,186**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(49)	-	(180)	-	-	(108)	**(337)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(131)	-	(120)	-	-	-	**(251)**
Derecognition - Disposals	-	248	-	-	-	-	-	**248**
Other movements in Depreciation and Impairment	161	72	-	-	(4)	8	(86)	**151**
Restated At 31 March 2018	**(14,633)**	**(20,691)**	**(107,431)**	**(66,396)**	**(642)**	**(2,041)**	**(14,080)**	**(225,914)**
Net Book Value								
At 1 April 2017	**930,418**	**638,747**	**221,004**	**22,876**	**22,251**	**15,311**	**12,058**	**1,862,665**
Restated At 31 March 2018	**1,016,880**	**732,557**	**222,154**	**23,271**	**20,624**	**13,568**	**17,115**	**2,046,169**

	Council Dwellings £'000	Other Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation								
At 1 April 2018	**1,031,513**	**753,248**	**329,585**	**89,667**	**21,266**	**15,609**	**31,195**	**2,272,083**
Additions	26,556	8,399	7,725	4,301	170	17,522	826	**65,499**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(15,886)	-	-	-	-	1,393	**(14,493)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	60,924	(3,919)	-	-	-	-	(274)	**56,731**
Derecognition - Disposals	-	(4,636)	-	(1,698)	-	-	(1,170)	**(7,504)**
Assets reclassified (to) / from Held for Sale	(13,169)	-	-	-	-	-	(568)	**(13,737)**
Other movements in Cost or Valuation	16,082	(1,310)	136	-	(1,982)	(12,778)	692	**840**
At 31 March 2019	**1,121,906**	**735,896**	**337,446**	**92,270**	**19,454**	**20,353**	**32,094**	**2,359,419**
Accumulated Depreciation and Impairment								
At 1 April 2018	**(14,633)**	**(20,691)**	**(107,431)**	**(66,396)**	**(642)**	**(2,041)**	**(14,080)**	**(225,914)**
Depreciation Charge	(16,141)	(14,540)	(8,516)	(5,971)	-	-	(87)	**(45,255)**
Depreciation written out to the Revaluation Reserve	14,633	10,789	-	-	-	-	149	**25,571**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(52)	-	-	-	-	(56)	**(108)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(153)	-	-	-	(79)	(700)	**(932)**
Derecognition - Disposals	-	78	-	1,694	-	-	146	**1,918**
Other movements in Depreciation and Impairment	172	97	-	-	-	(12)	(98)	**159**
At 31 March 2019	**(15,969)**	**(24,472)**	**(115,947)**	**(70,673)**	**(642)**	**(2,132)**	**(14,726)**	**(244,561)**
Net Book Value								
At 1 April 2018	**1,016,880**	**732,557**	**222,154**	**23,271**	**20,624**	**13,568**	**17,115**	**2,046,169**
At 31 March 2019	**1,105,937**	**711,424**	**221,499**	**21,597**	**18,812**	**18,221**	**17,368**	**2,114,858**

5. **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.

	2017/18 £'000	2018/19 £'000
Trade Receivables	21,730	29,925
Prepayments	3,290	4,904
Other Receivable Amounts (Council Tax, Business Rates and HMRC)	12,473	13,404
Total	**37,493**	**48,233**

6. **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.

	Restated 2017/18 £'000	2018/19 £'000
Trade Payables	60,430	62,204
Other Payables	13,929	15,082
Finance Lease Creditors (Note 40)	3,516	4,948
Total	**77,875**	**82,234**

7. **Unusable Reserves**

The table below summarises the balances on the groups Unusable Reserves.

	Restated 2017/18 £'000	2018/19 £'000
Revaluation Reserve	(359,378)	(363,538)
Available for Sale Financial Instruments Reserve	(20,599)	-
Financial Instrument Revaluation Reserve	-	(20,680)
Capital Adjustment Account	(963,749)	(1,030,503)
Financial Instruments Adjustment Account	1,462	1,346
Pensions Reserve	775,723	773,438
Collection Fund Adjustment Account	8,662	(1,336)
Accumulating Compensated Absences Adjustment Account	7,091	6,398
Total Unusable Reserves	**(550,788)**	**(634,875)**

8. **External Audit Fees**

The following table shows the amounts payable by the group to external auditors. In addition to the fees disclosed in the table below, fees of £0.016m and £0.005m respectively are payable in 2019/20 for the completion of Audit work by Grant Thornton in relation to the Housing Benefit certification and Teachers Pension 2018/19. Also, fees of £0.015m will be paid by SMBC in 2019/20 in relation to the 2018/19 external audit of Sandwell Land and Property Limited by Grant Thornton.

	2017/18 £'000	2018/19 £'000
Fees payable to KPMG the appointed auditor for the year 2017/18 and prior with regard to external audit services carried out in that year	199	40
Fees payable to KPMG for the certification of grant claims and returns for 2017/18 and prior	14	9
Fees payable in respect of other services provided by KPMG during 2017/18 and prior	20	35
Fees payable to Grant Thornton appointed auditor for the year 2018/19 with regard to external audit services carried out for SMBC	-	153
CFO insights (non-audit service provided by Grant Thornton) 2018/19	-	13
Fees payable to Grant Thornton appointed auditor for the year 2018/19 with regard to external audit services carried out for the subsidiary audit	-	23
Total	**233**	**273**

Annual Governance Statement 2018/19

Sandwell
Metropolitan Borough Council

Note to the 2018/19 Annual Governance Statement

This Annual Governance Statement was originally prepared and approved by the Audit and Risk Assurance Committee on 25 July 2019, in order to accompany the 2018/19 Statement of Accounts prior to their sign-off.

However, there has been a significant delay in the final sign-off of the 2018/19 Statement of Accounts as a result of issues in respect of Sandwell Land and Property Limited.

By the time of the final sign-off of the 2018/19 Statement of Accounts, the draft 2019/20 Annual Governance Statement which forms part of the draft 2019/20 Statement of Accounts has already also been prepared. Therefore, to avoid significant duplication of the 2018/19 and 2019/20 Annual Governance Statements, this Annual Governance Statement largely reflects the position for 2018/19 at the time it was approved in July 2019. Brief references to any significant changes or issues since this date are noted below, but the detail in respect of these matters is included in the 2019/20 draft Annual Governance Statement.

Since July 2019, there have been a number of new and emerging issues that have come to the council's attention that may impact upon the assumptions made in the 2018/19 accounts, alongside the issues referred to above which resulted in the delay to the sign-off of the Statement of Accounts.

These new issues focus predominantly around Brexit and Covid-19 related matters and whilst the details around this are being addressed in the 2019/20 Annual Governance Statement, the assumptions for the 2018/19 Statement of Accounts have been reviewed in light of these issues. The impact of both issues, in particular the unprecedented significance of Covid-19 began to be addressed towards the 2019/20 year-end and continue to be so into 2020/21.

The risks associated with these issues are being monitored through regular financial and governance reporting and also form a key part of the council's risk management process.

Scope of Responsibility

Sandwell Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a best value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place robust arrangements for the governance of all its functions and the effective discharge of its duties and obligations, including the implementation of appropriate arrangements for the management and mitigation of risk.

The Council has a Code of Corporate Governance, which was revised in line with the latest principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The principles have been adopted in this statement. A copy of the current code has been placed on the Council's website at www.sandwell.gov.uk or can be obtained from the Council offices, Sandwell Council House, Freeth Street, Oldbury, B69 3DE. This statement is prepared to comply with the requirements of regulation 4(3) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement to accompany the statement of accounts.

The Purpose of the Governance Framework

The Governance Framework outlines the Council's culture and values and comprises the systems and processes by which the Council is directed and controlled and details those activities through which it accounts to, engages with and leads the community.

It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and ultimately the desired outcomes.

Risk management and internal control are a significant part of the Council's corporate Governance Framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the annual report and Statement of Accounts.

The Governance Framework

The Council's Vision 2030 outlines ten ambitions for the long-term future of the Borough of Sandwell.

This Framework is consistent with the seven core principles of the CIPFA/ SOLACE framework. Key elements of Council systems and processes form part of the Council's Governance Framework (as detailed in the Code of Corporate Governance) 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	Issues Identified
• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of	• Annual review of the Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Corporate and Directorate business plans • Medium term financial plan • Corporate risk management strategy • Strategic risk-register and assurance map • Scrutiny arrangement • Codes of conduct • Schemes of delegation • Partnership framework • Standards and Member Development Committee • Audit and Risk Assurance Committee • Internal audit plan • External audit plan • Independent external reviews (e.g. Ofsted, CQC)	• Statement of Accounts • External Audit- Report to those charged with governance (ISA 260) Report • Annual Internal Audit Report • Review of the Effectiveness of Internal Audit • Annual and periodic Reports to the Ethical Standards & Member Development Committee • Member and Executive Development Programmes • Ofsted – monitoring visits • LGA Corporate Peer Review follow up January 2019 • Ofsted Annual Report of HMCI of Education, Children's Services and Skills • Annual Local Government Ombudsman report • Annual Fraud Report • Director of Public Health Annual Report	• Children's Services • Resilience of the Medium Term Financial Strategy • Compliance with Contract Procedure Rules and Allocation of Grants • Data Protection Act 2018 (incorporating the General Data Protection Regulation) • Cyber Security • School Place Planning

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.	• HR Strategy • Business planning and performance management framework • Learning and Development Plans • Communication Strategy • Confidential Reporting Code (Whistleblowing Policy) • Counter Fraud and Corruption Strategy • Customer Services system • Information Governance Framework • Executive Management Team, Cabinet Member and directors' assurance statements • Procurement and Contract Procedure Rules and Financial Regulations • Committee management information system (CMIS) • Information Governance Board • Strategic Partnership Board • Operational Partnership Board • Improvement Board • Electoral Participation Select Committee • Sandwell Sport and Leisure Built Facilities Steering Group • Commonwealth Games 2022 Steering Group • Standards Working Group	• Sandwell Safeguarding Children's Board Annual Report • Sandwell Safeguarding Adult's Board Annual Report • Scrutiny Annual Report • PSN certification • Investors in People • Employee engagement survey • Ofsted inspection of Children's Services • Planning Committee Annual Report • Corporate Parenting Board Annual Report • Sandwell Leisure Trust Annual Performance Report	

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.

Please read the section below in conjunction with the note to the AGS provided at the start of this statement.

The key changes to the Governance framework during 2018/19 or after the year end but prior to this statement being produced include:

- The Sandwell Children's Trust went live on 1 April 2018. The Trust delivers children's social care services for the Council, with the statutory duty remaining with the Council. The Trust has day-to-day operational independence in the management and delivery of these services and is managed by a board of non-executive and executive directors.
- During the year the Leader of the Council stepped down from the role and was replaced on an interim basis by the Deputy Leader, with a new Leader being formally elected at the Full Council meeting held on 5 March 2019. Following this, a further new Leader was elected following the May 2019 local elections. *(A further update on this matter is included in the 2019/20 statement)*

- On 3 July 2019, the council's Chief Executive resigned. The responsibilities of the role were continued by the Interim Chief Executive who was later appointed as Chief Executive.
- A number of standards matters in relation to member conduct were concluded in 2018.
- A Standards Working Group has been set up to review the Code of Conduct, the arrangements for dealing with standards allegations and to review the member register and declarations of interest.
- A new member Development Programme has been devised and implemented that focuses on the development, learning and support needs of Elected Members.
- There have been permanent appointments to the post of Director of Regeneration and Growth and Director of Public Health and the Leadership Team.
- A Sandwell Sport and Leisure Built Facilities Strategy Steering Group and a Commonwealth Games 2022 Steering Group were set up in May 2018 to consider the current leisure provision in Sandwell and the establishment of an aquatic centre for the Commonwealth Games.
- An Electoral Participation Select Committee was established in May 2018 to consider electoral registration and participation in Sandwell with a view to increasing it.
- The Information Governance Board has been established and has a key role in ensuring compliance with the Data Protection Act 2018 (incorporating the General Data Protection Regulation).

The Review of Effectiveness

Please read the section below in conjunction with the note to the AGS provided at the start of th statement.

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

The review of effectiveness is informed by: the work of Elected Members and senior officers within the Council who have responsibility for the development and maintenance of the governance framework; Internal Audit's annual report; the Audit and Risk Assurance Committee; the Ethical Standards and Member Development Committee; the 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) and include:

- Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the Council is able to confirm that the arrangements conform to these requirements. The Council is also able to confirm no key non-compliances with the Public Sector Internal Audit Standards.

- Internal Audit has concluded that based on the work undertaken during the year, on areas of key risk, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes.

- A number of outstanding standards investigations were completed during the year and these were reported to the Ethical Standards and Member Development Committee meeting on 28 September 2018.

- During the year, Member and Executive Development Programmes have been developed and implemented that have been designed by Members and focus on their development, training and support requirements from both a corporate and personal councillor perspective.

- The Council's external auditors Grant Thornton are auditing the Statement of Accounts for 2018/19 and will provide an independent audit opinion of the financial statements. The external auditors will also provide a value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

- 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 in Local Government.

- The statement sets out five principles which define the core activities and behaviours that belong to the role of the Chief Financial Officer and the organisational arrangements needed to support them. The Council is able to confirm that its financial management arrangements do conform. The Chief Financial Officer has been involved in preparing this statement and is satisfied that no matters of significance have been omitted from this statement.

- 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.

- The Council's Anti-Money Laundering Policy was updated to reflect the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and included the introduction of a reduced cash limit from £8,000 to £2,000, identifying nominated officers to assist the Anti-Money Laundering Reporting Officer with their duties, and increasing staff awareness on the importance of carrying out due diligence enquiries and reporting concerns of money laundering.

- In October 2016, the Council was advised of the Governments Statutory Direction (under section 479A of the Education Act 1996) to appoint a Children's Services Commissioner to improve children's social care services and also to set up a new arrangement in the form of a children's trust to deliver children's social care services for a period of time. The Sandwell Children's Trust went 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 statutory duty to provide children's social care services however, remains with the Council. As such, comprehensive governance arrangements 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.

- In the Trust's Statement of Internal Control as published in their 2018/19 Annual Report and Financial Statements, it was noted that the Internal Auditors provided reasonable assurance that the Trust had adequate and effective risk management and internal control processes. The Trust's external auditors Grant Thornton audited the Statement of Accounts for 2018/19 and provided an unqualified independent audit opinion of the financial statements for the Trust.

- In January 2018, the Council participated in a Local Government Association Corporate Peer Challenge. The review made 12 recommendations in areas including strengthening the arrangements for partnership working to deliver the Vision 2030; strengthening the influence the Council has beyond the borough boundary and across the region; the Council's approach to long term financial planning; leadership team development; conducting a governance review and the development of town plans. A follow up visit was made in January 2019 and reported that significant progress had been made against the recommendations made.

- In November 2018, the Council conducted an employee engagement survey to understand how employees felt about their jobs and working for the Council. The survey achieved a response rate of 63% and achieved an employee engagement index of 70%, a 5% increase on the previous survey.

Opinion for 2018/19

We have been informed by the sources noted above on the result of the review of effectiveness of the Governance Framework, that while there has been a delay in the finalisation of the statement of accounts, that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework.

The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2017/18 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas of weakness is included below. Where sufficient progress has not been made, the issues and outstanding actions have been carried forward and included in the 2018/19 issues.

Progress of the Governance Issues from 2017/18

The table below describes the governance issues identified during 2017/18 (which were reported in the 2017/18 Annual Governance Statement) and the progress that has been made against the implementation of actions to address these issues, during 2018/19. For any issues carried forward (in order to avoid duplication), the details of any further progress made during 2019/20 is included in the draft 2019/20 Annual Governance Statement

Key Area for Improvement	Update on Position and Implication for the 2018/19 Annual Governance Statement
Children's Services Sandwell Children's Trust went live on 1 April 2018, the	The Trust is working with a multi-agency Improvement Board which oversees progress against the 17 recommendations for improvement which came from the Ofsted inspection in January 2018. The Board was chaired by the CEO of Doncaster

Council still has the statutory responsibility for children's services. The Trust has been contracted to develop children's social care so that it is rated requires improvement by 2020 and good by 2022.	Children's Trust, from April 2018 to January 2019 and the Department for Education (DfE) has appointed a new independent chair who took up the role in May 2019. The Improvement Plan is being regularly updated. A robust performance management framework is in place. An Operational Partnership Board has met monthly since April 2018 to monitor the Contract between the Council and the Trust. A Strategic Partnership Board meets quarterly, with both Boards providing effective support and challenge. The Chair of the Trust Board has attended two meetings of the council's Education and Children's Services Scrutiny Board. A full review of the first year of operation was presented to the Scrutiny Board in September 2019 prior to a report to Cabinet in October 2019. Regular Ofsted monitoring visits have recognised that progress is being made "from a low base". In addition, these visits have noted that staff were responding to a clear vision for improvement and the Trust was recognising where it needed to improve its services. The Youth Offending Service, delivered through the Trust, was inspected in September 2018 and rated 'good' and Adoption Services were inspected in January 2019 and rated as 'requires improvement'. However, the inspection of Fostering Services continues to be inadequate. **Carry forward**
Resilience of the Medium Term Financial Strategy (MTFS) Council approved a balanced budget for 2018/19, but savings of £6.5m for 2019/20 and £6.4m for 2020/21 were needed. Projects were to be established to deliver the savings required. In addition, work was to continue in the implementation of the vision for the Council for 2030 and the development of a new Performance Management Framework to replace the scorecard, which will measure progress against the vision and outcomes achieved.	The majority of services across Sandwell ended the 2018/19 year in surplus and carried forward combined surpluses of approximately £22m to future years. A balanced budget for 2019/20 was approved by Council on 6 March 2019. In the medium-term, there remain significant uncertainties and lack of clarity over local government funding and plans for the future. The Fair Funding Review announced by government will assess and update spending needs and tax raising capacities and set new baseline funding allocations for local authorities with a view to transitioning to the new system. A budget challenge group has been established, which comprises all directors and meets monthly to discuss the medium-term budget and to identify and assess options for increased income generation. The other major risk to the resilience of the budget strategy remains the financial implications of increasing demand in Children's Social Care. In the January 2019 follow up, the peer review team reported that 'Vision 2030 is embedded within the Council and has empowered staff'. It noted there should be a continued focus on 'a route map for delivery, alignment of resources and measures of success to support the realisation of aspirations'. To this end,

	a borough wide conference to take forward Vision 2030, took place in July 2019. **Carry forward**
Land Sales and Other Matters There were a number of ongoing matters relating to land issues and other matters.	A new protocol for the disposal of Council owned land and buildings is being embedded into the Council's processes. Included within this is the Land and Asset Management Committee which is working well and is supported by an officer group. All land sales and leases within delegated authority are signed by both the Executive Director of Neighbourhoods and the Director of Regeneration and Growth. Work on assessing compliance with the new protocol for the disposal of Council owned land and buildings will be ongoing. A number of standards investigations have been completed and were reported to the Ethical Standards and Member Development Committee meeting on 28 September 2018. **Complete**
Compliance with Contract Procedure Rules and Allocation of Grants Three limited assurance internal audit reports were issued on Grants within Neighbourhood Services, Grot Spot Funding and Off Contract Spend within Grounds Maintenance and Parks and Green Spaces. A comprehensive review of Neighbourhood Services, considering the findings of the audit reports was undertaken and an action plan developed to address these matters.	Off contract spend is monitored at six monthly intervals across Housing and Communities. Reports are provided to the director and all service managers. These reports are discussed and monitored at senior management team. The amount of off contract spend has reduced significantly in this area. New procedures have been implemented for the differing grants/funding with senior officers having sign off responsibility and member consultation taking place. Additional resources have been put into the team to ensure a stronger focus on monitoring and spot-check audits are being undertaken. A compliance audit against the ISO procedure has been completed and no significant issues identified. A monitoring process is underway to monitor spend and regular budget meetings are held with finance. Previous audit recommendations are being worked upon and Audit Services will be conducting a follow up review. **Carry forward**
Business Continuity To ensure that the Council has in place a framework for its business continuity planning arrangements, to ensure that it is able to maintain the delivery of critical services in the event of an emergency.	All business continuity plans, and emergency plans are being reviewed on an annual basis. The Resilience Unit has developed and delivered/ scheduled training sessions/exercises for all directorates to ensure the business continuity service plans in place are fit for purpose and that service managers/managers are familiar with them. A large multi-agency exercise took place on 8 March 2019 which involved testing some of the emergency plans. **Complete**
Data Protection Act 2018 (incorporating the General Data Protection Regulation)	Specialist Information Governance support has been secured and a diagnostic exercise undertaken to review the work to date and determine what other actions are required to ensure the Council's information governance arrangements are robust.

On 25 May 2018, the new Data Protection Act 2018 came into force which is a direct replacement for the Data Protection Act 1998 and applies to all public and private bodies in the United Kingdom. GDPR has been incorporated into domestic legislation through the 2018 Act. The Act applies to the collection and processing of personal and/or sensitive personal information. Non-compliance could result in fines of up to £17million for the council.	The Information Governance Board has been refreshed and a revised action plan devised and agreed by the Executive Management Team. The diagnostic also considered requisite actions required to ensure Elected Members understand their information governance duties and obligations. The outcome of this diagnostic process has resulted in a four-phased action plan being developed, that monitors and manages all information governance activities An Information Governance Project Team, chaired by the Director of Law and Governance and Monitoring Officer (and Senior Information Risk Owner (SIRO)), has been established to support the Information Governance Board and manage the activities falling within the four-phase action plan. The Council has taken requisite steps to ensure compliance with the NHS Toolkit on information governance and a successful submission was made as required ahead of the 31 March 2019 deadline. **Carry forward**
Cyber Security The Council has undertaken an exercise to assess itself against the "10 Steps to Cyber Security" to ensure it has a co-ordinated approach and understanding of its existing cyber security controls or those available to it. The review highlighted areas where the Council required improvement.	The redesign of ICT services now includes a Cyber Security & Connectivity Services team. The Team Manager is responsible for monitoring incoming cyber security threats and ensuring our infrastructure is well maintained. All service architecture managers responsible for ICT technologies, are establishing a proactive patching and update schedule to ensure security updates are promptly uploaded to all platforms. As part of the Citrix improvement plan, the technology was recently patched to the latest version. The Windows 10 refresh programme was completed in December 2018 ensuring non-Citrix users were deployed with new devices with enhanced security measures. Additional security measures have been applied to email systems to enhance protection of messages to and from our public-sector partners. Sandwell ICT has established a regional Cyber Security Working group to collectively discuss potential vulnerabilities and produce mitigation plans. ICT is a member of the Information Governance Project Team (as well as already being a member of the Information Governance Board) and provides updates and seeks approval on security concerns. Governance and Business Support Services within the Law and Governance Directorate lead on the e-learning packages for raising awareness of cyber security and general data protection regulations which was completed by over 95% of council based staff prior to the 2018/19 year end as required. There is a suite of organisational policies and procedures which outline to employees of the Council the appropriate ways of

	managing information and computer systems. This will be supported by the procurement of an e-learning software tool which will allow the roll out of training to all staff quickly, timely and effectively. It will be used to provide regular awareness and updates on good practice and includes "testing" to ensure adequate knowledge is embedded in our workforce. A new cyber security governance regime was introduced in March 2019. **Carry forward**

Significant Governance Issues and Action Plan for 2018/19

Based on the Council's established risk management approach and system of internal control, the following issues have been assessed as being "significant" in relation to the Council achieving its Vision. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken. These actions will address the need for improvements that were identified in the review of effectiveness and their implementation and operation will be monitored as part of the next annual review and risk management arrangements in place.

Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
Children's Services The Trust continues to implement improvements arising from previous inspections but received 3 compliance notices following a regulatory inspection on fostering by Ofsted. An Ofsted monitoring visit in June 2019 removed two of the compliance notices and a re-inspection will take place in September 2019. An inspection of adoption services by Ofsted gave a judgment of requires improvement to be good and made recommendations on how this could be achieved. An inspection of Youth Offending Service gave a good judgement. Although the Trust went live from 1 April 2018, the Council still has a statutory responsibility for children's services. The contract between the Council and the Trust requires children's social care to be assessed as requires improvement by 2020 and good by 2022. The Trust will continue to work with improvement partners, to support its development. The Council is establishing a client function to monitor delivery of the contract via a performance management framework and other methods, including the Strategic Partnership Board which meets quarterly and the Operational Partnership Board which meets monthly. The Trust's outturn position for 2018/19 is an overspend of £6.3m and a key task will be to manage its budget when recognising the increased demand on services.	Executive Director of Children's Services 2020
Resilience of the Medium Term Financial Strategy (MTFS) Central government's failure to publish details of the Comprehensive Spending Review or detailed plans for the future local government funding formula is creating unprecedented uncertainty around funding allocations. Once details are published, plans will be drawn up.	Executive Director of Resources Following publication of details by government

Compliance with Contract Procedure Rules and Allocation of Grants A compliance audit against the ISO procedure has been completed with no significant issues identified. A monitoring process is now underway to monitor spend and regular budget meetings are held with finance. Previous audit recommendations are being followed up by Audit Services and the findings from this will be used to populate an action plan and will be reported back to the Audit and Risk Assurance Committee.	Executive Director of Neighbourhoods 2020
Data Protection Act 2018 (incorporating the General Data Protection Regulation (GDPR)) A four phase action plan has been approved by the Senior Information Risk Officer (SIRO) to ensure the council is able to meet the Information Commissioner's 12 step guide to GDPR compliance activity. Progress against the plan is being reported to the Council's Information Governance Board, which is chaired by the SIRO.	Director of Law and Governance & Monitoring Officer 2020
Cyber Security Cyber Security remains a fast-moving issue and the Council needs to be pro-active in managing, monitoring and reacting to the risk of on-going threats in order to: • protect its ability to deliver services, particularly critical services for a significant period of time, • prevent the loss of corporate and sensitive personal data (including bank details) • prevent enforcement action • reduce the risk of significant financial loss and reputational loss.	Executive Director of Resources 2020
School Place Planning The Council has a statutory duty to provide sufficient school places. The current focus is on secondary schools where an additional 660 places are required by September 2020. The Council is considering its options as to how to address this issue.	Executive Director of Children's Services Director of Education, Skills and Employment September 2021

Certification

To the best of our knowledge, and subject to the note included at the beginning of this statement, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We have taken steps during 2019/20 to address the above matters to further enhance our governance arrangements and where required, we propose to continue with further improvements in these matters during 2020/21. 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 Maria Crompton, Deputy Leader of the Council

Date:

David Stevens, Chief Executive

Date:

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 councilCall 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 of time.

Capital Expenditure - Expenditure on acquisition, improvement or enhancement of either the council's or third party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance is charged to revenue.

Capital Receipts Unapplied - Proceeds received from the sale of non current assets which have not yet been used to finance capital expenditure or repay debt. Capital receipts can only be used to fund capital expenditure.

Cash Equivalents – Funds invested in call accounts and 30 day notice accounts which are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash Flow Statement - A summary of cash movement (actual or anticipated incomings and outgoings) in an accounting period (month, quarter, year).

Cash Overdrawn - This represents the cash overdrawn position at the balance sheet date including both capital and revenue.

CI&ES – Comprehensive Income & Expenditure Statement

Code - The rules and regulations governing the information and layout of the council's Statement of Accounts.

Collection Fund - A fund administered by the council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

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

Creditor - An amount owed by the council for work done, goods received or services rendered but for which payment has not been made.

CSE – Child Sexual Exploitation

Current Assets - An asset where the value changes because the volume held varies from day to day e.g. inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

Current Liabilities - An amount which will become payable or could be called in within the next accounting period e.g. creditor, cash overdrawn.

Debtor - A sum of money due to the council but not received at the balance sheet date.

Deferred Creditors - These are amounts owing by the council where payment is to be made in instalments over a predetermined period of time in excess of one year.

Deferred Debtors - These are amounts due to the council where payment is to be made by instalments over a predetermined period of time in excess of one year.

Deferred Government Grants & Contributions - Grants and contributions received towards the cost of capital expenditure. These are credited to revenue over the life of the asset created to match depreciation charged on the asset.

Depreciation - The measure of the consumption of a non current asset in delivery of a service charged to the revenue account.

DRC - Depreciated Replacement Cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent.

Emoluments - These are payments received from employment, usually in the form of wages, salaries or fees.

Exceptional Items - These are material items, which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items - These are material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value - The fair value is the estimated value of all assets and liabilities - The price that would be received to sell an asset or paid to transfer a liability.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

General Fund - The General Fund contains all the financial transactions of the council (with the exception of the Collection Fund and Housing Revenue Account).
Government Grants - These represent assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an

authority in return for past or future compliance with certain conditions relating to the activities of the council.

Heritage Assets – Those assets which are primarily held and maintained for knowledge and cultural purposes.

Housing Revenue Account - Housing authorities are required to keep a separate Housing Revenue Account which includes the expenditure and income arising in connection with the provision of housing accommodation by a local authority. The balance represents the accumulated surplus. The account is ring fenced, meaning it cannot either give or receive subsidy from the General Fund.

IAS – International Accounting Standards.

IFRIC – International Financial Reporting Interpretations Committee.

IFRS – International Financial Reporting Standards.

Income Statement - An accounting of sales, expenses and net profit for a given period. An income statement shows the movement of Income and Expenditure over a given month, quarter or year.

Inventories - The value of raw materials and stores the council has procured to use on a continuing basis, but which have not been used at the balance sheet date.

Investment Properties - Applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation or both.

Investments - The lending of surplus revenue balances to provide additional income, excluding funds invested in call accounts and 30 day notice accounts.

Impairment Loss - The amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Lessee – a person who holds the lease of a property; a tenant.

Lessor - a person who leases or lets a property to another; a landlord.

Levy – A mechanism to impose an obligation to pay tax.

Liability - An amount held by the council which is due to an individual or organisation which will be paid at some time in the future. Liabilities include both money borrowed but not yet repaid and payments due to creditors.

Liquidity – Cash, cash equivalents and other liquid assets that can be easily converted into cash (liquidated).

Long Term Borrowing - The total amounts borrowed from external lenders for capital purposes but not repaid at the balance sheet date.

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

Minimum Revenue Provision - Sums set aside from revenue to repay borrowing used to finance past capital expenditure.

Net Book Value - The amount at which non current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

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

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

Non Current Asset - A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant.

Non Operational Assets – Non current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases - Leases other than a finance lease.

Operational Assets – Non current assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Payments in Advance - Amounts actually paid in a given accounting period prior to the period for which they were payable.

Pooled Budget - A type of partnership with another organisation in which the local authority contributes an agreed level of resource (into a single pot) to help commission/deliver specific services.

Precept – Tax levied by West Midlands Fire and Rescue Authority and the West Midlands Police and Crime Commissioner which is collected on their behalf by the council as the rating authority.

Provisions - Amounts set aside in the accounts for any liabilities of uncertain timing or amount that have been incurred, the movements in year being charged or credited to the appropriate service heads in the Service Revenue Accounts. In order for a sum to be recognised as a provision, certain criteria must be met, as specified in IAS 37.

PWLB - Public Work Loan Board.

QC – Queen’s Counsel, a senior barrister.

Receipts in Advance - Amounts actually received in a given accounting period prior to the period for which they were receivable.

Reserves - Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement In Reserves Statement rather than directly to Service Revenue Accounts.

Revaluation Reserve - This account contains all the unrealised gains from the revaluation of non current assets since it was established on 1 April 2007. All unrealised gains prior to this date are held in the Capital Adjustment Account.

Revenue Accounts Balance - The Revenue Account records an authorities day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of non current assets. The balance represents the accumulated General Fund Surplus including working balances.

Revenue Expenditure Funded From Capital Under Statute (REFCUS) - Capital expenditure on a third party asset, which does not add value for the council. These are usually written off in the year they are incurred. Examples of this expenditure are improvement grants and disabled facilities grants.

Temporary Loans - This represents money borrowed for an initial period of less than one year.

Useful Life - The period over which the council will derive benefits from the use of a non current asset.

VA Schools / VC School - Voluntary Aided Schools / Voluntary Controlled School.

Work in Progress - The cost of work done on an uncompleted project at the year-end, which has not been recharged to the appropriate account at the balance sheet date.