

Draft Statement of Accounts 2025/26



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Table of Contents

AUDIT OPINION	1
NARRATIVE REPORT OF THE EXECUTIVE DIRECTOR FOR FINANCE AND TRANSFORMATION	8
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	19
CORE FINANCIAL STATEMENTS	20
Comprehensive Income and Expenditure Statement	21
Movement in Reserves Statement	22
Balance Sheet	24
Cash Flow Statement	25
NOTES TO THE ACCOUNTS	26
1. Accounting Policies	26
2. Accounting Standards that have been issued but have not yet been adopted	47
3. Critical Judgements in Applying Accounting Policies	48
4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	49
5. Material Items of Income and Expense	51
6. Events after the Reporting Period	51
7. Prior Period Adjustments	51
8. Expenditure and Funding Analysis	52
9. Note to the Expenditure and Funding Analysis	54
10. Expenditure and Income analysed by nature	57
11. Adjustments between Accounting Basis and Funding Basis under Regulations	58
12. Transfers to/from Earmarked Reserves	62
13. CIES - Other Operating Expenditure	63
14. CIES - Financing and Investment Income and Expenditure	63
15. CIES - Taxation and Non-Specific Grant Income and Expenditure	63
16. Property, Plant and Equipment	64
17. Right of Use Assets	66
18. Heritage Assets	67
19. Investment Properties	68
20. Assets Held for Sale	68
21. Intangible Assets	69
22. Current Value of Non-Current Assets	70
23. Financial Instruments	73
24. Short Term Debtors	84
25. Debtors for Local Taxation	85
26. Cash and Cash Equivalents	85
27. Short Term Creditors	85
28. Other Long-Term Liabilities	85
29. Provisions	86
30. Usable Reserves	87
31. Unusable Reserves	87
32. Cash Flow Statement – Operating Activities	92
33. Cash Flow Statement – Investing Activities	93
34. Cash Flow Statement – Financing Activities	93
35. Pooled Budgets	94
36. Officers' Remuneration	95
37. Members Allowances	97
38. External Audit Costs	98
39. Dedicated Schools Grant (DSG)	99
40. Grant Income	100
41. Related Parties	103
42. Capital Expenditure and Capital Financing	104
43. Capital Commitments	104
44. Leases	105
45. Private Finance Initiatives and Similar Contracts	107
46. Impairment Losses	111
47. Termination Benefits	111

48.	Defined Benefit Pension Schemes	112
49.	Contingent Assets and Liabilities.....	118
HOUSING REVENUE ACCOUNT		119
Note to the Statement of Movement on the HRA Balance.....		121
NOTES TO THE HRA ACCOUNTS		122
1.	Housing Stock as at 31 March	122
2.	Balance Sheet Movement in HRA Non-Current Assets	123
3.	Vacant Possession and Existing Use Valuations.....	123
4.	Major Repairs Reserve.....	124
5.	Capital Expenditure	124
6.	Capital Receipts	124
7.	Depreciation Charge	125
8.	Revaluation and Impairment Losses	125
9.	Rent Arrears	125
10.	Provisions & Reserves	126
11.	Government Subsidy.....	126
12.	Housing Revenue Account Balance.....	126
COLLECTION FUND		127
Collection Fund Statement		128
Notes to the Collection Fund.....		129
1.	Income from Non-Domestic Rates.....	129
2.	Council Tax.....	130
3.	Collection Fund Provisions.....	131
GROUP ACCOUNTS.....		132
GLOSSARY		140
ANNUAL GOVERNANCE STATEMENT		146

Audit Opinion

Narrative Report of the Executive Director of Finance and Transformation

Sandwell Metropolitan Borough Council Overview and External Environment

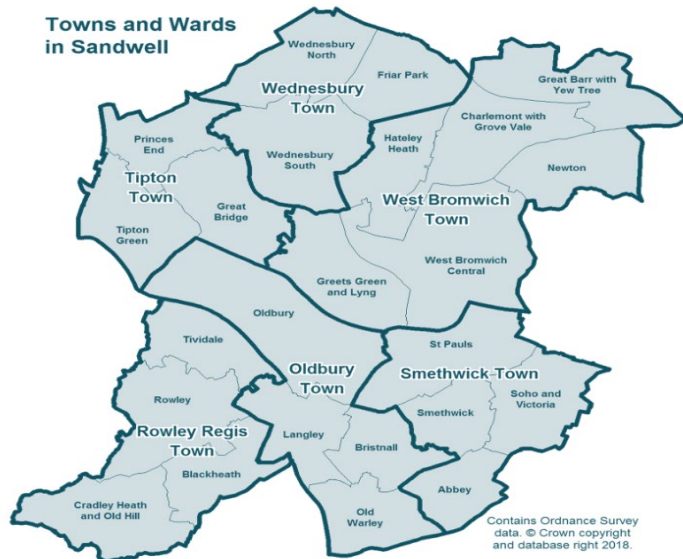
Sandwell is one of seven councils that make up the West Midlands Combined Authority. The others are Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

Around 353,000 people live in Sandwell, across more than 137,000 households. The Council is one of the largest providers of social housing in England with 27,700 Council owned homes.

The local economy is worth about £7.3 billion per year with more than 11,400 active businesses.

Sandwell is made up of six towns:

- Oldbury
- Rowley Regis
- Smethwick
- Tipton
- Wednesbury
- West Bromwich



Our Plan for Sandwell

The Council Plan 2024-2027 sets out what we want to achieve. It focuses on getting the basics right and delivering important everyday services for residents.

Our key priorities are:

- Growing up in Sandwell
- Living in Sandwell
- Staying healthy in Sandwell
- Building a strong local economy
- Working together as One Council, One Team

Full details are available on the Council website. (www.sandwell.gov.uk).

Supporting Residents

The cost of living is still difficult for many people. The Council continues to provide support, including:

- Help with energy bills
- Support with rent and housing costs
- Advice on managing money and accessing benefits through the Tackling Poverty Plan

These actions are aimed at helping those who need it most.

Improving Digital Access

Some residents cannot easily access online services or information. This can make it harder to get support or stay connected.

Projects such as Digital Den are helping by:

- Improving internet access
- Providing training and support
- Building confidence in using digital services

Growing the Local Economy

We want Sandwell to be a place where businesses can grow and succeed.

The Sandwell Business Growth Plan explains how we support local businesses to expand, create jobs, and strengthen the local economy.

Financial Outlook

The Council, like many others, continues to face financial challenges. Economic conditions remain uncertain, and we must carefully manage spending and risks.

Inflation stayed higher than expected during 2025. It may rise again in the short term due to energy costs before it reduces. This affects how much it costs to deliver council services.

A balanced budget has been approved for 2026/27. However, keeping the Council's finances stable in future years will depend on:

- Reducing costs
- Increasing income
- Managing rising demand for services

Changes to Council Funding

From 2026/27, changes have been made to how councils are funded. These include:

- A new system based on local needs
- Changes to business rates funding
- A multi-year funding settlement through to 2028/29

These changes aim to make funding fairer and to give councils more certainty for planning, although exact funding will still be confirmed each year.

Political Leadership

Sandwell has 72 councillors representing 24 wards.

Following the May 2026 elections:

- 41 councillors are from Reform UK
- 28 are from the Labour Party
- 2 are from the Green Party
- 1 is an independent councillor

This is a change from the previous year, when the Labour Party held a majority.

The Leader of the Council is Councillor Ray Nock, supported by seven Cabinet members.

Councillors are responsible for setting a balanced budget and agreeing the Council's financial plans each year. The most recent budget and Medium Term Financial Strategy were approved in February 2026 by full Council, after being reviewed by the Budget and Corporate Scrutiny Management Board and by the Cabinet.

How the Council Works

Sandwell Council provides a wide range of services, including:

- Adult and children's social care
- Education
- Housing
- Planning
- Highways and environmental services

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

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

Mike Jones is the Service Director of Governance and the Council's Monitoring Officer. He is co-opted to SLT, and attends full Council meetings, to provide advice on governance and legal matters. Other co-opted members of the SLT include the Director of Public Health and representatives from the HR and Communications teams.

Working with Partners

The Council works with a range of partners to deliver services and improve outcomes for residents. These partnerships help us make the best use of resources and provide joined-up support.

Key partners include:

- West Midlands Combined Authority – supporting jobs, transport, housing and skills
- NHS – improving health services and joined-up care
- Serco – delivering waste collection and street cleansing
- Sandwell Children's Trust – (wholly owned by the Council) providing children's social care
- Sandwell Leisure Trust – managing leisure centres and promoting wellbeing
- Council for Voluntary Service – supporting community and voluntary groups
- West Midlands Police – reducing crime and anti-social behaviour
- West Midlands Fire Service – promoting safety and responding to emergencies

The Council remains focused on delivering essential services, supporting residents through challenging times, and building a stronger future for Sandwell.

Performance

Accomplishments to Council Plan

Growing Up in Sandwell

- Ofsted has rated Children's Services 'good' for the first time in 10 years.
- KS2 educational attainment is exceeding the 60% target – in line with statistical neighbours.
- Persistent absence reduced across both primary and secondary schools.
- Percentage of 16–17-year-olds who are Not in Employment, Education or Training (NEET) is lower than national, West Midlands and statistical neighbours.
- Increase in the number of children and young people engaging in council led activities across the Youth Service.
- In libraries, physical and electronic items issued to children above target as well as take up of free activities to children.

Living in Sandwell

- Successful launch of alternate weekly collections September 2025. Many performance metrics have improved as a result.
- The percentage of reports received about fly tips on contract maintained public land that were removed within 24 hours (of being reported) remains above target.
- Improvement in Housing Compliance measures with many now at 100%.
- Good performance for homelessness prevention.
- The number of library visits, physical and electronic items issued, and activities and events held in libraries are all above target.

Healthy in Sandwell

- 86% of residents reporting improvement in wellbeing following council engagement.
- An increase in children and young people (age 5 - 18 years) that are physically active.
- 525 people completed an English Language community programme/course (Academic year 24/25); above target and higher than last year.
- 72% of carers reported that they have been involved in discussions about the person they care for, above target and an increase from previous year.
- All sites are compliant with the National NO₂ air quality objective (40 ug/m³ per annum).

Thriving Economy in Sandwell

- Highway Maintenance - ranked 4th nationally for road condition, dealing with potholes and for the speed of repair to damaged roads and in top 10 nationally for a range of other Highway Maintenance activities (2025).
- 27 Road safety schemes delivered – above target.
- 24 social value plans entered into, and 116 new jobs created through social value initiatives or delivery plans as part of Council Contracts.
- 782 businesses received Council advice and support and 68 received financial assistance or grants.

NARRATIVE REPORT

- 83% residents satisfied with the local area as a place to live as outlined in the annual Residents Survey.

One Council One Team

- 7.51 was the average number of working days for Councillor enquiries to be responded to and 9.38 was average number of working days for MP enquiries to be responded to, both below the target of 10 days.
- Adult Social Care Contact Centre wait times and abandonment rate both better than target.
- 72% customers were satisfied as outlined in the annual Resident Satisfaction Survey.
- 63% response rate to the Employee Engagement Survey in 2025, an increase on 2023/24 (60%).
- 102 entry level apprentices started at the Council.
- 12 apprenticeships were filled at the Council by Care experienced young people and Children in Care.

Financial Performance

General Fund Services

The Council set a net expenditure budget for 2025/26 of £365.5m financed by local taxation (£264.9m) compensation grant from central government for reliefs provided to business rate payers (£42.0m) and non-ringfenced government grants (£58.6m). The final budget included a requirement to achieve new efficiencies and savings of £19.3m in 2025/26.

The outturn position against the budget resulted in an overall underspend of £2.74m.

	Total Budget £000	Outturn £000	Variance £000
Children and Education	112,148	115,069	2,921
Adult Social Care and Health	94,998	97,880	2,881
Place	96,814	92,629	(4,185)
Finance and Transformation	30,327	30,025	(302)
Assistant Chief Executive	12,608	11,893	(715)
Chief Executive	443	338	(104)
Centrally Held Budgets	18,121	14,884	(3,237)
Council Tax, Business Rates and Corporately held Grants	(365,459)	(365,459)	0
TOTAL	0	(2,741)	(2,741)

The Children and Education directorate continued to face significant demand-led pressures, principally from the increased cost of the Sandwell Children's Trust contract, which resulted in a budget pressure of £5.53m. This was partly offset by an underspend against on home to school transport costs and additional income received. This income was partly grant funding and other external contributions towards existing services and partly fees and charges income.

Adult Social Care and Health also continued to experience pressures associated with the cost of external placements and social work staffing requirements, together with a contribution to the bad debt provision. These pressures were partially offset by vacancy management savings, use of Better Care Fund funding, additional service income and underspends within operational budgets. Overall, demand-led care costs remained the principal driver of the year-end overspend for the directorate.

NARRATIVE REPORT

Place delivered the most favourable outturn across the Council. The underspend was driven by extensive vacancy management savings, lower expenditure on temporary accommodation and resettlement budgets, additional income across Highways, Urban Design, Visitor Services and grant-funded activities, together with other operational underspends.

Centrally held budgets provided support to the overall financial position through contingency budget underspends, favourable corporate expenditure variances and higher levels of interest received on investments. Additional income, set aside in earmarked reserves, included £2.78m dividend from Birmingham Airport.

The Council achieved a £2.74m General Fund underspend at outturn despite continuing and significant demand-led pressures within Children and Education and Adult Social Care. Strong financial management across Place, Finance and Transformation, Assistant Chief Executive and corporate budgets generated substantial underspends through vacancy management, additional income generation, grant funding, operational efficiencies and contingency budget savings.

Earmarked reserve balances (including the Dedicated Schools Grant reserve detailed below) at the end of the year are £175.7m (31 March 2025: £159.6m). Reserve balances will be reviewed in 2026/27 in line with the Council's approved Reserves Strategy, to ensure that they align with the strategic aims of the Council.

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

Schools

Schools' balances reduced by £5.5m during the year, with a balance carried forward of £31.4m (31 March 2025, £36.9m).

The Dedicated Schools Grant (DSG) recorded an in-year overspend of £11.6m, resulting in a cumulative DSG deficit carried forward of £6.3m. £8.7m of the overspend in 2025/26 (and £6.1m of the cumulative deficit) is attributable to the High Needs Block, where expenditure continues to exceed available funding. This pressure is largely driven by a sustained increase in the number and complexity of children with Education, Health and Care Plans (EHCPs), together with rising demand for specialist placements and support services for children and young people with additional needs. The national trend of increasing demand for high needs provision continues to place significant financial pressure on local authorities, with the level of DSG funding not keeping pace with growth in demand and associated costs.

The Council continues to monitor High Needs expenditure closely and is working with education, health and SEND partners to identify sustainable solutions to manage demand while ensuring statutory responsibilities towards children and young people with special educational needs and disabilities are met.

Housing Revenue Account

The Council owns and rents out as social housing approximately 27,700 homes, with rental income of £137.8m in 2025/26 (2024/25: £135.7m). Rental income, together with other sources of funding such as charges for services and facilities, is held in a ring-fenced account referred to as the Housing Revenue Account (HRA). Additional detail is provided in the Housing Revenue Account section of this Statement of Accounts.

On 31 March 2026, the HRA held balances of £50.1m, a decrease of £1.1m from last year. These balances are generally held for one-off items of expenditure or for capital investment in additional housing stock.

The Major Repairs Reserve is used specifically to part finance capital expenditure. This reserve was fully utilised during 2025/26.

Statement of Accounts – Overview of Financial Performance

Within this Statement of Accounts, the Comprehensive Income and Expenditure Statement (CIES) shows the full cost of providing Council services during the year, in accordance with statutory accounting requirements. The CIES, irrespective of the source of funding, includes non-cash movements such as depreciation, pension fund adjustments and revaluation of assets. After taking account of taxation, non-specific grant income, financing and investment income and expenditure, the Council recorded a surplus on the provision of services of £21.7m, compared with a surplus of £94.5m in 2024/25.

The Council also recognised £87.9m of Other Comprehensive Income, largely resulting from favourable actuarial remeasurements of the pension liability and gains arising from the revaluation of assets and investments. Taking account of both the surplus on the provision of services and other comprehensive income, the Council reported total comprehensive income of £109.6m in 2025/26.

The Movement in Reserves Statement shows net income of £109.6m, as reported in the CIES, and highlights the associated change in the reserves of the Council.

The Council's reserve position strengthened during 2025/26. Total usable reserves increased by £24.3m, from £383.0m at 31 March 2025 to £407.3m at 31 March 2026. This was primarily driven by a £10.6m increase in earmarked General Fund reserves, reflecting the transfer of resources to support future investment, transformation activity and the management of financial risks and future budget pressures.

Overall General Fund reserves increased from £218.9m to £229.5m, strengthening the Council's financial resilience.

The Expenditure and Funding Analysis shows how the Council's financial performance, as reported to Cabinet, is reconciled to the statutory accounting position presented in the Comprehensive Income and Expenditure Statement (CIES).

Capital Strategy

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

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

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

Capital Programme

General Fund:

The 2025/26 performance against a revised budget of £89.3m was expenditure of £63.3m, resulting in an underspend of £26.0m.

A breakdown of expenditure by service against budget and how that spend has been funded is provided in the table below.

Service	Revised Budget	Outturn	Variance
	£000	£000m	£000
Expenditure			
Adult Social Care	1,014	26	(988)
Children and Education	9,415	7,809	(1,606)
Place – Economy and Regeneration	27,083	21,213	(5,870)
Place – Environment and Public Protection	21,257	17,273	(3,984)
Place – Housing	13,185	5,767	(7,418)
Place – Property and Assets	13,861	9,743	(4,118)
Assistant Chief Executive	33	-	(33)
Finance and Transformation	3,460	1,473	(1,987)
Total General Fund	89,308	63,304	(26,004)
Financing			
Grants	61,670	47,937	(13,733)
Capital Receipts	-	-	-
Revenue Contributions	3,541	3,469	(72)
Borrowing	24,097	11,898	(12,199)
Total Financing	89,308	63,304	(26,004)

The underspend variance of £26.0m is primarily due to the delivery of schemes spanning across financial years rather than an underspend against budget and therefore Cabinet will be asked to approve reprofiling of these budgets to be included in the 2026/27 Capital Programme.

All projects are subject to regular monitoring and reporting the Cabinet on a quarterly basis.

Where projects are funded through borrowing the cost of servicing the debt is charged to the General Fund revenue budget over the life of the asset created or improved.

NARRATIVE REPORT

Housing Revenue Account:

The 2025/26 performance against a revised budget of £92.6m was expenditure of £62.3m, resulting in an underspend of £30.2m.

A breakdown of expenditure by project type how the total spend has been funded is provided in the table below.

Service	Revised Budget	Outturn	Variance
	£000	£000m	£000
Expenditure			
New Build Schemes	26,800	19,968	(6,832)
Investment in Existing Housing Stock:			
Major Projects	31,891	12,435	(19,456)
High Rise and Building Safety	1,729	1,510	(219)
Aids and Adaptations	2,778	3,294	516
Home Improvements	21,639	18,704	(2,935)
Riverside PFI	2,255	2,341	86
Estate Improvements	2,088	1,354	(734)
Transformation and Capital Salaries	3,372	2,724	(648)
Total Housing Revenue Account	92,552	62,330	(30,222)
Financing			
Grants	5,948	4,272	(1,676)
Capital Receipts	17,307	13,760	(3,547)
Revenue Contributions	2,255	2,490	235
Major Repairs Reserve	20,520	20,323	(197)
Borrowing	46,522	21,485	(25,037)
Total Financing	92,552	62,330	(30,222)

Like the General Fund, the variance is primarily from the timing of delivery of schemes and Cabinet will be asked to approve a corresponding increase the budgets for 2026/27 to ensure that these projects can continue to be delivered.

Pension Liabilities

The West Midlands Pension Fund is formally valued every three years (triennially) by an independent actuary to set future contribution rates with the most recent valuation at 31 March 2025. The 31 March 2026 accounting figures are based on the 2025 funding valuation results. The accounting balance sheet position as at 31 March 2026 (and the projected charge to the CIES for 2026/27), are now based on a new roll-forward from the 2025 funding valuation.

The Council's actuary, Hymans Robertson, advised that the Council's net pension position in relation to its share of the West Midlands Pension Fund had changed from a net asset of £270m (excluding pension ceiling) as at 31 March 2025 to a net asset of £371m as at 31 March 2026.

As the Council's pension scheme shows a surplus (extra assets), the Council has applied an asset ceiling (that limits the surplus recognised) as required by IAS19 and IFRIC 14. The effect of the asset ceiling has been determined by the scheme's actuaries. Implementing the asset ceiling has increased the asset position recognised by £22m to £417m in 2025/26 from £395m in 2024/25.

After taking account of the funded obligations, fair value of plan assets, asset ceiling applied and unfunded obligations, the overall position recognised, is a reduced net liability this year of £46m (net liability 2024/25: £125m).

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

Balance Sheet Management

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

Total reserves (net assets) are £2.3bn (Usable reserves £0.4bn, unusable reserves £1.9bn) with long term external borrowing of £0.4bn and £0.1bn of other long-term liabilities.

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

Cashflow forecasts are prepared for current and future financial years and are monitored daily. The cashflow forecast is regularly updated to take account of future changes, so that the cash position of the Council can be managed appropriately. Cash and cash equivalent balances at the end of the year were £68.4m (31 March 2025: £62.6m). During the year, the Council collected approximately:

- £177m council tax, of which it retained £146m
- £124m business rates, of which it retained £122m
- £144m Housing rents and charges

Short-term provisions are held on the balance sheet of £10.3m (31 March 2025: £7.8m) mainly in respect of business rates appeals and potential insurance claims.

Statement of Accounts 2025/26

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2026. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (The Code), which in turn is underpinned by International Financial Reporting Standards.

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

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

Core Statements

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

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

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

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

Supplementary Statements

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

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

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

Group Accounts provide a consolidated overview of the Council's financial position combined with any organisations that are subject to Council control. In 2025/26, the financial position of Sandwell Children's Trust is combined with the Council's to form group accounts, as the Trust is a subsidiary that is wholly owned by the Council.

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



Alex Thompson,
Executive Director
Finance &
Transformation
(S151)

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Responsibilities of the Section 151 Officer

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

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

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code.

The Section 151 Officer has also:

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

Approval of the Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2026.



Councillor Owen Nelson
Chair – Audit & Risk Assurance Committee
Sandwell Metropolitan Borough Council

Alex Thompson
Executive Director of Finance & Transformation
Sandwell Metropolitan Borough Council

Date:

Date: 30 June 2026

Core Financial Statements

2025/26

CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement	Note	2025/26 Gross Expenditure £'000	2025/26 Gross Income £'000	2025/26 Net Expenditure £'000	Restated 2024/25 Gross Expenditure £'000	Restated 2024/25 Gross Income £'000	Restated 2024/25 Net Expenditure £'000
Adult Social Care and Health		252,086	(157,352)	94,734	232,030	(146,928)	85,102
Children's Services		161,217	(46,808)	114,409	140,950	(35,509)	105,441
Schools		363,884	(357,996)	5,888	323,015	(338,879)	(15,864)
Place		148,383	(52,792)	95,591	141,925	(47,110)	94,815
Housing Revenue Account (HRA)		149,953	(149,339)	614	89,312	(147,449)	(58,137)
Assistant Chief Executive		12,088	(1,312)	10,776	10,991	(1,626)	9,365
Chief Executive		708	0	708	3,651	(63)	3,588
Finance and Transformation		98,205	(68,754)	29,451	114,237	(87,162)	27,075
Corporate Items		8,940	(3,561)	5,379	16,167	(2,140)	14,027
Cost of Services		1,195,464	(837,914)	357,550	1,072,278	(806,866)	265,412
Other operating expenditure	13			6,226			9,695
Financing and investment income and expenditure	14			24,260			35,854
Taxation and non-specific grant income	15			(409,708)			(405,500)
(Surplus) / Deficit on Provision of Services				(21,672)			(94,539)
(Surplus) / deficit on revaluation of non-current assets				(16,825)			(1,960)
(Surplus) / deficit on revaluation of financial assets				(13,500)			4,900
Remeasurements of the net defined benefit liability/(asset)				(57,584)			1,874
Other Comprehensive (Income) and Expenditure				(87,909)			4,814
Total Comprehensive (Income) and Expenditure				(109,581)			(89,725)

Note: Figures for 2024-25 have been restated to reflect the Council reporting according to the Organisation Restructure in 2025-26 to allow like-for-like comparison.

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

Movement in Reserves		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025		22,468	196,459	218,927	51,150	32	38,359	74,542	383,010	1,801,270	2,184,280
Movement in Reserves During 2025/26											
Total Comprehensive Income and Expenditure		34,246	0	34,246	(12,574)	0	0	0	21,672	87,909	109,581
Adjustments between accounting basis & funding basis under regulations	11	(23,650)	0	(23,650)	11,476	(32)	15,767	(939)	2,622	(2,622)	0
Net Increase / Decrease before Transfers to Earmarked Reserves		10,596	0	10,596	(1,098)	(32)	15,767	(939)	24,293	85,288	109,581
Transfers (to)/from Earmarked Reserves	12	(10,596)	10,596	0	0	0	0	0	0	0	0
Increase / Decrease in Year		0	10,596	10,596	(1,098)	(32)	15,767	(939)	24,293	85,288	109,581
Balance at 31 March 2026		22,468	207,055	229,523	50,052	0	54,126	73,603	407,303	1,886,558	2,293,861

CORE FINANCIAL STATEMENTS

Movement in Reserves		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024		19,046	176,657	195,703	48,171	3,547	42,956	81,923	372,301	1,722,255	2,094,556
Movement in Reserves During 2024/25											
Total Comprehensive Income and Expenditure		44,276	-	44,276	50,263	-	-	-	94,539	(4,814)	89,725
Adjustments between accounting basis & funding basis under regulations	11	(21,052)	-	(21,052)	(47,284)	(3,515)	(4,597)	(7,381)	(83,829)	83,829	-
Net Increase / Decrease before Transfers to Earmarked Reserves		23,224	-	23,224	2,979	(3,515)	(4,597)	(7,381)	10,710	79,015	89,725
Transfers (to)/from Earmarked Reserves	12	(19,802)	19,802	-	-	-	-	-	-	-	-
Increase / Decrease in Year		3,422	19,802	23,224	2,979	(3,515)	(4,597)	(7,381)	10,710	79,015	89,725
Balance at 31 March 2025		22,468	196,459	218,927	51,150	32	38,359	74,542	383,010	1,801,271	2,184,281

CORE FINANCIAL STATEMENTS

Balance Sheet

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

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

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

	Note	31 March 2026 £'000	31 March 2025 £'000
Property Plant & Equipment	16	2,710,633	2,691,157
Right of Use Assets	17	12,091	12,385
Heritage Assets	18	4,320	4,320
Investment Properties	19	77,238	80,414
Intangible Assets	21	14,184	15,514
Long Term Investments	23	44,784	31,367
Long Term Debtors	23	5,590	5,698
Long Term Assets		2,868,840	2,840,855
Short Term Investments	23	65	78
Assets Held for Sale	20	0	0
Inventories	-	2,195	2,148
Short Term Debtors	24	164,910	132,742
Cash & Cash Equivalents	26	68,431	62,611
Current Assets		235,601	197,579
Bank Overdraft	26	(18,110)	(17,464)
Short Term Borrowing	23	(106,590)	(78,133)
Short Term Creditors	27	(110,498)	(138,236)
Provisions	29	(10,282)	(7,801)
Revenue Grants Receipts in Advance	40	(1,533)	(843)
Capital Grants Receipts in Advance	40	(5,045)	(6,096)
Current Liabilities		(252,058)	(248,573)
Provisions	29	(2,221)	(2,745)
Long Term Borrowing	23	(383,971)	(367,883)
Other Long-Term Liabilities	28	(126,899)	(205,545)
Capital Grants Receipts in Advance	40	(45,431)	(29,407)
Long Term Liabilities		(558,522)	(605,580)
Net Assets		2,293,861	2,184,281
Usable Reserves	MIRS	407,303	383,010
Unusable Reserves	31	1,886,558	1,801,271
Total Reserves		2,293,861	2,184,281

I certify that the Statement of Accounts presents a true and fair view of the financial position of Sandwell Metropolitan Council as at 31 March 2026 and its income and expenditure the year then ended.



Executive Director - Finance and Transformation
Date: 30 June 2026

CORE FINANCIAL STATEMENTS

Cash Flow Statement

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

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

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

Cash Flow Statement	Note	2025/26 £'000	2024/25 £'000
Net surplus / (deficit) on the provision of services	CIES	21,672	94,539
Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	32	46,941	30,680
Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	32	(53,994)	(88,299)
Net cash flows from Operating Activities		14,619	36,920
Net cash flows from Investing Activities	33	(48,289)	(29,767)
Net cash flows from Financing Activities	34	38,844	1,482
Net increase / (decrease) in cash and cash equivalents		5,174	8,635
Cash and cash equivalents at the beginning of the reporting period		45,147	36,512
Net movement in cash and cash equivalents		5,174	8,635
Cash and cash equivalents at the end of the reporting period	26	50,321	45,147

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2025/26 financial year and its position at the year ended 31 March 2026. The Council is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. Under Section 21 of the Local Government Act 2003, these practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

- **Revenue from contracts** with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- **Supplies** are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- **Expenses** in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- **Interest receivable** on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where **revenue and expenditure** have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- The council operates a **de-minimus level for the processing of accruals**, £10,000 for capital and £10,000 for revenue. The de-minimus policy for revenue requires that no accruals are actioned for individual amounts below £10,000; unless, for a group of similar transactions, there would be a material impact upon the accounts of not recognising the income and expenditure in the relevant accounting period.

iii. **Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

vii. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

viii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and HRA balances to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant

accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

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

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

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

Teachers' and National Health Service Pension Schemes

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate derived from the "Hymans Robertson" corporate bond yield curve.

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

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

- **Service cost comprising:**
 - **Current service cost** – the increase in liabilities as a result of years of service earned this year; allocated in the CIES to the services for which the employees worked.
 - **Past service cost** – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years; debited to the Surplus or Deficit in Net Cost of Services in the CIES; and
 - **Net interest expense** – the change during the period in the net defined benefit liability that arises from the passage of time; charged to the Financing and Investment Income and Expenditure line in the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account any changes

in the net defined benefit liability during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**

- **Return on plan assets** – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the West Midlands Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- **Effect of the asset ceiling** – the limitation on the Council's ability to realise pensions assets through reductions in future employer's contributions as a result of minimum funding requirements.

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

Discretionary Benefits

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

ix. Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

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

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

x. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

Further details relating to the fair value of financial assets and liabilities are provided in the fair value measurement section below of the accounting policies and the Financial Instruments note.

xi. 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:

NOTES TO THE ACCOUNTS

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

Amounts recognised as due to the council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance.

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Where grants have been applied, they are posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Principal or Agent

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

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

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

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

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

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

Business Improvement District

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

Community Infrastructure Levy

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

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

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

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

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

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that this may have occurred – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

xiii. Interest in Companies and Other Entities

The Council has material interests in a subsidiary company, which have been consolidated into the Council's Group Accounts on a line by line basis, after first realigning accounting policies with the Council where appropriate and eliminating intra-Group transactions. In the Council single entity accounts, interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xiv. Leases

The Council as Lessee

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

Initial measurement

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

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

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

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

Subsequent measurement

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

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

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

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

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

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

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

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

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

The Council as Lessor

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

xv. Overheads and Support Services

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

xvi. Capital Accounting

Property Plant and Equipment

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

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

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

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

Council Dwellings

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

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

Community Assets

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

Infrastructure Assets

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

As per CIPFA Code the Council is not required to report the gross book value accumulated depreciation for infrastructure Assets (Highways, Carriages, Bridges and Footpaths – for prior years). This temporary adaption is from 1 April 2021 to 31 March 2025.

Assets Under Construction

These assets are held at historic cost.

Surplus Assets

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

Other Assets

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

Where non property assets have short useful lives and/or low value, current value is used as a proxy for fair value.

All items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluations and are revalued at intervals of no more than five years and adjusted by the application of an appropriate index in the years that an asset is not subject to valuation.

Where an appropriate index has not been identified for an asset, an asset is revalued every five years, supplemented by a desktop revaluation in year three. Valuations are undertaken on a rolling basis by professionally qualified valuers and indices applied have been determined in agreement with external valuers and the Council's in house valuation team. who also consider the valuation of assets not being revalued to ensure valuations are kept up to date.

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

Decreases in values are accounted for as follows:

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains and indexation adjustments for the asset in the Revaluation Reserve, the loss is offset against that balance (up to the amount of the accumulated gains).

NOTES TO THE ACCOUNTS

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the loss is charged to the relevant service line(s) in the CIES.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

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

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

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

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

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

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

Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value (see accounting policy below), based on the amount at which the asset could be exchanged between

NOTES TO THE ACCOUNTS

knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end.

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

Non-Current Assets Held for Sale

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

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

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

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

Asset Disposals

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

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

Borrowing Costs

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

NOTES TO THE ACCOUNTS

xvii. Component Accounting

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

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

The council have used the following significant components when calculating dwelling depreciation:

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

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

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

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

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

xviii. Heritage Assets

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on Property, Plant and Equipment, although some of the measurement rules are relaxed. The council's collections of heritage assets are accounted for as follows:

Historical Buildings

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

Museum Exhibits, Fine Art Collections & Civic Regalia

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

General

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

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

xix. Minimum Revenue Provision

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

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

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

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

xx. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor.

As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was offset by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

- **Fair value of the services** received during the year; debited to the relevant service line(s) in the CIES.
- **Finance cost** - an interest charge on the outstanding Balance Sheet liability; debited to the Financing and Investment Income and Expenditure line in the CIES.
- **Payment towards liability** - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease); and
- **Lifecycle replacement costs** - relevant costs capitalised via a revenue contribution to capital and applied as additions to PP&E to recognise spend incurred. Should lifecycle works be carried out in advance or later than scheduled into the annual unitary charge, a lifecycle debtor/creditor will be recognised on the balance sheet accordingly.

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed on an ongoing basis throughout the year and when new information becomes available – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxii. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. Full explanations are given within the Notes to the Core Financial Statements of the Capital Adjustment Account, the Revaluation Reserve and the Pensions Fund Reserve. Other than these the following unusable reserves apply:

- **Financial Instruments Adjustment Account**

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

- **Deferred Capital Receipts Reserve**

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

- **Collection Fund Adjustment Account**

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

xxiii. **School Balances**

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

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

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

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

xxv. **Insurance Funding Arrangements**

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

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 £0.3123m 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 £4.772m in any policy year across all liability sections of cover.

Motor – The first £0.1698m of each motor claim for damage to a council vehicle and third-party claims. Third party losses are limited to £0.508m in the aggregate after the application of individual claim excess / non-ranking deductibles.

Crime - 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 (but not limited to) asset protection for the council's housing stock (excluding high rise); assets in the open including land, parks and car parks; human rights claims and cyber risks.

xxvi. VAT

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

xxvii. Fair Value Measurement

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

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

The measurement assumes that the transaction takes place either:

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

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

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

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

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

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

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

xxviii. Pooled Budgets

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

The Council is party to a pooled budget arrangement and has considered the S75 agreement. The arrangement with the Sandwell and Black Country Integrated Care Board has been assessed as a joint operation under IFRS11.

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

Rounding

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

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The Council shall provide known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the Council's financial statements in the period of initial application. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1st January of the financial year in question (i.e. on or before 1st January 2026 for 2025/26). For this disclosure the proposals for change include:

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

These are not expected to have a material impact on the council's statement of accounts.

3. Critical Judgements in Applying Accounting Policies

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

- The council has interests in another entity that falls within the Group boundary on the basis of control and significant influence in line with the code. Financial information in respect of Sandwell Children's Trust is considered material to the overall financial position of the council and have been consolidated within the Group accounts presented.
- **Private Finance Initiative (PFI) and Similar Contracts** – Based on the scope of the Code and IFRIC 12, the Council has concluded that the four PFI schemes and Serco Limited Waste Contract fall under the scope of IFRIC 12. The PFI schemes and Service Concession assets are therefore accounted for on an on-balance sheet basis. The Accounting Policy for PFI details judgements made in applying capital spend to the assets held on the Balance Sheet.
- **Accounting for Schools** - The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.

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

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

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

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

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

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

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

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

The items in the council's Balance Sheet at 31 March 2026 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Asset Valuations & Non-Current Assets

Section	Narrative Summary	Consequences if actual results differ from assumptions
Valuation of HRA Dwellings	The HRA residential portfolio is valued based on a beacon methodology with a 40% EUV-SH factor applied. The current EUV-SH value of the stock is £1.431m. A further 120 properties are not currently occupied due to major refurbishment.	A reduction in the estimate value of HRA dwellings would result in a reduction to the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of approximately £143.1m.
Non-Current Assets	Asset valuations are based on current value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provide valuations as at 31 March 2026. The carrying value of non-current assets subject to valuation that did not receive a revaluation in 2025/26 totalled £0m. All non-current assets have been valued in year. The Council's valuers use a combination of methodologies to value operational assets. These include Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs (such as floor area) that must be used to apply valuations. The estimated remaining useful life of all operational assets is reviewed annually.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the CIES. If the value of the Council's operational properties were to reduce by 10% this would result in a charge to the CIES of approximately £87.3m. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluation to the CIES and/or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current operational assets subject to potential revaluation is £873m.
Fair Value Measurement of Investment Property and Surplus Assets	The Council's external valuers use valuation techniques to determine the fair value of investment property. The valuers base their assumptions on observable data as far as possible but this is not always available. In that case, the valuers use the best information available. Please refer to Current Value of Non-Current Assets Note – Fair Value Measurement of Investment Properties and Surplus Assets for further details.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If investment property value were to reduce by 10% this would lead to a £7.7m reduction. If surplus assets value were to reduce by 10% this would lead to a £2.2m reduction. This would impact the Council's CIES Surplus/Deficit.

NOTES TO THE ACCOUNTS

Impairment Allowances

Section	Narrative Summary	Consequences if actual results differ from assumptions
Impairment Allowance for Doubtful Debt	As at 31 March 2026, the Council had an outstanding debtors' balance totalling £229.3m. Against this debtors' balance, there is an impairment allowance of £64.4m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.

Net Pension Position & Sensitivity Analysis

Section	Narrative Summary	Consequences if actual results differ from assumptions
Pension Valuation	The valuation of the net pension position depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £24.562m. The net liability shown on the balance sheet would not change in line with the sensitivity analysis due to the adjustment for the asset ceiling calculation. See Pension Note for further details. See Sensitivity Analysis Table below.

Change in Assumption	% Increase to Defined Benefit Obligation	Monetary Amount (£'000)
0.1% decrease in Real Discount Rate	1%	24,562
1 year increase in member life expectancy	4%	67,624
0.1% increase in Salary Increase Rate	0%	1,312
0.1% increase in Pension Increase/Revaluation Rate	1%	23,222

The High Court ruling in *Virgin Media Limited v NTL Pension Trustees II Limited* (June 2023), upheld by the Court of Appeal in July 2024, confirmed that certain amendments to contracted-out defined benefit pension schemes may be invalid where the required actuarial certification under section 37 of the Pension Schemes Act 1993 was not obtained.

The Pension Schemes Act 2026 introduces provisions to allow certain historical amendments to be retrospectively validated. The Local Government Pension Scheme is within scope of this issue. A review is ongoing by the Government Actuary's Department to assess the existence of relevant certifications and the applicability of the legislative remedy.

At the reporting date, this work is incomplete and the potential impact on the actuarial present value of promised retirement benefits cannot be reliably estimated. Accordingly, no adjustment has been made in these financial statements.

5. Material Items of Income and Expense

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

6. Events after the Reporting Period

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

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

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

Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no events since 31 March 2026, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Prior Period Adjustments

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

NOTES TO THE ACCOUNTS

8. 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.

2025/26	Outturn before movements to Earmarked Reserves £'000	Adjustments to arrive at net amount chargeable to GF and HRA £'000	Net Expenditure Chargeable to GF and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
- Adult Social Care and Health	98,778	(668)	98,110	(3,378)	94,734
- Children's Services	118,495	(11,911)	106,584	7,826	114,409
- Schools	15,090	849	15,939	(10,051)	5,888
- Place	88,933	(19,773)	69,160	26,432	95,591
- Housing Revenue Account (HRA)	1,098	(23,907)	(22,809)	23,423	614
- Assistant Chief Executive	11,777	0	11,777	(1,001)	10,776
- Chief Executive	339	(1)	338	371	708
- Finance & Transformation	32,194	(2,496)	29,698	(247)	29,451
- Corporate Budgets	(7,220)	16,912	9,692	(4,313)	5,379
Cost of Services	359,484	(40,995)	318,489	39,062	357,550
Other operating expenditure	0	14,452	14,452	(8,226)	6,226
Financing and Investment Income and Expenditure	0	25,108	25,108	(849)	24,260
Taxation and Non-Specific Grant Income	(367,221)	(326)	(367,547)	(42,161)	(409,708)
(Surplus)/Deficit	(7,737)	(1,761)	(9,496)	(12,174)	(21,672)
Opening General Fund & HRA Balance			(270,078)		
(Surplus)/Deficit on General Fund and HRA Balance in year			(9,496)		
Closing General Fund & HRA Balance at 31 March 2026 *			(279,574)		

NOTES TO THE ACCOUNTS

2024/25 (Restated)	Outturn before movements to Earmarked Reserves	Adjustments to arrive at net amount chargeable to General Fund and HRA	Net Expenditure Chargeable to General Fund and HRA	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
- Adult Social Care and Health	86,744	(290)	86,454	(1,353)	85,101
- Children's Services	102,561	(9,684)	92,877	12,563	105,440
- Schools	(1,091)	(12,525)	(13,616)	(2,248)	(15,864)
- Place	90,257	(17,358)	72,899	21,916	94,815
- Housing Revenue Account (HRA)	(6,159)	(48,845)	(55,004)	(3,133)	(58,137)
- Assistant Chief Executive	10,235	(221)	10,014	(649)	9,365
- Chief Executive	333	(37)	296	3,292	3,588
- Finance & Transformation	26,199	(902)	25,297	1,777	27,074
- Corporate Budgets	30,883	(14,594)	16,289	(2,262)	14,027
Cost of Services	339,962	(104,455)	235,507	29,905	265,412
Other operating expenditure	0	13,997	13,997	(4,302)	9,695
Financing and Investment Income and Expenditure	(25,909)	89,052	63,143	(27,289)	35,854
Taxation and Non-Specific Grant Income	(340,052)	1,202	(338,850)	(66,650)	(405,500)
(Surplus)/Deficit	(25,999)	(204)	(26,203)	(68,336)	(94,539)
Opening General Fund & HRA Balance			(243,874)		
(Surplus)/Deficit on General Fund and HRA Balance in year			(26,203)		
Closing General Fund & HRA Balance at 31 March 2025*			(270,077)		

NOTES TO THE ACCOUNTS

9. Note to the Expenditure and Funding Analysis

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

2025/26	Capital Adjustments at Directorate level £'000	Other Adjustments at Directorate level £'000	Total to arrive at amount charged to the GF & HRA £'000	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000
- Adult Social Care and Health	(668)	0	(668)	413	(3,791)	0	(3,378)
- Children's Services	(11,909)	(2)	(11,911)	12,101	(4,354)	79	7,826
- Schools	0	849	849	(2,855)	(7,501)	305	(10,051)
- Place	(20,696)	923	(19,773)	29,927	(3,560)	65	26,432
- Housing Revenue Account (HRA)	0	(23,907)	(23,907)	27,463	(3,527)	(513)	23,423
- Assistant Chief Executive	0	0	0	116	(1,117)	0	(1,001)
- Chief Executive	(1)	0	(1)	395	(26)	2	371
- Finance and Transformation	(2,550)	54	(2,498)	2,075	(2,453)	131	(247)
- Corporate Items	35,824	(18,912)	16,912	(2,700)	(1,613)	0	(4,313)
Net Cost of Services	0	(41,469)	(40,995)	66,935	(27,942)	69	39,062
Other operating exp	0	14,452	14,452	(8,226)	0	0	(8,226)
Financing and Investment Income and Expenditure	0	25,582	25,582	(8,171)	7,322	0	(849)
Taxation and Non Specific Grant Income	0	(326)	(326)	(43,207)	0	1,046	(42,161)
(Surplus) or Deficit	0	(1,761)	(1,761)	7,331	(20,620)	1,115	(12,174)

NOTES TO THE ACCOUNTS

2024/25 (Restated)	Capital Adjustments at Directorate level £'000	Other Adjustments at Directorate level £'000	Total to arrive at amount charged to the GF & HRA £'000	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000
- Adult Social Care and Health	(290)	0	(290)	703	(2,106)	51	(1,352)
- Children's Services	(9,734)	50	(9,684)	15,060	(2,512)	16	12,564
- Schools	(3,981)	(8,544)	(12,525)	0	(4,996)	2,748	(2,248)
- Place	(16,405)	(953)	(17,358)	24,097	(2,184)	3	21,916
- Housing Revenue Account (HRA)	(21,415)	(27,430)	(48,845)	(966)	(2,167)	0	(3,133)
- Assistant Chief Executive	0	(221)	(221)	9	(660)	2	(649)
- Chief Executive	(37)	0	(37)	3,309	(17)	0	3,292
- Finance and Transformation	(1,288)	386	(902)	3,344	(1,583)	16	1,777
- Corporate Items	0	(14,594)	(14,594)	0	(2,252)	(10)	(2,262)
Net Cost of Services	(53,150)	(51,306)	(104,456)	45,556	(18,477)	2,826	29,905
Other operating exp	0	13,997	13,997	(4,302)	0	0	(4,302)
Financing and Investment Income and Expenditure	13,762	75,291	89,053	(33,425)	6,136	0	(27,289)
Taxation and Non-Specific Grant Income	0	1,202	1,202	(69,983)	0	3,333	(66,650)
(Surplus) or Deficit	(39,388)	39,184	(204)	(62,154)	(12,341)	6,159	(68,336)

Adjustments made to Directorate reports

Note 1 – Capital Adjustments at Directorate Level

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

Note 2 – Other Adjustments at Directorate Level

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

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

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

Note 3 – Adjustments for Capital Purposes

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

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

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

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

Note 4 – Net Change for the Pensions Adjustments

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

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

Note 5 – Other Differences

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

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

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

10. Expenditure and Income analysed by nature

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

Expenditure and Income by Nature	2025/26 £'000	2024/25 £'000
Expenditure:		
Employee Benefits Expenses / Officers remuneration	390,845	382,596
Other Services Expenses	739,334	658,473
Depreciation, Amortisation and Impairment	84,506	31,209
(Gain)/Loss on Disposal of Non-Current Assets	(8,226)	11,094
Net (Gain)/Loss on Financial Assets at FV	5,608	(65)
Interest Payments	27,595	33,754
Precepts and Levies	14,452	14,025
Total Expenditure	1,254,114	1,131,086
Income:		
Fees and Charges and Other Service Income	(261,515)	(222,490)
Income from Council Tax and Business Rates	(307,535)	(289,880)
Government Grants and Contributions	(697,793)	(699,997)
Interest and Investment Income	(8,943)	(13,258)
Total Income	(1,275,786)	(1,225,625)
Surplus on Provision of Services	(21,672)	(94,539)

NOTES TO THE ACCOUNTS

11. 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.

2025/26	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
Adjustments to the Revenue Resources							
<i><u>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:</u></i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	(17,905)	(2,715)	0	0	0	(20,620)	20,620
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(53)	(421)	0	0	0	(474)	474
Council tax and NDR (transfers to or from Collection Fund Adjustments Account)	1,046	0	0	0	0	1,046	(1,046)
Holiday pay (transferred to the Accumulated Absences Reserve)	635	(92)	0	0	0	543	(543)
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)	58,590	70,051	0	0	0	128,641	(128,641)
Total Adjustments to Revenue Resources	42,313	66,823	0	0	0	109,136	(109,136)

NOTES TO THE ACCOUNTS

2025/26 (Continued)	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000		
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,569)	(28,295)	29,864	0	0	0	0
Transfer of non-current asset sale proceeds from revenue to the Deferred Capital Receipts Reserve	(225)	0	0	0	0	(225)	225
Transfer of capital grants and contributions to Capital Grants Unapplied	(46,926)	(4,272)	0	0	7,881	(43,317)	43,317
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(20,290)	0	20,290	0	0	0
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(13,553)	0	0	0	0	(13,553)	13,553
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,690)	(2,490)	0	0	0	(6,180)	6,180
Total Adjustments between Revenue and Capital Resources	(65,963)	(55,347)	29,864	20,290	7,881	(63,275)	63,275
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(14,098)	0	0	(14,098)	14,098
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(20,322)	0	(20,322)	20,322
Application of capital grants to finance capital expenditure	0	0	0	0	(8,819)	(8,819)	8,819
Total Adjustment to Capital Resources	0	0	(14,097)	(20,322)	(8,819)	(43,239)	43,239
Total Adjustments	(23,650)	11,476	15,767	(32)	(939)	2,622	(2,622)

NOTES TO THE ACCOUNTS

2024/25	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
Adjustments to the Revenue Resources							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	(10,940)	(1,400)	0	0	0	(12,340)	12,340
Right of Use Asset (Deferred Capital Receipt)	26	0	0	0	0	26	(26)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(10)	(13)	0	0	0	(23)	23
Council tax and NDR (transfers to or from Collection Fund Adjustments Account)	3,333	0	0	0	0	3,333	(3,333)
Holiday pay (transferred to the Accumulated Absences Reserve)	2,836	13	0	0	0	2,849	(2,849)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	65,572	9,524	0	0	0	75,096	(75,096)
Total Adjustments to Revenue Resources	60,817	8,124	0	0	0	68,941	(68,941)

NOTES TO THE ACCOUNTS

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

12. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2025/26.

The balances ring fenced for schools are also included below:

Earmarked Reserve	Balance 31 March 2025 £'000	Transfers 2025/26 £'000	Transfer Out 2025/26 £'000	Transfer In 2025/26 £'000	Balance 31 March 2026 £'000
Investment Reserves					
Transformation:					
Invest to Save	(1,677)	0	0	0	(1,677)
Business Change	(3,850)	(300)	26	0	(4,124)
Corporate Improvement Plan	(1,055)	0	0	0	(1,055)
Customer Journey	(1,500)	0	0	0	(1,500)
Asset Register System	(202)	0	92	0	(110)
Oracle Fusion	(6,160)	0	1,841	0	(4,319)
Cost of Exit Packages	(1,452)	0	0	0	(1,452)
SEND Transformation	0	0	0	(338)	(338)
Digital Transformation	0	(1,443)	0	0	(1,443)
Aspiration Fund	0	0	0	(11,500)	(11,500)
Apprenticeships			0	(997)	(997)
Directorate Service Improvements and Commitments					
Adult Social Care	(1,914)	688	100	0	(1,126)
Children and Education	(89)	89	0	0	0
Place	(7,517)	142	1,014	0	(6,361)
Finance and Transformation	(2,229)	68	166	0	(1,996)
Assistant Chief Executive	(240)	114	117	0	(9)
Neighbourhoods	(208)	0	0	(153)	(361)
Revenue Contributions to Capital Projects	(6,809)	(1,139)	1,426	(659)	(7,182)
Residual Covid Grant Funding	(5,257)	2,539	2,718	0	0
Reserves Held to Manage Risks					
Financial Planning	(8,590)	1,663	0	(874)	(7,801)
Budget Monitoring – Savings Note Delivered	0	(1,557)	0	0	(1,557)
Inflation and Demographic Growth	(10,680)	6,111	0	(5,156)	(9,725)
Contract Risks	(13,045)	(6,935)	6,622	0	(13,358)
Insurance	(8,806)	0	635	0	(8,171)
Repairs and Maintenance	(696)	(100)	120	(1,488)	(2,164)
Severe Weather	0	0	0	0	0
SEND Contingency	0	0	0	(3,791)	(3,791)
Smoothing Reserves					
Contract Payments	(12,477)	0	3,348	(9,784)	(18,913)
Capital Financing	(7,685)	0	0	(6,348)	(14,033)
Business Rates Volatility	(14,072)	0	0	(1,763)	(15,835)
Elections	(1,093)	(300)	918	(1,193)	(1,668)
Restricted Reserves					
Grant Funded Activities	(11,123)	361	1,114	(2,972)	(12,622)
Better Care Fund	(14,592)	0	479	0	(14,113)
Funds Held on Behalf of Other Organisations	(1,534)	0	80	0	(1,454)
Kickstart Loans	(2,001)	0	2	0	(1,999)
Dedicated Schools Grant	(5,292)	0	11,589	0	6,297
Other School Related Reserves	(7,711)	(288)	2,497	(3,693)	(9,195)
Sandwell Safeguarding Adults Board	0	0	0	(8)	(8)
Total Earmarked Reserves	(159,559)	(288)	34,904	(50,717)	(175,660)
Schools Balances	(36,900)	288	5,822	(605)	(31,395)
Total General Fund Reserves	(196,459)	0	40,726	(51,322)	(207,055)
HRA Earmarked Reserves	(51,150)	0	1,098	0	(50,052)
Major Repairs Reserve	(32)	0	20,322	(20,290)	0
Total HRA Reserves	(51,182)	0	21,420	(20,290)	(50,052)

13. CIES - Other Operating Expenditure

	2025/26 £'000	2024/25 £'000
Levies	14,452	14,025
Net (Gains) and Losses on the Disposal of Non-Current Assets	(8,226)	(4,330)
	6,226	9,695

14. CIES - Financing and Investment Income and Expenditure

	2025/26 £'000	2024/25 £'000
Interest Payable and Similar Charges	21,163	27,585
Net Interest on the Net Defined Benefit Liability (Asset)	6,432	6,136
Interest (Receivable) and Similar Income	(6,036)	(10,426)
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	(2,908)	(2,832)
Derecognition of Schools on Conversion to Academies	0	15,424
Net (Gains) and Losses on Fair Value Adjustments on Investment Properties	5,611	(78)
Net (Gains) and Losses on Fair Value Adjustments on Financial Liabilities	0	33
Net (Gains) and Losses on Fair Value Adjustments on Financial Assets	(2)	12
	24,260	35,854

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

	Note	2025/26 £'000	2024/25 £'000
Council Tax Income		(146,003)	(134,834)
Non-Domestic Rates Income and Expenditure		(161,532)	(155,047)
Non-Ringfenced Government Grants	40	(58,966)	(45,636)
Capital Grants and Contributions	40	(43,207)	(69,983)
		(409,708)	(405,500)

NOTES TO THE ACCOUNTS

16. Property, Plant and Equipment

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

Movements in 2025/26	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>							
At 1 April 2025	1,418,002	860,525	59,249	79,359	29,299	25,158	2,471,592
Additions	40,836	10,284	7,656	23,862	1,333	125	84,096
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(19,428)	(955)	0	0	0	(513)	(20,895)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(29,911)	2,151	0	0	0	(350)	(28,110)
Derecognition – Disposals	(20,010)	0	(366)	0	0	0	(20,376)
Derecognition – Other	0	(527)	(5,889)	0	(36)	0	(6,452)
Transfers	41,938	1,782	0	(43,180)	0	(540)	0
Transfers to/from Investment Property	0	0	0	0	0	(318)	(318)
Transfers to/from Assets Held for Sale	0	0	0	0	0	(1,104)	(1,104)
At 31 March 2026	1,431,428	873,260	60,650	60,041	30,596	22,459	2,478,433
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2025	0	(2,100)	(29,146)	(8,388)	(54)	0	(39,688)
Depreciation charge	(19,113)	(16,269)	(6,501)	0	0	(6)	(41,888)
Depreciation written out to the revaluation reserve	18,919	18,625	0	0	0	149	37,694
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	(196)	0	0	0	(144)	(340)
Derecognition – Disposals	262	0	363	0	0	0	625
Derecognition - Other	0	5	5,889	0	0	0	5,894
Transfers	(67)	15	0	52	0	1	0
At 31 March 2026	0	80	(29,394)	(8,336)	(54)	0	(37,704)
At 31 March 2026	1,431,428	873,340	31,256	51,705	30,542	22,459	2,440,729
At 31 March 2025	1,418,002	858,425	30,103	70,971	29,245	25,158	2,431,904

NOTES TO THE ACCOUNTS

Movements in 2024/25	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>							
At 1 April 2024	1,384,023	851,670	59,592	51,684	26,724	27,170	2,400,861
Adjustment for ROU assets (IFRS16)	6,072	12,731	-	-	-	-	18,803
Revised At 1 April 2024	1,390,095	864,401	59,591	51,684	26,723	27,170	2,419,664
Additions	37,140	8,750	7,975	33,235	2,576	132	89,808
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,424)	(4,502)	0	0	0	(7,851)	(15,777)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	2,875	13,514	0	0	0	(3,704)	12,685
Derecognition – Disposals	(10,536)	0	(1,230)	0	0	0	(11,766)
Derecognition – Other	0	(15,450)	(7,108)	0	0	0	(22,558)
Transfers	1,852	(5,646)	0	(5,776)	0	9,570	-
Transfers to/from Investment Property	0	(542)	0	216	0	0	(326)
Transfers to/from Assets Held for Sale	0	0	21	0	0	0	21
Transfers to/from Assets Held for Sale	0	0	0	0	0	(159)	(159)
At 31 March 2025	1,418,002	860,525	59,249	79,359	29,299	25,158	2,471,592
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2024	0	(2,436)	(31,242)	(265)	(54)	(1)	(33,998)
Depreciation charge	(18,677)	(16,741)	(6,235)	0	0	0	(41,653)
Depreciation written out to the revaluation reserve	714	16,846	0	0	0	231	17,791
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	17,831	0	0	(8,131)	0	0	9,700
Derecognition – Disposals	132	0	1,225	0	0	0	1,357
Derecognition - Other	0	1	7,106	0	0	0	7,107
Transfers	0	230	0	8	0	(230)	8
At 31 March 2025	0	(2,100)	(29,146)	(8,388)	(54)	0	(39,688)
At 31 March 2025	1,418,002	858,425	30,103	70,971	29,245	25,158	2,431,904
At 31 March 2024	1,384,023	849,234	28,349	51,419	26,669	27,169	2,366,863

Infrastructure Assets

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

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

<i>Analysis of movement on net carrying amount:</i>	2025/26	2024/25
Net Book Value (modified historical cost)	£'000	£'000
at 1 April	259,253	247,207
Additions	22,459	23,101
Depreciation	(11,809)	(11,055)
Balance at 31 March	269,903	259,253

17. Right of Use Assets

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

	Land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Balance at 1 April 2025	12,068	317	12,385
Additions	0	377	377
Revaluations	27	0	27
Depreciation	(601)	(97)	(698)
Balance 31 March 2026	11,494	597	12,091

	Land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Balance at 1 April 2024	13,757	205	13,962
Additions	0	172	172
Revaluations	(47)	0	(47)
Depreciation	(656)	(60)	(716)
Derecognition of sub lease	(986)	0	(986)
Balance 31 March 2025	12,068	317	12,385

18. Heritage Assets

The council will undertake a valuation exercise for the financial year ended 31st March 2028 in accordance with its policy to revalue Heritage assets formally every 10 years. The carrying value as at 31 March 2026 is £4.32m pending the conclusion of this valuation exercise.

Art Collection

An art collection displayed at Ingested Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £1.402m. The remainder of the council's art collection was also reviewed in 2017/18.

17th Century Furniture

The council's museums display some fine examples of 17th century furniture. The furniture collection held at Ingestre Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £0.184m. The remainder of the council's furniture collection was also reviewed in 2017/18.

Civic Regalia & Presentational Silver

The civic regalia and presentational silver are assets that have been donated to or purchased by the council, which currently amount to over 100 items. Valuations provided by Factorings in 2017/18 estimated the collection held at the Mayors Parlour to be worth £1.413m with the remaining collection.

Other

The council holds other miscellaneous heritage assets including a collection of Ruskin pottery which was last valued at £0.081m and the Helen Caddick Ethnographical Collection estimated to be worth £0.075m.

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

19. Investment Properties

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

Income and Expenditure	2025/26 £'000	2024/25 £'000
Rental income from investment property	(4,022)	(4,038)
Direct operating expenses arising from investment property	1,114	1,206
Net (gain) / loss	(2,908)	(2,832)

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

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

Movement in the fair value of investment	2025/26 £'000	2024/25 £'000
Balance at start of the year	80,414	75,364
Additions	2,568	4,722
Disposals	(450)	(70)
Net gains / (losses) from fair value adjustments	(5,611)	80
Transfers	318	318
Balance at the end of the year	77,238	80,414

20. Assets Held for Sale

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

Assets Held for Sale	2025/26 £'000	2024/25 £'000
Balance at start of year	0	0
Assets newly classified as held for sale:		
Property Plant and Equipment	1,104	159
Revaluation	0	(3)
Assets sold	(1,104)	(156)
Balance at year end	0	0

21. Intangible Assets

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

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

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

Intangible Assets	2025/26 £'000	2024/25 £'000
Balance at start of year	15,514	8,837
Purchases	331	6,856
Transfer	0	(21)
Amortisation for the period	(1,661)	(158)
Net carrying amount at end of year	14,184	15,514
Comprising:		
Gross carrying amount	16,297	35,065
Accumulated amortisation	(2,113)	(19,551)
	14,184	15,514

22. Current Value of Non-Current Assets

Movement in the Current Value of Non-Current Assets

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip	Assets under Construction	Community Assets	Surplus Assets	Infrastructure Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	0	0	31,256	51,705	30,542	0	269,903	383,406
Valued at Current Value as at:								
31 March 2026	1,431,428	873,340	0	0	0	22,459	0	2,327,227
31 March 2025								0
31 March 2024								0
31 March 2023								0
31 March 2022								0
Total Cost or Valuation	1,431,428	873,340	31,256	51,705	30,542	22,459	269,903	2,710,633

Fair Value Measurement of Investment Properties & Surplus Assets

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

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

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

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

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

Level 1 – Quoted Prices

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

NOTES TO THE ACCOUNTS

Level 2 – Significant Observable

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

Level 3 – Significant Unobservable

The valuers have had to draw on several their own assumptions and utilised third-party resources to derive a fair value for these assets. These assets are therefore categorised at Level 3, as the measurement technique uses significant unobservable inputs.

Fair Value Hierarchy

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

Fair Value Hierarchy 2025/26	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input level 3 £000's	Fair Value 31st March 2026 £000's
<u>Fair Value Category:</u>				
Investment Properties:				
Cleared Sites	0	223	0	223
Community Centres	0	0	160	160
Compounds	0	1,425	0	1,425
Health Centre	0	3,506	0	3,506
Industrial Sites	0	8,072	0	8,072
Land	0	16,920	0	16,920
Office	0	733	0	733
Retail Sites	0	36,743	0	36,743
Shops	0	9,128	0	9,128
Vacant Sites	0	328	0	328
Investment Properties – Assets Under Construction	0	0	0	0
Total Investment	0	77,078	160	77,238
Surplus Assets:				
Land	0	21,834	0	21,834
Vacant Sites	0	624	0	624
Total Surplus	0	22,458	0	22,458
Total	0	99,536	160	99,696

NOTES TO THE ACCOUNTS

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

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 2026 £000's	31 March 2025 £000's
Opening Balance	160	0
Re-categorisation of Community Centre	0	160
Closing Balance	160	160

It should be noted that the gains and losses arising from changes in fair value of investment properties are recognised within the Financing and Investment Income and Expenditure line of the CIES. The fair value of the authority's Investment and Surplus Assets are measured and reviewed annually. The council's valuations are undertaken by external valuers in accordance with the following guidance relating to asset valuations for accounting purposes:

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

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

NOTES TO THE ACCOUNTS

23. Financial Instruments

Categories of Financial Instruments

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

Financial Assets	Non-Current				Current			
	Investments		Debtors		Investments plus Cash and Cash Equivalents		Debtors	
	31 March 26 £'000	31 March 25 £'000	31 March 26 £'000	31 March 25 £'000	31 March 26 £'000	31 March 25 £'000	31 March 26 £'000	31 March 25 £'000
Amortised Cost	0	84	873	873	68,496	62,689	27,013	40,255
Fair Value through Profit & Loss	0	0	4,717	4,825	0	0	0	0
Fair Value through Other Comprehensive Income	44,784	31,283	0	0	0	0	0	0
Total Financial Assets	44,784	31,367	5,590	5,698	68,496	62,689	27,013	40,255
Assets not defined as Financial Instruments	0	0	0	0	0	0	137,898	92,487
Total	44,784	31,367	5,590	5,698	68,496	62,689	164,911	132,742

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors and Liabilities		Borrowings		Creditors	
	31 March 26 £'000	31 March 25 £'000	31 March 26 £'000	31 March 25 £'000	31 March 26 £'000	31 March 25 £'000	31 March 26 £'000	31 March 25 £'000
Amortised Cost	(383,971)	(367,883)	(77,043)	(77,374)	(106,590)	(78,133)	(120,474)	(143,269)
Liabilities not defined as Financial Instruments	0	0	(49,856)	(128,171)	0	0	(8,134)	(12,431)
Total	(383,971)	(367,883)	(126,899)	(205,545)	(106,590)	(78,133)	(128,608)	(155,700)

NOTES TO THE ACCOUNTS

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

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

Fair value has been measured by:

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

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

The detailed soft loans information is as follows:

Salix Finance Ltd	31 March 2026	31 March 2025
	£'000	£'000
Opening Balance	692	1,254
+ New Loans Granted	0	0
- Fair Value Adjustment on Initial Recognition	0	0
- Loans Repaid	(495)	(594)
+/- Other Changes	0	33
Balance Carried Forward	197	692

NOTES TO THE ACCOUNTS

Soft Loan Valuation Assumption

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

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

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

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2026 as FVOCI:

Description	Nominal Value	Fair Value as at 31 March 26	Change in Fair Value during 2025/26	Dividends
	£'000	£'000	£'000	£'000
Birmingham Airport - Ordinary Shares	182	42,500	13,500	2,773
Birmingham Airport - Preference Shares	1,766	1,766	0	56
LEP Special Purpose Vehicle - Ordinary Shares	518	518	0	0
Investments in Equity Instruments	2,466	44,784	13,500	2,829

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

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

NOTES TO THE ACCOUNTS

Gains/Losses of Financial Instruments

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

	2025/26		2024/25	
	(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensive Income & Expenditure £'000	(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensive Income & Expenditure £'000
Net (gains)/losses on:				
Financial assets measured at fair value through profit or loss	(201)	0	13	0
Financial assets measured at amortised cost	4,745	0	4,380	0
Investments in equity instruments designated at fair value through other comprehensive income	0	(13,500)	0	4,900
Financial liabilities measured at amortised cost	33	0	33	0
Total net (gains)/losses	4,577	(13,500)	4,426	4,900
Interest revenue:				
Financial assets measured at amortised cost	(3,207)	0	(4,245)	0
Other financial assets measured at fair value through other comprehensive income	(2,829)	0	(6,181)	0
Total interest revenue	(6,036)	0	(10,426)	0
Interest expense	21,163	0	27,585	0

NOTES TO THE ACCOUNTS

Fair Values of Financial Assets

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

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

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

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

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

The tables below detail the fair value of assets classified and reclassified by the authority at input level 3 in 2025/26 compared to 2024/25:

2025/26	Unquoted Shares £'000	Other £'000	Total £'000
Opening Balance	31,284	4,825	36,109
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains/ (losses) for the period:	0	0	0
recognised in Surplus or Deficit on Provision of Services	0	94	94
recognised in Other Comprehensive Income and Expenditure	13,500	0	13,500
Disposals	0	(202)	(202)
Closing Balance	44,784	4,717	49,501

2024/25	Unquoted Shares £'000	Other £'000	Total £'000
Opening Balance	36,184	5,058	41,242
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains/ (losses) for the period:	0	0	0
recognised in Surplus or Deficit on Provision of Services	0	(91)	(91)
recognised in Other Comprehensive Income and Expenditure	(4,900)	0	(4,900)
Disposals	0	(142)	(142)
Closing Balance	31,284	4,825	36,109

NOTES TO THE ACCOUNTS

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

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

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

- For loans from the PWLB, new loan rates have been applied for 2024/25. An additional note to the tables sets out the alternative fair value measurement applying the new loan rates, highlighting the impact of the alternative valuation.
- For non-PWLB loans payable, PWLB new loan rates have been applied for 2024/25 to provide the fair value under PWLB debt redemption rate procedures.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities Not Held at Fair Value

The fair values calculated are as follows:

	31 March 2026		31 March 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	375,571	341,326	300,796	275,159
Non PWLB Debt	50,634	35,011	71,303	54,016
Other Local Authority Debt	35,134	35,134	37,624	37,703
Salix Loans (Interest Free)	197	197	692	692
Bank Overdraft	18,110	18,110	17,464	17,464
Other Temporary Borrowing	29,025	29,025	35,601	35,601
Total Debt	508,671	458,803	463,480	420,634
PFI & Finance Lease Liabilities	84,099	95,758	84,369	96,027
Creditors	95,308	95,308	118,811	118,811
Total Financial Liabilities	688,078	649,869	666,660	635,473

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

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the premature redemption rates available from the PWLB. If a value is calculated on this basis, the carrying amount of PWLB at £375.571m would be valued at £317,433m (this is the exit price for the PWLB loans including the penalty charge or reduction for discount).

NOTES TO THE ACCOUNTS

Financial Assets Not Held at Fair Value

Fair Values of Financial Assets	31 March 2026		31 March 2025	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short Term:				
Cash Equivalents plus Short Term Investments	68,496	68,496	62,689	62,689
Current Debtors	27,013	27,013	40,255	40,255
Total Short Term Assets	95,509	95,509	102,944	102,944
Long Term				
Local Enterprise Partnership	0	0	84	84
Non-Current Debtors	873	873	873	873
Total Long Term Assets	873	873	957	957
Total Financial Assets	96,382	96,382	103,901	103,901

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

Assets held at Fair Value are not included in the above table and include the council's long-term investment in Birmingham Airport which was revalued as at the 31 March 2026 which has seen an increase of £13.5m to £44.266mm (including preference shares) and the LEP Special Purpose Vehicle which is valued at £0.518m.

NOTES TO THE ACCOUNTS

Fair Value Hierarchy for Financial Assets and Financial Liabilities

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

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

31 March 2026				
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities held at amortised cost				
PWLB	0	375,571	0	375,571
Non-PWLB	0	114,793	0	114,793
Soft Loans	0	197	0	197
Bank Overdraft	0	18,110	0	18,110
PFI & Finance Lease Liabilities	0	84,099	0	84,099
Creditors	0	95,308	0	95,308
Total Financial Liabilities	0	688,078	0	688,078
Financial Assets at amortised cost				
Investments plus Cash & Cash Equivalents	0	68,496	0	68,496
Debtors	0	27,886	0	27,886
Total Financial Assets	0	96,382	0	96,382
31 March 2025				
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities held at amortised cost				
PWLB	0	300,796	0	300,796
Non-PWLB	0	144,528	0	144,528
Soft Loans	0	692	0	692
Bank Overdraft	0	17,464	0	17,464
PFI & Finance Lease Liabilities	0	84,369	0	84,369
Creditors	0	118,811	0	118,811
Total Financial Liabilities	0	666,660	0	666,660
Financial Assets at amortised cost				
Investments plus Cash & Cash Equivalents	0	62,773	0	62,773
Debtors	0	41,128	0	41,128
Total Financial Assets	0	103,901	0	103,901

Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

The key risks are:

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

Overall Procedures for Managing Risk

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

Credit Risk

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

Credit Risk Management Practices

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

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

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

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

Amounts Arising from Expected Credit Losses

The Authority's maximum exposure to credit risk in relation to its investments is £113.214m and is made up of long-term investments, short-term investments and cash & cash equivalents. Potential losses cannot be assessed generally as the risk of any institution failing to make interest payments or repay the sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk in terms of recoverability applies to all council deposits, but there is no evidence at the 31 March 2026 that this was likely to crystallise.

NOTES TO THE ACCOUNTS

A table to show the investments held by the Council at the 31 March 2026 is below:

Fitch Credit Ratings (or equivalent)	31 March 2026 £'000	31 March 2025 £'000
AAA	44,100	40,500
AA	0	0
A	829	554
BBB	0	0
N/A	68,285	52,668
Total	113,214	93,722

Allowances for impairment losses have been calculated (exc. LEP working capital) for investments held at 31 March 2026, 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.

Equity investments held at Fair Value through Other Comprehensive Income are outside the scope of impairment and therefore no impairment is required in 2025/26.

The impairment requirements do not apply to the Kickstart loans categorised as assets held at Fair Value through Profit and Loss, as current market prices are considered to be an appropriate reflection of credit risk and therefore, no further impairment will be required for this investment category in 2025/26.

Collateral

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

Liquidity Risk

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

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

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

Financial Instruments – Aged Debt Analysis	31 March 2026 £'000	31 March 2025 £'000
Less than 3 months	8,134	16,481
3 to 6 months	1,918	2,481
6 months to 1 year	4,361	2,440
More than 1 year	14,088	13,056
Total amounts overdue	28,501	34,458

Refinancing and Maturity Risk

NOTES TO THE ACCOUNTS

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

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

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

Maturity Structure of Fixed Rate Borrowing	Principal Amount as at 31 March 26 £'000	Percentage of Total Fixed Rate Debt	Approved Indicator	Principal Amount as at 31 March 2025 £'000
Less than 1 year	93,241	20.40%	40%	65,952
Between 1 and 2 years	68,698	15.00%	30%	33,241
Between 2 and 5 years	70,000	15.30%	30%	63,698
Between 5 and 10 years	19,500	4.30%	30%	34,500
Between 10 and 20 years	28,203	6.20%	30%	28,203
Between 20 and 30 years	83,115	18.20%	40%	83,115
Between 30 and 40 years	94,454	20.60%	50%	94,454
Between 40 and 50 years	0	0	70%	0
Above 50 years	0	0	90%	0
	457,211			403,163

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

Market Risk

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

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

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

NOTES TO THE ACCOUNTS

investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

The council's long-term debt and all investments are currently held at fixed rates of interest. Therefore, there would be no impact from an increase in interest rates, so there is no need for a sensitivity analysis. However, if interest rates had been 1% higher with all other variables held constant the fair value of the council's long-term debt would result in a decrease of £31.907m but this would not have any impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Price Risk – The council does not generally invest in equity shares but does have shareholdings to the value of £44.266m in Birmingham Airport and £0.518m in the Local Education Partnership. Whilst these holdings are generally illiquid, the council is exposed to losses arising in movements in the prices of the shares.

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

The shares have all been elected/classified as FVOCI, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £2.239m 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.

24. Short Term Debtors

Short Term Debtors	31 March 2026 £'000	31 March 2025 £'000
Other Government Entities	66,792	34,714
Trade Receivables	27,013	40,256
Local Taxation	32,260	28,025
Payments In Advance	38,846	29,747
Total	164,910	132,742

The debtor figures above are net of provisions for impairment losses of £64,401k in 2025/26, (£56,004k in 2024/25).

Other Government Entities increase is mainly related to money owed from HMRC of £39.2m (£14.4m 24/25), an increase of £24.8m from 24/25 due to VAT Refunds owed relating to January and February 2026 and capital amounts owed are £7.6m (£2.9m 24/25), an increase of £4.7m.

25. Debtors for Local Taxation

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

Debtor Analysis for Local Taxation	31 March 2026			31 March 2025		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Less than one year	6,808	3,623	10,431	7,589	3,942	11,531
One to two years	4,153	1,336	5,489	4,043	1,267	5,310
More than two	14,823	1517	16,340	10,465	719	11,184
Total	25,784	6,476	32,260	22,097	5,928	28,025

26. Cash and Cash Equivalents

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

Cash & Cash Equivalents	31 March 2026 £'000	31 March 2025 £'000
Bank current accounts	23,502	21,556
Short term deposits	44,929	41,055
	68,431	62,611
Bank Overdraft	(18,110)	(17,464)
Total Cash and Cash Equivalents	50,321	45,147

27. Short Term Creditors

Categories	31 March 2026 £'000	31 March 2025 £'000
Trade Payables	83,851	107,649
Other Payables	19,591	23,593
Finance Lease Creditors	7,056	6,994
Total	110,498	138,236

28. Other Long-Term Liabilities

Other Long-Term Liabilities	31 March 2026 £'000	31 March 2025 £'000
Finance Lease Creditors	68,117	68,117
Deferred Liabilities	203	206
Finance Lease Creditors – Right of Use Assets	8,927	9,258
Deferred Creditors	3,307	3,415
Pensions Liability	46,345	124,549
Other Long-Term Liabilities	126,899	205,545

NOTES TO THE ACCOUNTS

29. Provisions

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

Short Term Provisions	Termination Benefits £'000	Insurance £'000	Business Rates Appeals £'000	Ordinary Residence Dispute £'000	Total £'000
Balance as at 31 March 2025	523	1,631	4,634	1,013	7,801
Additional Provisions	403	0	0	126	529
Amounts Used	(330)	0	(5,578)	0	(5,908)
Unused Amounts Reversed	(193)	(270)	8,323	0	7,860
Balance as at 31 March 2026	403	1,361	7,379	1,139	10,282

Long Term Provisions	LEP Working Capital Loan £'000	Insurance £'000	Total £'000
Balance as at 31 March 2025	84	2,661	2,745
Additional Provisions	0	0	0
Amounts Used	(84)	0	(84)
Unused Amounts Reversed	0	(440)	(440)
Balance as at 31 March 2026	0	2,221	2,221

The main provisions held are:

- Since the changes to the retained **Business Rates** scheme came into effect from 1 April 2013, the council became liable for any successful rating valuation appeals. It therefore has Collection Fund provisions set aside to mitigate this liability as well as to cover any potential liabilities arising from the local Council Tax reduction scheme.
- Considering council wide restructuring required to address efficiency savings because of central government cuts, the accounts include termination benefit provisions totalling £0.403m. These provisions reflect the known costs of all **termination benefits** approved as at 31 March 2026.
- An **insurance provision** of £3.582m for previous years' asset, employee and public liability claims held in line with recommendations made within the actuarial valuation. This provision is split between current and long-term provisions of £1.361m and £2.221m respectively.
- Further details on the **council's insurance fund** can be found within Notes to the accounts, accounting policies, (Provisions, Contingent, Liabilities and Contingent Assets).

NOTES TO THE ACCOUNTS

30. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement. Additional information is provided in Note 12 in respect of Earmarked reserves.

31. Unusable Reserves

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

Unusable Reserves	31 March 26 £'000	31 March 25 £'000
Revaluation Reserve	(351,401)	(345,416)
Capital Adjustment Account	(1,556,692)	(1,568,203)
Financial Instrument Revaluation Reserve	(36,536)	(23,036)
Financial Instruments Adjustment Account	0	474
Pensions Reserve	46,345	124,549
Collection Fund Adjustment Account	2,924	1,878
Accumulated Absences Account	9,976	9,433
Deferred Capital Receipts Reserve	(1,174)	(949)
Total Unusable Reserves	(1,886,558)	(1,801,270)

Note 32a - Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets are either revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised.

Revaluation Reserve	2025/26 £'000	2024/25 £'000
Balance at 1 April	(345,416)	(353,977)
Upward Revaluation of Assets	(15,819)	(70,062)
Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provisions of Services	(1,006)	68,102
Surplus or Deficit on Revaluation of Non-Current Assets Not Posted to the Surplus or Deficit of the Provision of Services	(16,825)	(1,960)
Difference Between Fair Value Depreciation and Historical Cost of Depreciation	6,100	6,719
Accumulated Gains or Assets Sold or Scrapped	1,017	3,656
Amounts Written off to the Capital Adjustment Account	3,723	146
Balance at 31st March	(351,401)	(345,416)

NOTES TO THE ACCOUNTS

Note 32b - Capital Adjustment Account

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

Capital Adjustment Account	2025/26 £'000	2024/25 £'000
Balance at 1 April	(1,568,203)	(1,480,985)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and Amortisation of non current assets	56,114	53,590
Revaluation and impairment losses/(gains) on property, plant and equipment	28,388	(22,372)
Revenue expenditure funded from capital under statute	16,666	21,589
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	21,863	27,125
	123,031	79,932
Adjusting amounts written out of the Revaluation Reserve	(10,840)	(10,591)
Net written out amount of the cost of non-current assets consumed in the year	112,191	69,341
Capital financing applied in the year:		
Use of the Capital Receipts Reserve	(14,098)	(19,750)
Use of the Major Repairs Reserve	(20,323)	(22,925)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(43,317)	(67,258)
Applications of grants to capital financing from the Capital Grants Unapplied Account	(8,819)	(13,610)
Statutory provision for the financing of capital investment	(13,553)	(19,188)
Revenue Contributions to Capital	(6,180)	(10,041)
	(106,291)	(152,772)
Other Adjustments:		
Movements in the market value of Investment Properties debited or credited to the CIES	5,611	(78)
Movement in Donated Assets	0	(3,709)
Balance at 31 March	(1,556,692)	(1,568,203)

NOTES TO THE ACCOUNTS

Note 32c - Financial Instrument Revaluation Reserve

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

Financial Instrument Reserve	2025/26	2024/25
	£'000	£'000
Balance at 1 April	(23,036)	(27,936)
Upward revaluation of investments	(13,500)	0
Downward revaluation of investments	0	4,900
Balance at 31 March	(36,536)	(23,036)

Note 32d - Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The council uses the account to manage premiums/discounts paid/received on the early redemption of loans and differences in interest relating to soft loans and variable rate loans (LOBOs).

Financial Instruments Adjustment Account	2025/26	2024/25
	£'000	£'000
Balance at 1 April	474	497
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	0	(41)
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)	(474)	(15)
Salix Loans (EIR Adjustment)	0	33
Balance at 31 March	0	474

NOTES TO THE ACCOUNTS

Note 32e - Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

Pensions Reserve	2025/26 £'000	2024/25 £'000
Balance at 1 April	124,549	135,015
Remeasurements of the net defined benefit liability / (asset)	(57,120)	(229,100)
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	35,288	42,189
Employer's pensions contributions and direct payments to pensioners payable in the year	(55,908)	(54,529)
Adjustment for IFRIC 14 – Change in the effect of the asset ceiling	(464)	230,974
Balance as at 31 March	46,345	124,549

Note 32f - Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2025/26 £'000	2024/25 £'000
Balance at 1 April	1,878	(1,455)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,046	3,333
Balance as at 31 March	2,924	1,878

NOTES TO THE ACCOUNTS

Note 32g - Accumulated Absences Account

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

Accumulated Absences Account	2025/26 £'000	2024/25 £'000
Balance at 1 April	9,433	6,585
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	543	2,848
Balance as at 31 March	9,976	9,433

Note 32h – Deferred Capital Receipts

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

Deferred Capital Receipts	2025/26 £'000	2024/25 £'000
Balance at 1 April	(949)	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(225)	(949)
Balance as at 31 March	(1,174)	(949)

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2025/26 £'000	2024/25 £'000
Interest received	3,232	4,662
Interest paid	(21,207)	(28,450)
Dividends Received	2,829	6,181

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

	2025/26 £'000	2024/25 £'000
Depreciation	54,453	53,432
Impairment and downward valuations	27,950	(28,866)
Amortisation	1,661	158
Increase/(decrease) in creditors	(15,165)	14,769
(Increase)/decrease in debtors	(30,559)	(25,013)
(Increase)/decrease in inventories	(47)	(366)
Movement in pension liability	(20,620)	(12,340)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	21,863	26,086
Other non-cash items charged to the net surplus or deficit on the provision of services	7,405	2,820
	46,941	30,680

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

	2025/26 £'000	2024/25 £'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	5,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(30,089)	(16,103)
Any other items for which the cash effects are investing or financing cash flows	(23,905)	(77,196)
	(53,994)	(88,299)

33. Cash Flow Statement – Investing Activities

	2025/26 £'000	2024/25 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(117,031)	(115,443)
Purchase of short and long-term investments	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	29,864	15,154
Other receipts from investing activities	38,878	70,522
Net cash flows from investing activities	(48,289)	(29,767)

34. Cash Flow Statement – Financing Activities

	2025/26 £'000	2024/25 £'000
Cash receipts of short and long-term borrowing	382,229	313,421
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(331)	(5,966)
Repayments of short and long-term borrowing	(337,558)	(309,040)
Other payments/(receipts) from financing activities	(5,496)	3,067
Net cash flows from financing activities	38,844	1,482

35. Pooled Budgets

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

During 2025/26 Sandwell MBC hosted the Better Care Fund pooled budget the objectives and performance of the pooled budget are outlined below.

Better Care Fund (BCF)

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

Improved Better Care Fund Grant in 2025/26 – Grant Funding of £28,400,710

The grant is only for purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting timely hospital discharges; and ensuring that the local social care provider market is supported.

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

The standing orders and financial regulations of the pool host applies to the management of the pool fund and the financial performance of the pool for the year ended 31 March 2026 is shown below.

	Better Care Fund 2025/26 £'000	Better Care Fund 2024/25 £'000
SMBC as Lead Commissioner/Principal	52,598	51,152
ICB as Lead Commissioner/Principal	13,688	13,860
Net Expenditure	66,286	65,012
Income exc. Partner Contributions*	0	(70)
Net Expenditure	66,286	64,942
Partner Contributions:		
Sandwell & West Birmingham ICB	(37,406)	(33,477)
Sandwell MBC - I-BCF	(28,401)	(23,021)
SMBC ASC Discharge Grant*	0	(5,379)
ICB Discharge Grant*	0	(3,136)
Total Contribution	(65,806)	(65,013)
Net (Surplus) / Deficit in Year	479	(72)
Reserves brought forward	(14,591)	(14,519)
Net (surplus)/deficit transferred from Reserves	479	(72)
Total BCF Reserves	(14,112)	(14,591)

NOTES TO THE ACCOUNTS

36. Officers' Remuneration

Senior Employees

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

Position Title	Salary, Fees & Allowances	Other Emoluments	Total Remuneration exc Pension Contributions	Employers Pension Contribution	Total Remuneration inc Pension Contributions	Annualised Salary
2025/26	£	£	£	£	£	£
Shokat Lal (Chief Executive)	213,491	0	213,491	52,519	266,010	N/A
Assistant Chief Executive	104,210	17	104,227	25,636	129,863	N/A
Executive Director:						
Place	137,514	0	137,514	33,828	171,342	N/A
Children and Education	126,113	0	126,113	31,024	157,137	N/A
Finance and Transformation	138,836	0	138,836	34,154	172,990	N/A
Adult Social Care and Health	130,133	200	130,333	32,013	162,346	N/A
Director:						
- Public Health – Interim (a)	25,080	0	25,080	6,170	31,250	100,596
- Public Health – Interim (b)	54,621	0	54,621	13,437	68,058	72,762
- His Majesty's Senior Coroner Zafar Siddique	169,835	6,988	176,823	41,779	218,602	N/A

a) The Interim Director of Public Health departed the role on 30 June 2025 (Annualised Salary £100,596) and returned to their substantive post.

b) The Interim Director of Public Health was appointed on 1 July 2025 (Annualised Salary £72,762).

NOTES TO THE ACCOUNTS

Position Title	Salary, Fees & Allowances	Other Emoluments	Total Remuneration exc Pension Contributions	Employers Pension Contribution	Total Remuneration inc Pension Contributions	Annualised Salary
2024/25	£	£	£	£	£	£
Shokat Lal (Chief Executive)	201,566	70	201,636	49,585	251,221	N/A
Assistant Chief Executive	95,567	0	95,567	23,702	119,269	N/A
Executive Director:						
Finance and Transformation – Interim* (c)	30,360	0	30,360	0	30,360	335,800
Finance and Transformation (d)	129,470	0	129,470	32,049	161,519	143,637
Place (e)	132,478	0	132,478	32,773	165,251	153,021
People (f)	0	0	0	0	0	0
Director:						
- Adult Social Care	113,237	20	113,257	28,081	141,338	N/A
- Children and Education	103,587	0	103,587	25,691	129,278	N/A
- Public Health	98,179	(298)	97,881	24,679	122,560	N/A
- Environment (g)	31,320	1,576	32,896	8,001	40,897	196,839
- Housing Services – Interim* (h)	6,400	0	6,400	0	6,400	155,733
- His Majesty's Senior Coroner Zafar Siddique	150,600	8,240	158,840	39,085	197,925	N/A

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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	2025/26		2024/25	
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	227	270	184	267
£55,000 - £59,999	113	155	69	127
£60,000 - £64,999	51	69	59	54
£65,000 - £69,999	50	21	30	11
£70,000 - £74,999	24	3	27	7
£75,000 - £79,999	24	8	22	6
£80,000 - £84,999	16	10	17	7
£85,000 - £89,999	17	6	14	6
£90,000 - £94,999	6	5	7	5
£95,000 - £99,999	10	11	8	9
£100,000 - £104,999	6	4	5	1
£105,000 - £109,999	6	0	6	0
£110,000 - £114,999	2	0	2	0
£115,000 - £119,999	5	0	2	1
£120,000 - £124,999	2	3	0	1
£125,000 - £129,999	1	0	0	2
£130,000 - £134,999	0	0	1	2
£140,000 - £144,999	0	0	1	0
£150,000 - £154,999	0	0	1	1
£175,000 - £179,999	0	1	0	0
	560	566	455	507

37. Members Allowances

The total amount paid during 2025/26 to elected members of the council in respect of basic and special responsibility allowances was £1.529m (£1.409m in 2024/25).

38. External Audit Costs

	2025/26 £'000	2024/25 £'000
Sandwell Metropolitan Borough Council PSAA Scale Fee	650	632
Appointment of Auditor's Valuation Expert	0	10
Total fees for appointed Auditor	650	642
<u>Fees payable in respect of other services provided by Grant Thornton</u>		
Teachers' Pension Audit	13	13
Housing Benefit Audit	72	70
Children's Trust Audit	0	38
New Ledger / Data Transfer	0	10
<u>Non Grant Thornton Audit Fees</u>		
Children's Trust Audit - UHY	29	0
Total additional fees	114	131
TOTAL	764	773

39. Dedicated Schools Grant (DSG)

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

DSG is ring fenced and can only be applied to meet expenditure properly included in the school's budget, as defined in the School Finance (England) Regulations 2015. The schools budget includes elements for a range of educational services provided on a council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Dedicated Grant	Schools	2025/26			2024/25		
		Central Expenditure £'000	ISB £'000	Total £'000	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG before academy and high needs recoupment		0	0	515,198	0	0	466,668
Academy and high needs figure recouped		0	0	(216,736)	0	0	(194,235)
Total DSG after academy and high needs recoupment		0	0	298,462	0	0	272,433
Plus: Brought forward		0	0	5,292	0	0	5,689
Agreed initial budgeted distribution		69,790	233,964	303,754	71,970	206,153	278,122
In year adjustments		0	0	0	0	(1,377)	(1,377)
Final budget distribution		69,790	233,964	303,754	71,970	204,776	276,745
Less: Actual central expenditure		69,547	0	69,547	69,274	0	69,274
Less: Actual ISB deployed to schools		0	240,503	240,503	0	203,556	203,556
In year carry forward		243	(6,539)	(6,296)	2,696	1,220	3,915
Carry forward		0	0	(6,296)	0	0	3,915
Net DSG position at the end of 2024/25				(6,296)			3,915

40. Grant Income

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

The balances at each year end are as follows:

Revenue Grants Receipts in Advance	31st March 2026 £'000	31st March 2025 £'000
Accelerating Reform Grant	210	306
Community Discharge Grant	119	125
Digital Planning Improvement Fund	24	100
Green Belt Grant	70	70
Other Grants	120	243
Connect to Work Grant	214	0
Pride in Place Grant	435	0
Local Plan Implementation Grant	108	0
New Burdens - Renters' Rights Act Grant	94	0
Net Zero Grant	139	0
Total	1,534	844

Capital Grants Receipts in Advance	31st March 2026 £'000	31st March 2025 £'000
Short Term:		
Renewal & Growth	1,077	1,077
Other Grants	3,814	4,687
Other Contributions	154	331
	5,045	6,095
Long Term:		
Section 106	1,306	1,423
Disabled Facilities Grant	9,146	7,828
Levelling Up Funding – Tipton Town	10,316	7,425
Levelling Up Funding – Haden Hill LC	1,585	2,462
Levelling Up Funding – Grove Lane	12,800	3,091
Food Waste Collection	1,914	1,914
Green Networking	4,940	2,470
Pride in Place	750	0
Other Grants	989	1,464
Other Contributions	1,685	1,330
	45,431	29,407
Total	50,476	35,502

NOTES TO THE ACCOUNTS

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

	2025/26	2024/25
Credited to Taxation and Non Specific Grant Income	£'000	£'000
Non ring-fenced government grants:		
Section 31 Business Rates Grant	(43,122)	(43,071)
National Insurance Grant	(3,529)	0
Recovery Grant	(11,784)	0
Services Grant	0	(710)
Business Rates Green Plant and Machinery Exemption Grant	(151)	(151)
Levy Surplus Grant	0	(853)
New Homes Bonus	(379)	(777)
Capacity Funding Grant	0	(61)
New Burdens Grant - Transparency	0	(13)
	(58,966)	(45,636)
	2025/26	2024/25
Capital Grants and Contributions:	£'000	£'000
Local Transport Plan Grant	(11,638)	(7,754)
WMCA – Active Travel Tranche 2	0	(2,677)
Schools Basic Need Grant	(1,617)	(5,287)
Schools Capital Maintenance Grant	(4,916)	(1,219)
High Needs Grant	(4,494)	(1,485)
Devolved Formula Capital Grant	(560)	(530)
Homes England Grant	(121)	(3,175)
Towns Fund Grant	(3,768)	(6,759)
DFT Birchley Island	(1,002)	(701)
Football Foundation Grant - Playzones	(1,040)	0
Childcare Expansion Grant	(86)	0
Haden Hill Leisure Centre	(2,547)	(508)
Wednesbury Schemes	(45)	(19,755)
Tipton Town Regeneration	(3,302)	(1,574)
West Midlands Combined Authority	0	(6,658)
UKSPF	(1,208)	(3,169)
Community Infrastructure Levy	(355)	(387)
PSDS Grant Heat Pump Technology	(1,589)	(110)
Other Grants	(864)	(2,272)
IFRS16 Peppercorn Assets Contribution	(4,055)	(3,709)
Other Contributions	0	(2,254)
	(43,207)	(69,983)
Total Grants and Contributions Credited to Taxation and Non Specific Grant Income	(102,173)	(115,619)

NOTES TO THE ACCOUNTS

Credited to Services	2025/26 £'000	2024/25 £'000
Grants and contributions:		
Dedicated Schools Grant	(291,178)	(269,679)
Rent Rebates	(25,753)	(38,342)
Rent Allowance Subsidy	(20,655)	(26,217)
Public Health Grant	(30,054)	(28,140)
Improved Better Care Fund	(21,115)	(15,418)
Pupil Premium Grant	(16,151)	(15,863)
Grants Funding REFCUS	(5,136)	(7,211)
Social Care Support Grant	(55,391)	(46,612)
PFI Grants	(14,947)	(13,535)
Universal Infant Free School Meals	(2,990)	(3,007)
Post 16 Funding	(3,531)	(2,876)
Supporting Families	0	(2,500)
Children's and Families Grant****	(6,908)	(174)
Benefit Admin Grant	(1,035)	(1,032)
PE Sports Grant	(1,104)	(1,251)
New Burdens Grants	(1,388)	(1,298)
Extended Producer Responsibility Grant	(8,091)	0
Schools Budget Support Grant	(1,600)	0
Independent Living Fund	0	0
Household Support Grant	(6,832)	(7,657)
Preventing Homelessness Grant	(2,974)	(1,489)
Holiday Activities and Food Programme	(2,118)	(2,008)
Ukrainian Resettlement Grant	(345)	(943)
Discharge Fund Grant	0	(5,379)
Health Determinants Research Collaboration****	(1,126)	(787)
Market Sustainability & Improvement Fund	(8,085)	(8,085)
Afghan Resettlement Grant	0	(34)
School Led Tutoring Grant	0	0
Additional Schools Grant	(4,252)	(4,155)
Unaccompanied Asylum Seeker Children	(3,073)	(2,325)
Family Hubs Grant	(1,620)	(1,468)
Connect to Classroom	(49)	(1,081)
Early Years Grant	(1,089)	(1,288)
Teacher Pay Grant	(3,047)	(3,101)
SEN Funding	0	0
Teachers Pension Grant	(164)	(4,194)
Nursery Pupils	0	0
Home Office Grants	(2,026)	(1,864)
Communities Against Drugs Grant	(1,655)	(1,715)
Other Government Grants Under £1m****	(3,993)	(5,439)
Other Contributions And Donations	(15,143)	(27,287)
Better Care Fund Joint Funding	(31,003)	(30,357)
Covid 19 Wellbeing for Education Return Grant	0	(16)
Covid 19 Catch up Package Grant	0	(552)
Total Credited to Services	(595,621)	(584,378)

**** Change in 24/25 presentation to remove from Other Government Grants Under £1m for comparison to 25/26

41. Related Parties

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

Central Government

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

West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities (WMF&RA), levy precepts on the council. In addition, a levy from the West Midlands Integrated Transport Authority totalling £14.333m and a Flood Defence levy of £0.097m were made during the financial year.

Members

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

In 2025/26 payments to other organisations where Members have declared an interest totalled £7.230m (excluding £0.15m Sandwell Schools) and income received totalled £1.002m (excluding £5.992m Schools).

Other Organisations

The council made grants to voluntary organisations amounting to £8.371m during 2025/26.

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 £8.382m to the LEP during 2025/26 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 £0.518m holding of 10% loan stock. Interest on these investments of £0 has been received in 2025/26.

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 £0.212m to SIPS in 2025/26 and received £0.035m in relation to goods and services supplied by the council to SIPS in the same year.

Sandwell is also a constituent member, together with the other six West Midlands metropolitan districts, of the **West Midlands Combined Authority (WMCA)**. In addition to the Transport Levy the council made payments totalling £1.739m to WMCA in 2025/26 and received £0.432m in relation to goods and services supplied by the council to WMCA in the same year. The WMCA wholly owns both West Midlands Rail Limited and West Midlands Growth Company, as the council is a constituent member of the WMCA it therefore owns a proportion of both companies. There have been no direct transactions between these companies and the council.

Sandwell Children's Trust was established on 1st April 2018 to provide for Sandwell's children's social care services. The council made payments totalling £104.572m to Sandwell Children's Trust (SCT) in 2025/26 and received £5.376m in relation to goods and services supplied by the council to SCT in the same year. SCT have been consolidated into the Councils group.

Pension Liabilities

Sandwell Council's total pension contributions is £51.338m of which £4.973m relates to staff who were transferred over to SCT. At the 2025 valuation the split of assets between Sandwell Council and SCT is £1,847m and £74m respectively, which is approximately 4% of the total IAS19 position.

42. Capital Expenditure and Capital Financing

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

	2025/26 £'000	2024/25 £'000
Opening Capital Financing Requirement	898,139	875,504
Prior Year Adjustments:		
Right of Use Assets – Initial Recognition	0	10,254
PFI IFRS16 Adjustments	0	18,904
Revised Opening Capital Financing Requirement	898,139	904,662
Capital Investment:		
Property, Plant & Equipment	106,555	112,909
Heritage assets	0	0
Investment properties	2,568	4,722
Intangible assets	331	6,856
Right of Use Asset	377	172
Revenue Expenditure Funded from Capital under Statute	16,666	21,590
	126,497	146,249
Sources of Finance:		
Government grants & other contributions	(52,136)	(80,868)
Capital receipts	(14,098)	(19,750)
Direct revenue contributions	(6,180)	(10,041)
Minimum Revenue Provision	(13,553)	(19,188)
Major Repairs Reserve	(20,323)	(22,925)
	(106,290)	(152,772)
Closing Capital Financing Requirement	918,346	898,139
Explanation of movements in year:		
Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	(20,207)	6,523
Increase/ (decrease) in Capital Financing Requirement	(20,207)	6,523

43. Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. As at 31 March 2026 the Council had allocated resources to a five-year programme covering the period 2026/27 to 2030/31 that amount to £613.174m (2025/26 to 2029/30 £646.687m).

There are no amounts included within the five-year programme that are legally committed as at 31 March 2026 (31 March 2025 £0.757m).

44. Leases

The Council as Lessee

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

Transactions Under Leases

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

	2025/26 £'000	2024/25 £'000
<u>Comprehensive Income and Expenditure Statement</u>		
Interest expense in lease liabilities	430	441
Expense relating to short-term leases	227	301
Expense relating to leases of low-value items	330	254
Income from subletting right-of-use assets	(63)	(64)

Maturity analysis of lease liabilities

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

	31 March 2026 £'000	31 March 2025 £'000
Less than one year	1,064	1,018
One to five years	4,024	3,851
More than five years	7,244	8,105
Total undiscounted liabilities	12,332	12,974

NOTES TO THE ACCOUNTS

Council as Lessor

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

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

Expenditure and Income by Nature	2025/26 £'000	2024/25 £'000
Not later than one year	3,268	3,521
Later than one year and not later than five years	11,579	12,799
Later than five years	111,233	168,466
Total	126,080	184,786

Of the total amount receivable for future lease income of £184.786m for 2024/25, £4.819m related to a lease that commenced after 31st March 2025.

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

45. Private Finance Initiatives and Similar Contracts

Riverside Housing

The Council entered into a 25-year agreement with Riverside Housing Association on 27 March 2006 for the refurbishment of council dwellings on the Harvill's Hawthorn and Millfield's estates. In addition to the planned refurbishments this scheme also includes 132 new build homes and 67 'Walls in Walls Out'.

The Council has the right to use the specified assets for the duration of the project agreement and the right to expect the provision of housing management services. At the end of the concession period the specified assets will transfer back to the Council in line with predetermined standards. Both parties have the right to terminate the contract should the contract no longer represent value for money. The Council has a right to terminate the agreement in instances of contractor default, persistent breach and voluntary termination. The unitary charge for 2025/26 was £9.7m (£9.6m in 2024/25).

The contract is now into the housing management & life cycle works phase, as the initial capital investment works including demolitions have been completed.

Rowley Campus

Under the national Building Schools for the Future (BSF) programme the Council entered into a 25-year agreement with Environments for Learning (E4L) for it to design, build, finance and operate the Rowley Campus. This is a co-location of the former St Michaels High School, Whitehead Pupil Referral Unit and Westminster Special School and became fully operational in June 2011.

The Council has a right to use the Rowley Campus for the length of the project agreement (25 years ending Qtr. 1 2036) and has the right to expect provision of a range of facilities management and lifecycle services. At the end of the project agreement the assets will revert to the Council's ownership. The contract for tested services (including caretaker services and portage, 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 2025/26 totalled £7.7m (2024/25 was £8.1m).

Total Schools Solutions

The Council entered a 25-year contract in September 2003 with Total Schools Solutions Ltd to design, build, finance and operate 5 primary schools, replacing the Council's existing provision.

The Council has the right to use the 5 schools which were constructed under the contract (the last school being completed in 2004) for the length of the project agreement and has the right to expect the provision of a range of facilities management (FM) and lifecycle services. The schools will be handed back to the Council on the contract expiry date (quarter 4 2029) in a condition which complies with the hand back requirements as set out in the project agreement. The contract for the soft FM services (including general management, cleaning, ground maintenance, security, etc) is to be retendered every 5 years. The Council can issue a voluntary termination giving a notice of between 6 and 12 months or can terminate upon contractor default. The contractor can also terminate upon default by the Council within a period of 120 days following the default.

The unitary charge for 2025/26 was £3.2m (2024/25 was £3.3m).

NOTES TO THE ACCOUNTS

Portway Lifestyle Centre

The Council entered a 25-year contract with Sandwell Property Partnership (Lift Co) to design, build, finance and carry out facilities maintenance (hard only) at the Portway Lifestyle Centre, which became operational in September 2013.

The Council has a lease plus agreement giving it the right to utilise most of the building as a leisure centre and a small adult services day care centre. The remainder of the building is leased by Sandwell Property Partnership to a GP Service. The Council has the right to expect the provision of facilities management (FM) and lifecycle services and sublets its share of the building to Sandwell Leisure Trust, who are responsible for soft facilities management (caretaker, cleaning and security services).

The Council will have an option to buy the building at the contract expiry date (quarter 2 2038) and also has the right to exercise the option to purchase during the contract period, upon serving an option notice to the landlord. The Council has a right to terminate the agreement in instances of landlord default and where it is acting in line with the Strategic Service Development Plan under the Strategic Partnering Agreement, letting the premises to an acceptable tenant to the landlord or selling its interest in the site, so long as this does not create an economic disadvantage to the landlord.

The unitary charge for 2025/26 was £1.5m (2024/25 was £1.5m).

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

Liabilities resulting from PFI Contracts		Riverside Housing	Total School Solutions	BSF Rowley Campus	Portway	Total PFI Schemes	Total Finance Lease Liabilities
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2026	Current	(2,326)	(1,466)	(2,209)	(389)	(6,390)	(6,390)
	Long Term	(16,727)	(6,223)	(37,412)	(7,755)	(68,117)	(68,117)
	Total	(19,053)	(7,689)	(39,621)	(8,144)	(74,507)	(74,507)
Balance at 31 March 2025	Current	(2,326)	(1,466)	(2,209)	(389)	(6,390)	(6,390)
	Long Term	(16,727)	(6,223)	(37,412)	(7,755)	(68,117)	(68,117)
	Total	(19,053)	(7,689)	(39,621)	(8,144)	(74,507)	(74,507)
Movement in Year		0	0	0	0	0	0
<u>Analysis of Movement in Year:</u>							
Write down of liability		0	0	0	0	0	0
		0	0	0	0	0	0

*** PFI Models are being updated and PFI accounting adjustments will be reflected in the Final 2025/26 Statement of Accounts**

NOTES TO THE ACCOUNTS

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

Schedule of payments due to be made under PFI contracts	Within 1 Year	Within 2 - 5 Years	Within 6 - 10 Years	Within 11 - 15 Years	Total
	£'000	£'000	£'000	£'000	£'000
Riverside Housing PFI					
Liability Repayments	2,326	16,061	665	0	19,052
Interest Charges	985	1,877	35	0	2,897
Operating Costs	2,854	11,724	2,847	0	17,425
Lifecycle Costs	3,482	3,816	893	0	8,191
	9,647	33,478	4,440	0	47,565
Total School Solutions PFI					
Liability Repayments	1,466	6,223	0	0	7,689
Interest Charges	719	1,378	0	0	2,097
Operating Costs	1,011	3,714	0	0	4,725
Lifecycle Costs	126	503	0	0	629
	3,322	11,818	0	0	15,140
BSF Rowley Campus PFI					
Liability Repayments	2,209	11,860	20,171	5,381	39,621
Interest Charges	3,777	12,681	8,728	513	25,699
Operating Costs	1,660	6,640	8,296	1,482	18,078
Lifecycle Costs	510	1,446	3,589	90	5,635
	8,156	32,627	40,784	7,466	89,033
Portway PFI					
Liability Repayments	389	1,960	3,081	2,714	8,144
Interest Charges	553	1,909	1,599	781	4,842
Operating Costs	354	1,417	1,772	1,209	4,752
Lifecycle Costs	222	786	1,138	479	2,625
	1,518	6,072	7,590	5,183	20,363
Total Payments	22,643	83,995	52,814	12,649	172,101

*** PFI Models are being updated and PFI accounting adjustments will be reflected in the Final 2025/26 Statement of Accounts**

NOTES TO THE ACCOUNTS

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

	Council Dwellings (Riverside) £'000	Buildings (Total Schools) £'000	Buildings (Rowley Campus) £'000	Land & Buildings (Portway) £'000	Total £'000
Balance at 1 April 2025	51,585	32,053	59,584*	13,714	156,936
Additions	2,341	31	0	0	2,372
Revaluations	(1,602)	430	(1,643)	199	(2,616)
In Year Depreciation	(689)	(613)	(1,232)	(256)	(2,791)
Depreciation Written Out	689	613	1,232	256	2,791
Other Movements	(480)	0	0	0	(480)
Balance at 31 March 2026	51,844	32,514	57,941	13,913	156,212

* Rowley Campus opening balance has been corrected for prior year error (disclosure only)

Serco Limited Waste Contract

The council entered a 25-year contract with Serco Limited on 9 November 2010 to cover the delivery of waste and cleansing services across the borough.

At the commencement of the contract Sandwell MBC transferred its fleet of waste disposal vehicles over to Serco Limited at nil value. However, for the duration of the contract Serco Limited will be solely responsible for the replacement of the vehicle fleet to ensure they are of a standard to provide the services required by the contract. All vehicles transferred by the council and subsequently purchased by Serco Limited will be solely used for the delivery of this contract for the assets' entire lives. Ownership of these assets will revert to the council at the end of the agreement.

The council-owned depot located at Shidas Lane is to be leased to Serco Limited for the duration of the contract for which a peppercorn rent is payable. Serco Limited have also developed a new waste disposal site on behalf of the council on a site previously purchased by SMBC, under a standard construction contract. This asset was financed from the council's capital programme and was fully operational at 31 March 2013. The vehicle fleet, council-owned depot and waste disposal site are all held on the Councils balance sheet.

Upon default by the council, Serco Limited may terminate the contract by giving 30 days' notice. The termination notice must be served within 30 days of the contractor becoming aware of the default. The council may terminate the contract where the contractor fails to rectify defaults notified to them by the council, or on the occurrence of persistent breach of the contract. The council made payments of £31.355m in 2025/26 to Serco Limited (£31.993m in 2024/25).

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

Schedule of payments due to be made under PFI contracts	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Total £'000
SERCO				
Operating Costs	35,609	154,882	199,129	389,620
Lifecycle and Other Costs	2,397	9,570	12,382	24,349
	38,006	164,452	211,511	413,969

NOTES TO THE ACCOUNTS

The table below provides the value of assets held under service concession arrangements at each Balance Sheet date and an analysis of the movement in those values:

	31 March 2026 £'000	31 March 2025 £'000
Balance as at 1 April	7,354	7,592
Replacement asset (start of period)	222	594
Depreciation	(891)	(832)
Balance as at 31 March	6,685	7,354

As at the 31st March 2026 the Council had £5.6m (£3.9m at 31st March 2025) of prepayments relating to the contract with Serco Limited.

46. Impairment Losses

During 2025/26 no material Impairment Losses have been identified in relation to the Council's Non-Current assets.

The Council's Valuers carried out impairment reviews where deemed appropriate, to determine if there were any material changes in property values from the 1 April 2025 to 31 March 2026.

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.

47. Termination Benefits

The council terminated 56 employee contracts (excluding schools) in 2025/26 to meet the ongoing challenges of the difficult economic climate and budget reductions, incurring liabilities of £2.154m.

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

(Exit Packages) Band	Total Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (£'000)		Details of Termination Packages - Cost of Prior Year's Included in Current Year Numbers Cost ('000)	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25		
£0 - £20,000	0	1	31	23	31	24	206	110	4	41
£20,001 - £40,000	0	0	11	6	11	6	308	162	3	77
£40,001 - £60,000	2	1	6	1	8	2	383	82	0	0
£60,001 - £80,000	0	0	3	1	3	1	215	60	1	75
£80,001 - £100,000	0	0	1	1	1	1	86	100	1	98
£100,001 - £150,000	0	0	0	1	0	1	0	118	0	0
£150,001 - £200,000	0	0	1	1	1	1	183	195	0	0
£201,000 - £250,000	0	0	0	0	0	0	0	0	1	216
£250,001 - £300,000	1	0	0	0	1	0	266	0	0	0
£300,001 - £350,000	0	0	0	0	0	0	0	0	0	0
TOTAL	3	2	53	34	56	36	1,647	827	10	507

NOTES TO THE ACCOUNTS

The council incurred costs of £2.154m relating to the termination of employee contracts in 2025/26. Directorates have funded £1.824m and £0.330m has been applied to provisions set at the end of 2024/25. There were 56 leavers in 2025/26 incurring total costs of £1.647m. The remaining £0.507m relates to 10 contracts terminated in previous years for which costs have been paid in 2025/26.

A provision of £0.523m was created at the end of 2024/25 for planned leavers to 31 March 2025. Of this £0.330m has been utilised, £0.152m has been re-provided for in 2025/26 and £0.042m has been released back to services. Agreements were made in 2025/26 for 4 employees to leave the council in 2026/27 at an estimated cost of £0.203m; a provision has therefore been created for this amount. A provision of £0.048m has been created for 1 employee who left the council in 2025/26 but for whom costs have not yet been incurred.

As at 31/03/2026, the council holds a total provision of £0.403m for terminations.

Schools terminated 44 employee contracts in 2025/26, incurring liabilities of £0.559m.

48. Defined Benefit Pension Schemes

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

Teachers

The teachers employed by the council are members of the Teachers Pension Scheme (TPS) which is a defined benefit multi-employer scheme operated by the Department for Education (DFE). The scheme is managed by the Teachers Pensions Agency under the Teachers Pensions Regulations 1997. The Teachers Pensions Fund is accounted for as a defined contribution scheme in line with the requirements of IAS19 since the scheme is notionally funded and for which underlying liabilities cannot be identified on a consistent basis.

In 2025/26 the council paid £19.780m (2024/25 £21.894m) to the DFE in respect of teachers' pension costs. This represents 23.68% of teacher's pensionable pay. Estimated contributions for 2026/27 are £20.769m which is representative of a contribution rate of 28.68%. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2025/26 these amounted to £1.222m (2024/25 £3.327). 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 2025/26 the council paid £0.045m (2024/25 £0.043m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. Estimated contributions for 2026/27 are £0.047m based on a contribution rate of 14.38%.

Other Employees

Other employees of the council contribute to the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. In 2025/26 the council paid an employer's pension contribution of £51.338m (2024/25 £49.979m) based on 24.6% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Contributions for 2026/27 were estimated at £36.313m based on 17.46% of pensionable pay.

The capital cost of awarding discretionary additional benefits relating to the year 2025/26 was £0.800m (2024/25 £0.688m). These costs have been met from revenue.

NOTES TO THE ACCOUNTS

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:

	2025/26 £'000	2024/25 £'000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Current Service Cost	27,966	37,183
Past Service Costs	890	910
Settlements and Curtailments	0	(2,040)
Financing and Investment Income and Expenditure		
Net Interest Expense	6,432	6,136
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	35,288	42,189
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)	(76,032)	58,878
- Actuarial gains and losses arising on changes in demographic assumptions	(30,504)	(3,188)
- Actuarial gains and losses arising on changes in financial assumptions	(36,997)	(271,477)
- Experience (gain) / loss	86,413	(13,313)
Changes in the effect of the asset ceiling	(464)	230,974
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(57,584)	1,874
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(35,288)	(42,189)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's Contributions payable to scheme	51,338	49,979
Retirement benefits payable to pensioners	4,570	4,550
Net Movement in Reserves	20,620	12,340

*Under IFRIC14, an asset ceiling limits the amount of the net pension asset that can be recognised to the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan. An

NOTES TO THE ACCOUNTS

adjustment has been made in the Accounts to apply this asset ceiling, as calculated by the actuary, as the year end results showed a net asset in the pension scheme.

Further information regarding other employee's pensions can be found in the West Midlands Authorities Superannuation Fund's Annual Report, which is available upon request from:

West Midlands Pension Fund, PO Box 3948, Wolverhampton WV1 1XP.

Website:<https://www.wmpfonline.com>.

NOTES TO THE ACCOUNTS

Pensions assets and liabilities recognised in the Balance Sheet

The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2026 have been provided by the Funds' Actuary and are detailed below:

	2025/26 £'000	2024/25 £'000
-		
Present Value of the defined benefit obligation		
Local Government Pension Scheme (funded)	(1,644,261)	(1,544,166)
Local Government Pension Scheme (unfunded)	(8,762)	(9,530)
Teachers Pension Scheme (unfunded)	(37,583)	(36,207)
Total Present Value of the defined benefit obligation	(1,690,606)	(1,589,903)
Fair Value of assets in the local government pension scheme	2,061,700	1,860,363
Surplus / (Deficit) in the scheme:		
Local Government Pension Scheme (LGPS)	408,677	306,667
Teachers Pension Scheme (TPS)	(37,583)	(36,207)
Net asset/(liability) before consideration of asset ceiling	371,094	270,460
Effect of the asset ceiling on Net Asset/(Liability)	(417,439)	(395,009)
Revised Balance Sheet Net Pension Liability	(46,345)	(124,549)

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2025/26 £'000	2024/25 £'000
Opening Balance at 1 April	(1,589,903)	(1,815,903)
Current Service Cost	(27,966)	(37,183)
Past service costs / curtailment	(890)	(910)
Settlements	0	4,979
Interest on pension liabilities	(91,365)	(87,438)
Contributions by scheme participants	(13,643)	(13,038)
Benefits paid	67,579	67,062
Unfunded benefits paid	4,570	4,550
Remeasurement (gain) / loss:		
-Actuarial gains and losses arising on changes in financial assumptions	36,997	271,477
-Actuarial gains and losses arising on changes in demographic assumptions	30,504	3,188
- Experience (gain) / loss	(106,489)	13,313
Closing Balance at 31 March	(1,690,606)	(1,589,903)

Reconciliation of fair value of the scheme (plan) assets:	2025/26 £'000	2024/25 £'000
Opening Balance at 1 April	1,860,363	1,837,335
Settlements	0	(2,939)
Interest Income	107,827	88,890
Contributions by scheme participants	13,643	13,038
Employer contributions	51,338	49,979
Benefits paid	(67,579)	(67,062)
Return on assets less interest	96,108	(58,878)
Closing Balance at 31 March	2,061,700	1,860,363

NOTES TO THE ACCOUNTS

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. Statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. When there is a deficit on the LGPS this will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

Asset Category	2025/26 £'000	2024/25 £'000
Debt Securities	786,157	744,882
Private Equity	106,937	115,631
Real Estate	127,555	126,123
Investment Funds and Unit Trusts	1,041,051	784,077
Derivatives	0	(817)
Cash	0	90,467
Total	2,061,700	1,860,363

Basis for Estimating Assets & Liabilities

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

	2025/26	2024/25
Mortality Assumptions:		
Longevity at 65 for current pensioners		
• Men	21.2 years	20.5 years
• Women	23.8 years	23.3 years
Longevity at 65 for future pensioners		
• Men	21.7 years	21.2 years
• Women	25.1 years	24.7 years
Financial Assumptions:		
Rate of Increase in Salaries (LGPS)	4.00%	3.75%
Rate of CPI Inflation	3.00%	2.75%
Rate of Increase in Pensions	3.00%	2.75%
Discount Rate	6.20%	5.80%

Changes in Assumptions on Conversion of Schools to Academies

The assets and liabilities of one school was transferred out of the scheme during 2025/26 and, in line with IAS 19, remeasurement of the profit and loss items from the date of any special event for the remainder of the accounting period was considered. These transfers were not deemed to be significant and therefore there has not been any remeasurement of the profit and loss items. Two schools were transferred in 2024/25.

49. Contingent Assets and Liabilities

Contingent Liabilities

There are presently 6 active civil litigation claims (3 in 2024/25) and 6 active employment tribunal cases (2 in 2024/25).

Municipal Mutual Insurance Ltd (MMI)

Municipal Mutual Insurance Ltd (MMI), through which the council had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take several years for them to arise, however the company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the company entered a scheme of arrangement with its creditors, which was triggered in 2012/13. A levy amounting to 15% of the total claim payments was previously issued to all the members of the scheme and has since been settled by the Council. The scheme administrator then issued a further 10% levy to all scheme members and this also has been settled by the Council.

Contingent Liability – Unlodged Appeals

Following the 2017 revaluation of properties, a new appeal process was introduced called Check, Challenge and Appeal. The new system was designed to stabilise the volume of appeals and thus provide more certainty to council finances. However, due to problems with the new system the number of businesses appealing their new rating valuation has so far been low. Given the lack of information available from the VOA for claims relating this period, the council has relied on information from our rating experts, Analyse Local, to estimate the potential loss of income in respect of future successful valuation appeals.

Analyse Local has provided a threats report identifying potential appeals of £0.050m. Using information from Analyse Local on the historic proportion of threats that have actually progressed to check and challenge we have included £0.043m of these threats within our appeals provision. We have excluded the remaining £0.006m because it is not possible to estimate with reliability the outflow of cash required to settle these unlodged appeals due to the uncertainty of the appeal being lodged, the eventual settlement date, the new processes in place, the backlog of appeals and impact of Covid-19.

Major Projects – Housing Revenue Account

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

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

Contingent Assets

The council has placed tax claims for postage, landfill tax and compound interest with legal counsel. No values can be placed on these claims at this time. The periods and nature of the supplies recoverable will be part of the ruling in the lead cases.

A provision has not been made as the exact amount of the potential asset involved cannot be accurately determined at this time.

Housing Revenue Account

2025/26

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

HOUSING REVENUE ACCOUNT

HRA Income and Expenditure Statement	2025/26	2024/25
	£'000	£'000
<u>Income:</u>		
Dwelling Rents	(137,818)	(135,731)
Non-Dwelling Rents	(1,501)	(1,560)
Charges for Services & Facilities	(4,307)	(4,444)
PFI Grant	(5,713)	(5,714)
Total Income	(149,339)	(147,449)
<u>Expenditure:</u>		
Repairs & Maintenance	47,921	42,437
Supervision & Management	39,253	38,152
Rent, Rates, Taxes & Other Charges	3,202	2,332
PFI Contract*	8,346	5,936
Depreciation & Impairment of Non-Current Assets	50,243	(934)
Movement in Impairment Allowance for Bad Debts	988	1,389
Total Expenditure	149,953	89,312
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	614	(58,137)
(Gain) or loss on sale of HRA Non Current Assets	(8,489)	(4,161)
(Gain) or loss on revaluation of HRA Non Current Assets	2	20
PFI Interest payable and similar charges*	0	1,090
Pensions Interest Costs	812	767
Interest payable and similar charges	26,179	25,637
Interest and Investment Income	(1,947)	(2,509)
Non Ringfenced Government Grants	(325)	0
Capital grants and contributions receivable	(4,272)	(12,970)
(Surplus) / Deficit for the year on HRA services	12,574	(50,263)
Movement on Housing Revenue Account Balance Statement	2025/26	2024/25
	£'000	£'000
Balance on the HRA at the end of the previous reporting period	(51,150)	(48,170)
(Surplus)/deficit for the year on the Income and Expenditure Statement	12,574	(50,263)
Adjustments between accounting basis and funding basis under statute	(11,476)	47,283
(Increase)/decrease in year on the HRA	1,098	(2,980)
Balance on the HRA at the end of the current reporting period	(50,052)	(51,150)

* to be updated in the Final Statement of Accounts

HOUSING REVENUE ACCOUNT

Note to the Statement of Movement on the HRA Balance

Adjustments between accounting basis and funding basis under statute	2025/26 £'000	2024/25 £'000
Depreciation & impairment of Non-Current Assets	(50,243)	966
Gain or loss on sale of HRA Non-Current Assets	8,489	4,161
Gain or loss on revaluation of HRA Non-Current Assets	(2)	(20)
Capital grants and contributions receivable	4,272	12,970
Contributions to Pension Reserve	2,715	1,400
Accumulated Compensated Absences Account	92	(13)
Adjustments to Financial Instruments	421	13
Capital expenditure funded by the HRA	2,490	6,392
Transfer to Major Repairs Reserve	20,290	19,378
PFI Finance Lease Creditor*	0	2,037
Total Adjustments Between an Accounting Basis and a Funding Basis	(11,476)	47,284

* to be updated in the Final Statement of Accounts

HOUSING REVENUE ACCOUNT

Notes to the HRA Accounts

1. Housing Stock as at 31 March

Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 31 March 2026	Total No. 31 March 2025
<u>0 Bedroom</u>						
Bungalow	0	0	2	0	2	2
Flat	0	17	24	0	41	42
<u>1 Bedroom</u>						
Houses	0	1	2	0	3	3
Flats	219	1,388	4,397	209	6,213	6,157
Bungalows	383	316	664	0	1,363	1,364
<u>2 Bedroom</u>						
Houses	1,526	804	502	256	3,088	3,115
Flats	120	2,308	2,225	190	4,843	4,782
Bungalows	6	51	56	83	196	186
<u>3 Bedroom</u>						
Houses	6,236	2,733	1,588	139	10,696	10,882
Flats	46	204	225	4	479	480
Bungalows	1	1	9	1	12	12
<u>4 Bedroom</u>						
Houses	406	157	36	91	690	668
Bungalows	0	0	2	0	2	2
<u>5 Bedroom</u>						
Houses	8	5	1	0	14	14
<u>6 Bedroom</u>						
Houses	3	1	1	1	6	6
<u>7 Bedroom</u>						
Houses	0	0	0	1	1	1
<u>8 Bedroom</u>						
Houses	0	0	1	0	1	1
Total Stock	8,954	7,986	9,735	975	27,650	27,717

The housing stock at 31 March 2026 includes 943 council dwellings (952 at 31 March 2025) 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

	2025/26 £'000	2024/25 £'000
Dwellings	1,431,427	1,418,001
Other Land and Buildings	1,541	1,194
Surplus Assets	2,801	3,531
Vehicles, Plant and Equipment	3,230	3,021
Assets Under Construction	46,161	66,538
Investment Property	88	90
Intangible Assets	3,755	4,210
Total Balance Sheet Value	1,489,003	1,496,585

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

Due to the large number of dwellings held by the council it is not practical to account for each property individually and so all assets that fall into this category are grouped together under the heading of Council Dwellings and are accounted for at this higher level. When additions to the stock are made, these are revalued based on the beacon and social use factor of 40%. Where previous revaluation gains exist any revaluation losses relating to new additions are offset against these gains. In 2025/26, no losses relating to new additions were offset against revaluation gains from previous years.

3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2025 was £3,545.046m, 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 £1,418.002m and included a regional social housing discount factor of 40%. The difference shows the economic cost to Government of providing council housing at submarket rents.

The closing vacant possession value of council dwellings as at 31 March 2026 was £3,578.570m and the balance sheet value as at 31 March 2026 was £1,431.428 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.

	2025/26	2024/25
	£'000	£'000
Opening Balance as at 1 April	32	3,548
Depreciation on Dwellings to the MRR during year	19,113	18,676
Depreciation on other Non-Current Assets	1,178	733
Capital expenditure on land, houses & other property within HRA	(20,323)	(22,925)
Closing Balance as at 31 March	0	32

5. Capital Expenditure

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

	2025/26	2024/25
	£'000	£'000
Capital Expenditure	62,330	69,305
Sources of Funding:		
Prudential Borrowing	21,485	10,000
Grants	4,272	12,970
Major Repairs Reserve	20,323	22,925
Revenue Contribution	2,490	6,392
Usable Capital Receipts	13,760	17,018
Total Funding	62,330	69,305

6. Capital Receipts

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

	2025/26	2024/25
	£'000	£'000
Land & Buildings	64	49
Council Houses	28,231	14,776
Total Capital Receipts	28,295	14,825

7. Depreciation Charge

As required by the Code, the council has charged depreciation on all HRA properties, including non-dwellings. In 2025/26 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:

	2025/26	2024/25
	£'000	£'000
Dwellings	18,424	17,964
PFI Dwellings	689	713
Neighbourhood Offices	19	19
Equipment	455	665
Surplus Assets	5	0
Intangible	699	49
Total Depreciation	20,291	19,410

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. Due to a decrease in the valuation of the Council's stock in 2025/26, £30.3m was charged to the HRA for this loss.

9. Rent Arrears

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

	2025/26	2024/25
	£'000	£'000
Current Tenants	7,577	5,478
Former Tenants	279	3,835
Total Arrears	7,856	9,313

HOUSING REVENUE ACCOUNT

10. Provisions & Reserves

The Council has set aside money to allow for the possibility that a proportion of the outstanding rent arrears, leaseholder debts and court fees will not be paid. That money is known as Housing Debt Impairment Allowance in accordance with the Code. The movement on which is shown below:

	2025/26 £'000	Restated 2024/25 £'000
Opening Balance as at 1 April	4,456	5,725
Write Off / On Charged to Provision	(1,954)	(2,669)
Additional Provision	1,080	1,400
Closing Balance as at 31 March	3,582	4,456

11. Government Subsidy

The Council entered a 25-year PFI agreement with Riverside Housing for the management and maintenance of 1,095 properties at the beginning of the contract. Each year, the HRA receives a subsidy credit from the government to assist with the funding of this agreement, the movement on which is shown below:

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

12. Housing Revenue Account Balance

The HRA carries a level of general reserves to assist with the funding of one-off items of expenditure, that fall outside of the day to day repairs and management of the housing stock. Most of these reserves are earmarked for specific purposes, however, there does remain a level of uncommitted resources for future projects. The movement on which is shown below:

	2025/26 £'000	2024/25 £'000
HRA Surplus as at 31st March	50,052	51,150
Less Earmarked Balances:		
- Working Balance	(15,000)	(10,500)
- Discretionary Housing Payments	(1)	0
- Contingencies	0	(8,400)
- Capital Investment	(12,758)	(15,000)
- Carry Forward Commitments	(181)	(181)
Uncommitted HRA Resources	22,112	17,069

Collection Fund

2025/26

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

COLLECTION FUND

Collection Fund Statement

2024/25			2025/26		
Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Income					
161,559	0	161,559	177,390	0	177,390
202	0	202	427	0	427
0	115,157	115,157	0	123,696	123,696
0	1,475	1,475	0	315	315
583	0	583	2,770	1,093	3,863
Contribution towards previous year's estimated Collection Fund Deficit					
162,344	116,632	278,976	180,587	125,104	305,691
Total Income					
Expenditure					
Precepts:					
135,870	0	135,870	146,565	0	146,565
16,860	0	16,860	18,444	0	18,444
5,882	0	5,882	6,444	0	6,444
Non-Domestic Rates:					
0	114,106	114,106	0	121,750	121,750
0	1,153	1,153	0	1,230	1,230
0	420	420	0	423	423
Provisions:					
4,357	2,921	7,278	7,020	1,336	8,356
0	(511)	(511)	0	2,773	2,773
Disregarded Amounts:					
0	370	370	0	59	59
0	1,623	1,623	0	0	0
Distribution of Estimated Collection Fund Surplus					
162,969	120,082	283,051	178,473	127,571	306,044
Total Expenditure					
(625)	(3,450)	(4,075)	2,114	(2,467)	(353)
Collection Fund Surplus / (Deficit) in year					
(935)	2,547	1,612	(1,560)	(903)	(2,463)
Opening Balance at 1 April					
(1,560)	(903)	(2,463)	554	(3,370)	(2,816)
Closing Balance at 31 March					

Notes to the Collection Fund

The collection fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of council tax and non-domestic rates (NDR) and distribution to local authorities, preceptors and the government. The council has a statutory requirement to operate a collection fund as a separate account to the general fund. The purpose of the collection fund is to isolate the income and expenditure relating to council tax and NDR. The administrative costs associated with the collection process are charged to the general fund. Collection fund surpluses for both council tax and NDR are declared by the billing authority are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Sandwell, the council tax precepting bodies are the West Midlands Police and the West Midlands Fire and Rescue Service (WMFS). The NDR precepting body is the WMFS.

From the 2017/18 financial year the council begun participating in a 100% business rates retention pilot with Birmingham City Council, City of Wolverhampton Council, Walsall Council, Sandwell Council, Coventry City Council and Solihull Council, (known as the West Midlands Metropolitan Authorities) with each billing authority retaining 99% of NDR received and the remaining 1% to the WMFS. As a result of the pilot, central government support grants are reduced to the council. Instead, income generated through NDR, Council Tax and self-generated income is needed to fund essential council services in Sandwell. This gives Sandwell Metropolitan Borough Council a financial incentive for the council to work with local businesses to create a promising local environment for growth since the council is more reliant on the income generated by the future growth in business rates revenues. The pilot operates on a no financial detriment principle. In other words, authorities cannot be worse off financially than they would otherwise have been had they not participated in a pilot.

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the council's accounts. The collection fund balance sheet meanwhile is incorporated into the council's consolidated balance sheet.

1. Income from Non-Domestic Rates

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

Central government set a baseline level of business rates income for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect, Sandwell received a top up to the General Fund in 2025/26 to the value of £43.247m which is included within the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

The total amount collectable by the council in 2025/26 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

Non-domestic multiplier	2025/26 £
Total rateable value as at 31 March	303,227,344
Non-domestic multiplier:	
Standard	0.555
Small Business	0.499

The share of Business Rates payable were originally estimated as £121.750m to be retained by the council and £1.230m to West Midlands Fire Service. These sums have been paid and charged to the Collection Fund in year.

The total income from business rate payers collected in 2025/26 was £123.696m.

2. Council Tax

Council tax derives from charges raised according to the value of residential properties, which have been classified in 8 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of band D dwellings).

The council calculated a council tax base of 80,364 for 2025/26 as compared to the 2024/25 base of 78,217. The tax base for 2025/26 has been calculated as follows:

Council tax base	Band D Equivalents Number
Band A	25,967
Band B	27,123
Band C	16,511
Band D	6,702
Band E	3,230
Band F	692
Band G	99
Band H	40
	80,364

In 2025/26 the council approved the Band D Council Tax at £2,133.45 allocated to each preceptor as shown in the table below:

Preceptor	Band D Council Tax Amount
Sandwell Metropolitan Borough Council	£1,823.76
West Midlands Fire & Rescue Authority *	£80.19
West Midlands Police & Crime Commissioner *	£229.50
	£2,133.45

NOTES TO THE ACCOUNTS

** West Midlands Fire & Rescue Authority and the West Midlands Police & Crime Commissioner set their respective council tax amounts and Sandwell Council, as the billing authority, approve the aggregate amount within the Council Tax Resolution approved at the Full Council meeting in February 2025.*

3. Collection Fund Provisions

The Collection Fund provides for bad debts against arrears of both Council Tax and NDR. It also includes a provision for outstanding NDR rating appeals, which if successful will be a liability to the Collection Fund. The summary below includes full details of these provisions and the council's share of this liability; the remaining liability being met proportionately by the preceptors.

2024/25				2025/26			
Bad Debts		Appeals		Bad Debts		Appeals	
Council Tax	NNDR	NNDR		Council Tax	NNDR	NNDR	
£'000	£'000	£'000		£'000	£'000	£'000	
22,739	3,369	5,139	Balance as at 1 April	25,520	4,933	4,633	
(944)	(1,328)	0	Write Offs in Year	(760)	(2,064)	0	
3,725	2,892	(506)	Increase / (Decrease) to provision in year	5,937	1,322	2,745	
25,520	4,933	4,633	SMBC Balance as at 31 March	30,697	4,191	7,378	

Group Accounts

2025/26

GROUP ACCOUNTS

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

Group Comprehensive Income and Expenditure Statement	2025/26 Gross Expenditure £'000	2025/26 Gross Income £'000	2025/26 Net Expenditure £'000	Restated 2024/25 Gross Expenditure £'000	Restated 2024/25 Gross Income £'000	Restated 2024/25 Net Expenditure £'000
Adult Social Care and Health	251,856	(157,122)	94,734	231,592	(146,490)	85,102
Children's Services	166,973	(54,177)	112,796	150,585	(36,272)	114,313
Schools	363,380	(357,492)	5,888	322,827	(338,691)	(15,864)
Place	147,930	(52,339)	95,591	141,330	(46,515)	94,815
Housing Revenue Account HRA)	149,953	(149,339)	614	89,312	(147,449)	(58,137)
Assistant Chief Executive	11,136	(360)	10,776	10,499	(1,133)	9,365
Chief Executive	708	0	708	3,651	(63)	3,588
Finance and Transformation	95,667	(66,216)	29,451	110,704	(83,630)	27,075
Corporate Items	8,940	(3,561)	5,379	16,121	(2,094)	14,027
Cost of Services	1,196,543	(840,606)	355,937	1,076,623	(802,339)	274,284
Other operating expenditure 13			6,226			9,695
Financing and investment income and expenditure 14			24,260			35,854
Taxation and non-specific grant income 15			(409,708)			(405,500)
(Surplus) / Deficit on Provision of Services			(23,285)			(85,667)
(Surplus) / deficit on revaluation of non-current assets			(16,825)			(1,960)
(Surplus) / deficit on revaluation of financial assets			(13,500)			4,900
Remeasurements of the net defined benefit liability/ (asset)			(57,584)			1,874
Other Comprehensive Income and Expenditure			(87,909)			4,814
Total Comprehensive Income and Expenditure			(111,194)			(80,853)

Note: Figures for 2024-25 have been restated to reflect the Council reporting according to the Organisation Restructure in 2025-26 to allow like-for-like comparison.

GROUP ACCOUNTS

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

	Note	31 March 2026 £'000	31 March 2025 £'000
Property Plant & Equipment	16	2,710,633	2,691,157
Right of Use Assets	17	12,091	12,385
Heritage Assets	18	4,320	4,320
Investment Properties	19	77,238	80,414
Intangible Assets	21	14,184	15,514
Long Term Investments	23	44,784	31,367
Long Term Debtors	23	5,590	5,698
Long Term Assets		2,868,840	2,840,856
Short Term Investments	23	65	78
Assets Held for Sale	20	0	0
Inventories	-	2,195	2,148
Short Term Debtors	G4	148,335	120,645
Cash & Cash Equivalents	-	80,399	62,611
Current Assets		230,994	185,481
Bank Overdraft	26	(18,110)	(18,073)
Short Term Borrowing	23	(106,590)	(78,133)
Short Term Creditors	G5	(124,070)	(145,323)
Provisions	29	(10,282)	(7,801)
Revenue Grants Receipts in Advance	40	(1,533)	(843)
Capital Grants Receipts in Advance	40	(5,045)	(6,096)
Current Liabilities		(265,630)	(256,269)
Provisions	29	(2,221)	(2,745)
Long Term Borrowing	23	(383,971)	(367,883)
Other Long Term Liabilities	28	(126,899)	(205,545)
Capital Grants Receipts in Advance	40	(45,431)	(29,407)
Long Term Liabilities		(558,522)	(605,580)
Net Assets		2,275,682	2,164,488
Usable Reserves	MIRS	389,124	363,218
Unusable Reserves	31	1,886,558	1,801,270
Total Reserves		2,275,682	2,164,488

GROUP ACCOUNTS

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

Group Cash Flow Statement	2025/26	2024/25
	£'000	£'000
Net surplus / (deficit) on the provision of services	23,285	85,667
Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	57,905	27,668
Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	(53,994)	(88,298)
Net cash flows from Operating Activities	27,196	25,036
Net cash flows from Investing Activities	(48,289)	(29,768)
Net cash flows from Financing Activities	38,844	1,483
Net increase / (decrease) in cash and cash equivalents	17,751	(3,249)
Cash and cash equivalents at the beginning of the reporting period	44,538	47,785
Net movement in cash and cash equivalents	17,751	(3,249)
Cash and cash equivalents at the end of the reporting period	62,289	44,538

GROUP ACCOUNTS

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, together with the movement in the Council's share of those entities in which it has a financial interest.

Group Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	218,927	51,150	32	38,359	74,542	383,010	1,801,270	2,184,280	(19,792)	2,164,488
Movement in Reserves During 2025/26										
Total Comprehensive Income and Expenditure	146,885	(12,574)	0	0	0	134,311	87,909	222,220	(111,026)	111,194
Adjustments between Group Accounts and Council Accounts	(112,639)	0	0	0	0	(112,639)	0	(112,639)	112,639	0
TOTAL	34,246	(12,574)	0	0	0	21,672	87,909	109,581	1,613	111,194
Adjustments between accounting basis & funding basis under regulations (Note 11)	(23,650)	11,476	(32)	15,767	(939)	2,622	(2,622)	0	0	0
Increase / Decrease in Year	10,596	(1,098)	(32)	15,767	(939)	24,294	85,287	109,581	1,613	111,194
Balance at 31 March 2026	229,523	50,052	0	54,126	73,603	407,304	1,886,557	2,293,861	(18,179)	2,275,682

GROUP ACCOUNTS

Group Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	195,703	48,170	3,547	42,956	81,923	372,301	1,722,255	2,094,556	(10,920)	2,083,637
Movement in Reserves During 2024/25										
Total Comprehensive Income and Expenditure	127,524	50,263	0	0	0	177,787	(4,814)	172,973	(92,121)	80,853
Adjustments between Group Accounts and Council Accounts	(83,248)	0	0	0	0	(83,248)	0	(83,248)	83,248	0
TOTAL	44,276	50,263	0	0	0	94,539	(4,814)	89,725	(8,872)	80,853
Adjustments between accounting basis & funding basis under regulations (Note 11)	(21,052)	(47,284)	(3,515)	(4,597)	(7,382)	(83,830)	83,830	0	0	0
Increase / Decrease in Year	23,224	2,979	(3,515)	(4,597)	(7,382)	10,709	79,015	89,725	(8,872)	80,853
Balance at 31 March 2025	218,927	51,150	32	38,359	74,541	383,009	1,801,270	2,184,281	(19,792)	2,164,490

1. **Accounting Policies**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2025/26 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 supported by International Financial Reporting Standards (IFRS).

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

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

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies. The accounting policies applied to the Group Financial Statements are consistent with those set out in the Council entity accounts, with additional policies specific to the Group set out below.

2. **Consolidated Group Entities**

Sandwell Children's Trust

The Sandwell Children's Trust became fully operationally on 1 April 2018. The Trust while owned by the Council has day-to-day operational independence with regards to its management and the delivery of children's social care services and is managed by a board of non-executive and executive directors. The Trust's accounts are audited separately by their own external auditors. For 2025/26, and at the time this statement was prepared this audit was in progress. The Trust has accumulated financial deficits of £18.179m through increased expenditure compared to the annual contract sum.

In 2025 the Council and Trust Board engaged an external review to analyse current spending patterns and forecast future requirements. An agreement was reached on the contract sum for 2025/26 and a Medium Term Financial Plan through to 2027/28. This plan includes additional annual funding to fully address the Trust's cumulative deficit by the end of 2027/28. This review is ongoing. Whilst the Trust continues to operate a deficit, the Council will continue to provide cash support and consolidate their accounts on a going concern basis. The surplus for 2025/26 is £1.613m (Deficit £8.872m 2024/25).

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

- SCT is a 100% wholly owned company.
- The council is the primary funder of SCT.
- The council has a director and elected member on the board of SCT, and
- The expenditure for SCT amounts to approximately £111.026m which is a material sum compared to the council's net cost of services of £357.550m.

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

3. **Basis of Consolidation**

The following statements consolidate the accounts of the Council with those of its subsidiaries, associates and joint venture. Transactions between the Council and its group entities are eliminated on consolidation. Details of the inter-company transactions are set out in the Related Parties Note to the single entity accounts.

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

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

Group Balance Sheet – shows the value of assets and liabilities recognised by the group at 31 March and the level of reserves, split into usable and unusable.

Group Cash Flow Statement – shows how the group generates and uses cash during the year and the impact this has on the balances of cash and cash equivalents.

4. **Short Term Debtors**

The table below shows amounts owed to the Council's group undertakings at the end of the year that are due within 12 months.

Debtor Analysis	2025/26 £'000	2024/25 £'000
Trade Receivables	50,216	22,618
Prepayments	38,846	29,747
Other Receivable Amounts (Council Tax, Business Rate and HMRC)	59,273	68,280
Total	148,335	120,646

5. **Short Term Creditors**

The table below shows amounts owed by the Council's group undertakings at the end of the year that are due within 12 months.

Short Term Creditors	2025/26 £'000	2024/25 £'000
Trade Payables	97,423	114,736
Other Payables	19,591	23,593
Finance Lease Creditors (Note 45)	7,056	6,995
Total	124,070	145,324

Glossary

2025/26

GLOSSARY

Accruals – Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors)

Accumulated Compensated Absences – Employee benefits, such as annual leave, which are earned on an accruals basis, and which would result in a payment being made to the individual for any balance untaken.

Amortisation - A routine decrease in value of an intangible asset, or the process of paying off a debt over time through regular payments.

Balance Sheet - A statement of the assets, liabilities and other balances at the end of an accounting period. The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the council.

Call Accounts – Investment accounts within which the council deposits surplus funds in order to generate interest where funds can be withdrawn with no advance notice.

Capital Adjustment Account - This account contains the resources set aside to meet the cost of past expenditure. These include capital receipts, released grants and contributions and sums set aside for debt redemption. It also contains any balances from revaluation of assets pre 1 April 2007.

Capital Charge - A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. This reflects only depreciation.

Capital Commitment - Future Capital expenditure that has been committed on long term assets over a period.

Capital Expenditure - Expenditure on acquisition, improvement or enhancement of either the council's or third-party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance is charged to revenue.

Capital Receipts Unapplied - Proceeds received from the sale of non-current assets which have not yet been used to finance capital expenditure or repay debt. Capital receipts can only be used to fund capital expenditure.

Cash Equivalents – Funds invested in call accounts and 30 day notice accounts which are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash Flow Statement - A summary of cash movement (actual or anticipated incomings and outgoings) in an accounting period (month, quarter, year).

Cash Overdrawn - This represents the cash overdrawn position at the balance sheet date including both capital and revenue.

CIES – Comprehensive Income & Expenditure Statement

Code - The rules and regulations governing the information and layout of the council's Statement of Accounts.

Collection Fund - A fund administered by the council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

GLOSSARY

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.

Current Assets - An asset where the value changes because the volume held varies from day to day e.g. inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

Current Liabilities - An amount which will become payable or could be called in within the next accounting period e.g. creditor, cash overdrawn.

Debtor - A sum of money due to the council but not received at the balance sheet date.

Deferred Creditors - These are amounts owing by the council where payment is to be made in instalments over a predetermined period of time in excess of one year.

Deferred Debtors - These are amounts due to the council where payment is to be made by instalments over a predetermined period of time in excess of one year.

Deferred Government Grants & Contributions - Grants and contributions received towards the cost of capital expenditure. These are credited to revenue over the life of the asset created to match depreciation charged on the asset.

Depreciation - The measure of the consumption of a non-current asset in delivery of a service charged to the revenue account.

DRC - Depreciated Replacement Cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent.

Emoluments - These are payments received from employment, usually in the form of wages, salaries or fees.

Exceptional Items - These are material items, which derive from events or transactions that fall within the ordinary activities of the council, and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items - These are material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the council, and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value - The fair value is the estimated value of all assets and liabilities - The price that would be received to sell an asset or paid to transfer a liability.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

General Fund - The General Fund contains all the financial transactions of the council (with the exception of the Collection Fund and Housing Revenue Account).

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

Heritage Assets – Those assets which are primarily held and maintained for knowledge and cultural purposes.

Housing Revenue Account - Housing authorities are required to keep a separate Housing Revenue Account which includes the expenditure and income arising in connection with the provision of housing accommodation by a local authority. The balance represents the accumulated surplus. The account is ring fenced, meaning it cannot either give or receive subsidy from the General Fund.

IAS – International Accounting Standards.

IFRIC – International Financial Reporting Interpretations Committee.

IFRS – International Financial Reporting Standards.

Income Statement - An accounting of sales, expenses and net profit for a given period. An income statement shows the movement of Income and Expenditure over a given month, quarter or year.

Inventories - The value of raw materials and stores the council has procured to use on a continuing basis, but which have not been used at the balance sheet date.

Investment Properties - Applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation or both.

Investments - The lending of surplus revenue balances to provide additional income, excluding funds invested in call accounts and 30 day notice accounts.

Impairment Loss - The amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Lessee – a person who holds the lease of a property, a tenant.

Lessor - a person who leases or lets a property to another, a landlord.

Levy – A mechanism to impose an obligation to pay tax.

Liability - An amount held by the council which is due to an individual or organisation which will be paid at some time in the future. Liabilities include both monies borrowed but not yet repaid and payments due to creditors.

Liquidity – Cash, cash equivalents and other liquid assets that can be easily converted into cash (liquidated).

Long Term Borrowing - The total amounts borrowed from external lenders for capital purposes but not repaid at the balance sheet date.

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

Minimum Revenue Provision - Sums set aside from revenue to repay borrowing used to finance past capital expenditure.

Net Book Value - The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

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

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

Non-Current Asset - A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant.

Non-Operational Assets – Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases - Leases other than a finance lease.

Operational Assets – Non-current assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Payments in Advance - Amounts actually paid in a given accounting period prior to the period for which they were payable.

Pooled Budget - A type of partnership with another organisation in which the local authority contributes an agreed level of resource (into a single pot) to help commission/deliver specific services.

Precept – Tax levied by West Midlands Fire and Rescue Authority and the West Midlands Police and Crime Commissioner which is collected on their behalf by the council as the rating authority.

Provisions - Amounts set aside in the accounts for any liabilities of uncertain timing or amount that have been incurred, the movements in year being charged or credited to the appropriate service heads in the Service Revenue Accounts. In order for a sum to be recognised as a provision, certain criteria must be met, as specified in IAS 37.

PWLB - Public Work Loan Board.

QC – Queen's Counsel, a senior barrister.

Receipts in Advance - Amounts actually received in a given accounting period prior to the period for which they were receivable.

Reserves - Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement In Reserves Statement rather than directly to Service Revenue Accounts.

Revaluation Reserve - This account contains all the unrealised gains from the revaluation of non-current assets since it was established on 1 April 2007. All unrealised gains prior to this date are held in the Capital Adjustment Account.

Revenue Accounts Balance - The Revenue Account records an authority's day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of non-current assets. The balance represents the accumulated General Fund Surplus including working balances.

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Capital expenditure on a third-party asset, which does not add value for the council. These are usually written off in the year they are incurred. Examples of this expenditure are improvement grants and disabled facilities grants.

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

Temporary Loans - This represents money borrowed for an initial period of less than one year.

Useful Life - The period over which the council will derive benefits from the use of a non-current asset.

VA Schools / VC School - Voluntary Aided Schools / Voluntary Controlled School.

Work in Progress - The cost of work done on an uncompleted project at the year-end, which has not been recharged to the appropriate account at the balance sheet date.

Annual Governance Statement 2025/26



Contents

Foreword	3	Constitution Review	17
Executive summary	4	Significant Governance Issues	18
Introduction	5	Forward Look on Governance	19
Governance	6	Transformation Programme	20
Decision-making	8	Appendix 1	23
Strategic Leadership Team	9	Political Leadership and Scrutiny	
Putting the principles into practice in Sandwell	10	Appendix 2	25
Key changes and challenges	11	Conduct, standards and behaviour	
2025/26 Review of Effectiveness	12	Appendix 3 Action Plan	26
Internal Audit	12	Annual Governance Statement	
External Audit	13	2025/26	
CIPFA's Statement on the Role of the Chief Financial Officer in Local Government	14		
The Financial Management Code	16		

Foreword

We are pleased to present Sandwell Metropolitan Borough Council's Annual Governance Statement for 2025/26.

This Statement reflects a further stage in the Council's continuing development as a mature organisation with strengthened governance, financial management and organisational capability.

During the year, the Council has continued to embed improvements introduced following previous external challenge, while also responding to new and emerging risks and priorities, including financial sustainability, housing services improvement and organisational transformation.

The Council recognises that good governance is not static. It requires ongoing review, challenge and development to ensure that arrangements remain effective, proportionate and aligned to the Council's objectives and operating environment.

This Statement provides a clear and evidence-based assessment of the effectiveness of the Council's governance arrangements, the areas where further strengthening is required, and the actions being taken in response.



Ray Nock
Leader of Sandwell Council



Shokat Lal
Chief Executive



Executive Summary

This Annual Governance Statement provides an assessment of the effectiveness of Sandwell Metropolitan Borough Council’s governance arrangements for the year ended 31 March 2026.

The Council has undertaken a comprehensive and evidence-based review of its governance framework, drawing on assurance from internal audit, external audit, statutory officers, inspection bodies, performance reporting and member oversight.

Based on this review, the Council is satisfied that its governance arrangements were effective and are considered fit for purpose and continue to provide a sound foundation to support the delivery of its priorities and statutory responsibilities, including the duty to secure best value.

However, the review has identified several areas where governance arrangements require further strengthening to ensure they remain fit for purpose in a changing and increasingly complex environment. These relate in particular to:

- the continued development of governance and oversight of companies, partnerships and arm’s length delivery arrangements;
- the embedding of consistent compliance with governance frameworks and procedures across all services;
- the delivery of the Corporate Transformation Programme and supporting financial sustainability; and
- the ongoing improvement of housing services governance following regulatory findings.

The Council has put in place clear actions to address these areas, which are set out in this Statement and will be monitored through its corporate governance and performance frameworks.

The Council is committed to continuous improvement and to ensuring that its governance arrangements remain resilient, proportionate and capable of responding to future challenges.

What is Governance?

Governance describes the systems by which the Council directs and controls its

functions and how these relate to its communities and stakeholders. It is about

how the Council ensures that it is doing the right things, in the right way, for the

right people in a timely, inclusive, open, honest and accountable manner.

Good governance underpins strong leadership, sound decision-making, effective performance and risk management, stewardship of public money and meaningful engagement with residents and stakeholders. Conversely, weak governance can undermine the Council’s ability to deliver services effectively and to demonstrate best value.

Introduction

This Annual Governance Statement (the “Statement”) is a public facing assessment of the effectiveness of Sandwell Metropolitan Borough Council (the Council’s) governance framework during 2025–26. The Statement contains three main elements:

1. An explanation of the Council’s governance framework and context;
2. The Council’s review of the effectiveness of the governance framework in the reporting period based on internal and external data and assessments; and
3. The Council’s assessment of significant governance issues facing the Council and its action plan to manage and mitigate those issues.

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

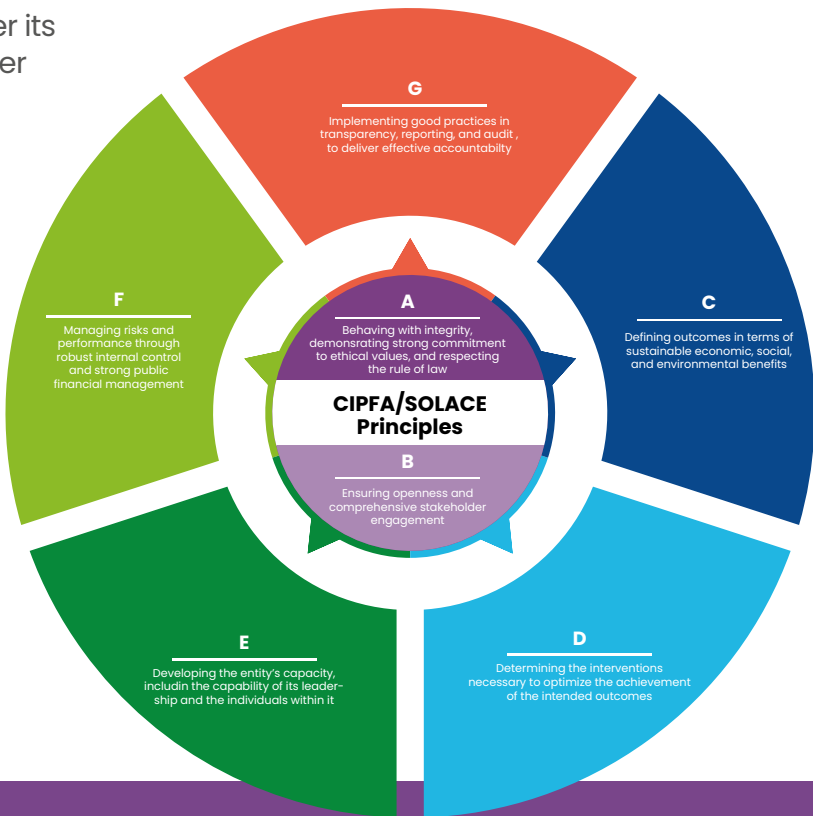
The Statement will be approved by the Council’s Audit and Risk Assurance Committee under its delegated powers and signed by the Leader Chair and the Chief Executive.

Scope of responsibility

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

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

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



Governance

Governance and Control Frameworks

The Council’s governance framework comprises:

- 1. a suite of governance and strategic policies and documents;
- 2. its systems and processes of governance; and
- 3. the Council’s culture and people that direct and control the authority and its activities and through which it engages with and accounts to Sandwell’s communities.

The Council’s governance framework enables it to:

- 1. monitor and measure the achievement of its strategic objectives;
- 2. deliver and measure assurance of best value;
- 3. act ethically and openly; and
- 4. manage risk to a reasonable level recognising that no governance framework can eliminate all risk or give an absolute assurance of effectiveness.

Extent of control and influence

This Statement reflects the governance framework in place across the Council and those entities and partnerships through which it delivers services, including Sandwell Children’s Trust Limited and other significant contractual and partnership arrangements.

The Council retains overall accountability for the delivery of its statutory functions and ensures that appropriate governance, performance monitoring and assurance arrangements are in place across all group entities, partnerships and contracted services.

Formal contractual and governance arrangements, including service delivery agreements, partnership boards and monitoring frameworks, are in place to provide oversight, manage risk and ensure accountability.

The Council recognises the importance of maintaining robust governance over its companies, partnerships and arm’s length arrangements, and continues to strengthen these arrangements in line with sector best practice.

Governance Framework

The Council’s governance framework comprises its Constitution, Local Code of Corporate Governance and supporting policies, processes and systems. These arrangements collectively ensure lawful decision-making, effective oversight, accountability and alignment to the Council’s strategic objectives. The framework has been reviewed during the year and is considered to be operating effectively, subject to the areas for improvement identified later in this Statement.

The governance framework enables the Council to monitor performance against its objectives, assess whether outcomes are being achieved, and ensure that risks and control measures are subject to appropriate oversight through established governance forums, including the Performance Board, Strategic Leadership Team and Audit and Risk Assurance Committee.

Risk management and internal control form a central component of the Council’s governance framework. These arrangements are designed to identify, assess and manage risks to the delivery of the Council’s objectives, recognising that they can provide reasonable but not absolute assurance of effectiveness.

The Governance Framework has been in place at the Council for the year ended 31 March 2026 and up to the date of the approval of the delayed Statement of Accounts.

Policy Framework

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

Growing up in Sandwell

Living in Sandwell

Healthy in Sandwell

Thriving Economy in Sandwell

One Council One Team

All underpinned by a One Council One Team foundational theme.

Decision-making

The Constitution

The Council’s Constitution provides the framework for decision-making and governance, setting out the roles and responsibilities of Members and officers, the delegation of functions, and the arrangements in place to ensure decisions are lawful, transparent and subject to appropriate scrutiny.

The Constitution is supported by a range of policies, procedures and protocols which collectively ensure that governance arrangements operate effectively and consistently across the organisation.

Information on the council’s executive arrangements, scrutiny and audit functions are set out in Appendix 1.

Councillors

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

1. Respect for others.

Councillors should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their sex, sexual orientation, gender reassignment, race, religion and belief, disability, age, marriage and civil partnership. They should respect the impartiality and integrity of the Council’s statutory officers and its other employees.

2. Duty to uphold the law.

Councillors should uphold the law and, on all occasions, act in accordance with the trust that the public has entrusted in them.

3. Stewardship.

Councillors should do whatever they are able to do to ensure that the Council uses its resources efficiently in compliance with its statutory obligations.

Officers

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

1. Head of Paid Service is the Chief Executive, who is responsible for all Council staff to deliver the Council’s services and functions;
2. Section 151 Officer is the Executive Director for Finance and Transformation, who is responsible for ensuring the proper administration of the Council’s financial affairs and ensuring value for money; and
3. Monitoring Officer is the Service Director – Governance, who is responsible for ensuring legality and promoting high standards of public conduct.

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

Other key statutory officers include:

1. **Executive Director, Children and Education Services**, who is responsible for the safeguarding of all children and young people;
2. **Executive Director, Adult Social Care and Health**, who is responsible for safeguarding of vulnerable adults and meeting the needs of all adults with social care needs; and
3. **Director of Public Health**, who has overall responsibility for the Council’s duties to assess, protect and improve the health and wellbeing of the people in its area

Strategic Leadership Team

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

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

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

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

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

Putting the principles into practice in Sandwell

The Council recognises that governance must continue to evolve to respond effectively to sector change, financial pressures, regulatory expectations and rising service demand.

Key elements of Council systems and processes from part of the Group’s Governance Framework and the table below sets out the evidence relied upon that provides assurance that the CIPFA / SOLACE framework has been complied with.

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances and Review of Effectiveness
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. - Ensuring openness and comprehensive stakeholder engagement. - Defining outcomes in terms of sustainable economic, social and environmental benefits. - Determining the interventions necessary to optimise the achievement of the intended outcomes. - Developing the entity’s capacity, including the capability of its leadership and the individuals within it. - Managing risks and performance through robust internal control and strong public financial management. - Implementing good practices in transparency, reporting and audit to deliver effective accountability.	- The Constitution (including the Head of Paid Service, Monitoring Officer and Chief Financial Officer - Director of Public Health - Corporate Plan - Corporate Performance Management Framework and regular public reporting - Medium term financial plan - Strategic risk register - Scrutiny Function - Codes of conduct - Schemes of delegation - Ethical Standards and Member Development Committee - Audit and Risk Assurance Committee - Internal and external audit - Independent external reviews (Ofsted, ICO) - Code of Corporate Governance - Whistleblowing and Anti-Fraud and Corruption Strategy - Information Governance Board - Procurement and Contract Procedure Rules and Financial Regulations - Modern.gov – Committee management information system - Children’s Trust Strategic Partnership, Operational Partnership and Improvement Board - Health and SafetyPartnership and Improvement Board - Customer Complaints and compliments system (My Sandwell portal) - Schools Forum - Health and Safety	- Annual Statement of Accounts - External Audit – Audit Findings Report and Value for Money Assessment - Annual Internal Audit Report - Audit and Risk Assurance Committee Annual Report - Member and Executive Development Programmes - Ofsted Annual Report of HMCI of Education, Children’s Services and Skills - Annual Local Government Ombudsman report - Annual Counter Fraud Report - Sandwell Safeguarding Adult’s Board and Children’s Board Annual Reports - Annual Scrutiny Report - Investors in People - Ofsted monitoring visits - Sandwell Children’s Trust Ltd Statement of Internal Control - Staff surveys - Self-Assessment – Financial Management Code In reviewing the Council’s priorities and its implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

Key changes and challenges

During 2025/26, the Council has continued to develop and strengthen its governance arrangements in response to both internal priorities and external pressures. These changes reflect the Council’s commitment to maintaining effective governance and ensuring that arrangements remain aligned to its strategic objectives and operating environment.

The period leading into 2026/27 is one of potential transition. The May 2026 all-out local elections created the possibility of changes in political administration or a position of no overall control. The Council has recognised the need for its governance framework to be sufficiently robust, adaptable and clearly understood to operate effectively under a range of governance scenarios. This includes maintaining clear constitutional arrangements, strong member/ officer relationships, and providing appropriate support and development for Members to enable effective decision-making and scrutiny.

Alongside this, the Council continues to face significant financial pressures, increasing regulatory expectations and rising service demand. The key governance developments during the year are set out below.

The key changes to the Governance framework during 2025/26, or after the year end but prior to this statement being finalised include:

- A comprehensive review and modernisation of the Council’s Constitution, completed and formally adopted during 2025, providing a clearer and more effective framework for decision-making, accountability and governance.
- The continued development and embedding of a Corporate Performance Management Framework, strengthening organisational accountability, performance oversight and alignment to corporate priorities.
- Improved identification and management of strategic risks, with enhanced maturity of the corporate risk framework ensuring that emerging risks are recognised and addressed in a timely and structured way.
- A strengthened focus on the governance implications of financial sustainability, including the continuing development and oversight of the Corporate Transformation Programme to support delivery of medium-term savings and organisational resilience.
- Targeted governance improvements in response to external regulatory findings, particularly in relation to housing services following the Regulator of Social Housing judgement, with a structured improvement programme established and monitored.

- The continued operation of a Procurement Board, providing strengthened oversight of procurement activity, alignment with the Procurement Act 2023, and improved assurance around value for money and contract management.
- Preparation for potential changes in political governance arrangements arising from the May 2026 elections, including ensuring that governance frameworks, decision-making processes and Member development arrangements are sufficiently robust to support effective leadership and governance under different potential outcomes.
- In advance of the May 2026 all-out local elections, the Council recognised the potential for changes in political administration or a position of no overall control and the need for governance arrangements to remain resilient and clearly understood, supported by appropriate Member induction and development.

The outcome of the May 2026 all-out local elections has now been confirmed, resulting in a change in the Council’s political administration. In line with the preparations set out above, the Council has implemented its planned governance and organisational measures to ensure a smooth and orderly transition, supported by established constitutional arrangements, structured Member induction and ongoing officer support to enable effective decision-making and governance.

2025/26 Review of Effectiveness

The annual review of effectiveness has been undertaken in accordance with the CIPFA/ SOLACE Framework and the 2025 Addendum guidance. The review has considered the extent to which the Council’s governance arrangements are operating effectively and supporting the achievement of its priorities and statutory responsibilities. The review has been informed by:

- the annual opinion of the Head of Internal Audit;
- assurances from statutory officers and senior management;
- the work of the Audit and Risk Assurance Committee and Scrutiny;
- external audit findings and value for money assessments;
- inspection and regulatory findings, including Ofsted and the Regulator of Social Housing; and
- corporate performance, risk management and financial monitoring arrangements.

The review has also considered the Council’s governance arrangements against the seven CIPFA/SOLACE principles of good governance.

The review of effectiveness is informed by the work of Councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework, Internal Audit’s annual report, the Audit and Risk Assurance Committee, the Ethical Standards and Member Development Committee, the Governance and Constitution Review Committee, the Scrutiny function and reports made by the Council’s external auditors and other review agencies and inspectorates (all of which are publicly available through the Council’s website).

A key component of the review of effectiveness is through the work of the Council’s Audit and Risk Assurance Committee and during the year the Committee continued helping to ensure that the Council had a modern, effective and risk focussed Committee. The Committee maintained its focus on the Council’s risk management arrangements, gaining an increased assurance that the Council was managing its strategic risks effectively and maintained a strong working relationship, through regular meetings with the Council’s External Auditors Grant Thornton, Internal Auditors and Senior Officers.

Internal Audit

Internal Audit reviewed itself against and can confirm general compliance with the Global Internal Audit Standards – in the UK Public Sector.

The Internal Audit Opinion for 2025/26 given in their annual report, was that Internal Audit were able to provide reasonable assurance that the Council had adequate and effective governance, risk management and internal control processes.

They also noted that they had issued six limited assurance reports during the year, in the following areas:

- **SEND Placement Costs**
- **Sandwell Children’s Trust**
Financial Outturn 2024/25
- **Procurement and Contract Compliance**
- **Payroll**
- **Boscobel Tenant Management Organisation**
- **Housing Improvement**
Electrical Safety Inspections

In total during 2025/26 Internal Audit completed 25 pieces of work where a level of assurance was given, these were split as follows.

Level of Assurance	Number of Reviews
Substantial	3
Reasonable	16
Limited	6
None	–

Key issues and progress in responding to internal audit management actions is, where appropriate, reported to SLT and the Performance Board as part of the corporate performance management framework to ensure oversight and escalate issues where required. The Council’s internal management and operational structures continues to demonstrate an increasing maturity and awareness in responding to pre-planned and reactive audit of subsequent monitoring of audit recommendations.

External Audit

To restore timely reporting, the Ministry of Housing, Communities and Local Government (MHCLG) has implemented a series of ‘backstop’ deadlines, by which external audits of local government accounts must have taken place. The legislation includes backstop dates up to and including financial year 2027/28. The backstop dates are:

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

- **Financial year 2026/27:**
30 November 2027
- **Financial year 2027/28:**
30 November 2028

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

With the exception of auditing ‘group accounts’ which consolidate the Council’s accounts with those of Sandwell Children’s Trust, a full audit of the 2024/25 accounts was completed by the most recent backstop date of 27 February 2026. A disclaimer of opinion was once again issued by the external auditor, however, mainly due to not being able to gain assurance over opening balances due to insufficient audit work having taken place in relation to the 2023/24 accounts. Assurance was gained over transactions that took place within the 2024/25 financial year, however.

Although the backstop deadline in relation to the 2025/26 accounts is 31 January 2027, the Council’s aim is to publish final accounts by 30 November 2026, in readiness for a reduced audit timescale in 2027. The Council is working with Grant Thornton on a plan of audit work that is proposed to take place immediately after the audit of the 2025/26 accounts is completed, that could rebuild assurance over historical transactions and balances, that would help towards rebuilding full assurance by 2028.

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

The Council is required to confirm whether its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.

A self-assessment of the role of the Council's S.151 Officer against the CIPFA Statement on the Role of the Chief Finance Officer has been undertaken and demonstrated a strong level compliance.

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

Managing the risk of Fraud and Corruption

The Council has embedded effective standards for countering fraud and corruption through the adoption of and adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The Code is based on five principles and having considered these, the Council is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Sandwell Children's Trust Limited

The Sandwell Children's Trust became fully operationally on 1 April 2018. The Trust while owned by the Council has day-to-day operational independence with regards to its management and the delivery of children's social care services and is managed by a board

of non-executive and executive directors. The Trust's accounts are audited separately by their own external auditors.

The Children's Trust had accumulated financial deficits through increased expenditure beyond that allocated through the annual contract sum process. In response, a three-year contact sum was agreed from 2025/26, along with an additional sum in each of the three years in order to offset the cumulative deficit by 2027/28. The Trust is expected to manage its finances within this sum and to ensure that any overspends incurred in any particular year are offset in full by underspends in other years within the three-year contract period.

The statutory duty to provide children's social care services remains with the Council. As such, comprehensive governance arrangements including Operational and Strategic Partnership Boards and a Service Delivery Contract and are in place to enable the Council to monitor progress of the Trust, consider performance and operational issues on a regular basis and hold the Trust Board to account.

In October 2025 the Trust was subject to its latest Ofsted inspection. The outcome of that inspection confirmed an updated rating of 'Good'. In their assessment Inspectors reported that children and families who needed it received effective help and support and social workers acted quickly when children needed protection. Responses to domestic abuse and exploitation concerns were well coordinated and children who are looked after by Sandwell were living in safe, stable homes and have strong relationships with social workers. Children's own views help to shape care plans, their health needs are prioritised, and education outcomes were improving. Inspectors also highlighted

that sustained leadership, strong partnerships, with improvements were delivering positive outcomes across all areas of children's social care services.

For care experienced young people, inspectors recognised significant progress with a few areas identified for improvement. Most young people experienced positive relationships with personal advisers and benefit from a comprehensive local offer.

Leaders were already making further improvements in this area, making sure that all young people are fully aware of their rights and entitlements and building on the good work that was recognised.

Leadership was highlighted as a key strength, with clear strategic direction and governance. A strong learning culture was noted in the Trust, with an embedded practice model and workforce strategy that supports professional growth and stability.

Equity, diversity and inclusion remains a priority, and staff describe leaders as visible, approachable, and supportive, contributing to a positive organisational culture.

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

The Financial Management Code

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

- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
- **Financial management** is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- **Adherence to professional standards** is promoted by the leadership team and is evidenced.
- **Sources of assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
- **The long-term sustainability of local services** is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The self-assessment at the time noted that the Council complied with the Code.

However, there were a limited number of matters where areas for improvement were identified. As a result of this, an action plan was prepared, and its ongoing implementation will be reviewed during 2026/27, alongside a refreshed self-assessment.

Constitution Review

A comprehensive review of the Council’s Constitution was completed by June 2025, resulting in the development of a revised and modernised Constitution designed to support effective, lawful and transparent decision-making The review has introduced a new model Constitution comprising the following sections –

Part 1 – Introduction
Part 2 – Decision Making & Decision Makers
Part 3 – Scrutiny & Open Government
Part 4 – Governance & Ethics

The Council will continue to keep the Constitution under review to ensure it remains fit for purpose and aligned to evolving governance requirements and best practice. This forms a central component of the Council’s ongoing governance improvement programme and supports the delivery of best value.and its ongoing implementation will be reviewed during 2026/27, alongside a refreshed self-assessment.

The updated Constitution was formally adopted through Full Council meetings in July and September 2025. The revised framework introduces a clearer and more accessible structure, strengthens governance arrangements and enhances the effectiveness of decision-making, scrutiny and accountability.

The Constitution is supported by updated procedures, including strengthened arrangements for forward planning, report writing and decision-making processes. These changes have been accompanied by targeted Member and officer development to ensure that the revised arrangements are embedded effectively across the organisation.

Significant Governance Issues

The Council has identified the following significant governance issues arising from its review of effectiveness. These issues reflect areas where further strengthening is required to ensure that governance arrangements remain effective, resilient and fully capable of supporting the Council's objectives and statutory responsibilities.

1. Governance and oversight of companies, partnerships and arm's length arrangements.

While governance arrangements are in place, further strengthening is required to ensure consistent, transparent and risk-based oversight in line with sector best practice, and to provide clear assurance over performance, risk and accountability across all delivery vehicles.

2. Consistent compliance with governance frameworks and procedures.

Assurance activity has identified variability in adherence to internal governance requirements across services, including compliance with policies and its ongoing implementation will be reviewed during 2026/27, alongside a refreshed self-assessment, procedures and audit recommendations. Continued focus is required to ensure that governance standards are applied consistently across the organisation.

3. Financial sustainability and delivery of the Corporate Transformation Programme.

The Council faces ongoing financial pressures, with increasing reliance on transformation activity to deliver sustainable savings. Strong governance, oversight and assurance arrangements are required to ensure delivery is achieved in a controlled and effective manner.

4. Housing services governance and regulatory compliance.

Following the Regulator of Social Housing judgement, sustained focus is required to ensure compliance with consumer standards and to strengthen governance, performance and assurance arrangements within housing services.

5. Organisational capacity and workforce stability.

While progress has been made in strengthening the senior leadership structure, continued focus is required to ensure sufficient organisational capacity, reduce reliance on interim arrangements and maintain stability and resilience across key services.

6. Member development and governance capability.

In the context of potential changes in political governance arrangements, the Council will ensure that Members are supported through effective induction, training and ongoing development to enable robust decision-making, scrutiny and governance oversight.

These issues have been assessed as significant due to their potential impact on the Council's ability to deliver its priorities, maintain effective control and demonstrate value for money. The Council has established actions to address these areas, which are set out in the accompanying action plan and will be monitored through its corporate governance and performance framework.

Forward Look on Governance

The Council recognises that its governance arrangements must continue to evolve to respond to future challenges and changes in its operating environment. Key areas of focus for 2026/27 include:

- embedding revised governance arrangements arising from the Constitution review;
- strengthening oversight of delivery against the Corporate Transformation Programme;
- responding to financial sustainability challenges and medium-term funding pressures;
- maintaining regulatory compliance across housing and social care services; and
- continuing to develop organisational capacity, leadership and governance capability.

These priorities will be monitored through the Council's corporate governance framework and reported to the Audit and Risk Assurance Committee.

Transformation Programme

The Corporate Transformation Programme continues to operate under robust governance arrangements, with revised structures following a May 2025 review being implemented during 2025/26 to strengthen prioritisation, accountability and delivery, and to ensure the programme is focused on delivering timely, measurable savings and clear outcomes in response to emerging funding gaps from 2027/28, supporting the Council's long-term financial sustainability.

Several significant issues had previously been highlighted with regards to the Council's Housing Service. This included out of date stock condition surveys and a self-referral to the Regulator of Social Housing with regards to building safety compliance checks. In October 2024 the Regulator of Social Housing published a Regulatory Judgement in relation to the recently adopted Consumer Standards, which apply to all registered providers of social housing. The regulator reached a conclusion that there were serious failings in delivering the outcome of the Safety and Quality Consumer Standard, and that significant improvement was needed.

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

Several plans have now been put in place to help remedy these issues as part of the Housing Improvement Programme. Identified actions and resourcing requirements are detailed within the plans with structured monitoring of delivery and compliance in place as an additional assurance mechanism.

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

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

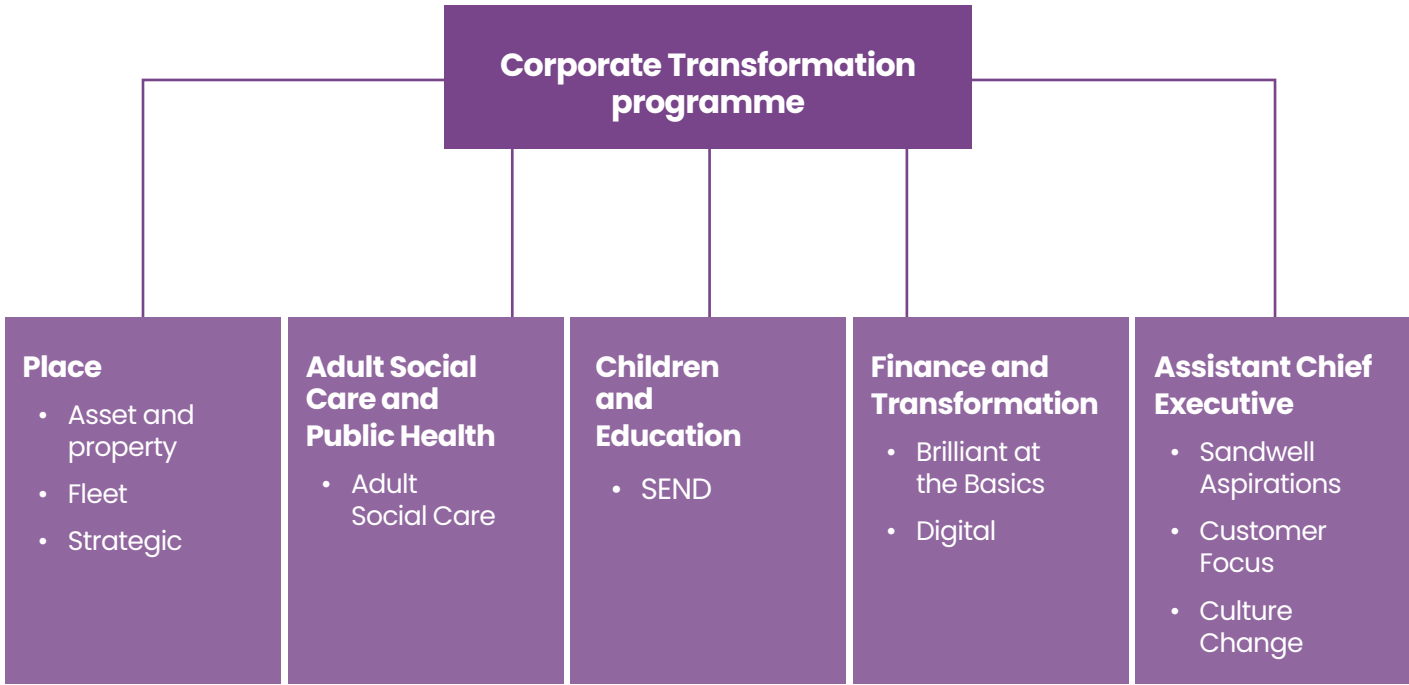
June 2026

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Refreshed Corporate Transformation Programme 2025

Appendix 1 – Political Leadership and Scrutiny

To the best of our knowledge, and based on the review undertaken, the Council is satisfied that its governance arrangements were operating effectively during the year and are considered fit for purpose, except for those areas identified for improvement. The Council is committed to addressing these areas through the actions set out in this Statement and will monitor progress through its governance and performance framework.



Ray Nock
Leader of Sandwell Council



Shokat Lal
Chief Executive

1. The Leader and Cabinet

- 1.1** The Council has adopted the strong 'leader and cabinet' form of executive arrangement under the Local Government and Public Involvement in Health Act 2007 with a Cabinet of up to ten Councillors, meeting in public to make executive decisions on matters of strategy and borough-wide significance.
- 1.2** Each Cabinet Member also has a portfolio of responsibility for the delivery of services, which are aligned to each of the 10 Vision Ambitions, for which they are accountable.
- 1.3** The Leader has agreed a scheme of delegation of executive powers under which:
 - 1.3.1** The Leader and Cabinet make significant decisions collectively, save in cases of urgency.
 - 1.3.2** The Leader and/or a Cabinet member makes all key decisions with a value over £500,000 or where there is a significant effect on two or more wards.
 - 1.3.3** A Scheme of Delegation of all other "non-key" decisions are delegated to officers with powers dependent on their seniority and areas of responsibility.

2. Full Council and Decision Making

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

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

3. Audit and assurance

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

4. Overview and Scrutiny

- 4.1** Full Council must appoint one or more member bodies to discharge statutory overview and scrutiny functions. The Council has 5 Scrutiny Management Boards –
 - 4.1.1** Budget and Corporate Scrutiny Management Board.
 - 4.1.2** Children's Services and Education Scrutiny Board.
 - 4.1.3** Economy, Skills, Transport and Environment Scrutiny Board.
 - 4.1.4** Health and Adult Social Care Scrutiny Board.
 - 4.1.5** Safer Neighbourhoods and Active Communities Scrutiny Board.



Appendix 1 – Political Leadership and Scrutiny

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

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

Appendix 2 – Conduct, standards and behaviour

1. Councillors

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

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

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

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

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

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

2. Officers

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

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

Action Plan – Annual Governance Statement 2025/26

Appendix 3

Ref	Governance issue as identified in the 2025/26 AGS.	Action	Responsible Officer and Implementation Date
1	Governance and oversight of companies, partnerships and arm's length arrangements	Implement strengthened governance arrangements for companies and partnerships, including introduction of a Companies Governance Framework and formalised oversight and reporting arrangements to ensure consistent, risk-based monitoring and accountability.	Executive Director – Finance & Transformation / Monitoring Officer – March 2027
2	Consistent compliance with governance frameworks and procedures	Further develop and embed the Council's corporate assurance and accountability framework, including strengthened monitoring of compliance with policies, procedures and audit recommendations, supported by regular reporting to SLT and Audit and Risk Assurance Committee.	Chief Executive / Monitoring Officer – December 2026
3	Financial sustainability and delivery of the Corporate Transformation Programme	Strengthen governance and oversight of the Corporate Transformation Programme to ensure delivery of agreed savings and outcomes, including clear performance reporting, risk management and accountability through established programme governance structures.	Executive Director – Finance & Transformation – Ongoing through 2026/27
4	Housing services governance and regulatory compliance	Continue delivery and monitoring of the Housing Improvement Programme to ensure compliance with regulatory standards, including strengthened governance, performance management and assurance arrangements with regular reporting to SLT, Cabinet and Audit & Risk Assurance Committee.	Executive Director – Place – March 2027
5	Organisational capacity and workforce stability	Complete embedding of the senior management structure and reduce reliance on interim arrangements, ensuring sustainable organisational capacity, effective leadership and resilience across key services.	Chief Executive – December 2026
6	Member development and governance capability	Deliver a structured Member development programme following the May 2026 elections, including induction, governance training and ongoing support to ensure effective decision-making, scrutiny and compliance with the Council's constitutional framework.	Service Director Customer, Democracy & Neighbourhoods / Monitoring Officer – September 2026
Ref	Governance issue as identified in the 2025/26 AGS.	Action	Responsible Officer and Implementation Date
			(induction) / Ongoing thereafter



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