Sandwell
Metropolitan Borough Council

Statement of Accounts

2017/18

STATEMENT OF ACCOUNTS
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VISION 2030 SANDWELL

MESSAGE FROM THE EXECUTIVE DIRECTOR OF RESOURCES

Sandwell Council ends 2017/18 with a clear sense of purpose and optimism based around our 2030 Vision. We have strong political leadership and a highly committed and engaged workforce, led by a newly invigorated senior management team. We are all committed to working together with our partners to deliver the high quality, universal services needed by the people of Sandwell.

The next 3 years promise to be an exciting period as we take forward our plans to bring the Commonwealth Games aquatic centre to Sandwell; deliver record numbers of new council homes, including new extra care facilities; launch the new Sandwell Children's Trust; work with the City of Birmingham Symphony Orchestra (CBSO) to bring their first academy school to Sandwell and work with the West Midlands Combined Authority (WMCA) to bring forward the new Wednesbury to Brierley Hill metro extension.

The brand new £353 million Midland Metropolitan hospital will open in Smethwick in due course – bringing state-of-the-art healthcare and hi-tech diagnostic equipment, as well as acute medical care, surgery and an A&E department.

2018 will also be the year when we bring to a conclusion the ongoing audit and standards issues that have dogged the authority for a number of years. The Council’s Audit and Risk Assurance committee and the Ethical Standards and Member Development committee have received a series of reports dealing with these matters and we have sought to ensure that all processes have been robust and transparent. These issues have received wide-spread coverage in the press and on social media and have clearly caused reputational damage to the Council but we have ensured that dealing with these has not detracted from delivering our priorities.

After more than seven years of austerity we haven't closed a single library, we still have 24 children's centres, we have 11 Green Flag Award parks and open spaces, we've built four new leisure centres (with one more on the way); we still have weekly bin collections and we are the only metropolitan authority in the West Midlands to still offer 100% council tax reduction to our poorest residents. All of these decisions were taken following detailed reviews and demonstrate our commitment to universal services. Key to achieving this has been the incredible hard work and dedication of our staff.

Our workforce has reduced by 27% since 2010, but this reduction has been achieved with the support of our workforce and the Trade Unions. Our Jobs Promise was introduced in 2015, guaranteeing that all employees who want to remain working with the council can do so and alongside this we've also protected employee terms and conditions. A benefit to staff as reflected in the staff survey and a financial benefit to the council through saving money in redundancy and recruitment costs. I am delighted that the Jobs Promise has been extended for another year.

This commitment to our workforce has paid huge dividends with high levels of employee engagement and their fantastic contribution to our national award winning Facing the Future

(FtF) programme. It is telling that staff themselves developed the "I am Sandwell ... count on me" campaign that endorsed our core values of Trust, Unity and Progress.

Our focus on retaining front-line services has also been possible due to our strong track record of financial stability. Our embedded approach to a medium-term financial strategy and strong business planning ethos has made us resilient to budget challenges.

A recent Corporate Peer Challenge undertaken by the LGA found:

“Strong financial management has enabled the Council to protect universal frontline services while balancing the budget year on year. Robust medium-term budget planning and proactive in-year management are features of the approach which has put the Council in a stable financial position. There is an excellent track record of delivering savings and efficiencies, and plans to meet the savings requirements over the short term appear well advanced. There is an innate confidence in the approach taken to date.”

We still face significant challenges:

- Our children's social care services have been inadequate for far too long and received another inadequate judgement this year;
- demand for adult social care continues to rise with no sign of a long-term national strategy to tackle it;
- deprivation levels in the borough remain high, with a real challenge arising from the combination of high numbers of people trapped in a cycle of inter-generational poverty; low aspirations; high numbers of children living in poverty and many children not being ‘school ready’ and so starting their education at a disadvantage;
- we have too many low value jobs;
- too much of our private sector housing remains poor and we need to build more homes and school places for our rising population;
  and
- we know that austerity will continue to mean significant cuts to our funding levels

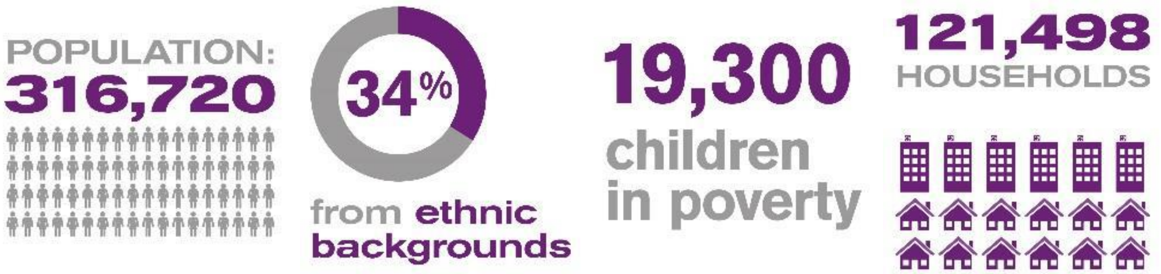
This is a big challenge but we are determined to meet it head on whilst keeping the people of Sandwell at the heart of what we do.

Darren Carter, CPFA
Executive Director of Resources
March 2018

About Sandwell

The Borough

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



Sandwell is home to strong and vibrant communities. Our growing population (currently 316,720) is diverse with more than 34% of our population from ethnic backgrounds. Our six towns of Oldbury, Rowley Regis, Smethwick, Tipton, Wednesbury and West Bromwich have distinct identities and characteristics. Sandwell's rich past and multi-cultural heritage is central to its uniqueness and continues to shape its future.

Sandwell is, however, an area of widespread deprivation with huge and increasing demand for council services. Many Sandwell residents including our children and young people experience poor outcomes; 19,300 children in Sandwell live in poverty. The council has an ambitious plan to tackle these challenges and ensure every child and young person can realise their full potential.

The 2030 Vision

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

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

Ambition 1

Sandwell is a community where our families have high aspirations and where we pride ourselves on equality of opportunity and on our adaptability and resilience.

Ambition 2

Sandwell is a place where we live healthy lives and live them for longer, and where those of us who are vulnerable feel respected and cared for.

Ambition 3

Our workforce and young people are skilled and talented, geared up to respond to changing business needs and to win rewarding jobs in a growing economy.

Ambition 4

Our children benefit from the best start in life and a high -quality education throughout their school careers with outstanding support from their teachers and families.

Ambition 5

Our communities are built on mutual respect and taking care of each other, supported by all the agencies that ensure we feel safe and protected in our homes and local neighbourhoods.

Ambition 6

We have excellent and affordable public transport that connects us to all local centres and to jobs in Birmingham, Wolverhampton, the airport and the wider West Midlands.

Ambition 7

We now have many new homes to meet a full range of housing needs in attractive neighbourhoods and close to key transport routes.

Ambition 8

Our distinctive towns and neighbourhoods are successful centres of community life, leisure and entertainment where people increasingly choose to bring up their families.

Ambition 9

Sandwell has become a location of choice for industries of the future where the local economy and high performing companies continue to grow.

Ambition 10

Sandwell now has a national reputation for getting things done, where all local partners are focused on what really matters in people's lives and communities.

The Council

Political Leadership

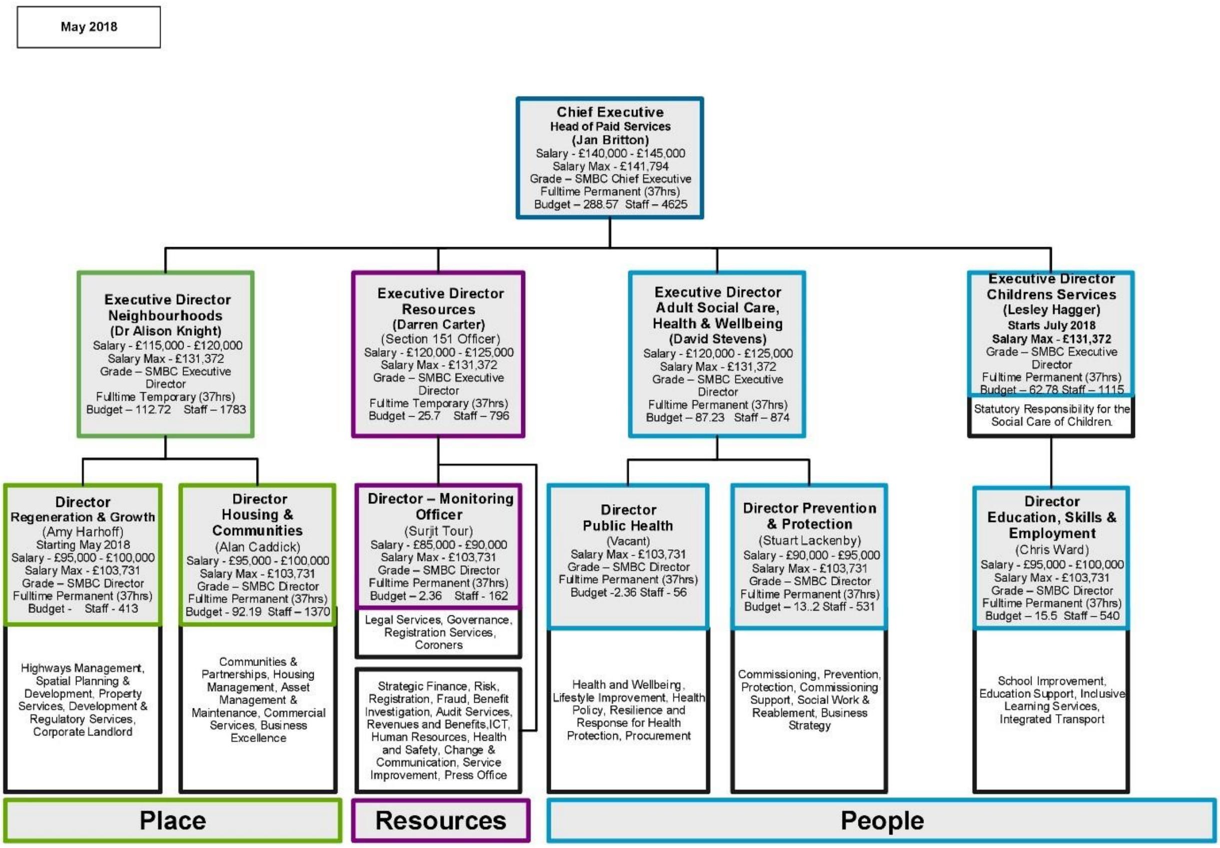
The Council's Constitution provides that the Leader of the Council will be a councillor elected to that position by the Council and that he/she will hold office for up to four years or until he/she resigns, is suspended, ceases to be a councillor or is removed by resolution of the Council either directly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

Councillor Eling was confirmed as Leader at the Annual Meeting of the Council in May 2016 for a four-year term of office expiring with the Annual Meeting of the Council in 2020.

In accordance with the Local Government Act 2000, the Leader of the Council is required to appoint a statutory Deputy Leader who, if for any reason the executive leader is unable to act or the office is vacant, must act in his/her place in respect of the Leader's statutory duties. The Council's executive structure allows for the appointment of a Deputy Leader of the Council for a term of office concurrent with that of the Leader, expiring with the Annual Meeting of the Council in 2020. This appointment is determined by the Leader of the Council and is currently held by Councillor Khatun.

Organisational Structure

A new senior management team is now in place, led by the Chief Executive and supported by four Executive Directors and six Directors. The structure has been designed to provide sufficient capacity for day-to-day leadership of the council and our 4,625 employees as well as delivering the strategic drive needed to take forward our 2030 vision.



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

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

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

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

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

- Stuart Lackenby, the Director of Prevention & Protection; and
- Ansaf Azhar, the Interim Director of Public Health.

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

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

2017/18

LGA Corporate Peer Challenge

In January 2018, a team of 6 experienced Local Government peers, elected members and officers spent 4 days in Sandwell. They met a range of internal and external stakeholders, considered a self-assessment document, key evidence and undertook a short tour of the 6 towns of Sandwell. They spoke to more than 130 people including a range of council staff together with councillors and external partners and stakeholders.

The Peer Challenge focused on 6 question areas:

1) **Understanding of the local place and priority setting**: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2) **Leadership of Place**: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3) **Organisational leadership and governance**: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4) **Financial planning and viability**: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5) **Capacity to deliver**: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?
6) **Maximising opportunity**: Is the organisation maximising opportunities through its external relations to deliver growth and development opportunities within the borough?

The Peer Review identified the Council’s strengths and successes and praised the Council for protecting frontline services through its budget planning, and having a strong vision for the future of the Borough. The report identifies the pride, passion and positivity of staff and a commitment to improve the outcomes for those who live in, work in and visit the Borough. The review acknowledged the challenges that the Council faces but identified that the relatively new leadership team of senior officers and cabinet members presents an opportunity for a fresh momentum and to draw a line under past events, and take the new agenda forward in line with 2030 Vision.

The Peer Team made 12 recommendations to the Council, which are as follows:

1) Ensure Vision 2030 drives prioritisation, resource allocation, performance management and place leadership to improve outcomes for Sandwell.
2) Engage with partners to co-produce the short, medium and long-term priorities, deliverables and outcomes that will realise Vision 2030.
3) Develop a consistent understanding of the 'offer' and 'asks' that the Council leadership can communicate to others.
4) Consider how the current financial planning approach needs to evolve in the longer term.
5) Invest in political and managerial leadership team development.
6) Complete and implement the planned fundamental review of governance.
7) Implement the new and evolving Member Development Programme.
8) Further develop the thinking on Town Plans, including their scope, purpose and function, and how the development and delivery of them will be managed and communicated.
9) Ensure the ICT infrastructure and provision meets the current and future needs of the organisation.
10) Consider and develop a strategic regeneration and skills plan for the Borough.
11) Refresh the corporate landlord strategy to maximise the potential of the Borough's considerable assets.
12) Continue to explore other delivery and investment models – e.g. housing, site assembly and acquisition.

An action plan addressing these 12 recommendations was presented to Cabinet in May 2018.

Investors in People

In October 2017, an IIP Assessment took place and Sandwell Council was awarded Investors in People Silver accreditation. The assessment was led by an external managing practitioner with support from an external practitioner, a team of 10 internal reviewers, and an internal co-ordinator.

Sandwell Council has held IIP accreditation for the past 18 years and at Bronze level since 2015. This IIP Assessment was conducted under a new and more testing IIP Framework (Generation 6) and we achieved a higher level of accreditation – a Silver award.

The IIP framework is based on three competency areas: Leading, Supporting and Improving and includes 9 indicators against which the Council is assessed. The Council achieved 'established performance' across all 9 indicators, and 'advanced' in one of these (Indicator 9 Creating Sustainable Success).

The IIP assessment acknowledged the progress made by the Council since the last IIP assessment:

- There is more clarity for staff and an improved understanding of the Vision and consequently, the culture has changed to one that is more consultative and engaging;
- The Council's Values and Behaviours have been introduced and were seen to be embedded throughout the organisation;
- The Vision for 2030 and Strategic Plans provide people with a clear structure to work within;
- Customer Service and *'Doing your best for the residents of Sandwell'* was the focus of everyone's efforts.

In addition, the assessment found that:

- Resilience is seen to be a key driver within Sandwell MBC, both by the Executive and staff who take pride in their ability to have dealt with almost constant change in recent years;
- There is faith in Leadership to take the Authority forwards and trust that has been built through people's experience of recent financial stability, Jobs Promise and performance improvements;
- Relationships with the new Executive are building positively;
- Staff were very positive in their views about management styles and levels of support, but there were some inconsistencies in the way Managers fulfil their roles, which, if improved, would support the Authority in reaching higher levels of performance.

3 areas for improvement were identified:

1) Consider the management resource available to deliver the wide range of services to the people of Sandwell for future sustainability.
2) Consider the people resource available to deliver the Ambitions and new projects.
3) Build upon leadership and management capability, about which people were very positive, but there was sufficient feedback to indicate that not all Managers are delivering their role to the same level of ability as their colleagues, which has an impact upon some teams' performance.

Ofsted

A Re-inspection of services for children in need of help and protection, children looked after and care leavers took place from 6 November 2017 to 30 November 2017. The report was published on 29 January 2018.

The inspection found that Children's services in Sandwell are inadequate.

Since the last inspection, some services have deteriorated, in particular services for children looked after and adoption. There are widespread and serious failures in services for children and families in need of help and protection, children looked after and those requiring permanence through adoption. Most of the recommendations from the Ofsted 2015 inspection have not been fully met and some services have declined in effectiveness. The pace of change to address service deficits has been too slow. Only in recent months, with the appointment of a new senior management team, has the trajectory of improvement quickened. However, the basic elements of good social work practice are not yet in place, for example effective management oversight, a robust response to risk, and timely and thorough assessment and plans.

The results of this re-inspection were disappointing but not surprising. There is a long history of failure in these services which is why the decision was taken to create a new, independent, Sandwell Children's Trust to take over the running of these services from April 2018.

Revenue Outturn

Sandwell's net general fund balance increase for 2017/18 amounted to £4.060m.

The majority of services across Sandwell have ended the year in surplus. Adult Services & Health, Neighbourhoods and Resources are carrying forward combined surpluses of £17.257m to future years. This demonstrates the continued success of our multi-year budget planning process and is a key part of our overall strategy of protecting front-line services for the people of Sandwell.

However, in common with many other councils, Sandwell has experienced an unprecedented increase in demand for our children's social care services that has resulted in a deficit of £9.070m.

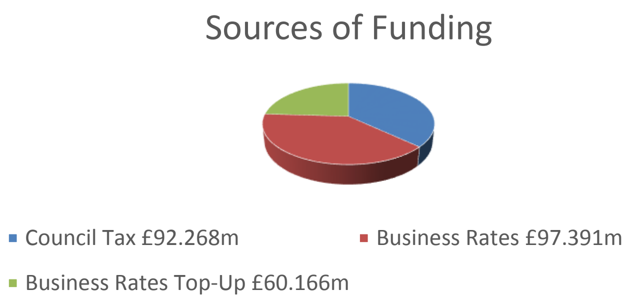
This deficit will be met from revenue balances, some of which were earmarked for this specific purpose at the start of the year.

The Housing Revenue account balance reduction for 2017/18 amounted to £0.368m.

Our maintained schools have ended the year with surplus balances of £33.551m, a reduction of £0.855m compared to the position at 31 March 2017. 3 schools ended the year in deficit.

Sources of funding

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



Capital Outturn

Capital expenditure of £87.223m was incurred during the year.

£49.482m was spent in the Housing Revenue Account, including over £16.233m on investment in new housing stock, including Brindley 2, Carisbrooke Road and the new extra care housing facility at Oxford Road.

£17.515m was spent in Children's Services, including almost £12.231m on delivering additional school places. We also invested £0.189m in our residential education centres.

£15.712m was spent in Neighbourhoods, including £7.615m of investment in roads; £1.187m refurbishing our office accommodation, including the new Sandwell Children's Trust headquarters; £0.452m was invested in our parks and historic buildings; and £3.113m in the acquisition of new fleet vehicles.

£1.375m was spent in Resources on ICT investment.

£3.104m was spent in Adult Social Care, including £2.360m on Disabled Facilities grants and £0.511m on the new social care system.

Treasury Management

At 31 March 2018, the council's principle external debt was £498.245m (£482.767m at 31 March 2017) and its cash investments totalled £41.351m (£38.250m at 31 March 2017).

The council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). This figure is a gauge for the council's debt position and represents the 2017/18 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. At 31 March 2018 the CFR was £751.964m, down from £767.351m at 31 March 2017.

The council maintained an average balance of £65.953m of internally managed funds. The internally managed funds received an average return of 0.304%. The comparable performance indicator is the average 7-day LIBID rate as at 31 March 2018, which was 0.364%. The LIBID rate saw a sharp increase in November 2017 to reflect the MPC's Bank Rate increase from 0.25% to 0.50%. The council has seen a steady increase on returns, towards the later part of 2017/18 but this has not remedied the rates that were achieved prior to the MPC's decision to reduce the rate during 2016/17, following the Brexit vote. This means that the average rate of return on investments achieved in 2017/18, has been slightly less than the target of the 7 day LIBID due to the council's strategy to maintain short term investments in the current economic conditions.

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

General Fund Balance

We end the year with a General Fund Balance of £75.209m. This includes £24.883m of surpluses that are being carried forward to invest in front-line service and £36.142m that has been earmarked for specific purposes.

Our level of free balances is £11.219m, which equates to 4.78% of net general fund expenditure, and is in line with council policy of maintaining free balances of between 3.00-5.00% of net general fund expenditure.

Going Concern

Sandwell MBC carries out functions that are essential to the local community. We have a strong track record of financial stability, managing funding reductions while protecting front-line services. After almost 8 years of austerity we have maintained a prudent level of reserves and we continue to be resilient in the face of the significant financial challenges facing local government. Our Medium Term Financial strategy is robust and we have a strong track record of delivering savings.

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

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

Cash Flows

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. During 2017/18, net cash and cash equivalents increased by £3.916m.

Assets and Liabilities

The Council continues to maintain a strong balance sheet. Long term assets are valued at £2,061.837m. Long term liabilities are valued at £1,334.723m, including a net deficit of £783,154.000m attributable to the council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Barnett Waddingham).

The results of the most recent review were used to prepare the 2017/18 accounts. The 2017/18 past service and future service contribution rates for the council and employees were adjusted in order to address this deficit over time. Note 40 explains the pensions liability in more detail.

The council has taken up the offer from the West Midlands Pension Fund to make an upfront payment of £50.800m to cover the cost of past service deficit contributions for the years 2017/18 and 2019/20. This has resulted in a discount compared to the amount that would have been due if this had been paid on an annual basis.

Termination Benefits

In total 131 employees left the council's employment during the year incurring liabilities of £5.597m. This includes a provision created in 2016/17 of £4.105m for 32 employees approved as planned leavers as at 31 March 2017, £3.688m of this provision was utilised in 2017/18. Costs of £1.909m have been met from the council's available resources which includes £0.213m for the creation of a provision where costs remain outstanding but relating to employees leaving in 2017/18 and expect to be incurred in 2018/19.

There are also agreements in place for a further 35 employees to leave the council during 2018/19 at an estimated cost of £1.940m. A provision has therefore been made for future and outstanding termination benefit costs which are expected to be incurred in 2018/19.

Partnership Working

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

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

- Health and Wellbeing Board - Chaired by Cabinet Member for Social Care
- Sandwell Safeguarding Children's Board – the Council is represented by Chief Executive and Children's Services Directors and Cabinet Member,
- Sandwell Safeguarding Adult's Board – the Council is represented on the board by the Director of Adult Social Care, Health and Wellbeing and Cabinet Member,

- Safer Sandwell Partnership – the Council is represented on the board by Chief Executive.

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

Sandwell's Voluntary and Community Sector

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

The council has a long history of supporting the VCS, for example through grants, subsidised use of premises and free access to training. The voluntary sector support budget is in excess of £3.2m p.a. and has been protected from cuts for more than 10 years. This budget is used to provide core funding for a range of local VCS organisations, including infrastructure bodies, local community centres and advice centres. Alongside this support, the Sandwell Compact and the VCS funding strategy have provided a firm basis for the development of our relationships with the sector.

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

Governance

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

The key changes to the governance framework during 2017/18 include:

- The scrutiny model was remodelled in 2017/18 and reduced from six to four scrutiny boards to align with the cabinet portfolios. In addition, a chair of the Budget and Corporate Scrutiny Board was appointed to have overall responsibility for the co-ordination of scrutiny work across the council.
- It has been agreed to continue the jobs promise and planned leavers register to prevent the need for redundancies and to assist in controlling the establishment list in a structured and supportive way.
- The Select Committee for Leisure Provision considered the current and future leisure provision in Sandwell. This work concluded in October 2017.
- Establishment of a Modern-Day Slavery policy.
- Appointments have been made to the Sandwell Children's Trust Board, with the Trust going live from 1 April 2018. The Trust will deliver children's social care services for the council, with the statutory duty remaining with the council. The Trust will have day-to-day operational independence in the management and delivery of these services and it will be managed by a board of non-executive and executive directors.
- The Information Governance Board has been established, which is a sub-group of the Corporate Governance Board and has a key role in ensuring compliance with the General Data Protection Regulations.
- Establishment of the Project Board to deliver the Aquatic Centre for the commonwealth games.

- There have been permanent appointments to the posts of Executive Director for Neighbourhoods, Director of Housing & Communities, Director of Regeneration & Growth and Director of Children's Services.
- Following the decision to refresh the council's vision, the council consulted residents across the six towns, businesses, voluntary community sector and staff and key strategic partners across the borough to discuss Sandwell's long-term direction. From this, ten ambitions were identified which were formulated into the Vision 2030 and this was approved by full council on 18 July 2017.

In 2016/17, a number of issues regarding potential fraud and the conduct of certain Members were referred to the Economic Crime Unit at the West Midlands Police. In 2017/18, following a detailed review of the material held by the council, the Police reached a determination that there was insufficient evidence to meet the threshold for recording a crime. They stated however, that this would not prevent the council pursuing any action that it deemed appropriate if it identified any breaches of standards or misconduct. Therefore, a number of standards investigations are ongoing.

The Ethical Standards Sub-Committee heard two cases during 2017/18 where they determined that two Members had breached the Members' Code of Conduct and sanctions were imposed. Details of these cases were reported to Council on 17 April as part of the Ethical Standards and Member Development Committee Annual Report.

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

2018/19 & Beyond

Vision 2030 Ambitions

One of the key principles used in the development and launch of Vision 2030 was a strong commitment to engagement with key partners and staff. Over 900 face-to-face interviews were held with Sandwell residents and staff contributed over 2,000 suggestions. The council is committed to continuing with this high level of engagement as we take forward the delivery of the vision. Developments planned for 2018/19 include:

- The agreement of a framework to be used to monitor progress towards delivery of the vision;
- The formation of a delivery team; and
- The use of 'Think Tanks' to generate ideas and momentum around each of the 10 ambitions.

Key Risks

Governance

The Council is committed to undertaking a governance review during 2018/19. The review is driven by two principal drivers:

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

Financial Risks

In common with all other local authorities, Sandwell continues to face the ongoing challenge of reducing central government funding combined with increasing demand for our services. The budget report approved by Council in March 2018 identified the need to deliver savings of £12.9m over the next 3-year period. The council has an outstanding track record in managing these risks and will continue to use the lessons learned over the last 8 years to deliver a balanced budget and protect front line services for the people of Sandwell.

The West Midlands Combined Authority

The work of the WMCA provides a significant opportunity for Sandwell. There have been some significant developments in WMCA activity recently, including:

- The approval of the Budget for 2018/19 - At its meeting on 9 February 2018 the Combined Authority approved its budget for 2018/19, differing to the draft budget (presented in January) no Mayoral Precept was proposed. This was due to concerns raised by constituent authorities (including Sandwell) as it was felt that the increases in Council Tax together with the Adult Social Care Precept were going to have a significant impact on some of the poorest families in our communities, and that the further cumulative impact of a Mayoral Precept would present too high a demand. For Sandwell, as a constituent authority, our yearly contribution to the Combined Authority in 2018/19 will be £0.612m.

- The allocation of £30.000m for the land remediation fund, a proportion of which will be allocated to the Black Country LEP to manage for the Black Country.

- The approval of a budget allocation for the Wednesbury to Brierley Hill metro extension which will connect with Midland Metro Line 1 at Wednesbury and run via Dudley town centre and Waterfront/Merry Hill to Brierley Hill. 6.7km of the route utilises the now abandoned South Staffordshire Railway corridor.

- The launch of the Inclusive Growth unit

- The Second Devolution Deal covers a number of areas where the Government has committed to support the West Midlands as it develops its Local Industrial Strategy to drive regional economic growth:

    - Housing – with agreement to work on a Housing Deal
    - Skills
    - Transport
    - Digital
    - Air quality
    - Energy
    - Key sectors e.g. automotive, construction, culture

The Devolution Deal sets out a number of initiatives on public service reform, ways in which the West Midlands could have more control of financing its activities, and agreed governance changes, including a commitment to integrate the West Midlands Fire and Rescue Service into the Combined Authority.

The Deal also sets out that the Government, the Combined Authority and the Office of the PCC will work together to incorporate the role and powers of the Police and Crime Commissioner into the mayoralty from 2020.

The Second Devolution Deal has brought new funding for the region of approximately £280.000m, which has been incorporated into the Combined Authority's proposed Budget and into the Investment Programme.

Operational Model / Strategy & Resource Allocation

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

- Sandwell's Vision 2030 which sets out our key strategic plans for the borough.
- The four service area business plans that were approved by Cabinet in February and which detail the resources allocated to each service area and how they will be used to deliver the key activities planned for the coming years.
- The Council budget report and Medium Term Financial Strategy approved by Council in March which sets out our assumptions about the future financial resources available to the council as we approach the end of the 4-year funding settlement set out by central government for the period to March 2020 and the uncertainty created as we await the outcome of the national review of Local Authority funding that is planned for introduction from April 2020.

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

- Our financial resources, including Council Tax, Business Rates, Housing Rents and Fees & Charges – and working on an assumption that the national austerity programme will continue until at least the end of the current Parliament;
- Our human resources, including our commitment to invest in our highly engaged and committed workforce;
- Our physical resources, including the effective use of our land and buildings;
- Our digital resources, including our ICT infrastructure and our digital strategy;
- Our partnership resources, building on key relationships with our statutory partners;
- Our voluntary and community sector;
- The people of Sandwell.

The success of these plans will be measured through the use of a new Vision 2030 Journey Tracker that will be launched in 2018. We are currently in discussions with our partners to agree how this will work, including detailed work with the West Midlands Combined Authority Inclusive Growth unit and their partners. We are also talking to the young people of Sandwell about their aspirations and their vision for the Sandwell of 2030 – and how they will judge whether our plans have been successful.

1. The Authority's Responsibilities

The Authority is required to:

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

2. The Responsibilities of the Executive Director of Resources

The Executive Director of Resources is responsible for the preparation of the council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts, the Executive Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Executive Director of Resources has also:

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

Approval of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2018.

Liam Preece	Darren Carter
Chair, Audit Committee	Executive Director of Resources
Sandwell Metropolitan Borough Council	Sandwell Metropolitan Borough Council
26 July 2018	26 July 2018

2016/17 Net Expenditure £'000		2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000
	People			
86,137	Adult Social Care Services	143,398	(59,221)	84,177
(11,955)	Schools	261,630	(265,234)	(3,604)
70,730	Children's Services	90,559	(19,173)	71,386
394	Public Health	20,839	(25,585)	(4,746)
	Performance			
12,668	Resources	166,797	(157,380)	9,417
6,400	Corporate Management	7,186	(266)	6,920
	Place			
64,506	Housing & Communities and Regeneration & Growth	103,931	(18,930)	85,001
(57,064)	Housing Revenue Account	71,074	(130,634)	(59,560)
(102,997)	- Reversal of previous revaluation losses	(59,302)	-	(59,302)
68,819	**Cost of Services**	**806,112**	**(676,423)**	**129,689**
14,191	Levies			13,791
2,714	Payments to the Government Housing Capital Receipts Pool			2,697
5,934	(Gains) / Losses on the disposal of non current assets			8,281
561	Losses on Revaluation of Assets Held for Sale			154
-	Losses on Revaluation of Available for Sale Assets			-
23,400	**Other Operating Expenditure**			**24,923**
33,794	Interest payable and similar charges			33,392
22,316	Net interest on the net defined benefit liability (asset)			21,581
(2,508)	Interest receivable and similar income			(2,857)
(2,466)	Income and expenditure in relation to investment properties			(2,246)
5,092	Changes in the fair value of investment properties			(2,971)
56,228	**Financing and Investment Income and Expenditure**			**46,899**
(85,997)	Council Tax income			(92,268)
-	NDR from Pool			-
(51,669)	Retained Business Rates			(97,391)
(45,002)	Business Rates Top Up			(60,166)
-	Small Business Rates Relief s31 Grant			-
2,163	Collection Fund Surplus (-) / Deficit			9,386
(67,425)	Revenue Support Grant			-
(39,805)	Capital grants and contributions			(27,817)
(287,735)	**Taxation and Non Specific Grant Income**			**(268,256)**
(139,288)	**(Surplus) / Deficit on Provision of Services**			**(66,745)**
(23,862)	(Surplus) / deficit on revaluation of non current assets			(90,983)
(7,410)	(Surplus) / deficit on revaluation of available for sale financial assets			590
185,257	Actuarial (gains) / losses on pension assets and liabilities			(64,120)
-	Any other (gains) / losses required to be included			(78)
153,985	**Other Comprehensive Income and Expenditure**			**(154,591)**
14,697	**Total Comprehensive Income and Expenditure**			**(221,336)**

31 March 2017 £'000		Note ref	31 March 2018 £'000
930,418	Council Dwellings	10	1,016,880
535,616	Other Land & Buildings	10	621,610
221,004	Infrastructure	10	222,154
22,876	Vehicles, Plant, Furniture & Equipment	10	23,271
22,251	Community Assets	10	20,624
15,311	Assets Under Construction	10	13,568
12,058	Surplus Assets Not Held for Sale	10	17,115
1,759,534	**Property Plant & Equipment**		**1,935,222**
3,931	Heritage Assets	11	4,192
88,718	Investment Properties	12	86,402
3,201	Intangible Assets	14	3,196
29,574	Long Term Investments	16	29,234
3,818	Long Term Debtors	-	3,591
1,888,776	**Long Term Assets**		**2,061,837**
4	Short Term Investments	16	5,021
593	Assets Held for Sale	13	281
1,474	Inventories	-	1,300
40,391	Short Term Debtors	17	37,493
56,661	Cash & Cash Equivalents	18	55,191
99,123	**Current Assets**		**99,286**
(77,764)	Bank Overdraft	18	(72,378)
(23,022)	Short Term Borrowing	16	(55,908)
(72,508)	Short Term Creditors	19	(81,758)
(7,785)	Provisions	21	(6,652)
(78)	Revenue Grants Receipts in Advance	32	(713)
(2,420)	Capital Grants Receipts in Advance	32	(2,418)
(183,577)	**Current Liabilities**		**(219,827)**
(3,882)	Provisions	21	(4,239)
(465,703)	Long Term Borrowing	16	(450,420)
(939,228)	Other Long Term Liabilities	20	(867,960)
(10,272)	Capital Grants Receipts in Advance	32	(12,104)
(1,419,085)	**Long Term Liabilities**		**(1,334,723)**
385,237	**Net Assets**		**606,573**
185,423	Usable Reserves	MIRS	190,093
199,814	Unusable Reserves	23	416,480
385,237	**Total Reserves**		**606,573**

2016/17 £'000		2017/18 £'000	2017/18 £'000	Note Refs
(139,288)	**Net (surplus) / deficit on the provision of services**		**(66,745)**	
18,319	**Adjustments to net (surplus) / deficit on the provision of services for non cash movements**		**(4,479)**	24
57,345	**Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities**		**44,719**	24
(63,624)	**Net cash flows from Operating Activities**		**(26,505)**	
	Investing Activities:			
104,955	Purchase of property, plant and equipment, investment property and intangible assets	75,426		
108,334	Purchase of short and long term investments	165,161		
(18,048)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(17,343)		
(133,378)	Proceeds from short and long term investments	(160,144)		
(41,734)	Other receipts from investing activities	(26,881)		
20,129	**Net cash flows from Investing Activities**		**36,219**	
	Financing Activities:			
(22,796)	Cash receipts of short and long term borrowing	(53,661)		
3,974	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,973		
35,549	Repayments of short and long term borrowing	36,058		
16,727	**Net cash flows from Financing Activities**		**(13,630)**	
(26,768)	**Net (increase) / decrease in cash and cash equivalents**		**(3,916)**	
(47,871)	Cash and cash equivalents at the beginning of the reporting period		(21,103)	18
26,768	Net movement in cash and cash equivalents		3,916	
(21,103)	**Cash and cash equivalents at the end of the reporting period**		**(17,187)**	18

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance as at 31 March 2016	**126,838**	**37,415**	**5,469**	**20,305**	**190,027**	**209,907**	**399,934**
Movement in Reserves During 2016/17							
Total Comprehensive Income and Expenditure	6,489	132,799	-	-	139,288	(153,985)	**(14,697)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(7,081)	(134,565)	2,394	(4,640)	(143,892)	143,892	-
Increase / Decrease in Year	**(592)**	**(1,766)**	**2,394**	**(4,640)**	**(4,604)**	**(10,093)**	**(14,697)**
Balance at 31 March 2017 carried forward	**126,246**	**35,649**	**7,863**	**15,665**	**185,423**	**199,814**	**385,237**
Movement in Reserves During 2017/18							
Total Comprehensive Income and Expenditure	(16,790)	83,535	-	-	66,745	154,591	**221,336**
Adjustments between accounting basis & funding basis under regulations (Note 8)	20,850	(83,903)	(47)	1,025	(62,075)	62,075	-
Increase / Decrease in Year	**4,060**	**(368)**	**(47)**	**1,025**	**4,670**	**216,666**	**221,336**
Balance at 31 March 2018 carried forward	**130,306**	**35,281**	**7,816**	**16,690**	**190,093**	**416,480**	**606,573**

2016/17	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	78,830	3,505	**82,335**	(229)	**82,106**
- Schools	1,194	(6,996)	**(5,802)**	(6,153)	**(11,955)**
- Children's	66,088	(2,792)	**63,296**	7,434	**70,730**
- Public Health	3,831	(59)	**3,772**	653	**4,425**
Performance					
- Resources	34,002	(25,573)	**8,429**	4,170	**12,599**
- Corporate Management	(174)	6,348	**6,174**	226	**6,400**
Place					
- Neighbourhoods & Regeneration and Economy	58,911	(8,726)	**50,185**	14,390	**64,575**
Housing Revenue Account	(52,918)	(16,324)	**(69,242)**	(90,819)	**(160,061)**
Cost of Services	**189,764**	**(50,617)**	**139,147**	**(70,328)**	**68,819**
Other operating expenditure	14,191	-	**14,191**	9,209	**23,400**
Financing and Investment Income and Expenditure	(9,943)	108,226	**98,283**	(42,053)	**56,230**
Taxation and Non Specific Grant Income	(249,263)	-	**(249,263)**	(38,472)	**(287,735)**
(Surplus) or Deficit	**(55,251)**	**57,609**	**2,358**	**(141,644)**	**(139,286)**

Opening General Fund & HRA Balance	**(164,253)**
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	2,358
Closing General Fund & HRA Balance at 31 March 2017 *	**(161,895)**

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

2017/18	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	76,535	3,038	**79,573**	4,604	**84,177**
- Schools	632	(14,308)	**(13,676)**	10,072	**(3,604)**
- Children's	81,752	(19,007)	**62,745**	8,641	**71,386**
- Public Health	144	(4,828)	**(4,684)**	(62)	**(4,746)**
Performance					
- Resources	18,159	205	**18,364**	(8,947)	**9,417**
- Corporate Management	24	6,458	**6,482**	438	**6,920**
Place					
- Neighbourhoods & Regeneration and Economy	68,351	(2,790)	**65,561**	19,440	**85,001**
Housing Revenue Account	(45,941)	(28,527)	**(74,468)**	(44,394)	**(118,862)**
Cost of Services	**199,656**	**(59,759)**	**139,897**	**(10,208)**	**129,689**
Other operating expenditure	13,791	-	**13,791**	11,132	**24,923**
Financing and Investment Income and Expenditure	(35,737)	123,615	**87,878**	(40,979)	**46,899**
Taxation and Non Specific Grant Income	(245,258)	-	**(245,258)**	(22,998)	**(268,256)**
(Surplus) or Deficit	**(67,548)**	**63,856**	**(3,692)**	**(63,053)**	**(66,745)**

Opening General Fund & HRA Balance	**(161,895)**
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	(3,692)
Closing General Fund & HRA Balance at 31 March 2018 *	**(165,587)**

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

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The council is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

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

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

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

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

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

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid 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.

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

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

iv. **Exceptional Items**

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

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

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

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

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

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

Services and support services 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 and therefore, these are reversed out of General Fund balances to the Capital Adjustment Account via the Movement in Reserves Statement.

vii. **Valuation of Stocks and Work In Progress**

Stocks held in service areas are shown in the Balance Sheet valued at the lower of cost and net realisable value as required by IAS 2. Other stocks held in kitchens and restaurants are shown at historical purchase price.

Work in progress is shown at cost with the exception of long term contracts in the Internal Trading Organisations which are valued at cost, plus attributable profit, less any foreseeable losses and any income received.

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

Billing authorities act as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and

NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

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

The balance sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayment and appeals.

ix. **Employee Benefits**

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

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service area line in the Comprehensive Income and Expenditure Statement 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 Teacher's Pensions on behalf of the Department for Education (DfE),
- The Local Government Pension Scheme, administered by Wolverhampton City Council, and;
- The National Health Service (NHS) Pension Scheme.

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

Teachers' and National Health Service Pension Schemes

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.55% 2017/18, (2016/17 2.7%) based on the indicative rate of return on high quality corporate bonds.
The assets of the West Midlands Pension Fund attributable to the council are included in the Balance Sheet at fair value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year; allocated in the CI&ES to the services for which the employees worked
  - Past service cost – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years; debited to the Surplus or Deficit in Net Cost of Services in the CI&ES
  - 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 Investment Income and Expenditure line in the CI&ES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
- Remeasurements comprising:
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

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

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

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

xi. **Financial Instruments**

Financial Liabilities
These are initially measured at fair value and carried at their amortised cost with the exception of other local authority debt which is held at historic cost. Annual charges are made to the Comprehensive Income & Expenditure Statement (CI&ES) based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CI&ES as they occur. Any premium or discount arising on restructured borrowing is respectively deducted from, or added to, the amortised cost of the new or modified loan and charged to the CI&ES over the life of the loan by an adjustment to the effective interest rate.

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

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

Loans made by the council at less than market rate are known as 'soft loans'. Soft loans currently held by the council relate to car loans for employees. The financial effect of this concession is charged to the CI&ES representing the interest foregone, over the life of the loan. Since statutory provisions require that the impact of soft loans on the General Fund balance is limited to the actual interest receivable for the year, a transfer to or from the Financial Instruments Adjustment Account is made to cover the difference.

Available for Sale Assets

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

Fair value is applied to Available for Sale assets on one of the following bases:

- Instruments with quoted market prices - market price
- Other instruments with fixed or determinable payments - discounted cash flow analysis
- Unquoted equity shares for which a reliable fair value cannot be determined - independent appraisal

Where it is not possible to appraise the value of an instrument with a satisfactory degree of reliability, then cost less any impairment losses is used. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets, unless the change arises from impairment, in which case the loss is charged to the CI&ES, together with any net gain/loss for the asset accumulated in the reserve.

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

xii. **Foreign Currency Translation**

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

xiii. **Government Grants and Contributions**

Government grants, third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts In Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Business Improvement District

The Albion Business Improvement District (BID) scheme is situated within the Greets Green and Lyng Ward of Sandwell and the West Bromwich BID scheme is in the West Bromwich Central Ward. These schemes are funded by a BID levy paid by non domestic ratepayers. The council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant service lines in the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.
CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contribution set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charge may be used to fund revenue expenditure.

xiv. **Intangible Assets**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

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

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

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

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

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

The Code requires local authorities with material interests in subsidiary and associated companies and joint ventures to prepare, as supplementary information, summarised group accounts.

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

- Sandwell Land and Property Ltd, which is a subsidiary of the council.
- Sandwell Children's Trust Ltd, which is a wholly owned company of the council. As at the 31 March 2018, the company was dormant and became live on 1 April 2018 following the transfer of Children's Social Care functions from the council.
- Sandwell Inspired Partnership Services which is an associate company. Group accounts have not been prepared for this company as there would not be a material impact on the financial statements of the council.

xvi. **Leases**

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

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

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

<u>The Council as Lessor</u>

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. **Overheads and Support Services**

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

xviii. **Capital Accounting**

Non Current Asset Valuations

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

The beacon valuations appertaining to Council Dwellings have been carried out by the District Valuer (DV) in 2017/18 and are in accordance with the Guidance on Stock Valuation for Resource Accounting (SVRA). A full valuation has been undertaken in 2017/18 with the intention to complete desktop valuations for the 4 year period up to 2021/22. Again, this is in line with the latest SVRA guidance.

Property Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PP&E). Expenditure on the acquisition, creation or enhancement of PP&E is capitalised on an accrual basis provided it affords economic benefits or service potential to the council for more than one financial year.

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

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

Council Dwellings

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

Community Assets

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

Infrastructure

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

Assets Under Construction
These assets are held at historic cost.

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

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

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

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

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

Decreases in values are accounted for as follows:

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

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

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

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

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

<u>Depreciation</u>
Depreciation is provided for on all Property, Plant and Equipment (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 (ie freehold land and certain Community and Heritage Assets) and assets that are not yet available for use (ie assets under construction).

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

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

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

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

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

Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value (see accounting policy xxx), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Investment properties receive a physical revaluation on a rolling three year cycle. Properties that do not receive a physical revaluation in a given year are uplifted based upon current market indices where it is appropriate to do so. Further details can be found in note 4 to the accounts.

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

Non Current Assets Held For Sale

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

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

Depreciation is not charged on Assets Held for Sale.

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

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

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

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

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or is set aside to reduce the council's underlying need to borrow. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.
The write off of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

The council, in conjunction with its external valuers, Wilks Head & Eve (WH&E), have identified the following significant components;

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

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

In order to assess materiality, the council has instructed WH&E to provide individual PP&E valuations on a componentised basis so that the impact upon depreciation can be determined. From the results of this process the council has concluded that componentisation would not materially affect the level of depreciation charged on any of its PP&E assets valued during 2017/18 and, as a result, has not applied componentisation to its assets in this financial year. The council will however continue to review this process annually.

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

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

xx. **Heritage Assets**

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

<u>Historical Buildings</u>

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

<u>Museum Exhibits, Fine Art Collections & Civic Regalia</u>

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

<u>General</u>

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

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

xxi. **Minimum Revenue Provision**

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

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

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

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

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

xxii. **Private Finance Initiative (PFI) and Similar Contracts**

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

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

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

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

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

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

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

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

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

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

<u>Provisions</u>

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.

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

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

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

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

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

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

xxiv. **Reserves**

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

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

xxv. **School Balances**

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

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

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

xxvii. **Insurance Funding Arrangements**

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

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

Liabilities - The first £0.250m of each claim in respect of public/products and employer's liability and pollution and the first £0.050m in respect of officials' indemnity, professional indemnity and land charges. The aggregate excess (cap) being £4.600m in any policy year across all liability sections of cover.

Motor – The first £0.150m of each motor claim for damage to the council vehicle and third party claims. Third party losses are limited to £0.419m in the aggregate after the application of individual claim excess / non-ranking deductibles.

Fidelity Guarantee - The first £0.050m of each claim in respect of fraud committed against the council by its own employees. There is no annual aggregate excess (cap) in respect of fidelity guarantee claims.

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

xxviii. **VAT**

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

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

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in its second phase which ends on 31 March 2019. The council is required to purchase and surrender allowances, either prospectively or retrospectively, on the basis of emissions, ie carbon dioxide produced, as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the council's services and is apportioned to services on the basis of energy consumption.

xxx. **Fair Value Measurement**

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

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

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

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

For non-financial assets, the authority takes into account the participants ability to generate economic benefits by using the asset in its highest and best use.

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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code.

New standards introduced in the 2018/19 code that apply from 1 April 2018 are IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses and amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The introduction of IFRS9 will see the classifications of financial assets change to amortised cost, Fair Value through comprehensive income and Fair Value through Profit and Loss, from the previous categories of loans and receivables, available for sale and Fair Value through Profit and Loss. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

The impact of these changes on the Authority's financial position is likely to be immaterial. The main financial assets held by the Authority will be treasury management investments which will move from the loans and receivables category to amortised cost and be accounted for on a similar basis.

The council also holds shares in Birmingham Airport which are categorised as available for sale at present. Under the IFRS9 changes the authority will elect for these to be categorised as Fair Value through Other Comprehensive Income. Similarly, the high credit quality adopted by the Authority for its investment counterparties is likely to see an immaterial expected credit loss position.

IFRS 15 introduces a five-step process for recognising revenue based on the transfer of control rather than the current transfer of risk and rewards. This new approach is not expected to have a material impact on the financial statements.

Amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value and only apply to group accounts.

Amendments to IAS 7 may require additional disclosures around changes in liabilities arising from financing activities. Neither of these amendments is considered to have a material impact on the financial statements.

The 2018/19 Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

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

Funding where the council acts as the Agent

The Black Country Local Enterprise Partnership (note 26) receives funding to aid regeneration and infrastructure development within the areas occupied by the four Black Country local authorities. The council has determined that it acts as the agent for these schemes and therefore any income received and expenditure incurred (excluding any costs relating to the management of the fund) will not be included within the Comprehensive Income and Expenditure Statement.

Accounting for Schools

The council accounts for the income, expenditure, assets, liabilities and reserves of its schools in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. Each type of school is accounted for as follows:

Community and Foundation/Trust schools are fully consolidated into the council's financial statements.

Voluntary Aided and Voluntary Controlled Schools are consolidated into the council's financial statements except where the land and buildings are owned by religious bodies.

On 31 March 2011 school assets legally owned by the council were transferred to Sandwell Land and Property Company Ltd (SL&P Co) to protect the council's asset base. This is a land and property holding company of which the council is the sole shareholder and therefore the substance of the arrangement results in the assets remaining on the council's balance sheet. These assets are then leased back to schools that convert to academies after 31 March 2011.

Academy Schools are not consolidated into any of the council's financial statements as they are managed, controlled and funded independently of the council.

In applying the accounting policies, the council has had to make various other judgements about complex transactions and those involving uncertainty about future events. These judgements are disclosed in either the statement of accounting policies or within the relevant note to the accounts. These judgements have been made by professionals in each area and based solely upon known factors, trends and experience.

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

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

The items in the council's Balance Sheet at 31 March 2018 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Equal Pay Provision/Earmarked Reserve

The council has made a provision of £0.102m for the settlement of claims for back pay arising from the Equal Pay Initiative, based upon the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the council or that precedents set by other authorities in the settlement of claims will be applicable. An increase in either the number of claims or the average settlement would affect the value of the provision required.

Investment Properties
In accordance with the Code, any assets falling under the category of Investment Properties should be revalued annually as at 31 March. Due to the large quantity of investment properties that the council holds, it is not possible to physically inspect each property annually and carry out a formal valuation in the short timescale available. Investment properties will therefore receive full formal valuations on a rolling three year cycle.

In order to bring the value of the properties not receiving a full valuation in year up to a current value, an indexation factor is applied to each property, relevant to when it was last revalued, if it is determined that market movements require this. An impairment review carried out for Investment Properties indicated that this was not required in 2017/18.

Given that a formal valuation has not been carried out for all investment properties there is a level of uncertainty over the value of these properties included within the council's Balance Sheet. However, any under or over estimation of values resulting from the application of indexation factors will be corrected over time as the properties are formally revalued.

Pensions Liability
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £37.400m.

However, the assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pensions liability had reduced by £96.911m as a result of financial assumptions being updated.

Long Term Investments – Birmingham Airport Shareholding
The council holds shares in Birmingham Airport Holdings Limited represented by 5.62% of equity shares and 11.48% of preference shares. These were re-valued in 2017/18 by Solihull MBC and reviewed by their valuers BDO LLP. The value of ordinary shares had decreased by £0.590m while there has been no change to the value of preference shares.

Non Domestic Rates Provision
Following the introduction of the retained business rates scheme in April 2013, the Collection Fund is now liable for the settlement of any successful appeals lodged against the rateable value of business properties. A provision of £2.625m has been set aside for the council's share of 99%. The provision has been based upon information provided by the Valuation Office Agency and estimations of both the likelihood of the appeal being successful and the subsequent reduction in rateable value. An estimation technique such as this is susceptible to numerous variables, all of which could potentially change the end value of the provision created.

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

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

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

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

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

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

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

In 2017/18 there were net re-valuation gains on council dwellings totalling £71.737m. This represents an increase of approximately 8% and is in line with market expectations. Gains of £59.302m were posted to the CI&ES in 2017/18 to reverse accumulated revaluation losses incurred in previous years.

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

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

The statement of accounts was authorised for issue on 26 July 2018. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events to report.

7. Prior Period Restatement of Accounts

This note details the restatement to the comprehensive income and expenditure statement that is required for 2016/17 following the councils restructure of Corporate Landlord and Regulatory Services.

	As reported in the CIES 2016/17 £'000	Adjustment in CIES for transfer of Corporate Landlord and Regulatory Services £'000	As restated 2016/17 £'000	
NET EXPENDITURE				**NET EXPENDITURE**
People				**People**
Adults Social Care Services	82,106	4,031	86,137	Adults Social Care Services
Schools	(11,955)	-	(11,955)	Schools
Childrens Services	70,730	-	70,730	Childrens Services
Public Health & Regulatory Services	4,425	(4,031)	394	Public Health
Performance				**Performance**
Resources	12,599	69	12,668	Resources
Corporate Management	6,400	-	6,400	Corporate Management
Place				**Place**
Neighbourhoods & Regeneration and the Economy	64,575	(69)	64,506	Housing & Communities and Regeneration & Growth
Housing Revenue Account	(57,064)	-	(57,064)	Housing Revenue Account
- Reversal of previous revaluation losses	(102,997)	-	(102,997)	- Reversal of previous revaluation losses
TOTAL NET EXPENDITURE	**68,819**	**-**	**68,819**	**TOTAL NET EXPENDITURE**
GROSS EXPENDITURE				**GROSS EXPENDITURE**
People				**People**
Adults Social Care Services	120,811	6,609	127,420	Adults Social Care Services
Schools	245,760	-	245,760	Schools
Childrens Services	89,455	-	89,455	Childrens Services
Public Health & Regulatory Services	34,183	(6,609)	27,574	Public Health
Performance				**Performance**
Resources	178,576	(2,489)	176,087	Resources
Corporate Management	6,760	-	6,760	Corporate Management
Place				**Place**
Neighbourhoods & Regeneration and the Economy	81,835	2,489	84,324	Housing & Communities and Regeneration & Growth
Housing Revenue Account	78,079	-	78,079	Housing Revenue Account
- Reversal of previous revaluation losses	(102,997)	-	(102,997)	- Reversal of previous revaluation losses
TOTAL GROSS EXPENDITURE	**732,462**	**-**	**732,462**	**TOTAL GROSS EXPENDITURE**
GROSS INCOME				**GROSS INCOME**
People				**People**
Adults Social Care Services	(38,705)	(2,578)	(41,283)	Adults Social Care Services
Schools	(257,715)	-	(257,715)	Schools
Childrens Services	(18,725)	-	(18,725)	Childrens Services
Public Health & Regulatory Services	(29,758)	2,578	(27,180)	Public Health
Performance				**Performance**
Resources	(165,977)	2,558	(163,419)	Resources
Corporate Management	(360)	-	(360)	Corporate Management
Place				**Place**
Neighbourhoods & Regeneration and the Economy	(17,260)	(2,558)	(19,818)	Housing & Communities and Regeneration & Growth
Housing Revenue Account	(135,143)	-	(135,143)	Housing Revenue Account
- Reversal of previous revaluation losses	-	-	-	- Reversal of previous revaluation losses
TOTAL GROSS INCOME	**(663,643)**	**-**	**(663,643)**	**TOTAL GROSS INCOME**

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

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

2016/17

	Usable Reserves							
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources								
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:								
Pensions costs (transferred to (or from) the Pensions Reserve)	11,815	800				**12,615**	**(12,615)**	**-**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(131)	(587)				**(718)**	**718**	**-**
Council tax and NDR (transfers to or from Collection Fund)	1,332					**1,332**	**(1,332)**	**-**
Holiday pay (transferred to the Accumulated Absences Reserve)	1,249	222				**1,471**	**(1,471)**	**-**
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						**-**	**-**	**-**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	2,619	(75,471)				**(72,852)**	**72,852**	**-**
Total Adjustments to Revenue Resources	**16,884**	**(75,036)**	**-**	**-**	**-**	**(58,152)**	**58,152**	**-**
Adjustments between Revenue and Capital Resources								
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,585)	(12,954)	17,539			**-**	**-**	**-**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						**-**	**-**	**-**
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,714		(2,714)			**-**	**-**	**-**
Posting of HRA resources from revenue to the Major Repairs Reserve		(12,057)		12,057		**-**	**-**	**-**
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(16,270)	(11,351)				**(27,621)**	**27,621**	**-**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,824)	(23,167)				**(28,991)**	**28,991**	**-**
Total Adjustments between Revenue and Capital Resources	**(23,965)**	**(59,529)**	**14,825**	**12,057**	**-**	**(56,612)**	**56,612**	**-**
								-
Adjustments to Capital Resources								**-**
Use of the Capital Receipts Reserve to finance capital expenditure			(12,431)			**(12,431)**	**12,431**	**-**
Use of the Major Repairs Reserve to finance capital expenditure				(12,057)		**(12,057)**	**12,057**	**-**
Application of capital grants to finance capital expenditure					(16,637)	**(16,637)**	**16,637**	**-**
Cash payments in relation to deferred capital receipts					11,997	**11,997**	**(11,997)**	**-**
Total Adjustment to Capital Resources	**-**	**-**	**(12,431)**	**(12,057)**	**(4,640)**	**(29,128)**	**29,128**	**-**
Total Adjustments	**(7,081)**	**(134,565)**	**2,394**	**-**	**(4,640)**	**(143,892)**	**143,892**	**-**

2017/18

	Usable Reserves							
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources								
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:								
Pensions costs (transferred to (or from) the Pensions Reserve)	28,064	1,952				**30,016**	**(30,016)**	**-**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(58)	(16)				**(74)**	**74**	**-**
Council tax and NDR (transfers to or from Collection Fund)	4,818					**4,818**	**(4,818)**	**-**
Holiday pay (transferred to the Accumulated Absences Reserve)	914	(31)				**883**	**(883)**	**-**
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						**-**	**-**	**-**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	5,114	(30,148)				**(25,034)**	**25,034**	**-**
Total Adjustments to Revenue Resources	**38,852**	**(28,243)**	**-**	**-**	**-**	**10,609**	**(10,609)**	**-**
Adjustments between Revenue and Capital Resources								
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,437)	(15,465)	16,902			**-**	**-**	**-**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						**-**	**-**	**-**
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			**-**	**-**	**-**
Posting of HRA resources from revenue to the Major Repairs Reserve		(14,184)		14,184		**-**	**-**	**-**
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(16,456)	(13,071)				**(29,527)**	**29,527**	**-**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,806)	(12,940)				**(15,746)**	**15,746**	**-**
Total Adjustments between Revenue and Capital Resources	**(18,002)**	**(55,660)**	**14,205**	**14,184**	**-**	**(45,273)**	**45,273**	**-**
								-
Adjustments to Capital Resources								**-**
Use of the Capital Receipts Reserve to finance capital expenditure			(14,252)			**(14,252)**	**14,252**	**-**
Use of the Major Repairs Reserve to finance capital expenditure				(14,184)		**(14,184)**	**14,184**	**-**
Application of capital grants to finance capital expenditure					(12,005)	**(12,005)**	**12,005**	**-**
Cash payments in relation to deferred capital receipts					13,030	**13,030**	**(13,030)**	**-**
Total Adjustment to Capital Resources	**-**	**-**	**(14,252)**	**(14,184)**	**1,025**	**(27,411)**	**27,411**	**-**
Total Adjustments	**20,850**	**(83,903)**	**(47)**	**-**	**1,025**	**(62,075)**	**62,075**	**-**

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

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18. The balances ring fenced for schools are also included below.

	Balance as at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance as at 31 March 2018 £'000
General Fund:				
Insurance	**9,131**	-	477	**9,608**
Non Domestic Rates Reserve	**2,625**	-	-	**2,625**
Sinking Fund Reserves	**2,652**	-	686	**3,338**
Social Fund Reserve	**361**	(210)	-	**151**
Revenue Grants	**1,047**	-	-	**1,047**
Grants Irregularities	**1,031**	-	-	**1,031**
Early Help Reserve	**1,083**	-	-	**1,083**
West Midlands Regional Research	**513**	(170)	-	**343**
SCT Set Up Costs	**-**	-	770	**770**
Regeneration & Economy	**191**	(5)	-	**186**
Teaching for Public Health Network	**247**	-	41	**288**
Childrens Workforce Development	**97**	(30)	-	**67**
Dartmouth Park HLF	**409**	(51)	-	**358**
Private Sector Housing Reserve	**254**	(38)	-	**216**
Other Earmarked Reserves	**452**	(110)	93	**435**
Total General Fund	**20,093**	**(614)**	**2,067**	**21,546**
Balances Held by Schools under a Scheme of Delegation	**34,406**	**(855)**	-	**33,551**
HRA:				
HRA Balance	**32,937**	(667)	-	**32,270**
HRA Welfare Reform Reserve	**2,712**	-	299	**3,011**
Total HRA	**35,649**	**(667)**	**299**	**35,281**

10. **Property, Plant and Equipment**

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

	Council Dwellings £'000	Other Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets Not Held for Sale £'000	Total Plant, Property & Equipment £'000
Cost or Valuation								
At 1 April 2016	**820,105**	**546,538**	**307,530**	**78,119**	**20,419**	**16,113**	**26,468**	**1,815,292**
Additions	44,469	9,778	12,507	5,800	128	27,615	80	**100,377**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	7,237	-	-	-	-	1,120	**8,357**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	102,997	4,037	-	-	-	-	(229)	**106,805**
Derecognition - Disposals	(69)	(10,443)	-	(762)	-	-	-	**(11,274)**
Assets reclassified (to) / from Held for Sale	(9,494)	-	-	-	-	-	(1,742)	**(11,236)**
Other movements in Cost or Valuation	3,372	21,792	-	-	2,342	(26,368)	240	**1,378**
At 31 March 2017	**961,380**	**578,939**	**320,037**	**83,157**	**22,889**	**17,360**	**25,937**	**2,009,699**
Accumulated Depreciation and Impairment								
At 1 April 2016	**(30,775)**	**(30,795)**	**(90,878)**	**(55,169)**	**(638)**	**(2,049)**	**(13,789)**	**(224,093)**
Depreciation Charge	(12,550)	(11,627)	(8,155)	(5,808)	-	-	(85)	**(38,225)**
Depreciation written out to the Revaluation Reserve	12,248	6,714	-	-	-	-	64	**19,026**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(3,519)	-	-	-	-	-	**(3,519)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(4,160)	-	-	-	-	(5)	**(4,165)**
Derecognition - Disposals	2	-	-	696	-	-	-	**698**
Other movements in Depreciation and Impairment	113	64	-	-	-	-	(64)	**113**
At 31 March 2017	**(30,962)**	**(43,323)**	**(99,033)**	**(60,281)**	**(638)**	**(2,049)**	**(13,879)**	**(250,165)**
Net Book Value								
At 1 April 2016	**789,330**	**515,743**	**216,652**	**22,950**	**19,781**	**14,064**	**12,679**	**1,591,199**
At 31 March 2017	**930,418**	**535,616**	**221,004**	**22,876**	**22,251**	**15,311**	**12,058**	**1,759,534**

	Council Dwellings £'000	Other Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets Not Held for Sale £'000	Total Plant, Property & Equipment £'000
Cost or Valuation								
At 1 April 2017	**961,380**	**578,939**	**320,037**	**83,157**	**22,889**	**17,360**	**25,937**	**2,009,699**
Additions	33,067	9,529	9,548	6,510	99	16,880	-	**75,633**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	48,824	-	-	-	-	3,715	**52,539**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	59,302	11,736	-	-	-	-	(329)	**70,709**
Derecognition - Disposals	-	(12,139)	-	-	-	-	(446)	**(12,585)**
Assets reclassified (to) / from Held for Sale	(11,858)	-	-	-	-	-	(111)	**(11,969)**
Other movements in Cost or Valuation	8,148	13,695	-	-	(1,722)	(18,631)	2,429	**3,919**
At 31 March 2018	**1,050,039**	**650,584**	**329,585**	**89,667**	**21,266**	**15,609**	**31,195**	**2,187,945**
Accumulated Depreciation and Impairment								
At 1 April 2017	**(30,962)**	**(43,323)**	**(99,033)**	**(60,281)**	**(638)**	**(2,049)**	**(13,879)**	**(250,165)**
Depreciation Charge	(14,793)	(12,130)	(8,398)	(5,995)	-	-	(88)	**(41,404)**
Depreciation written out to the Revaluation Reserve	12,435	25,841	-	180	-	-	81	**38,537**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(49)	-	(180)	-	-	(108)	**(337)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(131)	-	(120)	-	-	0	**(251)**
Derecognition - Disposals	-	746	-	-	-	-	-	**746**
Other movements in Depreciation and Impairment	161	72	-	-	(4)	8	(86)	**151**
At 31 March 2018	**(33,159)**	**(28,974)**	**(107,431)**	**(66,396)**	**(642)**	**(2,041)**	**(14,080)**	**(252,723)**
Net Book Value								
At 1 April 2017	**930,418**	**535,616**	**221,004**	**22,876**	**22,251**	**15,311**	**12,058**	**1,759,534**
At 31 March 2018	**1,016,880**	**621,610**	**222,154**	**23,271**	**20,624**	**13,568**	**17,115**	**1,935,222**

11. Heritage Assets

Valuations for the assets held on the heritage asset register were carried out during 2017/18. The carrying value as at 31 March 2018 is £4.192m compared to the 31 March 2017 balance, which was £3.931m.

Art Collection

An art collection displayed at Ingestre Hall Residential Arts Centre was 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 however, it was deemed by the Museum Service Manager that there had been no material change to the valuation of these assets since 2011/12 and therefore the value for the remaining art collection remains at £0.424m.

17th Century Furniture

The council's museums display some examples of 17^{th} century furniture. The furniture collection held at Ingestre Hall Residential Arts Centre was 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 however, it was deemed by the Museum Service Manager that there had been no material change to the valuation of these assets since 2011/12 and therefore the value for the remaining furniture collection remains at £0.382m.

Civic Regalia & Presentational Silver

The civic regalia and presentational silver are assets that have been donated to or purchased by the council, which currently amount to over 100 items. Valuations provided by Fattorinis in 2017/18 estimated the collection held at the Mayors Parlour to be worth £1.413m. The remaining collection was reviewed by the Museum Service Manager and deemed to have had no material change in value since its last valuation in 2011/12 and therefore remains at a value of £0.052m.

Other

The council holds other 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. These two collections were reviewed by the Museum Services Manager in 2017/18 and it their opinion, there had been no material change in value since 2011/12.

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

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

12. Investment Properties

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

2016/17 £'000		2017/18 £'000
3,064	Rental income from investment property	2,907
(598)	Direct operating expenses arising from investment property	(661)
2,466	**Net gain / (loss)**	**2,246**

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:

2016/17 £'000		2017/18 £'000
95,946	**Balance at start of the year**	**88,718**
128	Subsequent expenditure	-
(4,693)	Disposals	(2,764)
(863)	Net gains / (losses) from fair value adjustments	4,367
(1,800)	Other changes	(3,919)
88,718	**Balance at the end of the year**	**86,402**

13. **Assets Held for Sale**

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

	2016/17 £'000	2017/18 £'000
Balance outstanding at start of year	**2,041**	**593**
Assets newly classified as held for sale:		
Property Plant and Equipment	11,236	11,969
Revaluation losses	(561)	(154)
Assets sold	(12,010)	(12,207)
Other movements	(113)	80
Balance outstanding at year end	**593**	**281**

14. **Intangible Assets**

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

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

	2016/17 £'000	2017/18 £'000
Balance at start of year	**2,209**	**3,201**
Purchases	1,805	751
Amortisation for the period	(813)	(756)
Net carrying amount at end of year	**3,201**	**3,196**
Comprising:		
Gross carrying amount	18,466	19,218
Accumulated amortisation	(15,265)	(16,022)
	3,201	**3,196**

15. Fair Value of Non Current Assets

Movement in the Fair Value of Non Current Assets

	Valued at Historical Cost	Net Book Value at Date of last Valuation					Total
		2013/14	2014/15	2015/16	2016/17	2017/18	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Plant & Equipment							
Council Dwellings	-	-	-	-	-	1,016,880	1,016,880
Land & Buildings	-	135,720	118,247	191,322	87,704	88,617	621,610
Infrastructure	222,154	-	-	-	-	-	222,154
Vehicles, Plant & Equipment	23,271	-	-	-	-	-	23,271
Community Assets	20,624	-	-	-	-	-	20,624
Assets Under Construction	13,568	-	-	-	-	-	13,568
Surplus Assets Not Held for Sale	-	1,570	2,828	4,892	1,506	6,319	17,115
Heritage Assets	66	-	-	-	-	4,126	4,192
Investment Properties	-	-	-	68,206	7,758	10,438	86,402
Intangible Assets	3,196	-	-	-	-	-	3,196
	282,879	**137,290**	**121,075**	**264,420**	**96,968**	**1,126,380**	**2,029,012**
Assets Held for Sale	-	-	-	-	231	50	281
Total	**282,879**	**137,290**	**121,075**	**264,420**	**97,199**	**1,126,430**	**2,029,293**

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
- 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
- Obsolescence

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

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

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

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

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

Fair Value Hierarchy 2016/17

2016/17	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input Level 3 £000's	Fair Value 31 March 2017 £000's
Fair Value Category				
Investment Properties				
Cleared Sites	-	4,633	-	4,633
Community Centres	-	-	397	397
Compounds	-	1,323	-	1,323
Depots	-	2	-	2
Farms	-	470	-	470
Industrial Sites	-	5,749	-	5,749
Land	-	30,863	-	30,863
Retail Sites	-	37,143	-	37,143
Shops	-	7,864	-	7,864
Vacant Sites	-	274	-	274
Total Investment	-	**88,321**	**397**	**88,718**
Surplus Assets				
Car Parks	-	2,936	-	2,936
Cleared Sites	-	2	-	2
Depots	-	202	-	202
Land	-	5,093	-	5,093
Vacant Sites	-	3,825	-	3,825
Total Surplus	-	**12,058**	-	**12,058**
Total	-	**100,379**	**397**	**100,776**

Fair Value Hierarchy 2017/18

2017/18	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input Level 3 £000's	Fair Value 31 March 2018 £000's
Fair Value Category				
Investment Properties				
Car Parks	-	121	-	121
Cleared Sites	-	2,338	-	2,338
Community Centres	-	-	272	272
Compounds	-	1,323	-	1,323
Depots	-	2	-	2
Farms	-	470	-	470
Industrial Sites	-	6,478	-	6,478
Land	-	41,755	-	41,755
Retail Sites	-	25,091	-	25,091
Shops	-	8,281	-	8,281
Vacant Sites	-	271	-	271
Total Investment	**-**	**86,130**	**272**	**86,402**
Surplus Assets:				
Car Parks	-	2,894	-	2,894
Cleared Sites	-	-	-	-
Depots	-	235	-	235
Land	-	4,453	-	4,453
Vacant Sites	-	9,533	-	9,533
Total Surplus	-	**17,115**	-	**17,115**
Total	-	**103,245**	**272**	**103,517**

There has been one transfer between input levels during 2017/18. One community asset has been declared surplus and has been transferred to the Surplus Asset register as a vacant site. There has been no change in the valuation techniques used to determine fair value.

Reconciliation of Fair Value Measurements – Level 3

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

Investment: Community Centres Categorised Within Level 3

	31 March 2017 £000's	31 March 2018 £000's
Opening Balance	**397**	**397**
Transfers to Level 3	-	-
Transfers from Level 3	-	(119)
Gains/ Losses included resulting from a change in Fair Value	-	**-**
Additions	-	-
Disposals	-	(6)
Closing Balance	**397**	**272**

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

Quantative Information about Fair Value Measurements – Level 3

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

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

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

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

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

16. Financial Instruments

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

	31 March 2017 Current £'000	31 March 2017 Long Term £'000	Total £'000	31 March 2018 Current £'000	31 March 2018 Long Term £'000	Total £'000
LIABILITIES						
Borrowings:						
Financial Liabilities (principal)	17,708	464,949	**482,657**	48,449	449,725	**498,174**
Plus accrued interest	4,841	-	**4,841**	6,986	-	**6,986**
Soft Loans	40	71	**111**	40	30	**70**
Other Accounting Adjustments	433	683	**1,116**	433	665	**1,098**
Total Borrowings at amortised cost	**23,022**	**465,703**	**488,725**	**55,908**	**450,420**	**506,328**
PFI & Finance Lease Liabilities	4,877	84,201	**89,078**	4,029	81,075	**85,104**
Creditors	67,631	-	**67,631**	77,729	-	**77,729**
TOTAL LIABILITIES	**95,530**	**549,904**	**645,434**	**137,666**	**531,495**	**669,161**
ASSETS						
Loans & Receivables:						
Principal	38,250	-	**38,250**	36,101	-	**36,101**
Plus accrued interest	4	-	**4**	21	-	**21**
Total Loans & Receivables at amortised cost	**38,254**	-	**38,254**	**36,122**	-	**36,122**
Available for Sale Financial assets	-	28,919	**28,919**	-	28,329	**28,329**
Unquoted Equity Investment at cost	-	655	**655**	-	655	**655**
Investments	-	-	**-**	5,000	250	**5,250**
Total Investments	**-**	**29,574**	**29,574**	**5,000**	**29,234**	**34,234**
Debtors	40,391	-	**40,391**	37,493	-	**37,493**
TOTAL ASSETS	**78,645**	**29,574**	**108,219**	**78,615**	**29,234**	**107,849**

Gains/Losses of Financial Instruments

The gains and losses recognised in the CI&ES in relation to financial instruments are made up as follows:

	2016/17			
	Financial Liabilities	**Financial Assets**		**Total**
	Measured at Amortised Cost £'000	**Loans & Receivables £'000**	**Available for Sale Assets £'000**	**£'000**
Total expenses in Surplus or Deficit on the Provision of Services:				
Interest Expense	(33,794)	-	-	**(33,794)**
Total income in Surplus or Deficit on the Provision of Services:				
Interest Income	-	2,508	-	**2,508**
Net Gain / (Loss) for the Year	**(33,794)**	**2,508**	-	**(31,286)**

	2017/18			
	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost	Loans & Receivables	Available for Sale Assets	
	£'000	£'000	£'000	£'000
Total expenses in Surplus or Deficit on the Provision of Services:				
Interest Expense	(33,392)	-	-	**(33,392)**
Total income in Surplus or Deficit on the Provision of Services:				
Interest Income	-	2,857	-	**2,857**
Net Gain / (Loss) for the Year	**(33,392)**	**2,857**	-	**(30,535)**

Amortised cost

Under accounting requirements, the financial instruments shown in the Balance Sheet should be shown at amortised cost. This is the carrying amount and comprises of 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.

The only items the council holds that are required to be held at fair value on the balance sheet are the available for sale assets relating to equity shares held in Birmingham Airport.

Fair Value Measurement

IFRS 13 requires that local authorities measure some of their financial instruments at fair value and to apply the relevant input levels of the fair value hierarchy that are detailed in the section xxx of the councils accounting policies.

Fair Values of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets Measured at Fair Value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31/03/2017 £'000**	**As at 31/03/2018 £'000**
Available for Sale:				
Equity shareholding in Birmingham Airport	Level 2	Fair value derived on an earnings approach.	28,919	28,329

In relation to 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.

There were no transfers between input levels during the financial year 2017/18 and there has been no change in the valuation techniques used to measure them.

The council does not hold any financial assets carried at fair value categorised within Level 3.

Fair value of Assets and Liabilities carried at Amortised Cost

Some financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

The fair values calculated are as follows:

	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Total Debt	**488,725**	**804,273**	**506,328**	**807,581**
PFI & Finance Lease Creditors	89,078	89,078	85,104	85,104
Trade Creditors	67,631	67,631	77,729	77,729
Total Financial Liabilities	**645,434**	**960,982**	**669,161**	**970,414**

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

In 2017/18 the fair value of the PWLB and non PWLB debt increased due to the council taking out new temporary market debt in April 2017 which, is due to be repaid in April 2018. The increase in borrowing has been offset against an increase in the discount rate applied to calculate the fair value of PWLB debt and a decrease in the discount rate applied to calculate the non PWLB debt between 2016/17 and 2017/18.

The fair value of Public Works Loan Board (PWLB) loans of £595.500m and the various banks Long Term Market Loans (LTML) of £164.500m measures the economic effect of the terms agreed with the PWLB and the various banks with regards to the LTML compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount (PWLB £358.800m/ML £92.000m) and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB and the various banks with regards to the LTML, against what would be paid if the loans were at prevailing market rates, which are those equivalent to the PWLB redemption interest rates.

However, 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 and LTML commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of PWLB at £358.800m would be valued at £515.300m and LTML at £92.000m would be valued at £130.700m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB and the various banks with regards to the LTML, the PWLB and the various banks would raise a penalty charge for early redemption. The exit price for the PWLB loans including the penalty charge would be £595.500m, being the principal of £358.800m, accrued interest of £5.800m and a penalty charge/premium of £230.900m. The exit price for the various banks LTML including the penalty charge would be £164.500m, being the principal £92.000m, accrued interest of £1.300m and a penalty charge/premium of £71.200m.

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

The councils long term investment in Birmingham Airport was revalued as at the 31 March 2018. It has been concluded that the movement in fair value is material and therefore an adjustment has been made within the accounts; as a result, the carrying value of the investment has decreased from £28.919m to £28.329m.

The investment in the Local Education Partnership of £0.655m is shown at cost. As there is no reliable market value, the fair value cannot be measured reliably.

In 2017/18 the council invested £0.250m in the 6 Towns Credit Union. As this deposit is not of material value, it is shown at cost and accrued interest as at 31 March 2018 in the balance sheet.

Fair Value Hierarchy for Financial Assets and Financial Liabilities
The fair value for financial liabilities and financial assets that are not measured at fair value included in Levels 2 in the following tables, have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

	31 March 2017			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total £'000
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	482,658	-	**482,658**
Plus accrued interest	-	4,841	-	**4,841**
Soft Loans	-	111	-	**111**
Other Accounting Adjustments	-	1,115	-	**1,115**
Total Borrowings at amortised cost	**-**	**488,725**	**-**	**488,725**
PFI & Finance Lease Liabilities	-	89,078	-	**89,078**
Creditors	-	67,631	-	**67,631**
TOTAL LIABILITIES	**-**	**645,434**	**-**	**645,434**
ASSETS				
Loans & Receivables:				
Principal	-	38,250	-	**38,250**
Plus accrued interest	-	4	-	**4**
Total Loans & Receivables at amortised cost	**-**	**38,254**	**-**	**38,254**
Unquoted Equity Investment at cost	-	655	-	**655**
Investments	-	-	-	-
Total Investments	**-**	**655**	**-**	**655**
Debtors	-	40,391	-	**40,391**
TOTAL ASSETS	**-**	**79,300**	**-**	**79,300**

	31 March 2018			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total £'000
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	498,174	-	**498,174**
Plus accrued interest	-	6,986	-	**6,986**
Soft Loans	-	70	-	**70**
Other Accounting Adjustments	-	1,098	-	**1,098**
Total Borrowings at amortised cost	**-**	**506,328**	**-**	**506,328**
PFI & Finance Lease Liabilities	-	85,104	-	**85,104**
Creditors	-	77,729	-	**77,729**
TOTAL LIABILITIES	**-**	**669,161**	**-**	**669,161**
ASSETS				
Loans & Receivables:				
Principal	-	36,101	-	**36,101**
Plus accrued interest	-	21	-	**21**
Total Loans & Receivables at amortised cost	**-**	**36,122**	**-**	**36,122**
Unquoted Equity Investment at cost	-	655	-	**655**
Investments	-	5,250	-	**5,250**
Total Investments	**-**	**5,905**	**-**	**5,905**
Debtors	-	37,493	-	**37,493**
TOTAL ASSETS	**-**	**79,520**	**-**	**79,520**

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;
- Refinancing Risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rate or terms;
- Market Risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act (further information on the council's Treasury Management & Investment Strategy can be found on the council's website).

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody and Standard & Poors ratings services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below. Additional selection criteria are also applied after this initial criterion has been applied. Details of the investment strategy can be found on the council's website; the key areas of the investment strategy are that the minimum criteria for investment counterparties include:

- Short Term of 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.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of un-recoverability applies to all of the council's deposits, but no breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits. Of the £41.351m total deposits, £30.000m were held with overseas banks and £11.351m were held with british banks; £41.101m on a temporary basis and £0.250m on a long term basis as at 31 March 2018. During 2017/18 the council did not hold any collateral as security.

The following analysis summarises the council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Principal Amount	Historical experience of default	Adjustment for market conditions	Principal Amount	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default as at 31 March	
	31 March 2017			31 March 2018			2017	2018
	£'000	%	%	£'000	%	%	£'000	£'000
Customers	14,164	9.54	9.54	16,562	10.12	10.12	1,351	1,676

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:

	2016/17 £'000	2017/18 £'000
Less than three months	8,354	8,237
Three to six months	809	2,315
Six months to one year	1,348	1,707
More than one year	3,653	4,303
Total	**14,164**	**16,562**

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 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.

Refinancing and Maturity Risk

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

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

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

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

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

	Approved Minimum Limits	Approved Maximum Limit (of total debt)	Principal 31 March 2017 £'000	Principal 31 March 2018 £'000
Less than one year	0%	20% (£117m)	17,748	48,489
Between one and two years	0%	20% (£117m)	15,264	3,602
Between two and five years	0%	25% (£146m)	44,295	52,080
Between five and ten years	0%	50% (£292m)	59,490	56,800
More than ten years	10%	90% (£525m)	345,971	337,273
			482,768	**498,244**

All trade and other payables are due to be paid in less than one year and trade creditors of £1.789m are not shown in the table above.

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 affect the General Fund Balance, subject to influences from government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor the 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 risk of interest rate loss is partially mitigated by government grant payable on financing costs.

The council's debt and investments are currently all 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 debt would result in an increase of £161.500m but this would not have any impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Price Risk – The council does not generally invest in equity shares but does have shareholdings to the value of £28.329m in Birmingham Airport, £0.655m in the Local Education Partnership and £0.250m in the 6 Towns Credit Union. 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.

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

17. Short Term Debtors

	2016/17 £'000	2017/18 £'000
Central Government Bodies	12,547	11,632
Other Local Authorities	1,856	1,636
NHS Bodies	1,515	3,235
Public Corporations and Trading Funds	276	535
Other Entities and Individuals	24,197	20,455
Total	**40,391**	**37,493**

The debtor figures above are net of provisions for bad and doubtful debts of £30.613m in 2017/18 (£29.811m in 2016/17). These provisions enable the write-off of arrears on housing rents, rates, community charges, council tax and other sundry debtors.

18. Cash and Cash Equivalents

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

	2016/17 £'000	2017/18 £'000
Bank current accounts	18,411	19,090
Short term deposits	38,250	36,101
	56,661	**55,191**
Bank Overdraft	(77,764)	(72,378)
Total Cash and Cash Equivalents	**(21,103)**	**(17,187)**

19. Short Term Creditors

	2016/17 £'000	2017/18 £'000
Central Government Bodies	11,094	18,014
Other Local Authorities	3,377	2,889
NHS Bodies	1,642	8,822
Public Corporations and Trading Funds	637	1,038
Other Entities and Individuals	50,881	46,966
Finance Lease Creditors (Note 37)	4,877	4,029
Total	**72,508**	**81,758**

20. Other Long Term Liabilities

	2016/17 £'000	2017/18 £'000
Finance Lease Creditors (Note 37)	84,201	81,075
Deferred Liabilities	234	203
Deferred Creditors	3,635	3,528
Pensions Liability (Note 40)	851,158	783,154
Other Long Term Liabilities	**939,228**	**867,960**

21. Provisions

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

	Opening Balance at 1 April 2017 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2018 £'000
Current Provisions					
Termination Benefits	**4,105**	2,253	(3,688)	(417)	**2,253**
Insurance	**2,389**		(422)	-	**1,967**
Collection Fund Provisions	**886**	1,416	-	-	**2,302**
Carbon Reduction Scheme	**270**	-	(242)	-	**28**
Single Status - Equal Pay Settlement	**135**	1	(34)	-	**102**
Total Current Provisions	**7,785**	**3,670**	**(4,386)**	**(417)**	**6,652**
Long Term Provisions					
Insurance	**3,882**	397	(40)	-	**4,239**
Total Long Term Provisions	**3,882**	397	**(40)**	**-**	**4,239**
Total Provisions	**11,667**	**4,067**	**(4,426)**	**(417)**	**10,891**

The main provisions held are:

- Since the changes to the retained business rates scheme came into effect from 1 April 2013, the council became liable for any successful rating valuation appeals. It therefore has Collection Fund provisions of £2.302m set aside to mitigate this liability as well as to cover any potential liabilities arising for the local council tax reduction scheme.
- In light of council wide restructuring required to address efficiency savings as a result of central government cuts, the accounts include termination benefit provisions totalling £2.253m. These provisions reflect the known costs of all termination benefits approved as at 31 March 2018.
- An insurance provision of £6.206m for previous years' asset, employee and public liability claims held in line with recommendations made within the actuarial valuation. Further details on the council's insurance fund can be found within accounting policy (xxvii) on page 43.

22. **Usable Reserves**

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

General Fund Balance

The council held total revenue balances of £75.209m as at 31 March 2018. However, included within this figure are approved committed items relating to directorate surpluses carried forward into 2018/19 and additional approved revenue expenditure on specific items in future years. Free balances available to the council at 31 March 2018 are £11.219m.

	2016/17 £'000	2017/18 £'000
Revenue Balance	**71,748**	**75,209**
less Committed Items:		
Revenue Contribution to Capital Expenditure	(6,324)	(2,965)
Earmarked Balances	(53,740)	(61,025)
Total Available Resources	**11,684**	**11,219**

Schools Balances

Any balances relating to schools are ring fenced and cannot be appropriated by the Council. In 2017/18 the Individual School Budgets (ISB) generated a deficit of £0.855m reducing school balances to £33.551m.

Schools are directly funded from a Dedicated Schools Grant (DSG). In 2017/18, 35 schools overspent their DSG budget totalling £4.035m and 50 under spent totalling £3.174m. Other non schools' budgets, which are part of the overall ISB under spent by £0.006m resulting in a total deficit of £0.855m.

Usable Capital Receipts

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

	2016/17 £'000	2017/18 £'000
Amounts receivable in year	17,540	16,902
Amounts applied to finance new capital investment in year	(12,432)	(14,252)
Pooled capital receipts paid to DCLG	(2,714)	(2,697)
Total increase / (decrease) in realised capital resources	**2,394**	**(47)**
Balance brought forward 1 April	**5,469**	**7,863**
Balance carried forward 31 March	**7,863**	**7,816**

23. **Unusable Reserves**

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

	2016/17 £'000	2017/18 £'000
Revaluation Reserve	(163,475)	(248,836)
Available for Sale Financial Instruments Reserve	(21,189)	(20,599)
Capital Adjustment Account	(877,974)	(981,314)
Financial Instruments Adjustment Account	1,536	1,462
Pensions Reserve	851,158	817,054
Collection Fund Adjustment Account	3,922	8,662
Accumulating Compensated Absences Adjustment Account	6,208	7,091
Total Unusable Reserves	**(199,814)**	**(416,480)**

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.

	2016/17	2017/18	
	£'000	£'000	£'000
Balance at 1 April	**(144,994)**		**(163,475)**
Upward revaluation of assets	(143,485)	(173,622)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	119,623	82,639	
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	**(23,862)**		**(90,983)**
Difference between fair value depreciation and historical cost depreciation	2,631		2,816
Accumulated gains on assets sold or scrapped	2,750		2,806
Amounts written off to the Capital Adjustment Account	-		-
Asset Transfers	-		-
Balance at 31 March	**(163,475)**		**(248,836)**

<u>Available for Sale Financial Instruments Reserve</u>

The Available for Sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are either revalued downwards or impaired and the gains are lost, or disposed of, and the gains are realised. The opening balance of £21.189m on this reserve has decreased to £20.599m during the year.

<u>Capital Adjustment Account</u>

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

	2016/17	**2017/18**	
	£'000	**£'000**	**£'000**
Balance at 1 April	**(714,001)**		**(877,974)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Depreciation of non current assets	39,038	42,162	
Revaluation and impairment losses on property, plant and equipment	(102,080)	(70,304)	
Revenue expenditure funded from capital under statute	10,981	11,100	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	27,279	26,579	
	(24,782)		**9,537**
Adjusting amounts written out of the Revaluation Reserve	(5,381)		(5,622)
Net written out amount of the cost of non current assets consumed in the year	**(30,163)**		**3,915**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve	(12,431)	(14,252)	
Use of the Major Repairs Reserve	(12,057)	(14,184)	
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(37,354)	(17,174)	
Applications of grants to capital financing from the Capital Grants Unapplied Account	(16,637)	(12,005)	
Statutory provision for the financing of capital investment	(27,621)	(29,527)	
Capital expenditure charged against the General Fund and HRA balances			
Revenue Contributions to Capital	(28,991)	(15,746)	
	(135,091)		**(102,888)**
Movements in the market value of Investment Properties debited or credited to the CI&ES	1,286		(4,367)
Movements in the Donated Assets Account	(5)		-
Balance at 31 March	**(877,974)**		**(981,314)**

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).

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**2,254**	**1,536**
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	(57)	(56)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
Market Loans (LOBOs)	(661)	(18)
Balance at 31 March	**1,536**	**1,462**

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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**653,286**	**851,158**
Remeasurements of the net defined benefit liability / (asset)	185,257	(64,120)
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	56,957	76,463
Employer's pensions contributions and direct payments to pensioners payable in the year	(44,342)	(46,447)
Balance at 31 March	**851,158**	**817,054**

Collection Fund Adjustment Account
The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement (CI&ES) as it falls due from payers, compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund. The opening balance of £3.922m on this reserve has increased to £8.662m during the year.

Accumulating Compensated Absences Adjustment Account
This account absorbs the differences that would arise on the General Fund and Housing Revenue Account Balance by accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 December. The opening balance of £6.208m on this reserve has increased to £7.091m during the year.

24. **Cash Flow Statement**

Net cash flows from operating activities include the following items:

	2016/17 £'000	2017/18 £'000
Interest Paid	(33,917)	(31,295)
Interest Received	119	111
Dividends Received	5,980	1,843

	2016/17 £'000	2017/18 £'000
Adjustments to net surplus / deficit on the provision of services for non cash movements		
Non Cash Transactions:		
Depreciation, impairment and amortisation of non current assets	63,042	28,142
Sale of non current assets - disposals (carrying value)	(27,279)	(26,579)
Net charges made for retirement benefits in accordance with IAS19	(12,615)	(30,016)
Appropriations to / from Collection Fund Adjustment Account	(1,333)	(4,818)
Appropriations to / from Accumulated Absences Account	(1,471)	(883)
Gains / Losses on Revaluation	(1,286)	4,367
Other non cash transactions	449	33,918
	19,507	**4,131**
Items on an Accruals Basis:		
Increase / (decrease) in Inventories	237	(174)
Increase / (decrease) in Debtors	(9,308)	(404)
(Increase) / decrease in Creditors	10,138	(8,808)
(Increase) / decrease in Provisions	(2,255)	776
	(1,188)	**(8,610)**
Total adjustments to net surplus/deficit on the provision of services for non cash movements	**18,319**	**(4,479)**
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		
Sale of non current assets - proceeds	17,540	16,902
Taxation & Specific Grants	39,805	27,817
Total adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	**57,345**	**44,719**

25. **Note to the Expenditure and Funding Analysis**

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

2016/17	Capital Adjustments at Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Adjustments for Capital Purposes (Note 3) £'000	Net change for the Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	Total Adjustment between Funding and Accounting Basis £'000
People							
- Adults	(593)	4,098	3,505	444	(677)	4	(229)
- Schools	(6,996)	-	(6,996)	-	(7,605)	1,452	(6,153)
- Children's Services	(8,948)	6,156	(2,792)	8,292	(873)	15	7,434
- Public Health	(860)	801	(59)	860	(199)	(8)	653
Performance							
- Resources	(2,702)	(22,871)	(25,573)	2,702	1,412	56	4,170
- Corporate Management	(83)	6,431	6,348	214	(7)	19	226
Place							
- Housing & Communities and Regeneration & Growth	(16,186)	7,460	(8,726)	15,350	(773)	(187)	14,390
Housing Revenue Account	(16,696)	372	(16,324)	(90,742)	(978)	901	(90,819)
Net Cost of Services	**(53,064)**	**2,447**	**(50,617)**	**(62,880)**	**(9,700)**	**2,252**	**(70,328)**
Other operating expenditure	-	-	-	9,209	-	-	9,209
Financing and Investment Income and Expenditure	110,690	(2,466)	108,224	(63,651)	22,316	(718)	(42,053)
Taxation and Non Specific Grant Income	-	-	-	(39,805)	-	1,333	(38,472)
(Surplus) or Deficit	**57,626**	**(19)**	**57,607**	**(157,127)**	**12,616**	**2,867**	**(141,644)**

2017/18	Capital Adjustments at Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Adjustments for Capital Purposes (Note 3) £'000	Net change for the Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	Total Adjustment between Funding and Accounting Basis £'000
People							
- Adults	(1,093)	4,131	3,038	1,377	3,115	110	4,602
- Schools	(7,004)	(7,304)	(14,308)	-	9,339	734	10,073
- Children's Services	(17,834)	(1,173)	(19,007)	5,361	3,059	222	8,642
- Public Health	(27)	(4,801)	(4,828)	27	-	(89)	(62)
Performance							
- Resources	(1,394)	1,599	205	940	(9,809)	(78)	(8,947)
- Corporate Management	(87)	6,545	6,458	416	22	-	438
Place							
- Housing & Communities and Regeneration & Growth	(17,447)	14,657	(2,790)	16,509	2,861	70	19,440
Housing Revenue Account	(17,118)	(11,409)	(28,527)	(44,214)	(149)	(31)	(44,394)
Net Cost of Services	**(62,004)**	**2,245**	**(59,759)**	**(19,584)**	**8,438**	**938**	**(10,208)**
Other operating expenditure	-	-	-	11,132	-	-	11,132
Financing and Investment Income and Expenditure	125,787	(2,172)	123,615	(62,412)	21,581	(148)	(40,979)
Taxation and Non Specific Grant Income	-	-	-	(27,816)	-	4,818	(22,998)
(Surplus) or Deficit	**63,783**	**73**	**63,856**	**(98,680)**	**30,019**	**5,608**	**(63,053)**

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 recharges are not included in the council's directorate reporting. This movement is included in the Net Cost of Services in the CI&ES.

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

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

Note 3 – Adjustments for Capital Purposes
This column adds in depreciation, impairments and revaluation gains and losses in the directorate's line.

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

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

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

Note 4 – Net Change for the Pensions Adjustments
Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

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

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

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

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

2016/17 £'000		2017/18 £'000
331,033	Employee Benefits Expenses	351,375
453,499	Other Services Expenses	471,050
(51,877)	Depreciation, Amortisation and Impairment	(16,174)
6,495	Loss on Disposal of Non Current Assets	8,435
56,110	Interest Payments	54,972
16,905	Precepts and Levies	16,488
(193)	Support Services Recharges	(136)
811,972	**Total Expenditure**	**886,010**
(204,535)	Fees and Charges and Other Service Income	(192,892)
(180,506)	Income from Council Tax and Business Rates	(240,440)
(564,629)	Government Grants and Contributions	(502,452)
(1,708)	Support Services Recharges	(8,897)
118	Interest and Investment Income	(8,074)
(951,260)	**Total Income**	**(952,755)**
(139,288)	**Net Expenditure**	**(66,745)**

26. **Agency Services**

The Council acts as an agent for Growing Places, Growing Priority Sectors (Black Country Growth Deal), the Land Development Fund and Black Country Superfast Broadband monies; the distribution of which is managed by the Black Country Local Enterprise Partnership and Black Country Joint Committee. Grant of £1.280m has been distributed in relation to the Growing Priority Sectors project.

Growing Places funding of £14.4m was received in 2011/12. No additional monies were received for Growing Places during 2017/18.

The Land Development fund is a loans fund for which Public Works Loans Board (PWLB) funding is available. One project is currently accessing this facility and has drawn loan funding of £1.6m during 2015/16 and 2016/17. Interest on the loan is being repaid on a six monthly basis with full repayment of the balance due at the earlier of site disposal or 10 years from the date of the loan agreement.

Only income and expenditure in relation to transactions directly incurred by the council is recognised in its financial statements for these funds where the council acts as the agent. There were no transactions in 2017/18 or 2016/17.

27. **Pooled Budgets**

Utilising Section 75 of the National Health Act 2006, the council has established joint working arrangements with Sandwell & West Birmingham Clinical Commissioning Group (CCG).

During 2017/18 Sandwell MBC hosted the Better Care Fund pooled budget. The objectives and performance of the pooled budget are outlined below;

Better Care Fund – came into operation on 1 April 2015 and is hosted by Sandwell MBC with contributions from CCG. It aims to improve the quality and cost effectiveness of services through greater integration of health, social care and voluntary/third sector provisions. This pool generated a surplus of £6.749m in 2017/18 and, in accordance with the agreement in place this will be carried forward into 2018/19.

Introduction of Improved Better Care Fund Grant in 2017/18 - additional funding of £11.485m. The grant is only for purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider markets are supported. As notification of the grant was not made until the start of the financial year, plans on how the money would be spent had to be agreed by the I-BCF Joint Partnership Board during the year. As plans were agreed partway through the year, there is a surplus of £5.659m which is included in the pool surplus above.

The standing orders and financial regulations of the pool host applies to the management of the pool fund and the financial performance for the pool for the year ended 31 March 2018 is shown below.

Better Care Fund 2016/17 £'000		**Better Care Fund 2017/18 £'000**
24,262	Gross Expenditure	28,592
-	Income exc. Partner Contributions	-
24,262	**Net Expenditure**	**28,592**
	Partner Contributions:	
(23,375)	Sandwell & West Birmingham CCG	(23,793)
-	Sandwell MBC - I-BCF	(11,485)
(23,375)	**Total Contribution**	**(35,278)**
887	**Net (Under) / Over Spend in Year**	**(6,686)**
(950)	(Under) / Over Spend B/Fwd	(63)
-	(Over) / Under Spend Written Off In Year	-
(63)	**(Under) / Over Spend C/Fwd**	**(6,749)**

28. 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 2016/17	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Employers Capital Costs £	Total Remuneration inc Pension Contributions £
Chief Executive	140,290	-	**140,290**	18,391	-	**158,681**
Assistant Chief Executive (a)	64,251	82,791	**147,042**	8,553	321,314	**476,909**
Director:						
- Governance Services (b)	33,683	33,358	**67,041**	4,412	293,825	**365,278**
- Monitoring Officer (Interim) (c)	59,645	-	**59,645**	-	-	**59,645**
- Education	87,466	2,539	**90,005**	11,471	-	**101,476**
- Children's Services	119,403	-	**119,403**	15,655	-	**135,058**
- Children's & Families (d)	86,374	58,881	**145,255**	11,775	-	**157,030**
- Children's & Families (Interim) (e)	5,100	-	**5,100**	-	-	**5,100**
- Adult Social Care	119,403	-	**119,403**	15,655	-	**135,058**
- Regeneration & Economy	102,704	-	**102,704**	13,454	-	**116,158**
- Neighbourhoods (f)	77,028	59,941	**136,969**	10,091	-	**147,060**
- Neighbourhoods (Interim) (g)	90,450	-	**90,450**	-	-	**90,450**
- Public Health	102,704	-	**102,704**	14,643	-	**117,347**
- Prevention & Protection (h)	68,645	-	**68,645**	9,006	-	**77,651**
- Resources (i)	43,430	-	**43,430**	5,707	-	**49,137**
Section 151 Officer (i)	38,165	-	**38,165**	5,025	-	**43,190**

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

a) The Assistant Chief Executive post was deleted on 4 October 2016 (Annualised salary £126,084).
b) The Director of Governance Services became vacant on 30 July 2016 (Annualised salary £102,451).
c) The Interim Monitoring Officer was appointed on 10 October 2016.
d) The Director of Children's & Families became vacant on 7 February 2017 (Annualised salary £101,046).
e) The Interim Director of Children's & Families was appointed on 20 February 2017.
f) The Director of Neighbourhoods became vacant on 1 January 2017 (Annualised salary £102,237).
g) The Interim Director of Neighbourhoods was appointed on 17 October 2016.
h) The Director of Prevention & Protection was appointed on 20 June 2016 (Annualised salary £87,914).
i) The Section 151 Officer was appointed as Interim Director of Resources on 3 October 2016 (Annualised salary £117,032). This post became the permanent Executive Director of Resources on 23 March 2017.
j) The Interim Monitoring Officer departed on 3 September 2017.
k) The Monitoring Officer was appointed on 4 September 2017 (Annualised Salary £89,290).
l) The Interim Director of Children's Services departed on 31 March 2018.
m) The Interim Director of Children's & Families departed on 12 January 2018 and the post remained vacant until 25 February 2018.
n) The Director of Children's & Families was appointed on 26 February 2018 (Annualised Salary £138,664).
o) The Director of Regeneration & Economy became vacant on 14 July 2017 (Annualised salary £103,718).
p) The Interim Director of Neighbourhoods departed on 3 September 2017.
q) The Executive Director of Neighbourhoods was appointed on 4 September 2017 (Annualised Salary £118,487).
r) The Director of Homes & Communities was appointed on 6 September 2017 (Annualised salary £95,873).
s) The Director of Public Health was vacant between 2 September 2017 and 31 December 2017 (Annualised salary £89,891).

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

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

Remuneration Band			Number of Employees			
			2016/17		2017/18	
			Schools	Non Schools	Schools	Non Schools
£50,000	-	£54,999	70	44	74	38
£55,000	-	£59,999	37	16	44	13
£60,000	-	£64,999	38	16	33	17
£65,000	-	£69,999	20	13	31	14
£70,000	-	£74,999	9	7	13	10
£75,000	-	£79,999	8	1	6	2
£80,000	-	£84,999	5	-	4	2
£85,000	-	£89,999	6	-	4	-
£90,000	-	£94,999	2	-	4	-
£95,000	-	£99,999	1	-	2	-
£100,000	-	£104,999	-	-	-	-
£105,000	-	£109,999	-	-	-	-
£110,000	-	£114,999	1	-	-	-
£115,000	-	£119,999	-	1	1	-
£120,000	-	£124,999	-	-	-	-
£125,000	-	£129,999	1	-	-	-
£130,000	-	£134,999	-	-	-	-
			198	**98**	**216**	**96**

29. **Members Allowances**
The total amount paid during 2017/18 to elected members of the council in respect of basic and special responsibility allowances was £1.254m (£1.244m in 2016/17).

30. **External Audit Costs**

	2016/17 £'000	2017/18 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	199	199
Fees payable to KPMG for the certification of grant claims and returns for the year	14	14
Fees payable in respect of other services provided by KPMG during the year	12	20
Total	**225**	**233**

31. **Dedicated Schools Grant**
The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Education Funding Agency. An element of DSG is recouped by the department to fund academy schools in the area. DSG is ring fenced and can only be applied to meet expenditure properly included in the school's budget, as defined in the School Finance (England) Regulations 2015. The schools budget includes elements for a range of educational services provided on a council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

	Central Expenditure £000	ISB £000	Total £000
Final DSG For 2017/18 Before Academy Recoupment			307,305
Academy Figure Recouped for 2017/18			97,174
Total Final DSG After Academy Recoupment for 2017/18			**210,131**
Bought Forward From 2016/17	2,037	(2,037)	-
Agreed Initial Budgeted Distribution in 2017/18	**11,975**	**198,156**	**210,131**
In Year Adjustments	**-**	-	-
Final Budgeted Distribution for 2017/18	**14,012**	**196,119**	**210,131**
Less Actual Central Expenditure	9,402	-	9,402
Less Actual ISB Deployed To Schools	-	202,347	202,347
Local Authority Contribution For 2017/18	-	1,618	1,618
Carry Forward To 2018/19	**4,610**	**(4,610)**	**-**

32. **Grant Income**

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the grantor. The council presents Grants Receipts in Advance for capital and revenue separately and also splits them between current and long term liabilities. The balances at each year end are as follows:

Capital Grants Receipts in Advance	**31 March 2017 £'000**	**31 March 2018 £'000**
Short Term:		
Renewal & Growth	1,188	1,165
Standards Fund	852	670
Other Grants	264	567
Other Contributions	116	16
	2,420	**2,418**
Long Term:		
Section 106	5,048	5,153
Other Grants	1,674	1,668
Other Contributions	3,550	5,283
	10,272	**12,104**
Total	**12,692**	**14,522**

Revenue Grants Receipts in Advance	**31 March 2017 £'000**	**31 March 2018 £'000**
Other Grants	78	713
Total	**78**	**713**

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

Credited to Taxation and Non Specific Grant Income	2016/17 £'000	2017/18 £'000
Schools Basic Need Grant	12,778	13,518
Priority Schools Building Programme	8,450	-
Local Transportation Plan Grant	4,588	4,999
Challenge Fund Grant	3,153	1,831
Schools Capital Maintenance Grant	3,017	2,924
Lottery Funding	2,396	27
Renewal & Growth	2,309	-
Standards Fund	1,005	889
Other Grants	943	2,404
Other Contributions	1,166	1,225
Total	**39,805**	**27,817**

Credited to Services	2016/17 £'000	2017/18 £'000
Dedicated Schools Grant	201,450	209,992
Rent Rebates	72,334	67,768
Rent Allowances	56,851	51,882
Public Health Grant	26,007	25,366
Pupil Premium Grant	15,819	15,846
Private Finance Initiative Grant	7,822	7,822
New Homes Bonus	6,789	5,249
Housing Subsidy	5,713	5,713
Education Services Grant	3,713	1,064
Business Rates Compensation Grant	3,504	10,264
Young People's Learning Agency	3,462	3,171
Universal Infant Free School Meals	3,229	3,587
Benefit Administration Grant	2,315	2,169
Families & Communities Grant	1,438	1,449
Local Reform & Community Voices Grant	1,382	2,150
Skills Funding Agency	1,231	1,313
Improved Better Care Fund	-	11,485
Discretionary Housing Payment	-	1,373
PE Sport Grant	-	1,184
Home Office Grant	-	1,156
Independent Living Fund	-	1,092
SEND Reform Grant	-	274
Adoption Support Grant	-	93
Other Grants	5,750	4,713
Total	**418,809**	**436,175**

33. 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 and provides the majority of its funding in the form of grants. Receipts in respect of the Revenue Support Grant, Council Tax and Non Domestic Rates are shown in the Comprehensive Income & Expenditure Statement on page 21. Details of other grants received are analysed in more detail in Note 32.

Other Public Bodies - West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities, for which details can be found on page 106 as part of the Collection Fund Revenue Account, levy precepts on the council. In addition a Transport Levy totalling £13.704m was made to West Midlands Combined Authority and a Flood Defence Levy of £0.082m was paid to the Environment Agency during the financial year.

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

However, Councillor C Tranter has been identified as a member of Sandwell Citizens Advice Bureaux, to which the council made payments totalling £0.674m in 2017/18. Councillor S Eling's spouse has been identified as a board member of Sandwell Women's Aid, to which the council made payments totalling £0.845m in 2017/18.

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

In 2017/18 payments made to other organisations where Members have declared an interest totalled £3.148m and income received totalled £0.721m.

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

Other Organisations
The council made grants to voluntary organisations amounting to £5.291m during 2017/18.

Sandwell Leisure Trust (SLT) is a charitable company limited by guarantee that manages sports facilities and provides sports development in Sandwell. The principal income of the Leisure Trust is from the council, which takes the form of a management fee. The amount paid in 2017/18 was £3.112m which included the management fee and other fees. Amounts received from the SLT for services provided by the Council was £3.032m.

Sandwell Futures Ltd is a Local Education Partnership (LEP) established under the Building Schools for the Future (BSF) initiative. The council made total payments of £19.837m to the LEP during 2017/18 mainly relating to the building and renovation costs of schools. The council has a 10% shareholding and a £0.084m holding of 10% loan stock in the company. The council also has a direct shareholding in Environments for Learning Sandwell PFI One Ltd (the special purpose vehicle established by the LEP) and a £0.571m holding of 10% loan stock. Interest on these investments of £0.077m has been received in 2017/18.

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 £0.458m to SIPS in 2017/18 and received £0.209m in relation to goods and services supplied by the council to SIPS in the same year.

Sandwell Land and Property Ltd (SLP) was established on 31 March 2011 in order to protect and maintain ownership of land and property currently occupied by school establishments. The council is the sole shareholder of SLP. Under the Code the company is classed as a subsidiary of the council; their financial activities have been consolidated 100% into the financial statements. The SLP is a company limited by shares, the liability of the council in the event of the winding up of the company is limited to the sum of £1.

The council is also a constituent member, together with the other six West Midlands Metropolitan districts, of the West Midlands Combined Authority (WMCA). In addition to the Transport Levy the council made payments totalling £0.059m to WMCA in 2017/18 and received £0.020m in relation to goods and services supplied by the council to WMCA in the same year. The WMCA wholly owns both West Midlands Rail Limited and West Midlands Growth Company, as the council is a constituent member of the WMCA it therefore owns a proportion of both companies. There have been no direct transactions between these companies and the council.

Sandwell Children's Trust was incorporated on 15 February 2018 as a company limited by guarantee, transferring Children's social care function to the Trust from 1 April 2018.

34. Capital Expenditure and Capital Financing

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

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement	**789,149**	**767,351**
Adjustment - see above	-	-
Revised Capital Financing Requirement	**789,149**	**767,351**
Capital Investment		
Property Plant & Equipment	100,377	75,633
Heritage Assets	2	18
Investment Properties	128	-
Intangible Assets	1,805	751
REFCUS	10,981	11,100
Sources of Finance		
Capital Receipts	(12,431)	(14,252)
Government Grants & Other Contributions	(53,991)	(29,180)
Major Repairs Reserve	(12,057)	(14,184)
Direct Revenue Contributions	(28,991)	(15,746)
Minimum Revenue Provision	(27,621)	(29,527)
Closing Capital Financing Requirement	**767,351**	**751,964**
Explanation of Movements in Year		
Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	-	-
Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(21,798)	(15,387)
Increase/(decrease) in Capital Financing Requirement	**(21,798)**	**(15,387)**

35. Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. As at 31 March 2018 the Council had allocated resources to a five year programme covering the period 2018/19 to 2022/23 that amount to £378.895m. The main areas to where these resources have been allocated are the Council's housing investment programme (£257.604m), adaptations for disabled (£34.858m), the school capital programme (£25.644m), structural maintenance of roads and bridges (£17.000m), Integrated transport block (£8.470m), acquisition of vehicles (£7.000m) and the aquatic centre for the Common Wealth Games 2022 (£3.972m).

Included within the five year programme are amounts which are legally committed as at 31 March 2018 that amount to £161.825m.

36. **Leases**

Council as Lessee

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

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

31 March 2017 £'000		31 March 2018 £'000
1,296	Not later than 1 year	1,013
4,697	Later than 1 year and not later than 5 years	3,634
11,733	Later than 5 years	11,786
17,726		**16,433**

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

2016/17 £'000		2017/18 £'000
	Minimum lease payments:	
43	- Adult Social Care	145
11	- Childrens Services	-
1,134	- Housing & Communities and Regeneration & Growth	1,572
1,188		**1,717**
(40)	**Sublease payments receivable**	**(77)**
1,148		**1,640**

Council as Lessor

The council does not lease out any of its assets under the terms of finance leases.

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

31 March 2017 £'000		31 March 2018 £'000
4,848	Not later than 1 year	4,801
12,116	Later than 1 year and not later than 5 years	11,970
157,018	Later than 5 years	152,718
173,982		**169,489**

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

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

Private Finance Initiatives

Riverside Housing

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

The council has the right to use the specified assets for the duration of the project agreement and the right to expect the provision of housing management services. At the end of the concession period the specified assets will transfer back to the council in line with predetermined standards. Both parties have the right to terminate the contract should the contract no longer represent value for money. The council has a right to terminate the agreement in instances of contractor default, persistent breach and voluntary termination. The unitary charge for 2017/18 was £8.3m (£8.084m in 2016/17).

The contract is now into the housing management and life cycle works phase, as the initial capital investment works including demolitions have been completed. Over the remainder of the contract £16.6m will be spent on lifecycle works to maintain the homes at the level of decency as specified in the contract.

Rowley Campus

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

The council has a right to use the Rowley Campus for the length of the project agreement (25 years ending quarter 1 2036) and has the right to expect provision of a range of facilities management and lifecycle services. At the end of the project agreement the assets will revert back to the council's ownership. The contract for tested services (including caretaker services and porterage, cleaning and waste management, grounds, gardens and playing fields maintenance, security services and catering) is to be market tested on the 10th anniversary of service commencement and every 5 years thereafter. The council can issue a voluntary termination giving 20 days notice or can terminate upon contractor default or persistent breach or breach of refinancing provisions. The contractor can also terminate upon default by the council giving 30 days notice.

The unitary charge payments made during 2017/18 totalled £6.8m (2016/17 was £6.769m). The total capital cost of the scheme is in the region of £44.955m.

Total Schools Solutions

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

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

The unitary charge for 2017/18 was £2.673m (2016/17 was £2.673m).

Portway Lifestyle Centre

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

The council has a lease plus agreement giving it the right to utilise the majority of the building as a leisure centre and a small adult services day care centre. The remainder of the building is leased by Sandwell Property Partnership to a GP Service. The council has the right to expect the provision of facilities management (FM) and lifecycle services and sub lets its share of the building to Sandwell Leisure Trust, who are responsible for soft facilities management (caretaker, cleaning and security services). The council will have an option to buy the building at the contract expiry date (quarter 2 2038) and also has the right to exercise the option to purchase during the contract period, upon serving an option notice to the landlord. The council has a right to terminate the agreement in instances of landlord default, and where it is acting in line with the strategic Service Development Plan under the Strategic Partnering Agreement, letting the premises to an acceptable tenant to the landlord or selling its interest in the site, so long as this does not create an economic disadvantage to the landlord.

The unitary charge for 2017/18 was £1.267m (2016/17 was £1.267m).

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

		Riverside Housing	Total School Solutions	BSF Rowley Campus	Portway	Total PFI Schemes	Service Concessions	Total Finance Lease Liabilities
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	- Current	(1,729)	(428)	(1,120)	(408)	(3,685)	(1,192)	(4,877)
	- Long Term	(28,239)	(7,752)	(38,815)	(7,850)	(82,656)	(1,545)	(84,201)
Balance at 31 March 2018	- Current	(1,752)	(473)	(638)	(403)	(3,266)	(763)	(4,029)
	- Long Term	(27,391)	(7,279)	(38,177)	(7,447)	(80,294)	(781)	(81,075)
Movement in Year		**825**	**428**	**1,120**	**408**	**2,781**	**1,193**	**3,974**
Analysis of Movement in Year:								
Write down of liability		825	428	1,120	408	2,781	1,193	3,974
		825	**428**	**1,120**	**408**	**2,781**	**1,193**	**3,974**

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

	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000	Within 21 - 25 Years £'000
Riverside Housing PFI						
Liability Repayments	1,752	5,355	8,854	2,572	-	-
Interest Charges	3,344	11,809	15,212	5,780	-	-
Operating Costs	2,663	11,393	16,071	10,532	-	-
Lifecycle Costs	1,928	11,807	14,153	3,382	-	-
	9,687	**40,364**	**54,290**	**22,266**	-	-
Total School Solutions PFI						
Liability Repayments	473	2,440	4,783	1,948	-	-
Interest Charges	1,324	4,929	4,841	1,017	-	-
Operating Costs	832	3,411	4,469	1,523	-	-
Lifecycle Costs	103	424	554	229	-	-
	2,732	**11,204**	**14,647**	**4,717**	**-**	-
BSF Rowley Campus PFI						
Liability Repayments	638	4,388	9,191	13,405	11,193	-
Interest Charges	3,524	13,903	16,064	12,201	4,697	-
Operating Costs	1,750	7,001	8,751	8,751	5,318	-
Lifecycle Costs	892	2,424	1,865	3,044	1,386	-
	6,804	**27,716**	**35,871**	**37,401**	**22,594**	-
Portway PFI						
Liability Repayments	403	1,642	1,838	1,700	2,551	1,028
Interest Charges	466	1,702	1,702	1,257	678	21
Operating Costs	378	1,644	2,338	2,699	3,106	276
Lifecycle Costs	58	511	940	1,758	1,337	-
	1,305	**5,499**	**6,818**	**7,414**	**7,672**	**1,325**
Total Payments	**20,528**	**84,783**	**111,626**	**71,798**	**30,266**	**1,325**

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

	Council Dwellings (Riverside) £'000	Land & Buildings (Total Schools) £'000	Land & Buildings (Rowley Campus) £'000	Land & Buildings (Portway) £'000	Total £'000
Balance as at 1 April 2017	**39,090**	**19,339**	**35,753**	**11,240**	**105,422**
Additions	787	564	148	31	1,530
Revaluations	1,966	2,099	4,189	1,253	9,507
Re-classifications	(376)	-	-	-	(376)
In Year Depreciation	(609)	(435)	(851)	(265)	(2,160)
Depreciation Written Out	490	842	672	797	2,801
Other Movements	5	-	-	-	5
Balance as at 31 March 2018	**41,353**	**22,409**	**39,911**	**13,056**	**116,729**

Similar Contracts
<u>Serco Waste Contract</u>
The council entered into a 25 year contract with Serco Limited on 9 November 2010 to cover the delivery of waste and cleansing services across the borough.

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

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

Upon default by the council, Serco may terminate the contract by giving 30 days notice. The termination notice must be served within 30 days of the contractor becoming aware of the default. The council may terminate the contract where the contractor fails to rectify defaults notified to them by the council, or on the occurrence of persistent breach of the contract. The council made payments of £20.470m in 2017/18 to Serco Limited (£20.067m in 2016/17).

38. Impairment Losses and Reviews

During 2017/18 net impairment losses totalling £0.587m have been identified in relation to the council's non current assets. There has been no reversal of impairment losses recognised in previous years.

The council's valuers have carried out a number of impairment reviews to determine whether there have been any material changes in property values between 1 April 2017 and 31 March 2018. The valuers have concluded that there have been no circumstances in the local property market that would require additional impairment adjustments to be applied to the value of council dwellings, general land and buildings or investment properties.

However, it should be noted that the reviews did identify that there was an increase of approximately 11.5% on the BCIS indices used for calculating DRC valuations between April 2017 and March 2018. As a result, an adjustment has been applied to the value of the relevant assets to reflect this increase.

39. Termination Benefits

The council terminated the contracts of a number of employees in 2017/18 to meet the ongoing challenges of the difficult economic climate and budget reductions.

In total 131 employees left the council's employment during the year incurring liabilities of £5.597m. This includes a provision created in 2016/17 of £4.105m for 32 employees approved as planned leavers as at 31 March 2017, £3.688m of this provision was utilised in 2017/18. Costs of £1.909m have been met from the council's available resources which includes £0.213m for the creation of a provision where costs remain outstanding but relating to employees leaving in 2017/18 and expect to be incurred in 2018/19.

There are also agreements in place for a further 35 employees to leave the council during 2018/19 at an estimated cost of £1.940m. A provision has therefore been made for future and outstanding termination benefit costs which are expected to be incurred in 2018/19.

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

Band	Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	52	87	361	554
£20,001 - £40,000	17	13	515	419
£40,001 - £60,000	7	15	373	730
£60,001 - £80,000	9	6	597	439
£80,001 - £100,000	10	5	917	450
£100,001 - £150,000	14	4	1,631	496
£150,001 - £200,000	2	2	351	343
£201,000 - £250,000	3	2	618	418
£250,001 - £300,000	-	-	-	-
£300,001 - £350,000	1	-	324	-
£350,001 - £400,000	-	-	-	-
£400,001 - £450,000	1	-	408	-
	116	**134**	**6,095**	**3,849**

40. **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 2017/18 the council paid £11.191m (2016/17 £11.069m) to the DfE in respect of teachers' pension costs. This represents 16.48% of teacher's pensionable pay. Estimated contributions for 2018/19 are £11.415m which is again representative of a contribution rate of 16.48%. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2017/18 these amounted to £3.159m (2016/17 £3.248m). 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 2017/18 the council paid £0.067m (2016/17 £0.084m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% of pensionable pay. Estimated contributions for 2018/19 are £0.068m based on a contribution rate of 14.3%.

Other Employees

Other employees of the council contribute to the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. In 2017/18 the council paid an employer's pension contribution of £21.356m (2016/17 £18.295m) based on 13.1% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Estimated contributions for 2018/19 are £17.011m based on 11.48% of pensionable pay.

In addition, the council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2017/18 these amounted to £1.440m (2016/17 £1.514m) representing 0.1% of pensionable pay. The capital cost of awarding discretionary additional benefits relating to the year 2017/18 was £4.045m (2016/17 £2.238m). These costs have been met from revenue.

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by the employee, rather than when the benefits are eventually paid as pensions. However, so that the charge required against council tax is based on cash payable in the year, the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in year:

Comprehensive Income and Expenditure Statement	Local Government		Teachers Pension	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Cost of Services				
Current service costs	32,064	54,059	-	-
Past service costs	-	-	-	-
Settlements and curtailments	2,050	260	-	-
Administration expenses	527	563	-	-
Financing and Investment Income and Expenditure				
Net interest expense	20,975	20,614	1,341	967
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**55,616**	**75,496**	**1,341**	**967**
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)	(223,605)	34,209	-	-
- Actuarial gains and losses arising on changes in demographic assumptions	(40,785)	-	(3,666)	-
- Actuarial gains and losses arising on changes in financial assumptions	503,850	(95,758)	4,203	(1,153)
- Experience (gain) / loss	(54,740)	-	-	(1,418)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**240,336**	**13,947**	**1,878**	**(1,604)**

Movement in Reserves Statement	Local Government 2016/17 £'000	Local Government 2017/18 £'000	Teachers Pension 2016/17 £'000	Teachers Pension 2017/18 £'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	55,616	75,496	1,341	967
Actual amount charged against the General Fund Balance for pensions in the year				
Employer's Contributions payable to scheme	41,094	43,288	-	-
Retirement benefits payable to pensioners	-	-	3,248	3,159

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2018 is a loss of £492.452m relating to the LGPS, and a loss of £14.558m in relation to the Teachers Pension Scheme.

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

West Midlands Pension Fund, Civic Centre, St Peter's Square, Wolverhampton, WV1 1SL

The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2018 have been provided by the Funds' Actuary and are detailed below:

Reconciliation of present value of the scheme liabilities	Local Government 2016/17 £'000	Local Government 2017/18 £'000	Teachers Pension 2016/17 £'000	Teachers Pension 2017/18 £'000
Opening Balance at 1 April	**1,626,335**	**2,080,000**	**51,273**	**49,903**
Current Service Cost	32,064	54,059	-	-
Interest on pension liabilities	57,754	55,668	1,341	967
Contributions by scheme participants	8,994	9,315	-	-
Remeasurement (gain) / loss:				
- Actuarial gains and losses arising on changes in demographic assumptions	(40,785)	-	(3,666)	-
- Actuarial gains and losses arising on changes in financial assumptions	503,850	(95,758)	4,203	(1,153)
- Experience (gain) / loss	(54,740)	-	-	(1,418)
Benefits paid	(55,522)	(55,237)	(3,248)	(3,159)
Past service costs / Curtailment	2,050	3,614	-	-
Settlements	-	641	-	-
Closing Balance at 31 March	**2,080,000**	**2,052,302**	**49,903**	**45,140**

Reconciliation of fair value of the scheme assets	Local Government 2016/17 £'000	Local Government 2017/18 £'000
Opening Balance at 1 April	**1,024,322**	**1,278,745**
Interest Income	36,779	35,054
Remeasurement gain / (loss)	223,605	(34,209)
Administration expenses	(527)	(563)
Settlements	-	3,995
Employers contributions	41,094	77,188
Contributions by scheme participants	8,994	9,315
Benefits paid	(55,522)	(55,237)
Closing Balance at 31 March	**1,278,745**	**1,314,288**

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Present Value of Liabilities					
Local Government Pension Scheme (funded)	(1,371,430)	(1,647,900)	(1,608,078)	(2,063,623)	(2,037,255)
Local Government Pension Scheme (unfunded)	(19,187)	(20,165)	(18,257)	(16,377)	(15,047)
Teachers Pension Scheme (unfunded)	(48,315)	(51,092)	(51,273)	(49,903)	(45,140)
Total Present Value of Liabilities	**(1,438,932)**	**(1,719,157)**	**(1,677,608)**	**(2,129,903)**	**(2,097,442)**
Fair Value of assets in the local government pension scheme	**900,057**	**1,032,770**	**1,024,322**	**1,278,745**	**1,314,288**
Surplus / (Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(490,560)	(635,295)	(602,013)	(801,255)	(738,014)
Teachers Pension Scheme (TPS)	(48,315)	(51,092)	(51,273)	(49,903)	(45,140)
Total	**(538,875)**	**(686,387)**	**(653,286)**	**(851,158)**	**(783,154)**

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £2,097.442m has a substantial impact on the net worth of the council as recorded in the Balance Sheet in a negative overall balance of £783.154m, however statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

Asset Category	2016/17 £'000	2017/18 £'000
Equities	823,639	840,019
Bonds	156,777	146,319
Property	98,508	101,193
Alternatives	163,324	194,413
Cash	36,497	32,344
Total	**1,278,745**	**1,314,288**

Basis for Estimating Assets & Liabilities

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

	Local Government		Teachers Pension	
	2016/17	2017/18	2016/17	2017/18
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	21.8	21.9	21.8	0.0
Women	24.2	24.3	24.2	0.0
Longevity at 65 for future pensioners				
Men	23.9	24.0	23.9	0.0
Women	26.5	26.6	26.5	0.0
Rate of CPI Inflation	2.70%	2.30%	2.20%	0.00%
Rate of Increase In Salaries (LGPS)	4.20%	3.80%		
Rate of Increase In Pensions	2.70%	2.30%	2.00%	0.00%
Discount Rate	2.70%	2.55%	2.00%	0.00%

41. **Contingent Assets and Liabilities**

Contingent Liabilities

There are presently 11 civil litigation claims (9 in 2016/17) and 7 employment tribunal cases (12 in 2016/17).

Equal Pay

The council has in recent years received a number of claims for back pay arising from the Equal Pay Initiative. It is not certain that all valid claims have yet been received by the council or that precedents set by other authorities in the settlement of claims will be applicable. A provision of £0.102m for Equal Pay has been calculated based on an assessment of potential claims.

Municipal Mutual Insurance Co Ltd (MMI)

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

Contingent Assets

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

A provision has not been made within the 2017/18 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

Housing Revenue Account

2017/18

The Housing Revenue Account 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 regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2016/17 £'000		2017/18 £'000
	Income:	
(122,527)	Dwelling Rents	(120,321)
(1,312)	Non-Dwelling Rents	(172)
(3,159)	Charges for Services & Facilities	(2,605)
(5,713)	PFI Grant	(5,714)
(132,711)	**Total Income**	**(128,812)**
	Expenditure:	
30,400	Repairs & Maintenance	32,822
26,441	Supervision & Management	26,499
1,007	Rent, Rates, Taxes & Other Charges	492
3,430	PFI Contract	4,078
(90,063)	Depreciation & Impairment of Non Current Assets	(44,213)
794	Increase in Bad Debt Provision	838
(27,991)	**Total Expenditure**	**20,516**
(160,702)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account**	**(108,296)**
-	HRA Services share of Corporate and Democratic Core	-
(160,702)	**Net Cost of HRA Services**	**(108,296)**
222	(Gain) or loss on sale of HRA Non Current Assets	(1,302)
1,416	(Gain) or loss on revaluation of HRA Non Current Assets	(98)
-	Loss on revaluation of Assets Held for Sale	-
2,951	PFI Interest payable and similar charges	2,990
1,778	Pensions Interest Costs	2,101
21,966	Interest payable and similar charges	21,108
(39)	Interest and investment income	(38)
(391)	Income & Expenditure in relation to Investment Properties	-
(132,799)	**(Surplus) / Deficit for the year on HRA services**	**(83,535)**

2016/17 £'000		2017/18 £'000
(34,721)	Balance on the HRA at the end of the previous reporting period	**(32,937)**
(132,799)	(Surplus)/deficit for the year on the Income and Expenditure Statement	(83,535)
134,565	Adjustments between accounting basis and funding basis under statue	83,903
1,766	Net increase/(decrease) before transfers to or from reserves	368
18	Transfers to/(from) earmarked reserves	299
1,784	(Increase)/decrease in year on the HRA	**667**
(32,937)	Balance on the HRA at the end of the current reporting period	**(32,270)**

2016/17 £'000		2017/18 £'000
	Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year	
90,063	Depreciation & impairment of Non Current Assets	44,213
(222)	Gain or loss on sale of HRA Non Current Assets	1,302
(1,416)	Gain or loss on revaluation of HRA Non Current Assets	98
-	Loss on revaluation of Assets Held for Sale	-
-	Capital grants and contributions receivable	-
(800)	Pension Reserve Adjustments	(1,951)
(222)	Accumulated Compensated Absences Account	31
87,403		**43,693**
	Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year	
587	Amortisation of premiums, discounts & LOBOs	16
932	PFI Finance Lease Creditor	825
1,157	PFI Capital expenditure funded by the HRA	787
22,010	Capital expenditure funded by the HRA	12,152
12,057	Net transfer to / (from) Major Repairs Reserve	14,184
10,419	Minimum Revenue Provision	12,246
47,162		**40,210**
134,565	**Net additional amount required by statute to be credited to the HRA Balance for the year**	**83,903**

1. Housing Stock as at 31 March

Total No. 2016/17	Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 2017/18
	1 Bedroom					
3	Houses	-	1	2	-	**3**
6,235	Flats	218	1,501	4,479	10	**6,208**
1,378	Bungalows	385	318	673	-	**1,376**
	2 Bedroom					
3,163	Houses	1,655	872	546	96	**3,169**
4,884	Flats	132	2,406	2,268	55	**4,861**
123	Bungalows	3	51	57	17	**128**
	3 Bedroom					
12,021	Houses	6,934	3,008	1,777	123	**11,842**
593	Flats	48	272	226	-	**546**
11	Bungalows	1	1	9	1	**12**
	4 Bedroom					
611	Houses	419	142	33	18	**612**
2	Bungalows	-	-	2	-	**2**
	5 Bedroom					
10	Houses	7	2	-	-	**9**
	6 Bedroom					
2	Houses	-	1	1	-	**2**
	8 Bedroom					
1	Houses	-	-	1	-	**1**
29,037	**Total Stock**	**9,802**	**8,575**	**10,074**	**320**	**28,771**

The housing stock at 31 March 2018 includes 1,030 council dwellings (1,039 at 31 March 2017) included within the Riverside Housing PFI contract, which are included on the council's Balance Sheet.

2. Balance Sheet Movement in HRA Non Current Assets

	Council Dwellings £'000	Land & Building £'000	Intangible £'000	Equipment £'000	Assets Not Held for Sale £'000	Assets Held for Sale £'000	Assets under Construction £'000	Investment Properties £'000	Total £'000
Cost or Valuation									
as at 1 April 2017	**961,380**	**6,212**	**258**	**5,932**	**2,298**	**441**	**3,884**	**19,098**	**999,503**
Additions	33,068	-	-	285	-	-	16,130	-	49,483
Revaluations - Revaluation Reserve	-	(2)	-	-	137	-	-	-	135
Revaluations - CI&ES	59,302	-	-	-	-	-	-	98	59,400
Disposals	-	-	-	-	-	(11,707)	-	(2,457)	(14,164)
Assets reclassified (to) / from Held for Sale	(11,858)	-	-	-	-	11,858	-	-	-
Other Movements	8,148	(4,148)	-	-	2,604	-	(7,117)	(8,532)	(9,045)
as at 31 March 2018	**1,050,040**	**2,062**	**258**	**6,217**	**5,039**	**592**	**12,897**	**8,207**	**1,085,312**
Depreciation & Impairment									
as at 1 April 2017	**(30,962)**	**(410)**	**(31)**	**(4,149)**	**(1,381)**	**(440)**	**(31)**	**(2,645)**	**(40,049)**
In Year Depreciation	(14,794)	(35)	(50)	(197)	(2)	-	-	-	(15,078)
Depreciation Written Out - Revaluation Reserve	12,435	9	-	-	-	-	-	-	12,444
Impairment Losses / Reversals - Revaluation Reser	-	(7)	-	-	-	-	-	-	(7)
Impairment Losses / Reversals - CI&ES	-	(12)	-	-	-	-	-	-	(12)
Other Movements	161	117	-	-	(18)	(151)	8	-	117
as at 31 March 2018	**(33,160)**	**(338)**	**(81)**	**(4,346)**	**(1,401)**	**(591)**	**(23)**	**(2,645)**	**(42,585)**
Balance Sheet Amount									
as at 1 April 2017	**930,418**	**5,802**	**227**	**1,783**	**917**	**1**	**3,853**	**16,453**	**959,454**
as at 31 March 2018	**1,016,880**	**1,724**	**177**	**1,871**	**3,638**	**1**	**12,874**	**5,562**	**1,042,727**

The council entered into a 25 year PFI contract in March 2006 with Riverside Housing Association for the refurbishment of 1,095 dwellings. These assets are also included in the table above as they form part of the council's assets held within the Balance Sheet.

3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2017 after re-valuation was £2,519.529m, 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 £1,007.812m and included a regional social housing discount factor of 40%. The difference shows the economic cost to Government of providing council housing at sub market rents.

The closing balance sheet value as at 31 March 2018 was £1,016.880m 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.

	2016/17 £'000	2017/18 £'000
Opening Balance as at 1 April	-	-
Depreciation on Dwellings to the MRR during year	12,057	14,184
Depreciation on other Non Current Assets	281	283
Amounts transferred to HRA	(281)	(283)
Capital expenditure on land, houses & other property within HRA	(12,057)	(14,184)
Closing Balance as at 31 March	-	-

5. **Capital Expenditure**

Capital expenditure on land, houses and other property within the HRA during 2017/18 is £49.482m. This expenditure has been financed as follows:

	2016/17 £'000	2017/18 £'000
Capital Expenditure	**48,186**	**49,482**
Sources of Funding:		
Prudential Borrowing	8,000	12,640
Grants	227	-
Major Repairs Reserve	12,057	14,184
Revenue Contribution	23,167	12,940
Usable Capital Receipts	4,735	9,718
Total Funding	**48,186**	**49,482**

6. **Capital Receipts**

Capital receipts received from the disposal of land, houses and other property within the HRA during 2017/18 is summarised below:

	2016/17 £'000	2017/18 £'000
Land & Buildings	733	821
Council Houses	12,221	14,645
Total Capital Receipts	**12,954**	**15,466**

7. **Depreciation Charge**

As required by the Code, the council has charged depreciation on all HRA properties, including non dwellings. In 2017/18 depreciation for council dwellings has been calculated on a straight line basis using different asset lives appropriate to each significant component. Depreciation for garages and 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:

	2016/17 £'000	2017/18 £'000
Dwellings	12,057	14,184
PFI Dwellings	493	609
Garages	101	-
Neighbourhood Offices	35	35
Equipment	113	197
Assets Not Held for Sale	2	2
Intangible	31	50
Total Depreciation	**12,832**	**15,077**

8. **Revaluation and Impairment Losses**

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment. During 2017/18 there were net revaluation losses charged directly to the HRA. There were impairment losses totalling £0.021m of which £0.012m were charged directly to the HRA.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. Previous year losses of £59.000m were reversed during 2017/18 relating to Council Dwellings.

9. **Rent Arrears**

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

	2016/17 £'000	2017/18 £'000
Current Tenants	3,019	3,345
Former Tenants	2,614	2,632
Total Arrears	**5,633**	**5,977**

10. **Provisions & Reserves**

A provision is made for bad debts on rents due from tenants of council dwellings, the movement on which is shown below:

	2016/17 £'000	2017/18 £'000
Provision b/fwd 1 April	**2,732**	**3,310**
Write Off / On Charged to Provision	(216)	(762)
Additional Provision	794	838
Provision c/fwd 31 March	**3,310**	**3,386**

In addition, earmarked reserves totalling £3.011m are held by the HRA for the specific purposes as detailed in the table below:

	Balance as at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance as at 31 March 2018 £'000
Welfare Reform Reserve	**2,712**	-	299	**3,011**
Total HRA	**2,712**	**-**	**299**	**3,011**

11. Government Subsidy

The Council entered into a 25 year PFI agreement with Riverside Housing for the management and maintenance of circa 1,100 properties. Each year, the HRA receives a subsidy credit from the government to assist with the funding of this agreement, the movement on which is shown below:

	2016/17 £'000	2017/18 £'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:

	2016/17 £'000	2017/18 £'000
HRA Surplus as at 31st March	32,937	32,270
Less Earmarked Balances:		
- Working Balance	(7,400)	(7,400)
- Contingencies	(9,611)	(8,510)
- Capital Investment	(11,200)	(11,200)
- Carry Forward Commitments	(181)	(181)
Uncommitted HRA Resources	**4,545**	**4,979**

Collection Fund

2017/18

2016/17 Total £'000		2017/18 Council Tax £'000	2017/18 NDR £'000	2017/18 Total £'000
	Income			
99,484	- Council Tax Payers	105,979	-	105,979
104,346	- Business Rates Payers	-	96,299	96,299
(344)	- Transitional Protection Payment	-	(3,536)	(3,536)
3,340	Contribution towards previous year's estimated Collection Fund Deficit	-	9,272	9,272
206,826	**Total Income**	**105,979**	**102,035**	**208,014**
	Expenditure			
	Precepts:			
85,480	- Sandwell MBC	91,418	-	91,418
7,799	- West Midlands Police Crime Commissioner	8,301	-	8,301
3,917	- West Midlands Fire & Rescue Authority	4,069	-	4,069
	Non Domestic Rates:			
52,724	- Central Government	-	-	-
51,670	- Sandwell MBC	-	97,391	97,391
1,054	- West Midlands Fire & Rescue Authority	-	984	984
453	- Cost of Collection Allowances	-	444	444
	Provisions:			
4,556	- Bad Debts	1,223	2,906	4,129
(343)	- Appeals	-	518	518
1,506	Distribution of Estimated Collection Fund Surplus 2016/17	939	-	939
208,816	**Total Expenditure**	**105,950**	**102,243**	**208,193**
(1,990)	**Surplus / (Deficit) in year**	**29**	**(208)**	**(179)**
(6,202)	**Opening Balance at 1 April**	**237**	**(8,429)**	**(8,192)**
(8,192)	**Closing Balance at 31 March**	**266**	**(8,637)**	**(8,371)**

1. **General**

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

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

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

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

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

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

In 2017/18, the Council entered into a pilot scheme where the council retained 99% of all NDR received and the remaining 1% was retained by WMF&RA. As a result of the pilot, Central Government support grants are reduced to the council. Instead, income generated through Business Rates, Council Tax and self-generated income is required to fund essential council services in Sandwell. This gives the Council a financial incentive for the council to work with local businesses to create a promising local environment for growth since the council is more reliant on the income generated by the future growth in Business Rates revenues.

2. **Income from Non Domestic Rates**

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

The total amount collectable by the council in 2017/18 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

	2017/18 £
Total rateable value as at 31 March	255,138,723
Non domestic multiplier	0.466

The share of Business Rates payable were originally estimated as £97.391m to be retained by the council and £0.984m to WMF&RA; these sums have been paid and charged to the Collection Fund in year.

The total income from Business Rate payers collected in 2017/18 was £96.299m. This includes transitional protection payments of £3.536m which, under the new regulations, should have a neutral impact on the Business Rate retention scheme. Transitional protection payments have to be repaid to Central Government.

With the introduction of the new scheme, a baseline level was set by Central Government for each authority, which identified the expected level of retained business rates and a top up or tariff amount to ensure that authorities received their baseline amount. For 2017/18 it was estimated that the council would receive an additional top up grant to the General Fund of £60.664m which is included within the CI&ES on page 21.

3. **Council Tax**

The council calculated a Council Tax base of 71,217 for 2017/18 as compared to the 2016/17 base of 69,914. The tax base for 2017/18 has been calculated as follows:

	Band D Equivalents Number
Band A	21,744
Band B	24,420
Band C	14,996
Band D	6,206
Band E	3,062
Band F	677
Band G	90
Band H	22
	71,217

In 2017/18 the council set Band D Council Tax at £1,457.33. Council Tax Benefit is no longer received by the council; this has been replaced by local Council Tax reduction scheme which is administered by each authority.

4. **Collection Fund Provisions**

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

2016/17					2017/18			
Bad Debts		Appeals			Bad Debts		Appeals	
Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000		Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000
16,285	1,502	-	2,150	Balance as at 1 April	17,164	1,334	-	1,807
(820)	(3,025)	-	-	Write Offs in Year	(2,125)	(1,628)	-	-
1,699	2,857	-	(343)	Increase / (Decrease) to Provision in Year	1,222	2,906	-	518
17,164	**1,334**	**-**	**1,807**	**Balance as at 31 March**	**16,261**	**2,612**	**-**	**2,325**
15,118	**654**	**-**	**886**	**SMBC's Proportion of Provisions:**	**(14,276)**	**2,586**	**-**	**2,302**

Annual Governance Statement 2017/18

Sandwell
Metropolitan Borough Council

Scope of Responsibility

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

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at the council for the year ended 31 March 2018 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The council has devised its Vision 2030, which outlines ten ambitions for the long-term future of Sandwell. This environment is consistent with the seven core principles of the CIPFA/ SOLACE framework. The key elements of the systems and processes that comprise the council's governance framework (as detailed in the Code of Corporate Governance) and where assurance against these is required are described below.

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances Received	Issues Identified
• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of 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	• Annual review of the Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Corporate and business plans • Medium term financial plan • Corporate risk management strategy • Strategic risk register and assurance map • Scrutiny arrangement • Codes of conduct • Partnership framework • Standards committee • Audit and Risk Assurance Committee • Internal audit plan • External audit plan • Independent external reviews (e.g. Ofsted, CQC) • Children's Services Commissioner • HR Strategy • Business planning and performance management framework • Learning and development plans • Communication strategy • Confidential reporting code (whistleblowing policy) • Counter fraud and corruption strategy • Customer services system • Information governance framework • Management Board, Member and directors' assurance statements	• Statement of accounts • External audit- Report to those charged with governance (ISA 260) report • Annual Internal Audit report • Audit and Risk Assurance Committee annual report • Review of the effectiveness of internal audit • Annual report of the Ethical Standards & Member Development Committee • Member and Executive Development Programmes • Ofsted – monitoring visits • Quarterly progress reports from Children's Services Commissioner to Department for Education • LGA Corporate Peer Challenge • Ofsted Annual Report of HMCI of Education, Children's Services and Skills • Annual Local Government Ombudsman report • Annual fraud report • Director of Public Health annual report • Sandwell Safeguarding Children's Board annual report • Sandwell Safeguarding Adult's Board annual report • Scrutiny annual report	• Children's Services • Resilience of the Medium Term Financial Strategy • Land Sales and Other Matters • Compliance with Contract Procedure Rules and Allocation of Grants • Business Continuity • General Data Protection Regulations • Cyber Security

transparency, reporting, and audit to deliver effective accountability.	• Procurement and contract procedure rules and Financial Regulations • Committee management information systems • Select Committee for Leisure Provision • Governance Board	• PSN certification • Investors in People • Employee engagement survey • Ofsted inspection Sandwell Adult Family Learning • Planning committee annual report • Corporate Parenting Board annual report • Licensing committee annual report • Clinical Commissioning Group annual report • Sandwell Leisure Trust annual performance report	

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

The key changes to the governance framework during 2017/18 include:

- The scrutiny model was remodelled in 2017/18 and reduced from six to four scrutiny boards to align with the cabinet portfolios. In addition, a chair of the Budget and Corporate Scrutiny Board was appointed to have overall responsibility for the co-ordination of scrutiny work across the council.
- The continuation of the jobs promise and planned leavers register until 31 March 2019 was approved by Cabinet which will negate the need for compulsory redundancies and will assist in controlling the establishment list in a structured and supportive way.
- The Select Committee for Leisure Provision considered the current and future leisure provision in Sandwell. This work concluded in October 2017.
- Implementation of a Modern-Day Slavery policy.
- Appointments have been made to the Sandwell Children's Trust Board, with the Trust going live from 1 April 2018. The Trust delivers children's social care services for the council, with the statutory duty remaining with the council. The Trust has day-to-day operational independence in the management and delivery of these services and is managed by a board of non-executive and executive directors.
- The Information Governance Board has been established, which is a sub-group of the Corporate Governance Board and has a key role in ensuring compliance with the General Data Protection Regulations and Data Protection Act 2018.
- Establishment of the Project Board and project governance arrangements to deliver the Aquatic Centre for the Commonwealth Games.
- There have been permanent appointments to the posts of Executive Director of Neighbourhoods, Director of Housing and Communities, Director of Regeneration and Growth and Director of Children's Services.
- Following the decision to refresh the council's vision, the council consulted residents across the six towns, businesses, voluntary community sector and staff and key strategic partners across the borough to discuss Sandwell's long-term direction. From

this, ten ambitions were identified which were formulated into the Vision 2030 and this was approved by full council on 18 July 2017.

The Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by: the work of the Members and senior officers within the council who have responsibility for the development and maintenance of the governance framework; Internal Audit's annual report; the Audit and Risk Assurance Committee; the Ethical Standards and Member Development Committee; the Scrutiny function and reports made by the council's external auditors and other review agencies and inspectorates, as noted above, all of which are publicly available through the council's website and include:

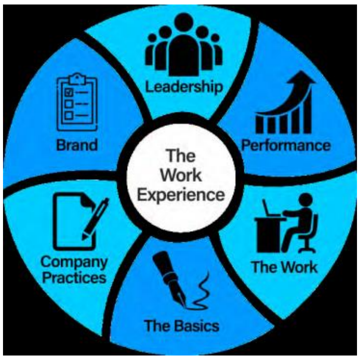
- Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the council is able to confirm that the arrangements conform to these requirements. The council is also able to confirm no key non-compliances with the Public Sector Internal Audit Standards.
- Internal Audit has concluded that based on the work undertaken during the year, on areas of key risk, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes.
- In 2016/17, a number of issues regarding potential fraud and the conduct of certain Members was referred to the Economic Crime Unit at the West Midlands Police. In 2017/18, following a detailed review of the material held by the council, the Police reached a determination that there was insufficient evidence to meet the threshold for recording a crime. They stated however, that this would not prevent the council pursuing any action that it deemed appropriate if it identified any breaches of standards or misconduct. Therefore, a number of standards investigations are ongoing.
- During the year, the Ethical Standards Sub-Committee heard two cases where they determined that two Members had breached the Members' Code of Conduct and sanctions were imposed. Details of these cases were reported to Council on 17 April as part of the Ethical Standards and Member Development Committee Annual Report.
- During the year, Member and Executive Development Programmes have been developed that have been designed by Members and focus on their development, training and support requirements from both a corporate and personal councillor perspective.
- The council's external auditors KPMG LLP have audited the Statement of Accounts for 2017/18 and have provided an independent audit opinion of the financial statements. The external auditors have also provided a value for money conclusion on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

- The council has embedded effective standards for countering fraud and corruption through the adoption of and adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The Code is based on five principles and having considered these, the council is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

- In October 2016, the council was advised of the Governments Statutory Direction (under section 479A of the Education Act 1996) to appoint a Children's Services Commissioner to improve children's social care services and also to set up a new arrangement in the form of a Children's Trust to deliver children's social care services for a period of time. The Trust went live on 1 April 2018. The Trust will have day-to-day operational independence in the management and delivery of these services and it will be managed by a board of non-executive and executive directors. The statutory duty to provide children's social care services will remain with council. As such, a comprehensive programme of governance arrangements has been agreed in principle, which will enable the council to monitor progress of the Trust and to consider performance and operational issues on a regular basis.
- A re-inspection of services for children in need of help and protection, children looked after and care leavers was undertaken in November 2017. The report issued in January 2018 concluded that Children's Services in Sandwell remained inadequate.
- In January 2018, the council participated in a Local Government Association Corporate Peer Challenge. The challenge process praised the authority for protecting frontline services through its budget planning and having a strong vision for the future of the borough. It also highlighted the strong management of finances, committed staff and the recently-launched Vision 2030. The review made 12 recommendations in areas including strengthening the arrangements for partnership working to deliver the Vision 2030; strengthening the influence the council has beyond the borough boundary and across the region; the council's approach to long term financial planning; leadership team development; conducting a governance review and the development of town plans. Working groups for each of the recommendations are being established and plans are being developed to set out the actions to be taken to implement the recommendations made.
- An LGA Peer review of adult safeguarding was also undertaken in January 2018. It highlighted a number of positive issues, including having a strong corporate vision for the future articulated through Vision 2030, strong financial management and a clear intention and track record of protecting frontline services and strong working practices and performance.
- An Ofsted inspection of Sandwell Adult Family Learning was undertaken in January 2018. The service had a positive inspection, improving its rating from "requires improvement" to "good".

- Following bronze accreditation in 2015, Sandwell has now been awarded silver accreditation for Investors in People. The council is the first in the West Midlands to receive the silver accreditation, which is only gained by 5% of assessed organisations.



- In November 2017, the council conducted an employee engagement survey to understand how employees felt about their jobs and working for the council. The survey achieved a response rate of 63%, a 2% increase on the previous survey (average public-sector benchmark is 73%) and achieved an employee engagement index of 65%, a 1% increase on the previous survey (average public-sector benchmark is 63%).

We have been informed by the sources noted above, on the result and implications of the review of effectiveness of the governance framework, that the arrangements continue to be regarded as fit for purpose in accordance with the council's governance framework. The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2016/17 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas of weakness is included below. Where sufficient progress has not been made, the issues and outstanding actions have been carried forward and included in the 2017/18 issues.

Progress of the Governance Issues from 2016/17

The table below describes the governance issues identified during 2016/17 (which were reported in the 2016/17 annual governance statement) and the progress that has been made against the implementation of actions to address these issues, during 2017/18.

Key Area for Improvement	Update on Position and Implication for the 2017/18 Annual Governance Statement
Children's Trust The council received a Government Statutory Direction (under section 479A of the Education Act 1996) to set up a new arrangement in the form of a Children's Trust to deliver Children's Social Care services for a period of time.	The Trust went live on 1 April 2018. A contract was approved by Cabinet on 28 February 2018 and includes a suite of documents including: • articles of association • governance side agreement setting out the arrangements between the council and Secretary of State • a service delivery contract for 10 years This includes the financial mechanism, service specification and performance management framework • a support services agreement detailing the services the council will be providing to the Trust • occupation/lease arrangements. **Complete**
Children's Services The Secretary of State appointed a Children's	An Ofsted re-inspection of services for children in need of help and protection, children looked after and care leavers was undertaken in November 2017. The report issued in January 2018 concluded that Children's Service in Sandwell

Services Commissioner and the council has continued to work with them to improve children's social care services. The improvement agenda focused on seven key priorities set by the Commissioner that required addressing as a matter of urgency, before the wider improvement agenda could be progressed.	remained inadequate. The report highlighted that the effectiveness of some services had deteriorated, most recommendations from the Ofsted 2015 inspection had not been fully met, the pace of change to address service deficits had been too slow and only in recent months, with the appointment of a new senior management team, had the trajectory of improvement quickened. The report made 17 recommendations for improvement. **Carry forward**
Resilience of the Medium Term Financial Strategy (MTFS) The council approved a balanced budget for 2017/18, but savings of £10m for 2018/19 and £17m for 2019/20 are needed. A Cabinet Summit was held in June 2017, where ideas for savings to cover most of this shortfall were identified and were to be broken down into projects with definite timelines for delivery. This would complement the work currently in progress.	Following the decision to refresh the council's vision, the council consulted residents across the six towns, businesses, voluntary community sector and staff and key strategic partners across the borough to discuss Sandwell's long-term direction. Vision 2030 was approved by full council on 18 July 2017. Following this approval, Vision 2030 was launched with staff engagement events taking place in September whereby staff had the opportunity to discuss the Vision face to face with directors and members and provided feedback, comments and ideas about how services could contribute to the delivery of the Vision. The feedback and ideas collated have been fed into business planning workshops that took place in October, and a corporate (and directorate) business plan(s) is now being developed to align the business and financial planning framework to Vision 2030. Cabinet agreed the new plans at its meeting on 28 February 2018. Alongside this, work has commenced on developing an outcome based performance framework which will look at key borough wide performance measures. An ongoing review of council policies is also being undertaken and as part of this will consider whether these policies lend themselves to contributing to the partner Vision 2030, and to ensure that they do not conflict with the aims of Vision 2030. The recommendations from the corporate peer challenge that took place in January 2018, will also contribute to informing the development of the performance management framework. **Carry forward**
Land Sales and Other Matters The Gowling WLG's report and QC's advice identified a number of issues. These	The issues raised around the Gowling WLG report have been reported, where appropriate, through the Audit and Risk Assurance Committee.

related to the council's risk, governance, internal control environment and member and officer conduct.	The member conduct matters continue to be dealt with separately, by the Ethical Standards and Member Development Committee. The council introduced a new protocol for the disposal of council owned land and buildings in 2016, to strengthen the steps that are to be carried out in all land and building sales undertaken by the council. Audit Services are currently assessing how well this is being embedded into the council's processes. **Carry forward**
Compliance with Contract Procedure Rules and Allocation of Grants Three limited assurance internal audit reports were issued on Grants within Neighbourhood Services, Grot Spot Funding and Off Contract Spend within Grounds Maintenance and Parks and Green Spaces. A comprehensive review of Neighbourhood Services, taking into account the findings of the audit reports, was completed by the Interim Director of Neighbourhood Services and a report including a wide range of recommendations was presented to Cabinet on 22 February 2017.	Off contract spend has been subject to monthly audit checks in the Housing and Communities Directorate with reports provided to the Director and Service Managers. This has also been a standard agenda item on management team meetings. This has delivered a significant reduction in off contract spend within all areas, but particularly Grounds Maintenance and Parks and Green Spaces. To provide the Director with continued assurance, audit checks will continue to be completed on a quarterly basis and discussed at management team meetings. New procedures are being prepared in readiness for the launch of a new grants programme, Neighbourhood Grants Programme, which is to incorporate all the existing small grants programmes including Local Area Budget, Youth Offer and Healthy Towns Budgets and briefings and training regarding the new processes will be made available prior to the launch for officers and elected members. The process will be managed and resourced by the Business Excellence service area and will be subject to quality and performance rigour. In addition, the grot spots application form and guidance notes have been simplified and combined into a single document. The re-design is to address the main emphasis of the audit report which was to ensure that monies were spent addressing actual grot spots. Audit Services will be undertaking a series of follow up reviews in 2018, and where appropriate, findings will be reported back to the Audit and Risk Assurance Committee **Carry forward**
Business Continuity To ensure that the council has in place a framework for its business continuity planning arrangements, to ensure that it is able to maintain the delivery of	The preparation of business continuity plans continues to be progressed through engagement by directorates. Currently, most priority one and priority two services have completed plans or draft versions in place. Plans are refined and updated to reflect any lessons learned whenever an unplanned incident occurs. The Neighbourhoods plans have been tested and a plan will be developed to test other plans in due course.

critical services in the event of an emergency.	A new Emergency Planning Manager was appointed in February 2018. **Carry forward**

Significant Governance Issues and Action Plan for 2017/18

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

Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
Children's Services The Ofsted re-inspection of services for children in need of help and protection, children looked after and care leavers was undertaken in November 2017. The report issued in January 2018 concluded that Children's Service in Sandwell remained inadequate. The report highlighted that the effectiveness of some services had deteriorated, most recommendations from the Ofsted 2015 inspection had not been fully met, the pace of change to address service deficits had been too slow and only in recent months, with the appointment of a new senior management team, had the trajectory of improvement quickened. The report made 17 recommendations for improvement. Although the Trust went live from 1 April 2018, the council still has a statutory responsibility for service delivery. The Trust has been contracted to develop children's social care to be rated requires improvement by 2020 and good by 2022. The Trust is working with its improvement partner, Doncaster Children's Trust, to support its development. The council is also establishing a client function to monitor delivery of the contract through a performance management framework, including the establishment of a Strategic Partnership Board which meets quarterly and an Operational Partnership Board which meets monthly.	Director of Children's Services 2020
Resilience of the Medium Term Financial Strategy (MTFS) The final local government finance settlement was received on 6 February 2018 and was reflected in the updated MTFS which was approved by Council in March 2018. Council approved a balanced budget for 2018/19, but additional savings of £6.5m for 2019/20 and £6.4m for 2020/21 are needed. Work is on-going across the council to identify ways of achieving these savings. Cabinet members and officers have developed a vision for the council for 2030, that was signed off by Council on 18 July 2017. Members received a report on 7 February 2018, incorporating directorate business plans, which outlined details of service budgets and how they develop and contribute to the Vision 2030 ambitions.	Executive Director of Resources March 2019

A new Performance Management Framework that will replace the scorecard will be developed to measure the impact that progress against Vision 2030 is having on people's lives.	
Land Sales and Other Matters There are a number of ongoing matters relating to land issues and other matters. Audit Services are assessing how well the new protocol for the disposal of council owned land and buildings is being embedded into the council's processes and where appropriate, findings will be reported back to the Audit and Risk Assurance Committee Outstanding Member conduct matters will continue to be dealt with through the Ethical Standards and Member Development Committee.	Executive Director of Resources & Executive Director of Neighbourhoods March 2019 Director – Monitoring Officer
Compliance with Contract Procedure Rules and Allocation of Grants The new procedures for grants will be introduced and will incorporate all the existing small grants programmes including Local Area Budget, Youth Offer and Healthy Towns Budgets and briefings. Training regarding the new processes will be made available to officers and elected members. The process will be managed and resourced by the Business Excellence service area and will be subject to quality and performance rigour. Audit Services will be undertaking a series of follow up reviews in 2018, and where appropriate, findings will be reported back to the Audit and Risk Assurance Committee.	Executive Director of Neighbourhoods March 2019
Business Continuity Directorates continue to make progress in preparing business continuity plans. At present, most priority 1 and 2 services have completed plans in place, with a view to having a full suite of updated priority 1 and 2 plans in place by March 2019. The updating of plans will be monitored annually at directorate management level and biannually by the wider corporate management team. The Resilience Unit is putting in place a training programme for service/business managers to test service level plans.	Executive Director of Neighbourhoods March 2019
General Data Protection Regulations On 25 May 2018, new data protection regulation comes into force. The regulations will be supported by a new Data Protection 2018 Act which will be a direct replacement for the Data Protection Act 1998 and will apply to all public and private bodies in the United Kingdom. The regulation applies to the collection and processing of personal and/or sensitive personal information. Non-compliance could result in fines of up to £17million. To manage and implement the necessary changes, the council has: • Created an Information Governance Board • Identified relevant champions across the council • Established a framework to deliver in • Co-ordinated work across the council	Director – Monitoring Officer 25 May 2018

• Provided training, guidance and assistance • Refined current processes Where the council is deemed to be non-compliant, an improvement plan will be developed.	
Cyber Security The council has undertaken an exercise to assess itself against the “10 Steps to Cyber Security” to ensure it has a co-ordinated approach and understanding of its existing cyber security controls or those available to it. The review highlighted areas where the council required improvement. An improvement plan is being developed which will address some of the more immediate issues, with some actions already being progressed. One of the key findings is the recognition that Cyber Security is a fast-moving issue and the council needs to be pro-active in managing, monitoring and reacting to the risk of on-going threats. It is the aim of the council to be listed on the directory of organisations awarded Cyber Essentials and to use this as a platform to gain further security accreditations.	Executive Director of Resources March 2019

Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Councillor Steve Eling, Leader of the Council

Date:

Jan Britton, Chief Executive

Date:

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

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

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

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

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

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

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

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

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

CI&ES – Comprehensive Income & Expenditure Statement

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

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

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

Creditor - An amount owed by the council for work done, goods received or services rendered but for which payment has not been made.

CSE – Child Sexual Exploitation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IAS – International Accounting Standards.

IFRIC – International Financial Reporting Interpretations Committee.

IFRS – International Financial Reporting Standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating Leases - Leases other than a finance lease.

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

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

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

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

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

PWLB - Public Work Loan Board.

QC – Queen's Counsel, a senior barrister.

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

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

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

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

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

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

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

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

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