Agenda
Audit and Risk Assurance Committee

Tuesday, 21 December 2021 at 5.00 pm
At Council Chamber - Sandwell Council House, Oldbury

This agenda gives notice of items to be considered in private as required by Regulations 5 (4) and (5) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

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Report to Audit and Risk Assurance Committee

21st December 2021

Subject:	Statement of Accounts and Audit Findings Report 2019/20
Director:	Director of Finance – Simone Hines
Contact Officer:	Rebecca Maher rebecca_maher@sandwell.gov.uk

1 Recommendations

1.1 That the revised Statement of Accounts for 2019/20, as attached at Appendix 1 be approved.

1.2 That the revised Audit Findings Report for 2019/20, as attached at Appendix 2 be noted.

2 Reasons for Recommendations

2.1 The Statement of Accounts and Audit Findings Report for 2019/20 were approved by the Committee on 17th September. At that meeting the Committee were informed that there were some audit issues still to resolve but these were expected to be minor.

2.2 Final audit issues have now been resolved but this has led to some adjustments to the accounts that, due to their nature, could not be considered minor and therefore the Committee needs to approve an updated version of the Statement of Accounts and Audit Findings report.

ONE COUNCIL ONE TEAM

3 How does this deliver objectives of the Corporate Plan?

	The Council's financial position and financial management arrangements helps to achieve all aspects of the Council's Corporate Plan

4 Context and Key Issues

4.1 The Statement of Accounts for 2019/20 is required to be approved in order for the Council to meet its statutory obligations in relation to financial reporting.

4.3 The Statement is a lengthy document, indicative of the complexity of Local Government accounting rules. The key statements are:-

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow statement
- Housing Revenue Account
- Collection Fund Statement

4.4 There are then a number of notes to these statements that provide further detail.

4.5 Since the accounts were approved in September, outstanding audit issues have been resolved which has led to further adjustments to the accounts being required. These relate to a change in the calculation of the Council's Capital Financing Requirement and adjustments to the way in which internal recharges are presented in the accounts. These adjustments are set out in more detail in the Audit Findings Report from Grant Thornton.

5 Alternative Option

5.1 There are no alternative options to be considered.

6 Implications

Resources:	The Statement of Accounts sets out the Council's financial position for the year ended 31st March 2020
Legal and Governance:	The Accounts and Audit Regulations require the accounts to be completed and audited a set date each year (which has been amended on a temporary basis during the COVID pandemic)
Risk:	The Statement of Accounts sets out the financial risks the authority is facing and makes provisions for these where appropriate
Equality:	Not applicable
Health and Wellbeing	No specific implications
Social Value	Not applicable

7. Appendices

Appendix 1 – Statement of Accounts 2019/20 (to follow)
Appendix 2 – Audit Findings Report (to follow)

8. Background Papers

CIPFA Code of Practice on Local Authority Accounting and associated guidance

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Sandwell
Metropolitan Borough Council

Statement of Accounts

2019/20

STATEMENT OF ACCOUNTS
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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 328,450) 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; 32% of children in Sandwell live in relative low-income families. The Council has an ambitious plan to tackle these challenges and ensure every child and young person can realise their full potential.

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

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

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

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

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

Strategic Outcomes

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

We have a young and diverse population and we want to make sure that every aspect of their lives is supported so that they can be successful in adulthood.

The first 1000 days of life from the start of pregnancy to a child's second birthday provides the foundation for their future life chances. Child poverty in Sandwell is one of the highest in England and we know that food poverty can impact nutrition, which in turn affects brain development and the ability to do well in school and earn a good living. We want to make sure that children are well nourished and cared for, particularly in the early years of life.

Although early learning and childcare provision is good, the percentage of children achieving good outcomes at the end of the reception year in school is significantly below the England average. One third of our children are not ready for school and this early underachievement has an impact throughout their school lives. So there needs to be a focus on what happens at home and with the family as well as what happens in nursery or in schools.

We also have to make sure that vulnerable children in our community are safe, protected and have the right support so that they can be as successful as their peers. We have pledged that we will be a Council that understands the impact of adverse childhood experiences and trauma, that we will work to overcome the causes of neglect, and, for those children that are in our care, we will be the best Corporate Parent that we can.

2) People will live well, age well.

People are living longer but are often in poor health as they get older and life expectancy is lower than the national average. We want people to live well for longer. Research has shown that meeting others and community activities can improve health and well-being, and this is why we are putting the community at the heart of our work.

People with care and support needs are often not able to make basic choices that we take for granted, such as where they live or how they are supported. Despite social media and technology, people are still lonely in our communities and we need to act to improve choice and independence and to stop people feeling isolated. We need to make sure that wellbeing is at the centre of what we do.

When health and social care is not joined up things get missed and people are sometimes not supported the way they should be. We need to change this, for example, by stopping people having to keep telling their story over and over again to different professionals or to prevent people from staying in hospital for any longer than they need to.

3) Strong resilient communities.

Never has the importance of community and belonging been so evident as in the last few months. Resilient communities are able to cope with adversity because they are strong from within; through the way we rely on and support each other. We must aim to build upon the show of great community spirit displayed during the pandemic and continue to support our strong voluntary and community sector.

We are ambitious for all our towns to become vibrant centres of community life. Our six towns are a great strength and require regeneration to make them truly successful hubs of community activity. An important part of a successful community is feeling safe. Residents tell us that feeling safe at home and in our community is an important factor when deciding where to stay and bring up their families.

4) Quality homes in thriving neighbourhoods.

Having a warm, safe and secure home is key for improving living standards. In Sandwell, we want to ensure that there are homes that meet people's needs, whatever the tenure, and that they are of the best standard they can be; and that they are affordable.

There are over 130,000 homes in Sandwell and more than a fifth of those are managed by the Council. Having quality homes in thriving neighbourhoods will underpin and compliment the other strategic outcomes in the Plan. For example, if children are to have the best start in life then having access to good quality housing and housing services is fundamental.

By 2030, we aim to have 8,000 more new homes in the borough. This will be a mix of Council house building and homes built by housing associations and the private sector. We have ambitious expectations for greener, more environmentally friendly homes.

The scale of some of the opportunities we have to create new housing in Sandwell means we can create new communities, built to highest standards with access to good schools and local facilities.

We also need to ensure that the borough's housing meets the particular needs of different sections of the community, for instance those children leaving care. And we also need to work across the Council and with partners to prevent homelessness.

5) A strong and inclusive economy.

During lockdown, the local economy has taken a big hit, the repercussions of which could be felt for years to come. This brings the work on creating a strong and inclusive economy to the fore. More than ever, we need to do all we can collectively with partners to support Sandwell's economy. For instance, the Council currently spends 15% of its contract money with suppliers in Sandwell; we want to do better and influence our partners to do more.

The work we do to support businesses locally and the work with young people around training and employment will be vitally important. Our high-quality support to the business sector, training and employment advice for residents, and quality work experience placements and apprenticeships within the Council will be crucial in the major fallout from COVID-19 that affects jobs, the housing market and local high streets

Sandwell's economy is the largest in the Black Country. We still have big ambitions to press on with our exciting transformational projects that will put Sandwell on the map. The 2022 Commonwealth Games will be a catalyst for economic, wellbeing and cultural development, incorporating the Sandwell Aquatic Centre, Sandwell Valley, our canal network, and other venues as linked visitor attractions. The Midland Metropolitan Hospital will also bring significant local regeneration benefits.

6) A connected and accessible Sandwell.

Located in right in the heart of the West Midlands, with five motorway junctions and 12 train stations we are well connected both regionally and nationally. The big infrastructure projects we have in the pipeline such as the Wednesbury Metro link will reinforce Sandwell's position as a great business location. Our plans will aim to make the most of this.

This part of the plan outlines the importance of effective, green public transport for people to get around for work and leisure in a healthy and sustainable way. Lockdown has shown us the benefits to the environment of reducing traffic and improved air pollution. We want to build on this, shifting the balance towards walking and cycling and creatively using our extensive canal network.

7) One Council, One Team

Our final strategic outcome in Big Plans for Great Place is **One Council, one team.** We need to create a modern, outstanding organisation to deliver on the great plans.

We'll be making sure our services are aligned to the needs of our community by constantly listening and learning from them.

We'll be making sure that employees are supported and developed to do the best job they can in the new normal that is emerging and that includes developing great communications as we work more remotely from each other.

Resources are going to limited going forward from the pandemic so we need to make the most of the resources we do have and make sure we spend as much as we can locally to support our local economy in everything we do.

Importantly, we need to build resilience in the organisation to respond to future demands, whatever they may be, and we have a good idea now, having gone through one of the most difficult periods for local government, how we can improve that resilience.

The Sandwell Plan was adopted by full Council in March 2020 and is currently being revisited in the light of the impact of COVID-19 19 as part of the Council's Reset and Recovery Programme.

The Council

Political Leadership

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

At the start of the year Councillor Steve Trow was Leader with Councillor Khatun as Deputy. On 3 May 2019, Councillor Steve Trow stepped down as Leader of Sandwell Council with immediate effect.

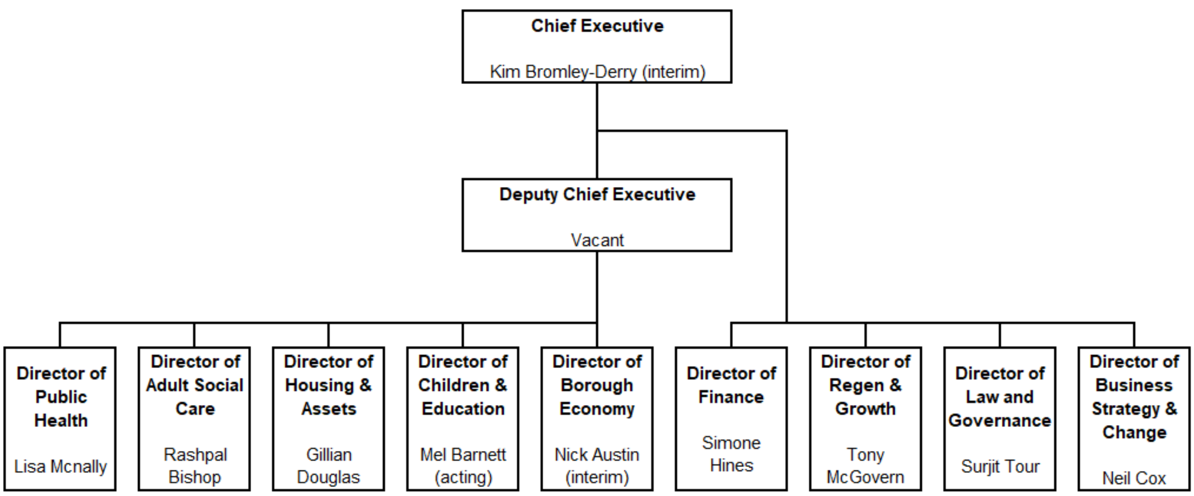
At the Annual Council meeting on 21 May 2019 a new Leader of the Council, Councillor Yvonne Davies was elected. Councillor Yvonne Davies resigned as Leader of the Council on 9th July 2020. On 19th May 2021 Councillor Rajbir Singh was appointed as Leader of the Council.

Organisational Structure

On 3 July 2019, Jan Britton resigned from his role as Chief Executive of Sandwell Council. At the full Council meeting on 16 July 2019 Councillors appointed David Stevens as Interim Chief Executive. On 14 January 2020 at a meeting of the Council David Stevens was appointed as Chief Executive. David Stevens stepped down from his role as Chief Executive on 31st July 2021and Kim Bromley- Derry was appointed as interim Chief Executive on 10th August 2021.

A senior management re-structure was approved by full Council on 6 October 2020. The team is led by the Chief Executive and will be supported by a Deputy Chief Executive and nine Directors. The structure has been re-designed to provide sufficient capacity for day-to-day leadership of the Council and our 4,115 employees as well as delivering the strategic drive needed to take forward our 2030 vision.

Sandwell Metropolitan Borough Council - Senior Management Structure from July 2020



Revenue Outturn

Sandwell's net general fund balance decreased by £18.590m in 2019/20.

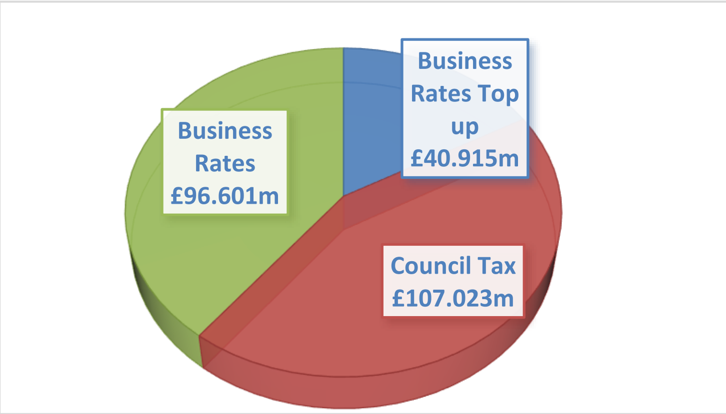
The majority of services across Sandwell have ended the year in surplus and are carrying forward combined surpluses of £8.641m to future years. This demonstrates the continued success of our multi-year budget planning process and is a key part of our overall strategy of protecting front-line services for the people of Sandwell.

The Housing Revenue account balance increased by £3.059m in 2019/20.

Our maintained schools have ended the year with surplus balances of £29.169m, a decrease of £3.383m compared to the previous year. There are 3 schools closing with a deficit budget share for 2019/20.

Sources of funding

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



Capital Outturn

Capital expenditure of £122.000m was incurred during 2019/20, including:

- £2.186m Various ICT projects
- £39.076m New schools/school refurbishments
- £4.313m Disabled Facilities Grant
- £8.846m Various Highways related schemes
- £11.324m New Sandwell Aquatic Centre for the 2022 Commonwealth Games
- £50.769m Housing Revenue Account

Treasury Management

At 31 March 2020, the Council's principal external debt was £496.341m (£517.577m at 31 March 2019) and its cash investments totalled £48.027m (£42.846m at 31 March 2019).

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 2019/20 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. At 31 March 2020 the CFR was £735.674m, up from £737.176m at 31 March 2019.

The Council maintained an average balance of £65.741m of internally managed funds. The internally managed funds received an average return of 0.772%. The comparable performance indicator is the average 7-day LIBID rate as at 31 March 2020, which was 0.540%. The LIBID rate saw a sharp decrease in March 2020 to reflect the MPC's Bank Rate cuts from 0.75% to a final rate of 0.10%. The Council has seen a slight increase on returns during 2019/20, compared to 2018/19.

The Council has complied with all of the relevant statutory and regulatory requirements which require the Council to identify and where possible, quantify the levels of risk associated with its treasury management activities. 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 £43.448m, a reduction of £18.590m compared to the position as at 31 March 2019 (£62.038m). This includes £8.641m of surpluses that are being carried forward to invest in front-line services and £22.328m that has been earmarked for specific purposes.

Our level of free balances is £11.470 million, which equates to 4.95% of net general fund expenditure, and is in line with Council policy of maintaining free balances of between 3-5% of net general fund expenditure.

Going Concern

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

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

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

Cash Flows

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. During 2019/20, net cash and cash equivalents increased by £16.031m.

Assets and Liabilities

The Council continues to maintain a strong balance sheet. Long term assets are valued at £2,191.839m. Long term liabilities are valued at £1,309.565m, including a net deficit of £790.638m 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 2019/20 accounts. The 2019/20 past service and future service contribution rates for the Council and employees were adjusted in order to address this deficit over time. Note 43 explains the pensions liability in more detail.

IFRS 16 – Accounting for Lease Transactions

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

However, in December 2020, the CIPFA/LASAAC Local Authority Accounting Code Board announced that they have, with the approval of the Government's Financial Reporting Advisory Board (FRAB), agreed to defer the implementation of IFRS 16 Leases for a further 12 months, with a new effective date of 1 April 2022.

Although the decision has been taken due to the impact on Local Authority finance teams of the COVID-19 pandemic, CIPFA/LASAAC are keen to stress that this further deferral is limited to one year only. The Finance team will continue their preparations for implementation ahead of adoption of this standard in the 2022/23 financial year.

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

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

The main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions with the asset being recorded on the balance sheet, together with a liability to pay for the asset acquired. This method is referred to as the "Acquisition Approach". In contrast, operating leases have been treated as "pay as you go" arrangements, with lease rentals expensed in the year that they are paid. The new standard requires all substantial leases to be accounted for using the "Acquisition Approach".

Work has already commenced on planning and preparing for the implementation of the changes required to ensure compliance with the Standard from 2022/23.

Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20 to meet the ongoing challenges of the difficult economic climate and budget reductions. In total 71 employees (Excluding Schools) left the Council's employment during the year incurring liabilities of £4.595m. Schools terminated the contracts of 85 employees in 2019/20, incurring liabilities of £0.796m.

In 2018/19 a provision of £3.331m was created for employees approved as planned leavers at 31 March 2019. Of this £2.803m was utilised and £0.409m re-provided for in 2020/21. Costs of £1.792m not included in the 2018/19 provisions have been incurred. £0.763m of this has been funded by Directorates and £1.029m from the Council's Corporate Resources.

There are also agreements in place for a further 11 employees to leave the Council during 2020/21 or later at an estimated cost of £1.795m. A provision for this amount has therefore been created for future and outstanding termination benefit costs which are expected to be incurred in 2020/21.

Sandwell's Voluntary and Community Sector

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

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

In more recent years' relationships with the sector have evolved to reflect a much stronger partnership approach with more opportunities for real dialogue about changing needs and genuine engagement around problem solving and service redesign. 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.

Sandwell's Voluntary and Community Sector (VCS) has and continues to play a vital role during the COVID-19 pandemic working in partnership with the Practical Support Unit-COVID-1919 in providing essential supplies & services to our most vulnerable people.

The Impact of COVID-19

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

The uncertainty caused by COVID-19 will certainly affect the Council's planning for 2020/21 and future years although the full financial impact has yet to be finally determined and so is not reflected in the Statement of Accounts this year.

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

Provision of Services

In common with authorities across the country, Sandwell is playing a key role in the overall national response to COVID-19, including the distribution of grants and awarding Business Rates relief to local businesses, and delivering food parcels and other essential supplies to our most vulnerable residents.

The Council's response has been directed through daily 'situation report' meetings at GOLD level, which includes representation from key partner agencies, and the establishment of a senior management officer group which meet on a weekly basis to review progress against the Council's Resilience Plan – the Reset and Recovery Board.

It has been necessary to reshape key services to minimise risk and implement measures in order to provide service continuity during this difficult period of time.

Our Resilience Plan sets out five key priorities that directed our response activities:

- **Health & Social Care** - Protecting and supporting our elderly and vulnerable residents throughout the crisis has been our primary focus. To do this we have worked with partners across the health and social care economy to ensure that our residents, particularly those who are vulnerable, have caring responsibilities and those with underlying health conditions received the support they require.
- **Citizen & Communities** – we have utilised the strength of our strong and resilient communities to help us support those people with the greatest need to maintain their health and wellbeing.
- **Infrastructure & Supplies** – Working with key partners we have ensured that services vital to the borough's infrastructure continue to operate effectively so that our residents have access to the vital goods and supplies they require.
- **Business & Economic impact** – we have acknowledged that that the pandemic has created, and will continue to create, financial pressures for businesses and individuals alike, which is likely to affect our residents more acutely than in other parts of the country due to the levels of deprivation they already experience. In response to these financial challenges we continue to do everything in our power to minimise the impact of these challenges and the pressures they create.

- **Organisational impact** – work was undertaken to minimise the impact of this disruption and ensure that our critical services continue to be delivered without interruption whilst maintaining support to our staff group and key workers.

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

The Resilience Plan is regularly monitored and reviewed to identify where response activity:

- continues to be required and is a high-risk area that requires visibility at senior level;
- is no longer required and therefore activity is closed down; or
- activity has become business as usual and can be incorporated into service plans.

Council's Workforce – new ways of working

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

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

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

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

Impact on Revenue Budget

The impact of COVID-19 on the Council's revenue budget has been significant but emergency funding of £33.094m has been allocated by the MHCLG to cover the immediate budget pressures that are being incurred.

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

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

Monthly returns have been submitted to the MHCLG to demonstrate the impact of COVID-19 on the financial position of the Council. The last return was submitted in January 2021 and showed the following:

	£'000
COVID-19 related expenditure	31,963
Loss of Income	20,743
Total COVID-19 Pressure	**52,706**
Funded from Specific Grants	(17,324)
Sales Fees & Charges Compensation	(2,622)
Emergency COVID-19 Grant	(33,094)
Total COVID-19 Funding	**(53,040)**
Net Pressure/(Surplus)	**(334)**

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

Supply Chains

The Council has reviewed its contracts to identify suppliers who might be at risk as a result of the impact of COVID-19; for example, where services have been reduced or suspended. Support plans appropriate to individual supplier circumstances have been put in place, and suppliers redeployed to other services where possible in order to ensure continued liquidity and to protect jobs. Where such measures are in place the Council is working with suppliers to plan the transition back to resumption of services as quickly as possible.

Demand for personal protective equipment has been high in the period from March 2020, with the availability of supply in the market reduced and a consequent rise in pricing. The Council has worked with regional colleagues to identify suitable, reliable suppliers and to bulk buy to ensure availability of supply and management of cost.

Capital Programme 2020/21 and Impact of COVID-19

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

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

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

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

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

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

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

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

Pension Fund Asset Valuations

Over the year, there has been a reduction in the value of the assets held by the West Midlands Pension Fund, driven largely by the COVID-19 pandemic and a corresponding fall in the markets in the first quarter of 2020. This has been reflected in a lower asset share for employers as at 31 March 2020 compared with 31 March 2019.

The value of expected future payments required to settle current and future employee service pension obligations (the defined benefit obligation), however, has also fallen over the year. This has been driven largely by a fall in inflationary expectations, placing a lower value on expected future benefit increases. Overall, the net liability has increased over the period as measured under current accounting standards.

Cash Flow Management

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

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

Reset and Recovery Plan

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

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

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

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

COVID-19 Summary

In summary, current projections indicate that the Council has been able to manage the financial impact of COVID-19 in the short term. However, the impact will continue to be felt beyond 2020 therefore the Council's Medium-Term Financial Strategy will need to be reviewed and updated with the need for new budget savings likely. Regular updates will be reported to Cabinet on the financial implications for the Council, including any recommendations for actions required to manage the situation.

2020/21 & Beyond

Governance

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

Key Risks

Brexit

Britain exited the EU on 31 January 2020, with a trade deal being signed on 1 January 2021.

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

In the longer-term Brexit could impact upon the Council's activities in the following ways:

- On economic prosperity and employment prospects for the borough and the wider region could increase demand for public services and reduce the resources available to the Council to deliver those services.
- On the stock market and on interest rates could affect the Council's investments.
- On inflation which would particularly affect the cost of index-linked contracts.
- Much of UK procurement, employment, environmental and consumer protection legislation is currently derived from EU law and so there is a possibility that the government may wish to change some of these laws as part of the process of rewriting this legislation.

Central Government Funding

For the first time in a number of years, the central government funding for the Council was not reduced in 2020/21. However, central government have once again only provided a one-year settlement and therefore there is considerable uncertainty about what funding will be received in future years, particularly in light of COVID-19.

The budget report approved by Council in March 2020 set a balanced budget that did not rely on the use of reserves to fund revenue service provision.

However, in common with many other Councils, Sandwell continues to experience an increase in demand for our children's social care services that has resulted in a year-end deficit of £4.245m for Sandwell Children's Trust (SCT). This deficit takes into account the £5.000m of additional resources allocated to SCT as part of Quarter 3 budget monitoring. It is also £1.222m higher than the year end deficit forecast in their Medium-Term Financial Strategy. No additional resources are requested to fund this deficit as SCT have confirmed their commitment to delivering a balanced budget over the medium term, including recovery of this deficit.

Operational Model / Strategy & Resource Allocation

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

- The Corporate Plan which sets out our key strategic plans for the borough.
- 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.

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

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

1. **The Authority's Responsibilities**

The Authority is required to:

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

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

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

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

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

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date;

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

Approval of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2020.

Councillor Manjit Gill	Rebecca Maher
Chair, Audit Committee Sandwell Metropolitan Borough Council	Section 151 Officer Sandwell Metropolitan Borough Council

Comprehensive Income & Expenditure Statement

2019/20

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

2018/19 Restated		2018/19 Restated		2019/20		2019/20
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			People			
141,931	(62,103)	79,828	Adult Social Care Services	145,941	(66,696)	79,245
272,237	(271,753)	484	Schools	285,240	(279,809)	5,431
112,727	(12,991)	99,736	Children's Services	119,374	(17,646)	101,728
25,294	(24,900)	394	Public Health	24,836	(24,229)	607
			Performance			
176,574	(137,149)	39,425	Resources	149,308	(120,117)	29,191
1,271	(1,511)	(240)	Corporate Management	2,470	68	2,538
			Place			
54,760	(9,037)	45,723	Housing & Communities	51,097	(10,912)	40,185
44,247	(15,050)	29,197	Regeneration & Growth	51,444	(15,540)	35,904
89,690	(130,425)	(40,735)	Housing Revenue Account	92,560	(129,427)	(36,867)
(60,924)	-	(60,924)	- Reversal of previous revaluation losses	(260)	-	(260)
857,807	**(664,919)**	**192,888**	**Cost of Services**	**922,010**	**(664,308)**	**257,702**
		13,071	Levies			13,001
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		2,601	(Gains) / Losses on the disposal of non current assets			3,974
		29	Losses on Revaluation of Assets Held for Sale			186
		-	Losses on Revaluation of Available for Sale Assets			-
		18,398	**Other Operating Expenditure**			**19,858**
		31,368	Interest payable and similar charges			30,298
		18,439	Net interest on the net defined benefit liability (asset)			17,686
		(1,644)	Interest receivable and similar income			(1,536)
		(2,836)	Income and expenditure in relation to investment properties			(3,091)
		6,182	Changes in the Fair Value of investment properties			4,024
		(787)	Changes in the Fair Value of Financial Assets			(191)
		50,722	**Financing and Investment Income and Expenditure**			**47,190**
		(97,929)	Council Tax income			(107,023)
		(17,051)	Non Ringfenced Government Grants			(31,096)
		(96,095)	Retained Business Rates			(96,601)
		(50,660)	Business Rates Top Up			(40,915)
		41	Collection Fund (Surplus) / Deficit			5,375
		(38,465)	Capital grants and contributions			(44,064)
		(300,159)	**Taxation and Non Specific Grant Income**			**(314,324)**
		(38,151)	**(Surplus) / Deficit on Provision of Services**			**10,426**
		(7,367)	(Surplus) / deficit on revaluation of non current assets			(30,472)
		(81)	(Surplus) / deficit on revaluation of financial assets			11,087
		(42,110)	Actuarial (gains) / losses on pension assets and liabilities			(7,198)
		79	Any other (gains) / losses required to be included			-
		(49,479)	**Other Comprehensive Income and Expenditure**			**(26,583)**
		(87,630)	**Total Comprehensive Income and Expenditure**			**(16,157)**

Balance Sheet

2019/20

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

Restated 1 April 2018 £'000	Restated 31 Mar 2019 £'000		Note ref	31 March 2020 £'000
1,016,880	1,105,937	Council Dwellings	10	1,132,486
630,518	605,012	Other Land & Buildings	10	623,436
222,154	221,499	Infrastructure	10	221,637
23,271	21,597	Vehicles, Plant, Furniture & Equipment	10	21,450
20,624	18,812	Community Assets	10	18,829
13,568	18,221	Assets Under Construction	10	36,476
17,115	17,368	Surplus Assets	10	9,437
1,944,130	**2,008,446**	**Property Plant & Equipment**		**2,063,751**
4,192	4,193	Heritage Assets	11	4,312
86,402	78,498	Investment Properties	12	73,590
3,196	2,463	Intangible Assets	14	1,688
55,520	55,601	Long Term Investments	16	44,513
3,591	3,631	Long Term Debtors	-	3,985
2,097,031	**2,152,832**	**Long Term Assets**		**2,191,839**
5,021	11,029	Short Term Investments	16	2,646
281	-	Assets Held for Sale	13	1,023
1,300	1,465	Inventories	-	1,375
37,493	54,636	Short Term Debtors	17	51,711
55,191	53,464	Cash & Cash Equivalents	19	66,074
99,286	**120,594**	**Current Assets**		**122,829**
(72,378)	(22,350)	Bank Overdraft	19	(18,929)
(55,908)	(77,810)	Short Term Borrowing	16	(76,250)
(77,875)	(79,490)	Short Term Creditors	20	(89,198)
(6,652)	(10,316)	Provisions	22	(15,501)
(713)	(2,569)	Revenue Grants Receipts in Advance	35	(6,651)
(2,418)	(3,876)	Capital Grants Receipts in Advance	35	(4,098)
(215,944)	**(196,411)**	**Current Liabilities**		**(210,627)**
(4,239)	(3,562)	Provisions	22	(4,339)
(450,420)	(447,312)	Long Term Borrowing	16	(427,843)
(822,921)	(832,616)	Other Long Term Liabilities	21	(864,091)
(12,104)	(15,204)	Capital Grants Receipts in Advance	35	(13,292)
(1,289,684)	**(1,298,694)**	**Long Term Liabilities**		**(1,309,565)**
690,689	**778,321**	**Net Assets**		**794,476**
193,463	201,167	Usable Reserves	MIRS	200,488
497,226	577,154	Unusable Reserves	24	593,988
690,689	**778,321**	**Total Reserves**		**794,476**

Cash Flow Statement

2019/20

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

Restated 2018/19 £'000		2019/20 £'000	2019/20 £'000	Note Refs
(38,151)	**Net (surplus) / deficit on the provision of services**		**10,426**	
(61,687)	**Adjustments to net (surplus) / deficit on the provision of services for non cash movements**		**(144,238)**	25
56,195	**Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities**		**62,430**	25
(43,643)	**Net cash flows from Operating Activities**		**(71,382)**	
	Investing Activities:			
65,760	Purchase of property, plant and equipment, investment property and intangible assets	98,494		
157,042	Purchase of short and long term investments	77,646		
(18,097)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,329)		
(151,032)	Proceeds from short and long term investments	(86,030)		
(43,057)	Other receipts from investing activities	(42,406)		
10,616	**Net cash flows from Investing Activities**		**29,375**	
	Financing Activities:			
(218,089)	Cash receipts of short and long term borrowing	(239,258)		
3,519	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,947		
199,295	Repayments of short and long term borrowing	260,287		
(15,275)	**Net cash flows from Financing Activities**		**25,976**	
(48,302)	**Net (increase) / decrease in cash and cash equivalents**		**(16,031)**	
(17,187)	Cash and cash equivalents at the beginning of the reporting		31,114	19
48,302	Net movement in cash and cash equivalents		16,031	
31,115	**Cash and cash equivalents at the end of the reporting period**		**47,145**	19

Movement in Reserves Statement

2019/20

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

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adj A/C	Financial Instrument Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Accumulated Absences Account	Collection Fund Adj A/C	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2018	**133,675**	**35,281**	**7,816**	**16,690**	**193,462**	**256,269**	**990,035**	**(1,462)**	**-**	**20,599**	**(775,723)**	**(7,091)**	**(8,662)**	**473,965**	**667,427**
Prior Period Adjustment (Note 7)					-	6,510	16,752							**23,262**	**23,262**
Balance as at 1 April 2018	**133,675**	**35,281**	**7,816**	**16,690**	**193,462**	**262,779**	**1,006,787**	**(1,462)**	**-**	**20,599**	**(775,723)**	**(7,091)**	**(8,662)**	**497,227**	**690,689**
Movement in Reserves During 2018/19															
Total Comprehensive Income and Expenditure	(42,428)	80,579	-	-	38,151	7,367	-	-	20,680	(20,599)	42,110	-	(79)	49,479	**87,630**
Adjustments between accounting basis & funding basis under regulations (Note 8)	26,714	(75,424)	8,406	9,858	(30,446)	(6,925)	66,310	116	-	-	(39,825)	693	10,077	30,446	-
Increase / Decrease in Year	**(15,714)**	**5,155**	**8,406**	**9,858**	**7,705**	**442**	**66,310**	**116**	**20,680**	**(20,599)**	**2,285**	**693**	**9,998**	**79,925**	**87,630**
Balance at 31 March 2019 carried forward	**117,961**	**40,436**	**16,222**	**26,548**	**201,167**	**263,221**	**1,073,097**	**(1,346)**	**20,680**	**-**	**(773,438)**	**(6,398)**	**1,336**	**577,152**	**778,319**
Movement in Reserves During 2019/20															
Total Comprehensive Income and Expenditure	(32,229)	21,803	-	-	(10,426)	30,472	-	-	(11,087)	-	7,198	-	-	26,583	**16,157**
Adjustments between accounting basis & funding basis under regulations (Note 8)	38,829	(22,445)	7,162	(13,799)	9,747	(5,678)	26,296	91	-	-	(24,398)	(1,936)	(4,122)	(9,747)	-
Increase / Decrease in Year	**6,600**	**(642)**	**7,162**	**(13,799)**	**(679)**	**24,794**	**26,296**	**91**	**(11,087)**	**-**	**(17,200)**	**(1,936)**	**(4,122)**	**16,836**	**16,157**
Balance at 31 March 2020 carried forward	**124,561**	**39,794**	**23,384**	**12,749**	**200,488**	**288,015**	**1,099,393**	**(1,255)**	**9,593**	**-**	**(790,638)**	**(8,334)**	**(2,786)**	**593,988**	**794,476**

* Restated balances as per note 7 - Prior Period Adjustments

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

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

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

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

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

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

iii. Cash and Cash Equivalents

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

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

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

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

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

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

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

vi. **Charges to Revenue for Non Current Assets**
Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

vii. **Inventories and Long-term Contracts**
Inventories are shown in the Balance Sheet at the lower of cost and net realisable value as required by IAS 2.

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

viii. **Council Tax and Non-Domestic Rates**
Billing authorities act as an agent, collecting Council Tax and non-domestic rates (Business Rates) on behalf of the major preceptors (including government for Business Rates) and, as principals, collecting Council Tax and Business Rates for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of

amounts due in respect of Council Tax and Business Rates. 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 Business Rates collected is less or more than predicted.

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

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

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

ix. **Employee Benefits**

Benefits Payable During Employment
Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the CI&ES.

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

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

Post Employment Benefits
Employees of the council are members of three separate pension schemes:

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

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

Teachers' and National Health Service Pension Schemes

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.35% 2019/20, (2.4% 2018/19) based on the indicative rate of return on high quality corporate bonds.

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year; allocated in the CI&ES to the services for which the employees worked;

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Assets

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

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

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

Under IAS 39 Financial assets were classified as follows:

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

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

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

As per the IFRS 9 change to the Code, the reclassification of assets has been applied to the assets held by the council in 2019/20 – a note showing the reclassification has been included in the Financial Instruments note 16.

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

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

xii. **Foreign Currency Translation**

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

xiii. **Government Grants and Contributions**

Whether paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

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

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

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

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

Business Improvement District

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

Community Infrastructure Levy

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

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

xiv. **Intangible Assets**

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

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

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

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

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

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

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

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

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

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

- Sandwell Land and Property Ltd, which is a subsidiary of the council.
- Sandwell Children's Trust Ltd, which is a 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. Group accounts have not been prepared for this company as it holds a minority share of 20% and it has no substantial control of its operations or assets.

xvi. **Leases**

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

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

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

<u>The Council as Lessor</u>

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

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

xviii. **Capital Accounting**
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 Savills in 2019/20 and are in accordance with the Guidance on Stock Valuation for Resource Accounting (SVRA). A full valuation was undertaken in 2018/19 with the intention to complete desktop valuations for the 4 year period up to 2021/22. Again, this is in line with the latest SVRA guidance.

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

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

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

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

Due to the large number of dwellings held by the council it is not practical to account for each property individually and so all assets that fall into this category are grouped together under the heading of Council Dwellings and are accounted for at this higher level. When additions to the stock are made, these are revalued based on the beacon and social use factor of 40%. Where previous revaluation gains exist any revaluation losses relating to new additions are offset against these gains. In 2019/20, losses of £9.548m relating to new additions were offset against revaluation gains from previous years.

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

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

Assets Under Construction
These assets are held at historic cost.

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

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

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

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

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

Decreases in values are accounted for as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

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

xix. **Component Accounting**

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

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

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

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

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

In order to assess materiality, the council has instructed WH&E to provide individual PP&E valuations on a componentised basis so that the impact upon depreciation can be determined. From the results of this process the council has concluded that componentisation would not materially affect the level of depreciation charged on any of its PP&E assets valued during 2019/20 and, as a result, has not applied componentisation to its assets in this financial year. The council will however continue to review this process annually.

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

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

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

xx. **Heritage Assets**

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

Historical Buildings

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

Museum Exhibits, Fine Art Collections & Civic Regalia

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

General

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

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

xxi. **Minimum Revenue Provision**

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

The calculation for supported borrowing was previously based on 4% of the adjusted Capital Financing Requirement (Outstanding Debt) for the General Fund. However, from 2016/17 onwards it was deemed more prudent to adopt the Asset Life (Equal Instalments) method where the useful life applied to the debt is based on the average useful life of the council's depreciable operational assets. For the financial year 2019/20 Sandwell has adopted a useful life of 50 years as allowed by the latest prudential code guidance.

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

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

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

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

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

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

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

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

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

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

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

xxvi. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**
Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non current asset has been charged as expenditure to the relevant service line in the CI&ES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in

Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxvii. **Insurance Funding Arrangements**

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

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

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

Motor – The first £0.150m of each motor claim for damage to a council vehicle and third party claims. Third party losses are limited to £0.410m in the aggregate after the application of individual claim excess / non-ranking deductibles.

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

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

xxviii. **VAT**

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

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

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

xxx. **Fair Value Measurement**

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

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

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

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

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

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

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

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

xxxi. **Pooled Budgets**

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

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

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

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

<u>IFRS 16 Leases</u>

This will require councils that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The accounting impact of the introduction cannot currently be determined. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to April 2022 due to the impact of COVID-19.

IAS19 Employee Benefits
This will require the remeasurement of net pension liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1 April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

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

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

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

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

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

The Council has concluded that the freehold of the assets relating to Leisure Centres have not been encumbered by these agreements and so no deferment has been applied.

However, in relation to the Former Public building the freehold has been deemed to be encumbered due to the nature of the use of the building and so deferment has been applied.

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

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

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

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

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

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

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

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

Sandwell Land and Property Company

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

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

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

Sandwell Children's Trust

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

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

- SCT is a 100% wholly owned company;
- The council is the primary funder of SCT;
- The council has a director and elected member on the board of SCT; and
- The expenditure for SCT amounts to approximately £70m which is a material sum compared to the council's net cost of services of £240m.

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

Sandwell Childrens Trust Pensions

Following legal advice from Bevan Brittan (the Council's legal advisors for the setup of Sandwell Children's Trust), it has been decided that the pension liability relating to SCT will remain on the

Council's balance sheet. A 'side letter' has been signed by SMBC, SCT and West Midlands Pension Fund to confirm that this is acceptable to all parties.

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

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

The items in the council's Balance Sheet at 31 March 2020 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Asset Valuations
The valuers have inspected approximately 170 assets between the 23 Sept 2019 and 11 October 2019. The majority of the valuation dates are either 31 March 2020 for Investment Properties or 31 December 2019 for other PPE assets.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. As a result of this, the valuation of the Pension Fund's investment properties is reported on the basis of material valuation uncertainty. The Councils share of these assets is £1,334.232m.

The view of the Councils Valuers is that Market activity has been impacted in many sectors and, as at the valuation dates, consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value.

The current response to COVID-19 means that they have been faced with an unprecedented set of circumstances on which to base a judgement. As a result, the valuers have stated in their valuation report that:

'Our valuation(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to our valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market and in light of the other comments within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.'

The Material Valuation Uncertainty Forum has been set up by the Royal Institution of Chartered Surveyors (RICS) to consider the unique events relating to the global Covid-19 pandemic and its impact on valuations assignments, with a focus on financial reporting and measures for the accurate consistent reporting of material uncertainty. No date has been given for publishing the results of this review and so valuations will be kept under review in line with the guidance provided by the RICS Forum.

It should be noted that the authority commissioned its valuers to undertake a specific COVID-19 review of its asset portfolio to assets any potential effects of the pandemic. This was completed in August 2020 and has concluded that there is little or no evidence to suggest that the property types within the portfolio have been specifically affected by the pandemic and that no further adjustments are required. However, the authority believes that the presence of a valuation uncertainty still exists as per VPS 3 and VPGA 10 of the RICS Red book Global.

Within the housing stock there are 3013 high rise properties with a value of £57.140m attributed to them. Following a serious fire at the Grenfell Tower apartment block in London in June 2017, it is likely that recommendations will be made as to the construction and management of similar properties. Sandwell have replaced any cladding that could be considered flammable and this work was completed in 2019. The councils housing stock valuers, Savills, feel it is too early to assess the longer-term consequences of this incident. The council feels that material uncertainty exists as until the recommendations are made public, we are unsure whether our action of replacing the defective cladding will be satisfactory.

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 £41.827m.

However, the assumptions interact in complex ways. During 2019/20, the Authority's actuaries advised that the net pensions liability had reduced by £25.660m as a result of updated financial and demographic assumptions.

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

	+0.1% £'000	-0.1% £'000
	Change	Change
Adjustment to discount rate	(41,827)	42,712
Adjustment to long term salary increase	(35,816)	(44,138)
Adjustment to pension increases and deferred revaluation	38,683	(37,907)
	+1 Year	-1 Year
Adjustment to life expectancy assumptions	94,597	(86,098)

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

Pension Guarantees

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

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

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

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

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

Non-Domestic Rates Provision

Following the introduction of the retained Business Rates scheme in April 2013, the Collection Fund is now liable for the settlement of any successful appeals lodged against the rateable value of business properties. A provision of £9.979m has been set aside for the council's share of 99%. The full provision has been based on a report from Analyse Local which is a specialist revenue forecasting tool that the Council subscribe to. The report includes total potential net losses of £6.863m but appeals in relation to cash points (ATM's) have been excluded from the total provision as the supreme court decision in May 2020 was that ATM's are not liable for additional Business Rates and as a result ATM sites subject to this adjustment will be removed from ratings lists.

Fair Value Measurement

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

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

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

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

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

Impairment Allowances

At 31 March 2020 the council had the following balances of debtors outstanding for which appropriate impairment allowances have been made:

	Arrears (£'000)	**Impairment Allowance (£'000)**	**%**
Trade Receivables	25,541	2,651	**10%**
Council Tax	21,806	10,998	**50%**
Non Domestic Rates (Business Rates)	3,624	2,178	**60%**
Housing Benefit	6,938	5,550	**80%**
HRA	10,482	5,498	**52%**
Payments in Advance	8,626	-	**0%**
Other	4,641	-	**0%**
Total	**81,658**	**26,875**	**33%**

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

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

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

Council Dwellings

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

In the financial year 2019/20 there were net re-valuation gains on council dwellings totalling £13.276m. This represents an increase of approximately 1.2% and is in line with market expectations. Gains of £0.260m were posted to the CI&ES in during the year to reverse accumulated revaluation losses incurred in previous years.

Non Current Assets
The carrying value of non current assets that did not receive a revaluation in 2019/20 totalled £420.877m. An upward movement in the market of 1% would equate to an increase in value of £4.208m.

Pensions Contributions for 2017/18 – 2019/20
In April 2017 the Council made an upfront payment of £50.800m in respect of pension contributions for the three years from 2017/18 to 2019/20 in order to save a net £2.700m over those three financial years. The full payment was accounted for as a reduction in the Council's net pension liability in 2017/18, however accounting regulations require that the amount due in relation to 2019/20 of £16.900m is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and also in the Defined Benefit Pension Schemes Note 43.

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

6. **Events after the Reporting Period**

The statement of accounts was authorised for issue on 31 August 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 8 July 2020 Councillor Yvonne Davis stepped down as leader. Deputy Leader Councillor Maria Crompton was currently acting as leader of Sandwell Council but following the local elections in May 2021 the Council appointed new leader Rajbir Singh. On 17th November Cllr Rajbir Singh stepped as leader of the council with Deputy Leader Councillor Maria Crompton acting as leader.

COVID-19

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

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

Birmingham Airport Shares
Together, the 7 West Midland Authorities own 49% of Birmingham Airport Holdings Limited ("BAHL"), and vote in one block at meetings. Sandwell holds 5.62% of BAHL's ordinary shares with a reported fair value of £15.557 million as at 31 March 2020.

Subsequent to the balance sheet date, the Covid-19 pandemic and continued related Government restrictions on travel have had a significant impact on BAHL's trading. BAHL have proactively reduced cashflows, and therefore still retains a strong liquidity position.

Going forward, BAHL forecasts to retain a satisfactory cash balance, but will not comply with the June 2021 covenants relating to the financing arrangements, unless passenger volumes and revenues recover quickly. The impact of the Coronavirus pandemic on BHL's ability to meet its covenant tests and to take corrective measures should it not be able to do so is a material uncertainty for BHL that may cast significant doubt on its ability to continue as a going concern.

BAHL shareholders, including the 7 West Midland Authorities collectively, have stated their intention to engage in further discussion should tangible support be required. Such corrective action could have a significant impact on the valuation of the Authority's investment in BAHL.

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

Asset Valuations
During the 2019/20 audit the Councils valuation officers have reviewed the methodology applied for valuing certain assets that are owned by the council but are then leased out to other organisations. It had been identified that in previous years deferment had been applied to the Councils Leisure centres. However, the valuation officers have assessed these assets and concluded that the deferment should not have been applied and so additional valuations have been undertaken.

The values of these assets are deemed material and so a prior period adjustment has been applied to the accounts. The overall effect of the prior period adjustment is as follows:
Balance Sheet: Closing balance of Other Land and Buildings increase by £23.261m in 2017/18 and £22.732m in 2018/19
Balance Sheet: Closing balance of Unusable Reserves has increased by £23.261m in 2017/18 and £22.732m in 2018/19
CI&ES: The Net Cost of Services in 2018/19 has increased by £0.558m for Housing & Communities
CI&ES: (Surplus)/Deficit on revaluation of non-current assets has decreased by £0.027m

Grant Income
Following a review of the treatment of grants and contributions, it was established that some grants had been credited to services, specifically Resources, that should have been credited to Taxation and Non-Specific grant income in the CIES. The impact of this in 2018/19 was as follows:
CI&ES: Increase the cost of services by £17.051m
CI&ES: Increase Taxation and Non-Specific Grant Income £17.051m

Note 35 – Grant income has been amended following the above review. There were two areas that were impacted. Grants credited to taxation and non-specific and grants credited to services.

<u>Credited to Taxation and Non-Specific</u>
There have been two grants that have been assessed and deemed to be non-ringfenced government grants. As per CIPFA code these should be treated as credited to taxation and non-specific grants, therefore they have been transferred to the relevant section as they had previously been omitted from this part of the disclosure. The grants are:
Section 31 business rates grants - £13.453m
New homes bonus - £3.598m

The Business rates top up grant - £50.659m was correctly treated as taxation and non-specific in CI&ES however had been omitted from the note 35 grants disclosures. This has now been amended.

<u>Credited to Services</u>
Grants funding REFCUS - £6.195m was correctly credited to services in the CI&ES but had incorrectly been omitted from note 35 grant disclosures, this has now been amended.

The review had also found that there had been numerous grants and other contributions / donations totalling £35.129m that are judged to be specific to individual services and thus appropriately to treated as credited to services in the CI&ES but had been omitted from the note 35 grant disclosures. The most significant individual grant / contribution is for better care fund at £14.091m in 2018/19.

Internal Recharges
Recharges between services have been reversed out in previous years and therefore the cost remained within the originating service. However, a review of this has shown that the cost should be with the recharged service. The impact of this on the CI&ES is nil, however, the income and expenditure for service costs has been adjusted to ensure that the cost is within the receiving service.

Capital Financing Requirement
The councils Capital Financing Requirement as shown in the Statement of Accounts has been calculated in accordance with the Prudential Code. A review of this has been carried out and certain items had not been included within this calculation for the note to the accounts. However, the council were still providing for MRP payments. The movements related to historic debt taken on when the ex West Midlands County Council was dissolved (£20.288m) and the change in accounting standards relating to PFI (£35.304m). There were other historic adjustments that reduced the CFR by £0.687m. The impact of these adjustments is to increase the councils opening CFR for 2018/19 by £54.908m to £802.651m. This amount also effects the closing CFR for 2018/19, the opening CFR for 2019/20 and the closing CFR for 2019/20. There is no impact on general fund balances relating to this adjustment as the council is already providing for repayments on these additional amounts with its accounts.

The following notes have been restated for 2018/19 to reflect the impact of the Prior Period Adjustments detailed above:

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations
Note 10 – Property Plant and Equipment
Note 15 – Fair Value of Non Current Assets
Note 24 – Unusable Reserves
Note 25 – Cash Flow Statement
Note 26 – EFA
Note 27 – Note to the EFA
Note 28 – Expenditure and Income analysed by nature
Note 35 – Grant Income

Note 37 – Capital Financing Requirement
Note 40 – PFI

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

Restated Comprehensive Income & Expenditure Statement	**Balances as Previously Stated at 31 March 2019**	**Note 7**	**Note 35**		**Restated Balances at 31 March 2019**
		Asset Revaluations	**Grant Income**	**Internal Recharges**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adult Social Care Services	87,393			(7,565)	79,828
Schools	(9,397)			9,881	484
Children's Services	100,850			(1,114)	99,736
Public Health	(4,978)			5,372	394
Resources	32,512		17,051	(10,138)	39,425
Corporate Management	(246)			6	(240)
Housing & Communities	51,932	558		(6,767)	45,723
Regeneration & Growth	32,751			(3,554)	29,197
Housing Revenue Account	(54,613)			13,879	(40,734)
- Reversal of previous revaluation losses	(60,924)				(60,924)
Cost of Services	**175,279**	**558**	**17,051**	**-**	**192,888**
Taxation and Non Specific Grant Income	(283,108)		(17,051)		**(300,159)**
(Surplus) / Deficit on Provision of Services	**(38,709)**	**558**	**-**	**-**	**(38,151)**
(Surplus) / deficit on revaluation of non current assets	(7,340)	(27)	-	-	(7,367)
Other Comprehensive Income and Expenditure	**(49,452)**	**(27)**	**-**	**-**	**(49,479)**
Total Comprehensive Income and Expenditure	**(88,161)**	**531**	**-**	**-**	**(87,630)**

Restated Balance Sheet 2018/19	**Balances as Previously Stated at 31 March 2018**	**Restatement (Note 7)**	**Restated Balances**	**Balances as Previously Stated at 31 March 2019**	**Restatement (Note 7)**	**Restated Balances 31 March 2019**
		Asset Revaluations	**1 April 2018**		**Asset Revaluations**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other Land & Buildings	607,257	23,261	630,518	582,280	22,732	605,012
Property Plant & Equipment	**1,920,869**	**23,261**	**1,944,130**	**1,985,714**	**22,732**	**2,008,446**
Total Net Assets	**667,428**	**23,261**	**690,689**	**755,589**	**22,732**	**778,321**
Unusable Reserves	473,965	23,261	497,226	554,422	22,732	577,154
Total Reserves	**667,428**	**23,261**	**690,689**	**755,589**	**22,732**	**778,321**

Restated Movement in Reserves	General Fund Balance £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adj Account £'000	Total Unusable Reserves £'000
Balance as at 31 March 2018	133,676	193,463	256,269	990,035	473,965
Prior Year Adjustment (Note 7)	-	-	6,510	16,752	23,262
Restated as at 1 April 2018	**133,676**	**193,463**	**262,779**	**1,006,787**	**497,227**
Total Comprehensive Income and Expenditure as at 31 March 2019	(41,870)	38,709	7,340	-	49,452
Prior Year Adjustment (Note 7)	(559)	(559)	27	-	27
Restated Total Comprehensive Income and Expenditure as at 31 March 2019	**(42,429)**	**38,150**	**7,367**	-	**49,479**
Adjustments between accounting basis & funding basis under regulations (Note 8) as at 31 March 2019	26,156	(31,005)	(6,810)	66,754	31,005
Prior Year Adjustment (Note 7)	559	559	(115)	(444)	(559)
Restated Adjustments between accounting basis & funding basis under regulations (Note 8) as at 31 March 2019	**26,715**	**(30,446)**	**(6,925)**	**66,310**	**30,446**
Increase / Decrease in Year	-	-	**(88)**	**(444)**	**(532)**
Restated Balance at 31 March 2019 carried forward	**117,962**	**201,167**	**263,221**	**1,073,097**	**577,152**

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.

2018/19

	Usable Reserves						Unusable Reserves								
	Restated General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Revaluation Reserve	Restated Capital Adj Account	Financial Instruments Adj A/C	Available for Sale Reserve	Pensions Reserve	Accumulated Absences Account	Collection Fund Adj A/C	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources															
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:															
Pensions costs (transferred to (or from) the Pensions Reserve)	37,841	1,984				**39,825**					(39,825)			**(39,825)**	**-**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(100)	(16)				**(116)**			116					**116**	**-**
Council tax and NDR (transfers to or from Collection Fund)	(10,077)					**(10,077)**							10,077	**10,077**	**-**
Holiday pay (transferred to the Accumulated Absences Reserve)	(738)	45				**(693)**						693		**693**	**-**
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						**-**								**-**	**-**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	35,368	(30,490)				**4,878**	(6,925)	2,047						**(4,878)**	**-**
Total Adjustments to Revenue Resources	**62,294**	**(28,477)**	**-**	**-**	**-**	**33,817**	**(6,925)**	**2,047**	**116**	**-**	**(39,825)**	**693**	**10,077**	**(33,817)**	**-**
Adjustments between Revenue and Capital Resources															
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,611)	(16,120)	17,731			**-**								**-**	**-**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						**-**								**-**	**-**
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			**-**								**-**	**-**
Posting of HRA resources from revenue to the Major Repairs Reserve		(15,496)		15,496		**-**								**-**	**-**
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(15,940)	(14,495)				**(30,435)**		30,435						**30,435**	**-**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,054)	(836)				**(1,890)**		1,890						**1,890**	**-**
Total Adjustments between Revenue and Capital Resources	**(15,908)**	**(46,947)**	**15,034**	**15,496**	**-**	**(32,325)**	**-**	**32,325**	**-**	**-**	**-**	**-**	**-**	**32,325**	**-**
Adjustments to Capital Resources															**-**
Use of the Capital Receipts Reserve to finance capital expenditure			(6,628)			**(6,628)**		6,628						**6,628**	**-**
Use of the Major Repairs Reserve to finance capital expenditure				(15,496)		**(15,496)**		15,496						**15,496**	**-**
Application of capital grants to finance capital expenditure					(9,814)	**(9,814)**		9,814						**9,814**	**-**
Capital receipts from CIES to Capital Grants Unapplied	(19,672)				19,672	**-**								**-**	**-**
Total Adjustment to Capital Resources	**(19,672)**	**-**	**(6,628)**	**(15,496)**	**9,858**	**(31,938)**	**-**	**31,938**	**-**	**-**	**-**	**-**	**-**	**31,938**	**-**
Total Adjustments	**26,714**	**(75,424)**	**8,406**	**-**	**9,858**	**(30,446)**	**(6,925)**	**66,310**	**116**	**-**	**(39,825)**	**693**	**10,077**	**30,446**	**-**

2019/20

	Usable Reserves						Unusable Reserves								
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adj Account £'000	Financial Instruments Adj A/C £'000	Available for Sale Reserve £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Collection Fund Adj A/C £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Adjustments to the Revenue Resources															
<u>*Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:*</u>															
Pensions costs (transferred to (or from) the Pensions Reserve)	22,484	1,914				**24,398**					(24,398)			**(24,398)**	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(72)	(19)				**(91)**			91					**91**	-
Council tax and NDR (transfers to or from Collection Fund)	4,122					**4,122**							(4,122)	**(4,122)**	-
Holiday pay (transferred to the Accumulated Absences Reserve)	1,431	505				**1,936**						(1,936)		**(1,936)**	-
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						**-**								**-**	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	31,396	24,813				**56,209**	(5,678)	(50,531)						**(56,209)**	-
Total Adjustments to Revenue Resources	**59,361**	**27,213**	**-**	**-**	**-**	**86,574**	**(5,678)**	**(50,531)**	**91**	**-**	**(24,398)**	**(1,936)**	**(4,122)**	**(86,574)**	**-**
Adjustments between Revenue and Capital Resources															
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,482)	(16,883)	18,365			**-**								**-**	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						**-**								**-**	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			**-**								**-**	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(15,630)		15,630		**-**								**-**	-
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(13,784)	(14,273)				**(28,057)**		28,057						**28,057**	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,811)	(2,872)				**(4,683)**		4,683						**4,683**	-
Total Adjustments between Revenue and Capital Resources	**(14,380)**	**(49,658)**	**15,668**	**15,630**	**-**	**(32,740)**	**-**	**32,740**	**-**	**-**	**-**	**-**	**-**	**32,740**	**-**
															-
Adjustments to Capital Resources															-
Use of the Capital Receipts Reserve to finance capital expenditure			(8,506)			**(8,506)**		8,506						**8,506**	-
Use of the Major Repairs Reserve to finance capital expenditure				(15,630)		**(15,630)**		15,630						**15,630**	-
Application of capital grants to finance capital expenditure					(19,951)	**(19,951)**		19,951						**19,951**	-
Capital receipts from CIES to Capital Grants Unapplied	(6,152)				6,152	**-**								**-**	-
Total Adjustment to Capital Resources	**(6,152)**	**-**	**(8,506)**	**(15,630)**	**(13,799)**	**(44,087)**	**-**	**44,087**	**-**	**-**	**-**	**-**	**-**	**44,087**	**-**
Total Adjustments	**38,829**	**(22,445)**	**7,162**	**-**	**(13,799)**	**9,747**	**(5,678)**	**26,296**	**91**	**-**	**(24,398)**	**(1,936)**	**(4,122)**	**(9,747)**	**-**

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 2019/20. The balances ring fenced for schools are also included below:

	Balance as at 1 April 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance as at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance as at 31 March 2020 £'000
General Fund:							
Emergency Fund COVID 19	-	-	-	-	(126)	12,495	**12,369**
Insurance	**9,608**	(3,000)	1,482	**8,090**	(1,031)	-	**7,059**
Public Health	-	-	-	-	-	4,842	**4,842**
Sinking Fund Reserves	**1,268**	-	450	**1,718**	-	260	**1,978**
BSF PFI Sinking Fund	**5,439**	-	811	**6,250**	-	681	**6,931**
Oracle Fusion	**2,625**	-	-	**2,625**	(441)	-	**2,184**
SERCO Waste Commitments	-	-	-	-	-	1,385	**1,385**
Better Care Fund	-	-	-	-	-	10,709	**10,709**
Revenue Grants	**1,047**	-	-	**1,047**	-	-	**1,047**
Grants Irregularities	**1,031**	-	-	**1,031**	-	-	**1,031**
SCT Set Up Costs	**770**	-	-	**770**	(63)	-	**707**
Dartmouth Park HLF	**358**	(40)	-	**318**	-	-	**318**
Teaching for Public Health Network	**288**	-	32	**320**	(3)	-	**317**
West Midlands Regional Research	**343**	(56)	-	**287**	-	-	**287**
Other Earmarked Reserves	**503**	(320)	105	**288**	(53)	100	**335**
Integrated Care Records	-	-	301	**301**	(107)	-	**194**
Private Sector Housing Reserve	**217**	(75)	-	**142**	-	-	**142**
Regeneration & Economy	**186**	-	-	**186**	(76)	-	**110**
Social Fund Reserve	**151**	(151)	-	-	-	-	-
Early Help Reserve	**1,083**	(1,083)	-	-	-	-	-
Total General Fund	**24,917**	**(4,725)**	**3,181**	**23,373**	**(1,900)**	**30,472**	**51,945**
Balances Held by Schools under a Scheme of Delegation	**33,551**	**(1,000)**	-	**32,551**	**(3,382)**	**-**	**29,169**
HRA:							
HRA Balance	**32,270**	-	4,465	**36,735**	-	3,059	**39,794**
HRA Welfare Reform Reserve	**3,011**	-	690	**3,701**	(3,701)	-	-
Total HRA	**35,281**	**-**	**5,155**	**40,436**	**(3,701)**	**3,059**	**39,794**

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	Other Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	**1,031,513**	**635,370**	**329,585**	**89,326**	**20,678**	**13,573**	**17,564**	**2,137,609**
Prior Period Adjustment	-	580	-					**580**
Restated balance at 1 April 2018	**1,031,513**	**635,950**	**329,585**	**89,326**	**20,678**	**13,573**	**17,564**	**2,138,189**
Additions	26,556	8,399	7,725	4,301	170	17,522	826	**65,499**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(20,100)	-	-	-	-	1,393	**(18,707)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	60,924	(4,133)	-	-	-	-	(274)	**56,517**
Derecognition - Disposals	-	(4,636)	-	(1,917)	-	-	(1,170)	**(7,723)**
Assets reclassified (to) / from Held for Sale	(13,169)	-	-	-	-	-	(568)	**(13,737)**
Other movements in Cost or Valuation	16,082	(1,310)	136	-	(1,982)	(12,778)	692	**840**
At 31 March 2019	**1,121,906**	**614,170**	**337,446**	**91,710**	**18,866**	**18,317**	**18,463**	**2,220,878**
Accumulated Depreciation and Impairment								
At 1 April 2018	**(14,633)**	**(13,760)**	**(107,431)**	**(66,055)**	**(54)**	**(5)**	**(449)**	**(202,387)**
Prior Period Adjustment	-	8,329	-					**8,329**
Restated balance at 1 April 2018	**(14,633)**	**(5,431)**	**(107,431)**	**(66,055)**	**(54)**	**(5)**	**(449)**	**(194,058)**
Depreciation Charge	(16,141)	(15,184)	(8,516)	(5,971)	-	-	(87)	**(45,899)**
Depreciation written out to the Revaluation Reserve	14,633	11,487	-	-	-	-	149	**26,269**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(52)	-	-	-	-	(56)	**(108)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(153)	-	-	-	(79)	(700)	**(932)**
Derecognition - Disposals	-	78	-	1,913	-	-	146	**2,137**
Other movements in Depreciation and Impairment	172	97	-	-	-	(12)	(98)	**159**
At 31 March 2019	**(15,969)**	**(9,158)**	**(115,947)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(212,432)**
Net Book Value								
At 1 April 2018	**1,016,880**	**630,519**	**222,154**	**23,271**	**20,624**	**13,568**	**17,115**	**1,944,131**
At 31 March 2019	**1,105,937**	**605,012**	**221,499**	**21,597**	**18,812**	**18,221**	**17,368**	**2,008,446**

	Council Dwellings	Other Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2019	**1,121,906**	**614,170**	**337,446**	**91,710**	**18,866**	**18,317**	**18,463**	**2,220,878**
Prior Year Adjustments	-	-	-	-	-	-	-	**0**
Revised Balance At 1 April 2019	**1,121,906**	**614,170**	**337,446**	**91,710**	**18,866**	**18,317**	**18,463**	**2,220,878**
Additions	31,041	7,785	8,869	5,828	93	45,829	331	**99,776**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(16,008)	2,283	-	-	-	-	(4,471)	**(18,196)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	260	(7,762)	-	-	-	-	(789)	**(8,291)**
Derecognition - Disposals	-	(7,525)		(363)	-	-	-	**(7,888)**
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	(15,798)	**(15,798)**
Other movements in Cost or Valuation	(4,713)	20,613	-	-	(76)	(27,587)	12,487	**724**
At 31 March 2020	**1,132,486**	**629,564**	**346,315**	**97,175**	**18,883**	**36,559**	**10,223**	**2,271,205**
Accumulated Depreciation and Impairment								
At 1 April 2019	**(15,969)**	**(9,158)**	**(115,947)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(212,432)**
Prior Year Adjustments	-	-	-	-	-	-	-	**0**
Revised Balance At 1 April 2019	**(15,969)**	**(9,158)**	**(115,947)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(212,432)**
Depreciation Charge	(16,234)	(12,951)	(8,731)	(5,913)	-	-	(65)	**(43,894)**
Depreciation written out to the Revaluation Reserve	32,037	16,084	-	-	-	-	740	**48,861**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(101)	-	-	-	-	-	**(101)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(83)	-	-	-	-	-	**(83)**
Derecognition - Disposals	-	-	-	301	-	-	-	**301**
Other movements in Depreciation and Impairment	166	81	-	-	-	13	(366)	**(106)**
At 31 March 2020	**-**	**(6,128)**	**(124,678)**	**(75,725)**	**(54)**	**(83)**	**(786)**	**(207,454)**
Net Book Value								
At 1 April 2019	**1,105,937**	**605,012**	**221,499**	**21,597**	**18,812**	**18,221**	**17,368**	**2,008,446**
At 31 March 2020	**1,132,486**	**623,436**	**221,637**	**21,450**	**18,829**	**36,476**	**9,437**	**2,063,751**

11. Heritage Assets

There has been no material change to the carrying value of heritage assets in 2019/20 since the last valuations performed in 2017/18. The carrying value as at 31 March 2020 is £4.312m.

Art Collection

An art collection displayed at Ingestre Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £1.402m. The remainder of the council's art collection was also reviewed in 2017/18. There have been no material changes reported by the Museum Service Manager in 2019/20 and therefore the value for the remaining art collection stays at £0.424m.

17th Century Furniture
The council's museums display some fine examples of 17th century furniture. The furniture collection held at Ingestre Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £0.184m. The remainder of the council's furniture collection was also reviewed in 2017/18. There have been no material changes reported by the Museum Service Manager in 2019/20 and therefore the value for the remaining furniture collection stays at £0.382m.

Civic Regalia & Presentational Silver
The civic regalia and presentational silver are assets that have been donated to or purchased by the council, which currently amount to over 100 items. Valuations provided by Fattorinis in 2017/18 estimated the collection held at the Mayors Parlour to be worth £1.413m with the remaining collection, which was reviewed by the Museum Service Manager and deemed to have had no material change; no further changes in value have been reported in 2019/20 and the value remains at a value of £0.052m.

Other
The council holds other miscellaneous heritage assets including a collection of Ruskin pottery which was last valued at £0.081m and the Helen Caddick Ethnographical Collection estimated to be worth £0.075m. No material changes have been reported by the Museum Services Manager in 2019/20.

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.

2018/19 £'000		**2019/20 £'000**
3,520	Rental income from investment property	3,761
(684)	Direct operating expenses arising from investment propert	(670)
2,836	**Net gain / (loss)**	**3,091**

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:

2018/19 £'000		2019/20 £'000
86,402	**Balance at start of the year**	**78,498**
33	Subsequent expenditure	-
(2,969)	Disposals	(162)
(4,129)	Net gains / (losses) from fair value adjustments	(4,025)
(839)	Other changes	(721)
78,498	**Balance at the end of the year**	**73,590**

13. **Assets Held for Sale**

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

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	**281**	-
Assets newly classified as held for sale:		
Property Plant and Equipment	13,737	15,798
Revaluation losses	(29)	(186)
Assets sold	(13,830)	(14,589)
Other movements	(159)	-
Balance outstanding at year end	-	**1,023**

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:

	2018/19 £'000	2019/20 £'000
Balance at start of year	**3,196**	**2,463**
Purchases	140	99
Amortisation for the period	(873)	(874)
Net carrying amount at end of year	**2,463**	**1,688**
Comprising:		
Gross carrying amount	19,358	19,457
Accumulated amortisation	(16,895)	(17,769)
	2,463	**1,688**

15. Fair Value of Non Current Assets

Movement in the Fair Value of Non Current Assets

	Valued at Historical Cost £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Property Plant & Equipment							
Council Dwellings	-	-	-	-	-	1,132,486	1,132,486
Land & Buildings	-	23,752	21,519	43,545	4,060	530,560	623,436
Infrastructure	221,637	-	-	-	-	-	221,637
Vehicles, Plant & Equipment	21,450	-	-	-	-	-	21,450
Community Assets	18,829	-	-	-	-	-	18,829
Assets Under Construction	36,476	-	-	-	-	-	36,476
Surplus Assets Not Held for Sale	-	4,365	-	1,628	1,925	1,519	9,437
Heritage Assets	-	-	-	4,312	-	-	4,312
Investment Properties	-	-	-	7,268	12,795	53,527	73,590
Intangible Assets	1,688	-	-	-	-	-	1,688
	300,080	**28,117**	**21,519**	**56,753**	**18,780**	**1,718,092**	**2,143,341**
Assets Held for Sale	-	-	-	-	-	1,023	1,023
Total	**300,080**	**28,117**	**21,519**	**56,753**	**18,780**	**1,719,115**	**2,144,364**

Fair Value Measurement of Investment Properties & Surplus Assets

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

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

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

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

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

Level 1 – Quoted Prices

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

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

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

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

Fair Value Hierarchy 2018/19

2018/19	(Quoted Prices) Input Level 1 £000's	Restated Observable Input Level 2 £000's	Unobservable Input Level 3 £000's	Restated Fair Value 31 March 2018 £000's
Fair Value Category				
Investment Properties				
Car Parks	-	121	-	121
Cleared Sites	-	757	-	757
Community Centres	-	-	256	256
Compounds	-	986	-	986
Depots	-	3	-	3
Industrial Sites	-	6,244	-	6,244
Land	-	36,673	-	36,673
Retail Sites	-	24,950	-	24,950
Shops	-	8,340	-	8,340
Vacant Sites	-	168	-	168
Total Investment	-	**78,242**	**256**	**78,498**
Surplus Assets				
Car Parks	-	2,694	-	2,694
Depots	-	256	-	256
Land	-	8,571	-	8,571
Vacant Sites	-	5,847	-	5,847
Total Surplus	-	**17,368**	-	**17,368**

Fair Value Hierarchy 2019/20

2019/20	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input Level 3 £000's	Fair Value 31 March 2019 £000's
Fair Value Category				
Investment Properties				
Car Parks	-	121	-	121
Cleared Sites	-	182	-	182
Community Centres	-	-	256	256
Compounds	-	986	-	986
Depots	-	3	-	3
Industrial Sites	-	6,336	-	6,336
Land	-	25,137	-	25,137
Managed Workspace	-	187	-	187
Office	-	132	-	132
Retail Sites	-	32,146	-	32,146
Shops	-	7,856	-	7,856
Vacant Sites	-	248	-	248
Total Investment	**-**	**73,334**	**256**	**73,590**
Surplus Assets:				
Car Parks	-	-	-	-
Depots	-	557	-	557
Land	-	5,740	-	5,740
Vacant Sites	-	3,140	-	3,140
Total Surplus	-	**9,437**	-	**9,437**
Total	-	**82,771**	**256**	**83,027**

There has been no transfer between input levels during 2019/20. 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 2019 £000's	31 March 2020 £000's
Opening Balance	**272**	**256**
Gains/ Losses included resulting from a change in Fair Value	(16)	**-**
Closing Balance	**256**	**256**

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

Quantitative Information about Fair Value Measurements – Level 3

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

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

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

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

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

16. Financial Instruments

Categories of Financial Instruments

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

Financial Assets:

	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		Total	Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit & Loss	-	-	3,623	3,980	-	-	-	-	3,623	3,980
Amortised Cost	26,619	26,619	8	5	64,493	68,720	27,112	23,438	118,232	118,782
Fair Value through Other Comprehensive Income - Designated Equity Instruments	28,982	17,894	-	-	-	-	-	-	28,982	17,894
Fair Value through Other Comprehensive Income - Other	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	**55,601**	**44,513**	**3,631**	**3,985**	**64,493**	**68,720**	**27,112**	**23,438**	**150,837**	**140,656**
Non-Financial Assets	-	-	-	-	-	-	-	-	78,498	74,613
Total	**55,601**	**44,513**	**3,631**	**3,985**	**64,493**	**68,720**	**27,112**	**23,438**	**229,335**	**215,269**

Financial Liabilities:

	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit & Loss	-	-	-	-	-	-	-	-	-	-
Amortised Cost	447,312	427,843	77,364	74,308	77,810	76,250	74,542	84,578	677,028	662,979
Total Financial Assets	**447,312**	**427,843**	**77,364**	**74,308**	**77,810**	**76,250**	**74,542**	**84,578**	**677,028**	**662,979**
Non-Financial Assets	-	-	-	-	-	-	-	-	-	-
Total	**447,312**	**427,843**	**77,364**	**74,308**	**77,810**	**76,250**	**74,542**	**84,578**	**677,028**	**662,979**

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

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

Fair value has been measured by:

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

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

Salix Finance Ltd	**31 March 2019**	**31 March 2020**
	£'000	**£'000**
Opening Balance	71	560
+ New Loans Granted	571	500
- Fair Value Adjustment on Initial Recognition	(42)	(27)
- Loans Repaid	(40)	(34)
- Impairment Losses	-	-
- Decrease in the Discounted Amount	-	-
+/- Other Changes	-	14
Balance Carried Forward	**560**	**1,013**

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

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

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income
With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2020 as FVOCI:

Description	Nominal Value	Fair Value as at 31 March 2020	Change in Fair Value during 2019/20	Dividends
	£'000	£'000	£'000	£'000
Birmingham Airport - Ordinary Shares	182	15,557	(11,087)	1,483
Birmingham Airport - Preference Shares	1,766	1,766	-	111
BSF Special Purpose Vehicle - Ordinary Shares	571	571	-	-
Investments in Equity Instruments	**2,519**	**17,894**	**(11,087)**	**1,594**

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

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

Gains/Losses of Financial Instruments
The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2018/19		2019/20	
	Surplus or (Deficit) on the Provision of Services £'000	Other Comprehensive Income & Expenditure £'000	Surplus or (Deficit) on the Provision of Services £'000	Other Comprehensive Income & Expenditure £'000
Net Gains/(Losses) on:				
Financial assets measured at fair value through other comprehensive income	1,569	81	1,594	(11,087)
Financial liabilities measured at amortised cost	42	-	12	-
Total Net Gains/(Losses)	1,611	81	1,606	(11,087)
Interest Revenue:				
Financial assets measured at amortised cost	1,108	-	1,312	-
Total Interest Revenue	1,108	-	1,312	-
Interest Expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	(31,921)	-	(30,310)	-
Total Fee Income	(31,921)	-	(30,310)	-
Total Financial Instruments Gains/(Losses)	(29,202)	81	(27,392)	(11,087)

Fair Values of Financial Assets

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

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

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

The LEP loan notes value of the remaining shares held by the authority, is valued at cost. There is no market and no reliable way of revaluing the asset held; as such the LEP loan notes are classified at input level 3 in 2019/20 and are shown with the Birmingham Airport share value in the ‘Unquoted Shares’ column in the 2019/20 table below.

With regards to the Kickstart loans, although contractual payments are determinable, they have elements based on the property market that are not; because of this, they are classified at input level 3 in 2019/20 and are shown in the column headed ‘Other’ in the 2019/20 table below.

The tables below detail the fair value of assets classified and reclassified by the authority at input level 3 in 2019/20 compared to 2018/19:

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

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

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

Except for the financial assets carried at fair value (described in the table below), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be addressed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB, new loan rates have been applied for 2019/20. An additional note to the tables sets out the alternative fair value measurement applying the new loan rates, highlighting the impact of the alternative valuation.
- For non-PWLB loans payable, PWLB new loan rates have been applied for 2019/20 to provide the fair value under PWLB debt redemption rate procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities
The fair values calculated are as follows:

	31 March 2019		31 March 2020	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Debt	350,250	503,454	348,028	477,566
Non PWLB Debt	93,962	134,344	93,948	128,067
Other Local Authority Debt	12,902	14,741	11,542	12,796
Salix Loan	560	560	1,013	1,013
Other Temporary Borrowing	67,448	67,448	49,562	49,562
Total Debt	**525,122**	**720,547**	**504,093**	**669,004**
PFI & Finance Lease Creditors	77,364	125,218	74,308	115,642
Trade Creditors	74,542	74,542	84,578	84,578
Total Financial Liabilities	**677,028**	**920,307**	**662,979**	**869,224**

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

However, the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the premature redemption rates available from the PWLB. If a value is calculated on this basis, the carrying amount of PWLB at £348.028m would be valued at £646.990m (this is the exit price for the PWLB loans including the penalty charge). If the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB and the various banks would raise a penalty charge for early redemption higher.

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

Financial Assets

	31 March 2019		31 March 2020	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Short Term:				
Fixed Market Deposits	11,000	11,000	2,633	2,633
Short Term Debtors	27,112	27,112	23,438	23,438
Cash Equivalents	53,465	53,465	66,074	66,074
Plus accrued interest	30	30	13	13
	91,607	**91,607**	**92,158**	**92,158**
Long Term:				
Birmingham Airport Shares	28,410	28,410	17,323	17,323
BSF Special Purpose Vehicle	571	571	571	571
Local Enterprise Partnership	84	84	83	83
Credit Union Loan	250	250	250	250
SLaP Equity	26,286	26,286	26,286	26,286
Long Term Debtors	3,631	3,631	3,985	3,985
Total Assets	**150,839**	**150,839**	**140,656**	**140,656**

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

The council's long-term investment in Birmingham Airport was revalued as at the 31 March 2020. It has been concluded that the movement in fair value is material and should be reflected within the accounts. The carrying value of the investment has decreased from £28.410m to £17.323m. The large decrease in value is directly attributed to the impact that Covid-19 has had on the aviation industry during the last quarter of 2019/20.

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

In 2019/20 the council invested £0.250m in the 6 Towns Credit Union. As this gives rise to contractual cashflows of solely principal and interest on specific days, then it is shown at amortised cost in the balance sheet.

The council holds a share equity interest in the Sandwell Land & Property Company totalling £26.286m representing the value of the land that was transferred over on set up. In line with section 9.1.2.23 of the code this investment is held at cost.

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

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

	31 March 2019			
	Quoted prices in active markets for identical assets (Level 1)	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total £'000**
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	516,975	-	**516,975**
Plus accrued interest	-	6,509	-	**6,509**
Soft Loans	-	601	-	**601**
Other Accounting Adjustments	-	1,037	-	**1,037**
Total Borrowings at amortised cost	**-**	**525,122**	**-**	**525,122**
PFI & Finance Lease Liabilities	-	77,364	-	**77,364**
Creditors	-	74,542	-	**74,542**
TOTAL LIABILITIES	**-**	**677,028**	**-**	**677,028**
ASSETS				
Loans & Receivables:				
Investments	-	11,334	-	**11,334**
Long Term Debtors	-	7	-	**7**
Short Term Debtors	-	27,112	-	**27,112**
Cash & Cash Equivalents	-	53,465	-	**53,465**
Plus accrued interest	-	30	-	**30**
SLaP Equity	-	26,286	-	**26,286**
Total Loans & Receivables at amortised cost	**-**	**118,234**	**-**	**118,234**
TOTAL ASSETS	**-**	**118,234**	**-**	**118,234**

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total £'000
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	495,704	-	**495,704**
Plus accrued interest	-	6,318	-	**6,318**
Soft Loans	-	1,013	-	**1,013**
Other Accounting Adjustments	-	1,058	-	**1,058**
Total Borrowings at amortised cost	**-**	**504,093**	**-**	**504,093**
PFI & Finance Lease Liabilities	-	74,308	-	**74,308**
Creditors	-	95,288	-	**95,288**
TOTAL LIABILITIES	**-**	**673,689**	**-**	**673,689**
ASSETS				
Loans & Receivables:				
Investments	-	2,967	-	**2,967**
Long Term Debtors	-	6	-	**6**
Short Term Debtors	-	23,438	-	**23,438**
Cash & Cash Equivalents	-	66,074	-	**66,074**
Plus accrued interest	-	13	-	**13**
SLaP Equity	-	26,286	-	**26,286**
Total Loans & Receivables at amortised cost	**-**	**118,784**	**-**	**118,784**
TOTAL ASSETS	**-**	**118,784**	**-**	**118,784**

Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

Credit Risk

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

Credit Risk Management Practices

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

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

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

Amounts Arising from Expected Credit Losses

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £92.290m made up of long-term investments, short-term investments and cash & cash equivalents (exc. school accounts), cannot be assessed generally as the risk of any institution failing to make interest payments or repay the sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authorities deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

A table to show the investments held by the Council at the 31 March 2020 is below:

Current Ratings (Fitch or Equivalent)	**As at 31/03/2019 £'000**	**As at 31/03/2020 £'000**
AAA	31,000	41,900
AA+	-	-
AA	11,000	-
AA-	-	-
A+	-	-
A	-	-
A-	596	3,244
BBB+	-	-
N/A	55,600	47,146
Balance Carried Forward	**98,196**	**92,290**

Allowances for impairment losses have been calculated (exc. LEP working capital and Credit Union loans) for investments held at 31 March 2020, applying the expected credit losses model. The expected credit loss model results in a nil value notional loss and as such, no adjustment has been made to the carrying value of these instruments in the Council's accounts.

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

Equity investments held at FVOCI are outside the scope of impairment and therefore no impairment is required in 2019/20.

The impairment requirements do not apply to the Kickstart loans categorised as assets held at FVPL, as current market prices are considered to be an appropriate reflection of credit risk and therefore, no further impairment will be required for this investment category in 2019/20.

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

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

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

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

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

	2018/19 £'000	**2019/20 £'000**
Less than three months	10,713	9,101
Three to six months	1,356	1,229
Six months to one year	1,773	1,546
More than one year	4,603	5,725
Total	**18,445**	**17,601**

The Council has an impairment allowance in place for 31 March 2020 of £2.651m to mitigate against this risk (£2.122m as at 31 March 2019).

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

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

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

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

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

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

	Approved Minimum Limits	**Approved Maximum Limit (of total debt)**	**Principal 31 March 2019 £'000**	**Principal 31 March 2020 £'000**
Less than one year	0%	20% (£155m)	70,867	69,064
Between one and two years	0%	20% (£155m)	19,883	21,088
Between two and five years	0%	25% (£194m)	47,414	43,517
Between five and ten years	0%	50% (£388m)	42,140	40,400
More than ten years	10%	90% (£699m)	337,272	322,272
			517,576	**496,341**

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

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

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

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

The council's long term debt and all investments are currently held at fixed rates of interest. Therefore, there would be no impact from an increase in interest rates, so there is no need for a sensitivity analysis. However, if interest rates had been 1% higher with all other variables held constant the fair value of the council's long-term debt would result in an increase of £110.273m 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 £17.323m in Birmingham Airport, £0.571m in the Local Education Partnership and £26.286m in SL&P Equity shares. Whilst these holdings are generally illiquid, the council is exposed to losses arising in movements in the prices of the shares.

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

The shares have all been elected/classified as FVOCI, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £2.323m gain or loss being recognised in the Financial Instrument Revaluation Reserve.

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

17. Short Term Debtors

	2018/19 £'000	2019/20 £'000
Trade Receivables	6,058	23,537
Prepayments	14,120	8,626
Other Receivable Amounts (Council Tax, Business Rates and HMR	34,458	19,548
Total	**54,636**	**51,711**

The debtor figures above are net of provisions for impairment losses of £31.628m in 2019/20 (£29.136m in 2018/19). These provisions enable the write-off of arrears on housing rents, rates, community charges, Council Tax and other Business Rates debtors. Age and collectability of debt are factors that are considered when calculating yearly impairment losses

18. **Debtors for Local Taxation**

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

2018/19				2019/20		
Council Tax £'000	NNDR £'000	Total £'000		Council Tax £'000	NNDR £'000	Total £'000
2,565	1,248	3,813	Less than one year	6,982	1,467	8,449
834	372	1,206	One to two years	3,336	414	3,750
3,608	377	3,985	More than two	1,535	274	1,809
7,007	**1,997**	**9,004**	**Total**	**11,853**	**2,155**	**14,008**

19. **Cash and Cash Equivalents**

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

	2018/19 £'000	2019/20 £'000
Bank current accounts	21,868	20,930
Short term deposits	31,596	45,144
	53,464	**66,074**
Bank Overdraft	(22,350)	(18,929)
Total Cash and Cash Equivalents	**31,114**	**47,145**

20. **Short Term Creditors**

	2018/19 £'000	2019/20 £'000
Trade Payables	62,868	69,828
Other Payables	11,674	14,750
Finance Lease Creditors (Note 40)	4,948	4,620
Total	**79,490**	**89,198**

21. **Other Long Term Liabilities**

	2018/19 £'000	2019/20 £'000
Finance Lease Creditors (Note 40)	72,416	69,688
Deferred Liabilities	165	184
Deferred Creditors	3,497	3,581
Pensions Liability (Note 43)	756,538	790,638
Other Long Term Liabilities	**832,616**	**864,091**

22. **Provisions**

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

	Opening Balance at 1 April 2018 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2019 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2020 £'000
Current Provisions									
Termination Benefits	**2,253**	2,717	(1,553)	(106)	**3,311**	1,795	(2,803)	(508)	**1,795**
Insurance	**1,967**	1,037	-	-	**3,004**	723	-	-	**3,727**
Collection Fund Provisions	**2,302**	1,651	-	-	**3,953**	6,482	(456)	-	**9,979**
Carbon Reduction Scheme	**28**	-	-	-	**28**	-	-	(28)	**-**
Single Status - Equal Pay Settlement	**102**	-	(82)	-	**20**	-	-	(20)	**-**
Total Current Provisions	**6,652**	**5,405**	**(1,635)**	**(106)**	**10,316**	**9,000**	**(3,259)**	**(556)**	**15,501**
Long Term Provisions									
Insurance	**4,239**	-	(1,011)	-	**3,228**	777	-	-	**4,005**
6 Towns Credit Union Loan	**-**	250	-	-	**250**	-	-	-	**250**
LEP Working Capital Loan	**-**	84	-	-	**84**	-	-	-	**84**
Total Long Term Provisions	**4,239**	334	**(1,011)**	**-**	**3,562**	777	**-**	**-**	**4,339**
Total Provisions	**10,891**	**5,739**	**(2,646)**	**(106)**	**13,878**	**9,777**	**(3,259)**	**(556)**	**19,840**

The main provisions held are:

- Since the changes to the retained Business Rates scheme came into effect from 1 April 2013, the council became liable for any successful rating valuation appeals. It therefore has Collection Fund provisions of £3.537m set aside to mitigate this liability as well as to cover any potential liabilities arising from the local Council Tax reduction scheme.
- In light of council wide restructuring required to address efficiency savings as a result of central government cuts, the accounts include termination benefit provisions totalling £1.795m. These provisions reflect the known costs of all termination benefits approved as at 31 March 2020.
- An insurance provision of £7.732m 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 46.

23. **Usable Reserves**

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

General Fund Balance

The council held total revenue balances of £42.061m as at 31 March 2020. However, included within this figure are approved committed items relating to directorate surpluses carried forward into 2020/21 and additional approved revenue expenditure on specific items in future years. Free balances available to the council at 31 March 2020 are £11.470m.

	£'000	£'000
Revenue Balance	**62,038**	**43,448**
less Committed Items:		
Revenue Contribution to Capital Expenditure	-	(1,009)
Target Carry Forwards or deficit to be funded centrally	(22,204)	(8,641)
Earmarked Balances	(27,728)	(22,328)
Total Available Resources	**12,106**	**11,470**

Schools Balances

Any balances relating to schools are ring fenced and cannot be appropriated by the Council. In 2019/20 the Individual School Budgets (ISB) generated a deficit of £3.383m reducing school balances to £29.169m.

Schools are directly funded from a Dedicated Schools Grant (DSG). In 2019/20, 49 schools overspent their DSG budget totalling £2.689m and 33 under spent totalling £2.737m. Other non-schools budgets, which are part of the overall ISB over spent by £3.431m resulting in a total deficit of £3.383m.

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:

	2018/19 £'000	2019/20 £'000
Amounts receivable in year	17,731	18,365
Amounts applied to finance new capital investment in year	(6,629)	(8,505)
Pooled capital receipts paid to DCLG	(2,697)	(2,697)
Total increase / (decrease) in realised capital resources	**8,405**	**7,163**
Balance brought forward 1 April	**7,816**	**16,221**
Balance carried forward 31 March	**16,221**	**23,384**

24. Unusable Reserves

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

	Restated 2018/19 £'000	2019/20 £'000
Revaluation Reserve	(263,220)	(288,015)
Available for Sale Financial Instruments Reserve	-	-
Financial Instrument Revaluation Reserve	(20,680)	(9,593)
Capital Adjustment Account	(1,073,098)	(1,099,393)
Financial Instruments Adjustment Account	1,346	1,255
Pensions Reserve	773,438	790,638
Collection Fund Adjustment Account	(1,336)	2,786
Accumulating Compensated Absences Adjustment Account	6,398	8,334
Total Unusable Reserves	**(577,152)**	**(593,988)**

<u>Revaluation Reserve</u>

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

	Restated 2018/19 £'000	2019/20 £'000	2019/20 £'000
Balance at 1 April	**(256,269)**		**(263,220)**
Prior Period adjustments (Note 7)	(6,509)		-
Restated Balance at 1 April	**(262,778)**		**(263,220)**
Upward revaluation of assets	(95,212)	(81,588)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of	87,845	51,116	
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	**(7,367)**		**(30,472)**
Difference between fair value depreciation and historical cost depreciation	4,986		4,042
Accumulated gains on assets sold or scrapped	1,939		1,815
Amounts written off to the Capital Adjustment Account	-		(180)
Asset Transfers	-		-
Balance at 31 March	**(263,220)**		**(288,015)**

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

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

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(20,599)	-
Reclassification of Assets	20,599	-
Upwards or (downward) movement in Assets	-	-
Balance at 31 March	-	-

Financial Instrument Revaluation Reserve

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

	2018/19 £'000	2019/20 £'000
Balance at 1 April	-	(20,680)
Transfers into FIRR from Available for Sale Reserve	(20,599)	-
Revised Balance at 1 April	**(20,599)**	**(20,680)**
Total (gains) or losses for fair value through Other Comprehensive Income		
Birmingham Airport In Year Revaluation	(81)	11,087
Balance at 31 March	**(20,680)**	**(9,593)**

Capital Adjustment Account

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

	Restated 2018/19 £'000	2019/20 £'000	£'000
Balance at 1 April	**(992,431)**		**(1,073,098)**
Prior Period adjustment (Note 7)	(14,355)		
Restated Balance 1 April	**(1,006,786)**		**(1,073,098)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Depreciation of non current assets	46,685	44,675	
Revaluation and impairment losses on property, plant and equipment	(56,344)	9,734	
Revenue expenditure funded from capital under statute	13,012	22,214	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	22,384	22,338	
HRA Debt Settlement	-	-	
Govt Grants Differed Write Out	-	-	
	25,737		**98,961**
Adjusting amounts written out of the Revaluation Reserve	(6,927)		(5,677)
Net written out amount of the cost of non current assets consumed in the year	**18,810**		**93,284**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve	(6,628)	(8,506)	
Use of the Major Repairs Reserve	(15,496)	(15,630)	
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(24,988)	(46,777)	
Applications of grants to capital financing from the Capital Grants Unapplied Account	(9,814)	(19,951)	
Statutory provision for the financing of capital investment	(30,435)	(28,057)	
Capital expenditure charged against the General Fund and HRA balances			
Revenue Contributions to Capital	(1,890)	(4,683)	
	(89,251)		**(123,604)**
Movements in the market value of Investment Properties debited or credited to the CI&ES	4,129		4,025
Movements in the Donated Assets Account	-		-
Balance at 31 March	**(1,073,098)**		**(1,099,393)**

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).

	2018/19 £'000	2019/20 £'000
Balance at 1 April	**1,462**	**1,346**
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	(56)	(57)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
Market Loans (LOBOs)	(18)	(22)
Salix Loans (EIR Adjustment)	(42)	(12)
Balance at 31 March	**1,346**	**1,255**

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.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	**775,723**	**773,438**
Remeasurements of the net defined benefit liability / (asset)	(42,110)	(7,198)
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	88,511	77,348
Employer's pensions contributions and direct payments to pensioners payable in the year	(48,686)	(52,950)
Balance at 31 March	**773,438**	**790,638**

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 (£1.336m) on this reserve has decreased to (£0.390m) 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 £6.398m on this reserve has increased to £7.871m during the year.

25. **Cash Flow Statement**
Net cash flows from operating activities include the following items:

	Restated 2018/19 £'000	2019/20 £'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	9,659	(54,406)
Sale of non current assets - disposals (carrying value)	(22,384)	(22,339)
Net charges made for retirement benefits in accordance with IAS19	(56,825)	(41,298)
Appropriations to / from Accumulated Absences Account	693	(1,936)
Gains / Losses on Revaluation	(4,129)	(4,025)
Other non cash transactions	93	34
	(72,893)	**(123,970)**
Items on an Accruals Basis:		
Increase / (decrease) in Inventories	164	(89)
Increase / (decrease) in Debtors	17,601	(1,755)
(Increase) / decrease in Creditors	(3,572)	(12,560)
(Increase) / decrease in Provisions	(2,987)	(5,864)
	11,206	**(20,268)**
Total adjustments to net surplus/deficit on the provision of services for non cash movements	**(61,687)**	**(144,238)**
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	17,730	18,366
Taxation & Specific Grants	38,465	44,064
Total adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	**56,195**	**62,430**

Reconciliation of liabilities arising from financing activities

			Non Cash changes		
	31 March 2019	Financing Cashflows	Acquisition	Non Cash Changes	31 March 2020
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowings	(447,312)	19,457	-	12	(427,843)
Short Term Borrowings	(77,810)	1,559	-	-	(76,251)
On balance sheet PFI liabilities	(72,417)	2,728			(69,689)
Total Liabilities from financing activities	(597,539)	23,744	-	12	(573,783)

26. **Expenditure and Funding Analysis**

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

2018/19 Restated	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Restated Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	76,296	(1,127)	**75,169**	4,659	**79,828**
- Schools	563	(7,422)	**(6,859)**	7,343	**484**
- Children's	89,362	(13,052)	**76,310**	23,426	**99,736**
- Public Health	395	(26)	**369**	25	**394**
Performance					
- Resources	17,882	14,736	**32,618**	6,807	**39,425**
- Corporate Management	(696)	530	**(166)**	(74)	**(240)**
Place					
- Housing & Communities	45,087	(7,438)	**37,649**	8,074	**45,723**
- Regeneration & Growth	24,477	(7,260)	**17,217**	11,980	**29,197**
Housing Revenue Account	(39,014)	(19,055)	**(58,069)**	(43,590)	**(101,659)**
Cost of Services	**214,352**	**(40,114)**	**174,238**	**18,650**	**192,888**
Other operating expenditure	13,071	-	**13,071**	5,327	**18,398**
Financing and Investment Income and Expenditure	(34,120)	108,985	**74,865**	(24,143)	**50,722**
Taxation and Non Specific Grant Income	(234,565)	(17,051)	**(251,616)**	(48,543)	**(300,159)**
(Surplus) or Deficit	**(41,262)**	**51,820**	**10,558**	**(48,709)**	**(38,151)**

Opening General Fund & HRA Balance	**(168,956)**
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	10,558
Closing General Fund & HRA Balance at 31 March 2019 *	**(158,398)**

2019/20	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	87,468	(12,142)	**75,326**	3,919	**79,245**
- Schools	2,702	(6,580)	**(3,878)**	9,309	**5,431**
- Children's	98,080	(23,173)	**74,907**	26,821	**101,728**
- Public Health	(85)	(27)	**(112)**	719	**607**
Performance					
- Resources	7,457	27,137	**34,594**	(5,403)	**29,191**
- Corporate Management	990	911	**1,901**	637	**2,538**
Place					
- Housing & Communities	43,172	(6,706)	**36,466**	3,719	**40,185**
- Regeneration & Growth	22,815	(7,219)	**15,596**	20,308	**35,904**
Housing Revenue Account	(33,581)	(20,117)	**(53,698)**	16,571	**(37,127)**
Cost of Services	**229,018**	**(47,916)**	**181,102**	**76,600**	**257,702**
Other operating expenditure	13,001	-	**13,001**	6,857	**19,858**
Financing and Investment Income and Expenditure	(29,437)	103,759	**74,322**	(27,132)	**47,190**
Taxation and Non Specific Grant Income	(243,286)	(31,096)	**(274,382)**	(39,942)	**(314,324)**
(Surplus) or Deficit	**(30,704)**	**24,747**	**(5,957)**	**16,383**	**10,426**

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

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

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

2018/19 Restated	Capital Adjustments at Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Restated Adjustments for Capital Purposes (Note 3) £'000	Net change for the Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	Total Adjustment between Funding and Accounting Basis £'000
People							
- Adults	(1,079)	(48)	(1,127)	1,372	3,179	108	4,659
- Schools	(7,040)	(382)	(7,422)	-	7,827	(484)	7,343
- Children's Services	(18,026)	4,974	(13,052)	20,814	3,017	(405)	23,426
- Public Health	(27)	1	(26)	27	-	(2)	25
Performance							
- Resources	(1,570)	16,306	14,736	1,572	5,162	73	6,807
- Corporate Management	(87)	617	530	(93)	20	(1)	(74)
Place							
- Housing & Communities	(7,440)	2	(7,438)	6,742	1,321	11	8,074
- Regeneration & Growth	(10,050)	2,790	(7,260)	10,733	1,241	6	11,980
Housing Revenue Account	(18,608)	(447)	(19,055)	(43,256)	(381)	47	(43,590)
Net Cost of Services	**(63,927)**	**23,813**	**(40,114)**	**(2,089)**	**21,386**	**(647)**	**18,650**
Other operating expenditure	-	-	-	5,327	-	-	5,327
Financing and Investment Income and Expenditure	111,574	(2,589)	108,985	(41,637)	18,439	(945)	(24,143)
Taxation and Non Specific Grant Income	-	(17,051)	(17,051)	(38,465)	-	(10,078)	(48,543)
(Surplus) or Deficit	**47,647**	**4,173**	**51,820**	**(76,864)**	**39,825**	**(11,670)**	**(48,709)**

2019/20	Capital Adjustments at Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Adjustments for Capital Purposes (Note 3) £'000	Net change for the Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	Total Adjustment between Funding and Accounting Basis £'000
People							
- Adults	(913)	(11,229)	(12,142)	913	2,997	9	3,919
- Schools	(7,071)	491	(6,580)	1,399	6,500	1,410	9,309
- Children's Services	(23,171)	(2)	(23,173)	24,152	2,661	8	26,821
- Public Health	(27)	0	(27)	718	-	1	719
Performance							
- Resources	(1,680)	28,817	27,137	1,680	(7,138)	56	(5,402)
- Corporate Management	(48)	959	911	620	17	0	637
Place							
- Housing & Communities	(6,702)	(4)	(6,706)	2,588	1,124	7	3,719
- Regeneration & Growth	(10,087)	2,868	(7,219)	19,125	1,083	100	20,308
Housing Revenue Account	(19,190)	(927)	(20,117)	16,599	(533)	504	16,570
Net Cost of Services	**(68,889)**	**20,973**	**(47,916)**	**67,794**	**6,711**	**2,095**	**76,600**
Other operating expenditure	-	-	-	6,858	-	-	6,858
Financing and Investment Income and Expenditure	105,527	(1,768)	103,759	(44,346)	17,686	(472)	(27,132)
Taxation and Non Specific Grant Income	-	(31,096)	(31,096)	(44,065)	-	4,122	(39,943)
(Surplus) or Deficit	**36,638**	**(11,891)**	**24,747**	**(13,759)**	**24,397**	**5,745**	**16,383**

Adjustments made to Directorate reports

Note 1 – Capital Adjustments at Directorate Level
For resource management purposes, the council includes capital charges in its directorate reporting, however, this needs to be removed as it is not included in the net expenditure chargeable to the General Fund and HRA balances.

Note 2 – Other Adjustments at Directorate Level
Support service costs and impairment allowances are not included in the council's directorate reporting. This movement is included in the Net Cost of Services in the CI&ES.

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

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

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

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

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

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

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

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

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

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

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

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

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

Restated 2018/19 £'000		2019/20 £'000
347,915	Employee Benefits Expenses	347,451
522,808	Other Services Expenses	527,798
(8,115)	Depreciation, Amortisation and Impairment	54,344
2,630	Loss on Disposal of Non Current Assets	4,161
49,894	Interest Payments	49,251
15,769	Precepts and Levies	15,699
44	Support Services Recharges	28
930,945	**Total Expenditure**	**998,732**
(197,719)	Fees and Charges and Other Service Income	(196,765)
(193,984)	Income from Council Tax and Business Rates	(198,249)
(573,574)	Government Grants and Contributions	(584,169)
(4,734)	Support Services Recharges	(6,645)
915	Interest and Investment Income	(2,478)
(969,096)	**Total Income**	**(988,306)**
(38,151)	**Net Expenditure**	**10,426**

29. **Agency Services**

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

Growing Places funding of £14.4m was received in 2011/12. No additional monies were received for Growing places during 2019/20. No grant has been distributed in 2019/20, however £5.5m has been transferred to Walsall MBC following Government requirements that there should be one accountable body for the LEP area with Walsall being the nominated authority within the Black Country. Grant of £0.917m has been retained by SMBC to complete ongoing projects that have not yet completed drawdown of grant. It is anticipated that these projects will be completed in 2020/21 financial year.

Grant of £2.043m has been distributed in relation to the Growing Priority Sectors project.

The Black Country Superfast Broadband project is in its final stages and once the deep dive review from DCMS has been completed this project will be closed down. No payments have been made in 2019/20.

Only income and expenditure in relation to transactions directly incurred by the council is recognised in its financial statement for these funds where the council acts as the Agent.

30. **Pooled Budgets**

Utilising Section 75 of the National Health Act 2006, the council has established joint working arrangements with Sandwell & West Birmingham Clinical Commissioning Group (CCG). During 2019/20 Sandwell MBC hosted the Better Care Fund Pooled Budget. The objectives and performance of the pooled budget are outlined below;

Better Care Fund (BCF)

The BCF came into operation on 1 April 2015 and is hosted by Sandwell MBC with contributions from the Sandwell & West Birmingham CCG. It aims to improve the quality and cost effectiveness of services through greater integration of health, social care and voluntary/third sector provisions. This pool generated an underspend of £10.7 million in 2019/20 and in accordance with the agreement in place this will be carried forward into future years. The medium term financial strategy for the BCF pooled budget reflects the utilisation of the underspend including development of a new Social Care & Health Centre in Rowley Regis.

Improved Better Care Fund Grant in 2019/20

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

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

The procurement and contract procedure rules and financial regulations of the pool host applies to the management of the pool fund and the financial performance for the pool for the year ended 31 March 2020 is shown below.

Better Care Fund 2018/19 £'000		Better Care Fund 2019/20 £'000
41,990	Gross Expenditure	41,439
-	Income exc. Partner Contributions	-
41,990	**Net Expenditure**	**41,439**
	Partner Contributions:	
(25,434)	Sandwell & West Birmingham CCG	(25,368)
(16,091)	Sandwell MBC - I-BCF	(20,497)
(41,525)	**Total Contribution**	**(45,865)**
465	**Net (Under) / Over Spend in Year**	**(4,426)**
(6,749)	(Under) / Over Spend B/Fwd	(6,284)
-	(Over) / Under Spend Written Off In Year	-
(6,284)	**(Under) / Over Spend C/Fwd**	**(10,710)**

31. Officers' Remuneration

Senior Employees

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

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

a) The Director of Children's Services was appointed on 30th July 2018 (Annualised Salary £145,413)
b) The Director of Regeneration and Growth was appointed on 28th May 2018 (Annualised Salary £117,234)

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

c) The Chief Executive left Sandwell on 2nd July 2019 and the Executive Director of Adult Social Care, Health & Wellbeing was appointed on an acting up basis to the Chief Executive post on 16th July 2019. This appointment was made permanent on 14th January 2020
d) The Director of Regeneration and Growth commenced maternity leave on 8th March 2020 (Annualised salary £105,572)
e) The Interim Director of Regeneration and Growth was appointed on 9th March 2020 (Annualised salary £91,054)
f) The Director of Prevention and Protection was vacant from 16th July 2019 until 25th September 2019 (Annualised salary £92,393)
g) The Head of Finance was paid on the Directors payscale from 19th March 2020 to the 31st March 2020 due to acting up responsibilities

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			
	2018/19		2019/20	
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	43	37	60	43
£55,000 - £59,999	37	10	39	11
£60,000 - £64,999	29	14	31	15
£65,000 - £69,999	14	8	19	10
£70,000 - £74,999	15	13	16	6
£75,000 - £79,999	7	2	11	10
£80,000 - £84,999	3	1	8	4
£85,000 - £89,999	6	-	2	1
£90,000 - £94,999	2	2	3	-
£95,000 - £99,999	1	-	2	-
£100,000 - £104,999	1	1	-	-
£110,000 - £114,999	1	-	-	-
£125,000 - £129,999	-	-	1	-
£135,000 - £139,999	-	1	-	-
	159	**89**	**192**	**100**

32. **Members Allowances**

The total amount paid during 2019/20 to elected members of the council in respect of basic and special responsibility allowances was £1.266m (£1.368m in 2018/19).

33. External Audit Costs

	2018/19 £'000	2019/20 £'000
Fees payable to KPMG the appointed auditor for the year 2017/18 and prior with regard to external audit services carried out in that year	40	
Fees payable to KPMG for the certification of grant claims and returns for 2017/18 and prior	9	
Fees payable in respect of other services provided by KPMG during 2017/18 and prior	35	
CFO insights (non-audit service provided by Grant Thornton) 2018/19	13	
Fees payable to Grant Thornton appointed auditor for the year 2018/19 with regard to external audit services carried out	153	(18)
Fees payable to Grant Thornton appointed auditor for the year 2019/20 with regard to external audit services carried out		153
Total Fees for Appointed Auditor	**250**	**135**
Certification of 2018/19 Teachers Pension claim		5
Housing Benefit Audit		16
PFI Objection		28
AAS Support		4
West Midlands Pension Fund		1
Housing Benefits Subsidy Audit		8
2018/19 Audit fee for Sandwell Land and Property company		15
2019/20 Audit fee for Sandwell Land and Property company		15
Total Additional Fees	**-**	**92**
Total	**250**	**227**

34. Dedicated Schools Grant

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

	Central Expenditure £000	ISB £000	Total £000
Final DSG For 2019/20 Before Academy Recoupment			329,007
Academy Figure Recouped for 2019/20			(109,331)
Total Final DSG After Academy Recoupment for 2019/20			**219,676**
Bought Forward From 2018/19			135
Less: Carry-forward to 2020/21 agreed in advance			
Agreed Initial Budgeted Distribution in 2019/20	**11,571**	**208,240**	**219,811**
In Year Adjustments	-	230	230
Final Budgeted Distribution for 2019/20	**11,571**	**208,470**	**220,041**
Less Actual Central Expenditure	(11,010)	-	(11,010)
Less Actual ISB Deployed To Schools	-	(208,087)	(208,087)
Plus Local Authority Contribution For 2019/20	-	-	-
Carry Forward To 2020/21	**561**	**383**	**944**

35. **Grant Income**

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

Capital Grants Receipts in Advance	**31 March 2019 £'000**	**31 March 2020 £'000**
Short Term:		
Renewal & Growth	1,137	1,137
Standards Fund	1,559	982
Other Grants	1,145	1,659
Other Contributions	35	320
	3,876	**4,098**
Long Term:		
Section 106	5,445	5,266
Homes England	1,725	-
Disabled Facilities Grant	3,300	3,154
Other Grants	1,674	2,139
Other Contributions	3,060	2,733
	15,204	**13,292**
Total	**19,080**	**17,390**

Revenue Grants Receipts in Advance	**31 March 2019 £'000**	**31 March 2020 £'000**
Other Grants	2,569	6,651
Total	**2,569**	**6,651**

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

Credited to Taxation and Non Specific Grant Income	2018/19 £'000	2019/20 £'000
Non ring-fenced government grants:		
Covid-19 - Emergency Funding	-	12,495
Section 31 Business Rates Grant	13,453	15,336
Business Rates Top Up	50,659	40,915
New Homes Bonus	3,598	2,924
Levy Account Surplus Grant	-	341
Subtotal	**67,710**	**72,011**
Capital Grants and Contributions:		
Local Transport Plan Grant	4,685	4,755
Schools Basic Need Grant	18,454	3,677
Schools Capital Maintenance Grant	2,822	2,808
Homes England Grant	3,620	5,118
Presumption Grant	2,546	-
Department of Culture Media & Sports - Aquatic Centre Grant	1,054	2,993
Department for Transport - Additional Highways Maintenance Grant	1,420	1,422
Black Country Local Enterprise Partnership Grant	-	5,000
Sport England Grant	-	1,940
Lottery Funding	-	38
Priority Schools Build Programme Grant	-	9,848
Other Grants	1,155	1,768
Other Contributions	2,709	4,697
Subtotal	**38,465**	**44,064**
Total Credited to Taxation and Non Specific Grant Income	**106,175**	**116,075**

Credited to Services	2018/19 £'000	2019/20 £'000
Improved Better Care Fund	16,091	19,608
Discretionary Housing Payments	1,349	1,092
Dedicated Schools Grant	215,188	219,596
Grants funding REFCUS	6,195	8,865
Troubled Families	-	2,009
PFI	7,822	7,822
Home Office Grant	711	1,660
Independent Living Fund	1,058	1,025
Winter Pressures Grant	-	1,848
Pupil Premium Grant	15,604	15,284
Post 16 Funding	3,144	2,709
Adult Social Care Support Grant	1,155	3,157
Housing Subsidy	5,713	5,713
Rent Rebates	64,088	54,803
Rent Allowance Subsidy	48,828	38,722
Benefit Admin Grant	2,038	1,862
Public Health Grant	24,714	24,061
Universal Infant Free School Meals	3,576	3,433
PE Sports Grant	1,480	1,466
Teacher Pay Grant	-	1,692
Teacher Pension Grant	-	3,301
Skills Funding Agency	1,377	1,288
Families and Communities Grant	2,096	-
Adoption Support Grant	57	-
SEND Reform Grant	254	-
Area Based Grant	256	-
War Pensions	37	-
Contributions - Other Local Authorities	2,212	3,324
Contributions - Clinical Commissioning Group	5,129	6,092
Contribuions - Better Care Fund	14,091	15,540
Contributions - City Loan Deal Repayment	1,652	-
Contributions - Insurance Fund	4,445	5,277
Contributions - Curriculum Gifts/Donations	4,388	4,307
Contribution - Recovery of Housing Benefit overpayments	2,259	3,605
MHCLG Grants under £1m	-	1,663
Other Government Grants under £1m	9,439	6,454
Other Contributions and Donations	953	811
Total Credited to Services	**467,399**	**468,091**

36. **Related Parties**

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

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

Other Public Bodies - West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities, levy precepts on the council. In addition, a levy from the West Midlands Integrated Transport Authority totalling £12.887m and a Flood Defence levy of £0.086m were made during the financial year.

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

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

In 2019/20 payments to other organisations where Members have declared an interest totalled £0.809m and income received totalled £0.013m.

Other Organisations
The council made grants to voluntary organisations amounting to £6.492m during 2019/20.

Sandwell Leisure Trust (SLT) is a charitable company limited by guarantee that manages sports facilities and provides sports development in Sandwell. The principal income of the leisure trust is from the council, which takes the form of a management fee. This amount paid in 2019/20 was £3.115m which included the management fee and other fees. Amounts received from SLT for services provided by the council were £0.449m.

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 £28.773m to the LEP during 2019/20 mainly relating to the building and renovation costs of schools. The council has a 10% shareholding and a £0.840m holding of 10% loan stock in the company. The council also has a direct shareholding in Environments for Learning Sandwell PFI One Ltd (the special purpose vehicle established by the LEP) and a £0.571m holding of 10% loan stock. Interest on these investments of £0.081m has been received in 2019/20.

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 £0.347m to SIPS in 2019/20 and received £0.112m in relation to goods and services supplied by the council to SIPS in the same year.

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

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

The broad impact of the adjustments is as follows:

Council (single entity)
The Council has recognised an investment 'at cost' in its accounts with investment on the balance sheet increased by £26m, which was equal to the cost of land. The land previously

recognised at the fair value on the balance sheet in the Council's single entity accounts has been removed. An opposite entry has been made in the revaluation reserve/ disposals. The share value relating to the buildings is nominal. The Council continues to include the value of the school buildings at fair value under Standard Interpretations Committee note 27.

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

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

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

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

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

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

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

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

Sandwell is also a constituent member, together with the other six West Midlands metropolitan districts, of the West Midlands Combined Authority (WMCA). In addition to the Transport Levy the council made payments totalling £0.817m to WMCA in 2019/20 and received £0.023m in relation to goods and services supplied by the council to WMCA in the same year. The WMCA wholly owns booth West Midlands Rail Limited and West Midlands Growth Company, as the council is a constituent member of the WMCA it therefore owns a proportion of both companies. There have been no direct transactions between these companies and the council.

Sandwell Children's Trust was established on 1st April 2018 to provide for Sandwell's children's social care services. The council made payments totalling £64.042m to Sandwell Children's Trust (SCT) in 2019/20 and received £4.377m in relation to goods and services supplied by the council to SCT in the same year. SCT have been consolidated into the Councils group.

37. **Capital Expenditure and Capital Financing**

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

	2018/19 £'000	2019/20 £'000
Opening Capital Financing Requirement	**747,743**	**792,084**
Prior Period Adjustment (Note 7)	54,908	-
Revised Capital Financing Requirement	**802,651**	**792,084**
Capital Investment		
Property Plant & Equipment	65,499	99,776
Heritage Assets	-	13
Investment Properties	33	-
Intangible Assets	140	99
REFCUS	13,012	22,214
PFI Adjustments	-	1,399
Sources of Finance		
Capital Receipts	(6,628)	(8,506)
Government Grants & Other Contributions	(34,802)	(66,728)
Major Repairs Reserve	(15,496)	(15,630)
Direct Revenue Contributions	(1,890)	(4,683)
Minimum Revenue Provision	(30,435)	(28,057)
Closing Capital Financing Requirement	**792,084**	**791,981**
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)	(10,567)	(1,502)
HRA Repayment of Debt	-	
PFI Expenditure	-	1,399
Increase/(decrease) in Capital Financing Requirement	**(10,567)**	**(103)**

38. **Capital Commitments**

The Council has to plan its capital spending in advance of work proceeding. As at 31 March 2020 the Council had allocated resources to a five year programme covering the period 2020/21 to 2024/25 that amount to £443.853m. The main areas to which these resources have been allocated are the Council's housing investment programme (£275.645m), the aquatic centre for the Common Wealth Games 2022 (£63,821m), adaptations for disabled (£32.037m), structural maintenance of roads and bridges (£17.000m), new social care and health centre in Rowley Regis (£9.604m), integrated transport block (£8.470m), acquisition of vehicles (£7.500m), property refurbishment (£6.461m) and ICT end user computing (£5.470m).

Included within the five year programme are amounts which are legally committed as at 31 March 2020 that amount to £206.421m.

39. **Leases**

Council as Lessee

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

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

31 March 2019 £'000		**31 March 2020 £'000**
1,161	Not later than 1 year	1,058
3,678	Later than 1 year and not later than 5 years	3,356
10,105	Later than 5 years	9,402
14,944		**13,816**

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

2018/19 £'000		**2019/20 £'000**
	Minimum lease payments:	
169	- Adult Social Care	165
1,048	- Housing & Communities and Regeneration & Growth	880
1,217		**1,045**
(63)	**Sublease payments receivable**	**(72)**
1,154		**973**

Council as Lessor

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

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

31 March 2019 £'000		**31 March 2020 £'000**
4,829	Not later than 1 year	4,862
12,447	Later than 1 year and not later than 5 years	13,691
153,470	Later than 5 years	163,126
170,746		**181,679**

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

40. Private Finance Initiatives and Similar Contracts

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 2019/20 was £8.4m (£8.4m in 2018/19).

The contract is now into the housing management & life cycle works phase, as the initial capital investment works including demolitions have been completed. Over the remainder of the contract, £23.511m will be spent on lifecycle works to maintain the homes at the level of decency as specified in the contract.

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

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

The unitary charge payments made during 2019/20 totalled £6.9m (2018/19 was £6.9m). 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 2019/20 was £2.8m (2018/19 was £2.7m).

Portway Lifestyle Centre

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

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

The unitary charge for 2019/20 was £1.3m (2018/19 was £1.3m).

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

		Riverside Housing	Total School Solutions	BSF Rowley Campus	Portway	Total PFI Schemes	Service Concessions	Total Finance Lease Liabilities
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31	- Current	(2,299)	(522)	(1,286)	(367)	(4,474)	(474)	(4,948)
March 2019	- Long Term	(21,381)	(6,757)	(36,891)	(7,080)	(72,109)	(307)	(72,416)
Balance at 31 March	- Current	(2,301)	(577)	(1,060)	(374)	(4,312)	(308)	(4,620)
2020	- Long Term	(19,080)	(8,071)	(35,831)	(6,706)	(69,688)	-	(69,688)
Movement in Year		**2,299**	**(1,369)**	**1,286**	**367**	**2,583**	**473**	**3,056**
Analysis of Movement in Year:								
Write down of liability		2,299	522	1,286	367	4,474	473	4,947
Correction of Prior year writedown of liability		-	(1,891)	-	-	(1,891)	-	(1,891)
		2,299	**(1,369)**	**1,286**	**367**	**2,583**	**473**	**3,056**

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

	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000
Riverside Housing PFI					
Liability Repayments	2,301	5,489	13,113	478	-
Interest Charges	2,024	6,504	8,022	256	-
Operating Costs	2,413	10,327	14,568	2,986	-
Lifecycle Costs	1,860	13,504	7,210	936	-
	8,598	**35,824**	**42,913**	**4,656**	**-**
Total School Solutions PFI					
Liability Repayments	577	2,977	5,094	-	-
Interest Charges	1,275	4,615	3,786	-	-
Operating Costs	857	3,515	4,277	-	-
Lifecycle Costs	106	437	571	-	-
	2,815	**11,544**	**13,728**	**-**	**-**
BSF Rowley Campus PFI					
Liability Repayments	1,060	5,222	10,970	15,663	3,976
Interest Charges	3,385	13,240	14,559	9,831	1,233
Operating Costs	1,838	7,172	8,965	8,965	1,861
Lifecycle Costs	620	2,503	1,967	3,609	90
	6,903	**28,137**	**36,461**	**38,068**	**7,160**
Portway PFI					
Liability Repayments	374	1,627	1,712	1,988	2,665
Interest Charges	415	1,547	1,521	1,059	345
Operating Costs	386	1,740	2,476	2,858	2,189
Lifecycle Costs	158	467	1,302	1,684	804
	1,333	**5,381**	**7,011**	**7,589**	**6,003**
Total Payments	**19,649**	**80,886**	**100,113**	**50,313**	**13,163**

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 2019	41,615	22,096	41,730	3,760	**109,201**
Prior Period Adjustment				9,299	**9,299**
Restated Balance as at 1 April 2019	**41,615**	**22,096**	**41,730**	**13,059**	**118,500**
Additions	669	105	157	122	1,053
Revaluations	260	578	548	(171)	1,215
Re-classifications	(484)	-	-	-	(484)
In Year Depreciation	(604)	(491)	(927)	(252)	(2,274)
Depreciation Written Out	1,231	491	927	252	2,901
Other Movements	12	-	-	-	12
Balance as at 31 March 2020	**42,699**	**22,779**	**42,435**	**13,010**	**120,923**

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

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

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

The vehicle fleet, council-owned depot and waste disposal site are all held on the Councils balance sheet.

Upon default by the council, Serco may terminate the contract by giving 30 days notice. The termination notice must be served within 30 days of the contractor becoming aware of the default. The council may terminate the contract where the contractor fails to rectify defaults notified to them by the council, or on the occurrence of persistent breach of the contract. The council made payments of £22.529m in 2019/20 to Serco Limited (£21.968m in 2018/19).

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

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

41. **Impairment Losses and Reviews**

During 2019/20 Net Impairment Losses of £184,274 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 Councils Valuers carried out a number of impairments reviews to determine if there were any material changes in property values from the 1 April 2019 to 31 March 2020.

The Valuers have concluded that there have been no circumstances in the local property market, since the start of the year, that would require additional impairment adjustments to be applied to the value of Council Dwellings, General Land & Buildings or Investment properties.

The Council has undertaken an analysis of its PPE and Investment assets applying accumulated property indices to individual assets within each property group to determine if there has been a material movement in value since the assets where last valued within their rolling valuation cycle. As a result, all schools, leisure centres and investment assets (above £1m) have been revalued in 2019/20.

42. **Termination Benefits**

The council terminated the contracts of a number of employees in 2019/20 to meet the ongoing challenges of the difficult economic climate and budget reductions. In total, costs of £4.595m were incurred by the Council relating to the termination of 71 employee contracts. 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)	
	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	24	19	356	159
£20,001 - £40,000	4	12	113	344
£40,001 - £60,000	11	7	544	372
£60,001 - £80,000	8	7	554	462
£80,001 - £100,000	5	7	460	636
£100,001 - £150,000	13	13	1,587	1,588
£150,001 - £200,000	1	5	160	806
£201,000 - £250,000	1	1	224	228
	67	**71**	**3,998**	**4,595**

In 2018/19, a provision of £3.311m was created for employees approved as planned leavers as at 31 March 2019. Of this £2.803m was utilised. £0.409m relating to 6 employees has been re-provided for in 2019-20. The remaining unutilised provision of £0.099m was released back to services. Costs of £1.792m that were not included within the 2018/19 provision have been incurred. £0.763m of this has been funded by services with the remaining balance of £1.029m funded from GF balances.

An additional £0.011m was added to the provision for 6 employees re-provided for in 2019-20. AA provision of £1.151m has been provided for in 2019/20 relating to the termination of a further 11 employee contracts. Outstanding costs of £0.224m relating to 2 employees who left the council in 2019/20 has also been provided for. Therefore, a total provision of £1.795 has been created as at 31 March 2020.

43. **Defined Benefit Pension Schemes**

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

<u>Teachers</u>

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

In 2019/20 the council paid £14.5m (2018/19 £11.316m) to the DFE in respect of teachers' pension costs. This represents 20.15% of teacher's pensionable pay. Estimated contributions for 2020/21 are £12.072m 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 2019/20 these amounted to £3.109m (2018/19 £3.125m). 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 2019/20 the council paid £0.044m (2018/19 £0.063m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% of pensionable pay. Estimated contributions for 2020/21 are £0.045m 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 2019/20 the council paid an employer's pension contribution of £23.710m (2018/19 £22.809m) based on 17.7% 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 2020/21 are £25.419m based on 17.7% of pensionable pay.

In addition, the council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2019/20 these amounted to £1.454m (2018/19 £1.529m) representing 0.1% of pensionable pay. The capital cost of awarding discretionary additional benefits relating to the year 2019/20 was £3.451m (2018/19 £2.590m). 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 Pension Scheme 2018/19 £'000	Local Government Pension Scheme 2019/20 £'000	Teachers Pension Scheme 2018/19 £'000	Teachers Pension Scheme 2019/20 £'000
Cost of Services				
Current service costs	53,893	58,775	-	-
Past service costs			-	-
Settlements and curtailments	15,581	-	-	-
Administration expenses	598	887	-	-
Financing and Investment Income and Expenditure				
Net interest expense	17,393	16,792	1,046	894
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**87,465**	**76,454**	**1,046**	**894**
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)	(15,569)	89,760	-	-
- Actuarial gains and losses arising on changes in demographic assumptions	(115,254)	59,698	(2,342)	2,954
- Actuarial gains and losses arising on changes in financial assumptions	89,594	(219,108)	1,461	(2,925)
- Experience (gain) / loss	-	62,423	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**46,236**	**69,227**	**165**	**923**

Movement in Reserves Statement	Local Government 2018/19 £'000	Local Government 2019/20 £'000	Teachers Pension 2018/19 £'000	Teachers Pension 2019/20 £'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	87,465	76,454	1,046	894
Actual amount charged against the General Fund Balance for pensions in the year				
Employer's Contributions payable to scheme	45,561	49,841	-	-
Retirement benefits payable to pensioners	-	-	3,125	3,109

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2020 is a loss of £443.996m relating to the LGPS, and a loss of £13.967m 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 2020 have been provided by the Funds' Actuary and are detailed below:

Reconciliation of present value of the scheme liabilities	**Local Government 2018/19 £'000**	**Local Government 2019/20 £'000**	**Teachers Pension 2018/19 £'000**	**Teachers Pension 2019/20 £'000**
Opening Balance at 1 April	**2,052,302**	**2,100,681**	**45,140**	**42,180**
Current Service Cost	53,893	55,402	-	-
Interest on pension liabilities	51,774	49,835	1,046	894
Contributions by scheme participants	9,978	10,303	-	-
Remeasurement (gain) / loss:				
- Actuarial gains and losses arising on changes in demographic assumptions	(115,254)	59,698	(2,342)	2,954
- Actuarial gains and losses arising on changes in financial assumptions	89,594	(219,108)	1,461	(2,925)
- Experience (gain) / loss	-	87,098	-	-
Benefits paid	(58,291)	(62,406)	(3,125)	(3,109)
Past service costs / Curtailment	18,320	3,373	-	-
Settlements	(1,635)	-	-	-
Business Combinations	-	-	-	-
Closing Balance at 31 March	**2,100,681**	**2,084,876**	**42,180**	**39,994**

Reconciliation of fair value of the scheme assets	**Local Government 2018/19 £'000**	**Local Government 2019/20 £'000**
Opening Balance at 1 April	**1,355,619**	**1,386,323**
Interest Income	34,381	33,043
Remeasurement gain / (loss)	15,569	(65,085)
Administration expenses	(598)	(887)
Settlements	1,104	-
Employers contributions	28,561	32,941
Contributions by scheme participants	9,978	10,303
Benefits paid	(58,291)	(62,406)
Closing Balance at 31 March	**1,386,323**	**1,334,232**

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Present Value of Liabilities					
Local Government Pension Scheme (funded)	(1,608,078)	(2,063,623)	(2,037,255)	(2,087,257)	(2,070,007)
Local Government Pension Scheme (unfunded)	(18,257)	(16,377)	(15,047)	(13,424)	(14,869)
Teachers Pension Scheme (unfunded)	(51,273)	(49,903)	(45,140)	(42,180)	(39,994)
Total Present Value of Liabilities	**(1,677,608)**	**(2,129,903)**	**(2,097,442)**	**(2,142,861)**	**(2,124,870)**
Fair Value of assets in the local government pension scheme	**1,024,322**	**1,278,745**	**1,355,619**	**1,386,323**	**1,334,232**
Surplus / (Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(602,013)	(801,255)	(696,683)	(714,358)	(750,644)
Teachers Pension Scheme (TPS)	(51,273)	(49,903)	(45,140)	(42,180)	(39,994)
Total	**(653,286)**	**(851,158)**	**(741,823)**	**(756,538)**	**(790,638)**

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £2,125m has a substantial impact on the net worth of the council as recorded in the Balance Sheet in a negative overall balance of £791m, 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	2018/19 £'000	2019/20 £'000
Equities	819,392	759,506
Bonds	186,600	210,838
Property	117,747	118,674
Alternatives	218,680	197,331
Cash	43,904	47,883
Total	**1,386,323**	**1,334,232**

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

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	
	2018/19	2019/20	2018/19	2019/20
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	20.9	21.9	20.9	21.9
Women	23.2	24.1	23.2	24.1
Longevity at 65 for future pensioners				
Men	22.6	23.8		
Women	25.0	26.0		
Rate of CPI Inflation	2.40%	1.90%	2.30%	
Rate of Increase In Salaries (LGPS)	3.90%	2.90%		
Rate of Increase In Pensions	2.40%	1.90%	2.50%	1.90%
Discount Rate	2.40%	2.35%	2.20%	2.30%

The figures provided by the actuary include an allowance for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in an increase in the defined benefit obligation as at 31 March 2020.

44. Contingent Assets and Liabilities

Sandwell Land and Property Company (SL&P)

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

Contingent Liabilities

There are presently 11 active civil litigation claims (9 in 2019/20) and 2 active employment tribunal cases (4 in 2018/19).

Equal Pay
The council has in recent years received a number of claims for back pay arising from the Equal Pay Initiative. All of these claims have now been settled so there are none currently outstanding. Therefore, no provision for Equal Pay has been set in 2019/20.

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 then issued a further 10% levy to all scheme members and this also has been settled by the Council.

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

Analyse Local has provided a threats report identifying potential appeals of £9.764m. Using information from Analyse Local on the historic proportion of threats that have actually progressed to check and challenge we have included £2.890m of these threats within our appeals provision. We have excluded the remaining £6.874m because it is not possible to estimate with reliability the outflow of cash required to settle these unlodged appeals due to the uncertainty of the appeal being lodged, the eventual settlement date, the new processes in place, the backlog of appeals and impact of Covid-19.

Sensitivity analysis has been undertaken to show the impact of an understatement of the unlodged appeals on the appeals provision.

- A 5% understatement would increase the councils share of the appeals provision by £0.343m and the total appeals provision on the balance sheet to £10.423m.
- A 10% understatement would increase the councils share of the appeals provision by £0.687m and the total appeals provision on the balance sheet to £10.767m.
- A 25% understatement would increase the councils share of the appeals provision by £1.718m and the total appeals provision on the balance sheet to £11.798m.

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 2019/20 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

Housing Revenue Account

2019/20

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2018/19 £'000	HRA Income and Expenditure Statement	2019/20 £'000
	Income:	
(118,304)	Dwelling Rents	(116,766)
(246)	Non-Dwelling Rents	(112)
(2,680)	Charges for Services & Facilities	(2,711)
(5,714)	PFI Grant	(5,713)
(126,944)	**Total Income**	**(125,302)**
	Expenditure:	
38,036	Repairs & Maintenance	41,073
24,723	Supervision & Management	24,022
478	Rent, Rates, Taxes & Other Charges	1,585
	Negative Housing Revenue Account Subsidy Payable	
4,319	PFI Contract	3,899
(43,251)	Depreciation & Impairment of Non Current Assets	16,599
751	Interest Payable/(Receivable) charged to Cost of Services	988
229	Movement in Impairment Allowance for Bad Debts	9
25,285	**Total Expenditure**	**88,175**
(101,659)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account**	**(37,127)**
-	HRA Services share of Corporate and Democratic Core	-
(101,659)	**Net Cost of HRA Services**	**(37,127)**
(741)	(Gain) or loss on sale of HRA Non Current Assets	(3,207)
1,001	(Gain) or loss on revaluation of HRA Non Current Assets	(345)
-	Loss on revaluation of Assets Held for Sale	-
2,494	PFI Interest payable and similar charges	2,105
-	PFI Interest Payable and similar charges prior year movement	-
2,365	Pensions Interest Costs	2,447
19,132	Interest payable and similar charges	18,622
448	Movement on Impairment Losses	820
-	Income & Expenditure in relation to Investment Properties	-
(3,619)	Capital grants and contributions receivable	(5,118)
(80,579)	**(Surplus) / Deficit for the year on HRA services**	**(21,803)**

2018/19 £'000	Movement on Housing Revenue Account Balance Statement	2019/20 £'000
(32,270)	Balance on the HRA at the end of the previous reporting period	**(36,735)**
(80,580)	(Surplus)/deficit for the year on the Income and Expenditure Statement	(21,803)
75,425	Adjustments between accounting basis and funding basis under statue	22,445
(5,155)	Net increase/(decrease) before transfers to or from reserves	642
690	Transfers to/(from) earmarked reserves	(3,701)
(4,465)	(Increase)/decrease in year on the HRA	**(3,059)**
(36,735)	Balance on the HRA at the end of the current reporting period	**(39,794)**

2018/19 £'000		2019/20 £'000
	Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year	
43,251	Depreciation & impairment of Non Current Assets	(16,599)
741	Gain or loss on sale of HRA Non Current Assets	3,207
(1,001)	Gain or loss on revaluation of HRA Non Current Assets	345
3,619	Capital grants and contributions receivable	5,118
(1,984)	Pension Reserve Adjustments	(1,914)
(45)	Accumulated Compensated Absences Account	(505)
44,581		**(10,348)**
	Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year	
16	Amortisation of premiums, discounts & LOBOs	19
1,242	PFI Finance Lease Creditor	2,299
833	PFI Capital expenditure funded by the HRA	832
3	Capital expenditure funded by the HRA	2,039
15,496	Net transfer to / (from) Major Repairs Reserve	15,630
13,253	Minimum Revenue Provision	11,974
30,843		**32,793**
75,424	**Net additional amount required by statute to be credited to the HRA Balance for the year**	**22,445**

Notes to the HRA Accounts

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

Total No. 2018/19	Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 2019/20
	1 Bedroom					
3	Houses	-	1	2	-	**3**
6,224	Flats	217	1,471	4,461	60	**6,209**
1,377	Bungalows	385	318	672	-	**1,375**
	2 Bedroom					
3,132	Houses	1,606	853	535	132	**3,126**
4,871	Flats	128	2,391	2,255	80	**4,854**
162	Bungalows	4	52	57	52	**165**
	3 Bedroom					
11,655	Houses	6,708	2,945	1,711	138	**11,502**
544	Flats	49	267	224	-	**540**
12	Bungalows	1	1	9	1	**12**
	4 Bedroom					
612	Houses	408	150	32	25	**615**
2	Bungalows	-	-	2	-	**2**
	5 Bedroom					
9	Houses	7	3	-	-	**10**
	6 Bedroom					
3	Houses	1	1	1	-	**3**
	8 Bedroom					
1	Houses	-	-	1	-	**1**
28,607	**Total Stock**	**9,514**	**8,453**	**9,962**	**488**	**28,417**

The housing stock at 31 March 2020 includes 1,010 council dwellings (1,020 at 31 March 2019) included within the Riverside Housing PFI contract, which are included on the council’s Balance Sheet.

2. Balance Sheet Movement in HRA Non Current Assets

	Council Dwellings	Land & Building	Intangible	Equipment	Surplus Assets	Assets Held for Sale	Assets under Construction	Investment Properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
as at 1 April 2019	**1,121,906**	**1,857**	**258**	**6,493**	**5,461**	**599**	**9,090**	**4,601**	**1,150,265**
Prior Year Adjustments		(37)							(37)
Revised Balance At 1 April 2019	**1,121,906**	**1,820**	**258**	**6,493**	**5,461**	**599**	**9,090**	**4,601**	**1,150,228**
Additions	31,041	-	-	822	-	-	18,334	-	50,197
Revaluations - Revaluation Reserve	(16,008)	49	-	-	340	-	-	-	(15,619)
Revaluations - CI&ES	260	(64)	-	-	(216)	-	-	345	325
Disposals	-	-	-	-	-	(13,674)	-	(2)	(13,676)
Assets reclassified (to) / from Held for Sale	-	-	-	-	(14,027)	14,027	-	-	-
Other Movements	(4,713)	(229)	-	-	12,346	-	(6,329)	(863)	212
as at 31 March 2020	**1,132,486**	**1,576**	**258**	**7,315**	**3,904**	**952**	**21,095**	**4,081**	**1,171,667**
Depreciation & Impairment									
as at 1 April 2019	**(15,969)**	**(166)**	**(131)**	**(4,562)**	**(2,137)**	**(599)**	**(114)**	**(2,616)**	**(26,294)**
Prior Year Adjustments		37							37
Revised Balance At 01/04/09	**(15,969)**	**(129)**	**(131)**	**(4,562)**	**(2,137)**	**(599)**	**(114)**	**(2,616)**	**(26,257)**
In Year Depreciation	(16,234)	(33)	(50)	(244)	(17)	-	-	-	(16,578)
Depreciation Written Out - Revaluation Reserve	32,037	10	-	-	339	-	-	-	32,386
Impairment Losses / Reversals - Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment Losses / Reversals - CI&ES	-	-	-	-	-	-	-	-	-
Other Movements	166	19	-	-	(337)	-	12	-	(140)
as at 31 March 2020	**-**	**(133)**	**(181)**	**(4,806)**	**(2,152)**	**(599)**	**(102)**	**(2,616)**	**(10,589)**
Balance Sheet Amount									
as at 1 April 2019	**1,105,937**	**1,691**	**127**	**1,931**	**3,324**	**-**	**8,976**	**1,985**	**1,123,971**
as at 31 March 2020	**1,132,486**	**1,443**	**77**	**2,509**	**1,752**	**353**	**20,993**	**1,465**	**1,161,078**

The council entered into a 25 year PFI contract in March 2006 with Riverside Housing Association for the refurbishment of 1,095 dwellings of which 1,010 of these assets are included in the table above as they form part of the council's assets held within the Balance Sheet.

Due to the large number of dwellings held by the council it is not practical to account for each property individually and so all assets that fall into this category are grouped together under the heading of Council Dwellings and are accounted for at this higher level. When additions to the stock are made, these are revalued based on the beacon and social use factor of 40%. Where previous revaluation gains exist any revaluation losses relating to new additions are offset against these gains. In 2019/20, losses of £9.548m relating to new additions were offset against revaluation gains from previous years.

3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2019 after revaluation was £2,751.362m, which represents the value that the council would receive if all dwellings were sold on the open market. The existing use value as at the same date was £1,105.937m 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 2020 was £1,133.843m 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.

	2018/19 £'000	2019/20 £'000
Opening Balance as at 1 April	**-**	**-**
Depreciation on Dwellings to the MRR during year	15,496	15,630
Depreciation on other Non Current Assets	300	344
Amounts transferred to HRA	(300)	(344)
Capital expenditure on land, houses & other property within HRA	(15,496)	(15,630)
Closing Balance as at 31 March	**-**	**-**

5. **Capital Expenditure**

Capital expenditure on land, houses and other property within the HRA during 2019/20 is £50.770m. This expenditure has been financed as follows:

	2018/19 £'000	2019/20 £'000
Capital Expenditure	**37,829**	**50,770**
Sources of Funding:		
Prudential Borrowing	17,245	24,797
Grants	3,635	5,118
Major Repairs Reserve	15,496	15,630
Revenue Contribution	836	2,870
Usable Capital Receipts	617	2,355
Total Funding	**37,829**	**50,770**

6. **Capital Receipts**

Net Capital Receipts received from the disposal of land, houses and other property within the HRA during 2019/20 are summarised below:

	2018/19 £'000	2019/20 £'000
Land & Buildings	655	243
Council Houses	15,465	16,640
Total Capital Receipts	**16,120**	**16,883**

7. **Depreciation Charge**

As required by the Code, the council has charged depreciation on all HRA properties, including non dwellings. In 2019/20 depreciation for council dwellings has been calculated on a straight line basis using different asset lives appropriate to each significant component. Depreciation for neighbourhood offices have been calculated on a straight line basis, based on the asset's useful economic lives.

A summary of depreciation charged into the Housing Revenue Account is detailed below:

	2018/19 £'000	2019/20 £'000
Dwellings	15,496	15,630
PFI Dwellings	645	604
Garages	-	-
Neighbourhood Offices	34	33
Equipment	216	244
Assets Not Held for Sale	0	17
Intangible	50	50
Total Depreciation	**16,441**	**16,578**

8. **Revaluation and Impairment Losses**

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment losses. During 2019/20 there were revaluation losses of £19.302m of which £0.280m were charged directly to the HRA. There were no impairment losses charged directly to the HRA.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. Previous year losses of £0.260m were reversed during 2020/21 relating to Council Dwellings.

9. **Rent Arrears**

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

	2018/19 £'000	2019/20 £'000
Current Tenants	4,112	5,309
Former Tenants	3,108	4,051
Total Arrears	**7,220**	**9,360**

10. **Provisions & Reserves**

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

	2018/19 £'000	2019/20 £'000
Provision b/fwd 1 April	**3,386**	**3,888**
Write Off / On Charged to Provision	(175)	(14)
Additional Provision	677	829
Provision c/fwd 31 March	**3,888**	**4,703**

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

	Balance as at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance as at 31 March 2020 £'000
Welfare Reform Reserve	**3,701**	(3,701)	-	**-**
Total HRA	**3,701**	**(3,701)**	**-**	**-**

11. **Government Subsidy**

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

	2018/19 £'000	2019/20 £'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:

	2018/19 £'000	2019/20 £'000
HRA Surplus as at 31st March	36,735	39,794
Less Earmarked Balances:		
- Working Balance	(7,400)	(7,400)
- Contingencies	(8,387)	(8,387)
- Capital Investment	(15,000)	(15,000)
- Carry Forward Commitments	(181)	(181)
Uncommitted HRA Resources	**5,767**	**8,826**

Collection Fund

2019/20

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

2018/19				2019/20		
Council Tax £'000	**NDR £'000**	**Total £'000**		**Council Tax £'000**	**NDR £'000**	**Total £'000**
			Income			
113,200	-	113,200	- Council Tax Payers	121,515	-	121,515
-	100,253	100,253	- Business Rates Payers	-	101,454	101,454
-	(994)	(994)	- Transitional Protection Payment	-	-	-
490	9,158	9,648	Contribution towards previous year's estimated Collection Fund Deficit	-	-	-
113,690	**108,417**	**222,107**	**Total Income**	**121,515**	**101,454**	**222,969**
			Expenditure			
			Precepts:			
97,313	-	97,313	- Sandwell MBC	103,921	-	103,921
9,282	-	9,282	- West Midlands Police Crime Commissioner	11,312	-	11,312
4,249	-	4,249	- West Midlands Fire & Rescue Authority	4,494	-	4,494
			Non Domestic Rates:			
-	422	422	- Central Government	-	-	-
-	96,095	96,095	- Sandwell MBC	-	96,601	96,601
-	971	971	- West Midlands Fire & Rescue Authority	-	976	976
-	441	441	- Cost of Collection Allowances	-	434	434
-	-	-	- Transitional Protection Payment	-	366	366
			Provisions:			
1,646	123	1,769	- Bad Debts	(1,791)	2,417	626
-	1,667	1,667	- Appeals	-	6,087	6,087
-	-	-	Distribution of Estimated Collection Fund Surplus	753	1,200	1,953
112,490	**99,719**	**212,209**	**Total Expenditure**	**118,689**	**108,081**	**226,770**
1,200	**8,698**	**9,898**	**Surplus / (Deficit) in year**	**2,826**	**(6,627)**	**(3,801)**
266	**(8,637)**	**(8,371)**	**Opening Balance at 1 April**	**1,466**	**61**	**1,527**
1,466	**61**	**1,527**	**Closing Balance at 31 March**	**4,292**	**(6,566)**	**(2,274)**

Notes to the Collection Fund

1. **General**

Billing authorities act as agents, collecting Council Tax and Non Domestic Rates (Business Rates) on behalf of the major preceptors (including government for Business Rates) and, as principals, collecting council tax and Business Rates 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 Business Rates. 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 Business Rates collected could be less or more than predicted.

This account shows the transactions of the billing authority in relation to Council Tax and Business Rates 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 Business Rates 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 Business Rates 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 Business Rates 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 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 Business Rates 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 Business Rates tax base. The council retained 49% of all Business Rates received, with the remainder being shared between West Midlands Fire & Rescue Authority (WMF&RA) (1%) and Central Government (50%). This scheme ended in 2016/17.

In 2017/18, Sandwell Metropolitan Borough Council entered into a pilot scheme where the council retained 99% of all Business Rates received and the remaining 1% was retained by West Midlands Fire & Rescue Authority (WMF&RA). This scheme continued throughout 2018/19 and 2019-20.

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 needed to fund essential council services in Sandwell.

This gives Sandwell Metropolitan Borough Council a financial incentive for the council to work with local businesses to create a promising local environment for growth since the council is more reliant on the income generated by the future growth in Business Rates revenues.

2. **Income from Non Domestic Rates**

The council collects Non Domestic Rates (Business Rates) 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 2019/20 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

	2019/20 **£**
Total rateable value as at 31 March	259,181,402
Non domestic multiplier	0.491

The share of Business Rates payable were originally estimated as £96.601m to be retained by the council and £0.976m to West Midlands Fire Service. These sums have been paid and charged to the Collection Fund in year.

The total income from business rate payers collected in 2019/20 was £101.454m. This includes transitional protection payments of £0.366m which, under the new regulations, should have a neutral impact on the business rate retention scheme. Transitional protection payments have to be repaid to Central Government.

With the introduction of the new 100% scheme, a baseline level was set by Central Government for each authority, which identified the expected level of retained Business Rates and a top up or tariff amount to ensure that authorities received their baseline amount. For 2019/20 it was estimated that the council would receive additional top up grant to the General Fund of £40.9m which is included within the Comprehensive Income and Expenditure Statement.

3. **Council Tax**

The council calculated a council tax base of 74,151 for 2019/20 as compared to the 2018/19 base of 72,206. The tax base for 2019/20 has been calculated as follows:

	Band D Equivalents Number
Band A	22,825
Band B	25,338
Band C	15,543
Band D	6,485
Band E	3,164
Band F	674
Band G	93
Band H	28
	74,150

In 2019/20 the council set Band D Council Tax at £1,614.63. 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 Business Rates. It also includes a provision for outstanding Business Rates rating appeals, which if successful will be a liability to the Collection Fund. The summary below includes full details of these provisions and also the council's share of this liability; the remaining liability being met proportionately by the preceptors.

2018/19					**2019/20**			
Impairment losses		**Appeals**			**Impairment losses**		**Appeals**	
Council Tax £'000	**NDR £'000**	**Council Tax £'000**	**NDR £'000**		**Council Tax £'000**	**NDR £'000**	**Council Tax £'000**	**NDR £'000**
16,261	2,612	-	2,325	Balance as at 1 April	15,389	1,200	-	3,992
(2,518)	(1,535)	-	-	Write Offs in Year	(908)	(1,417)	-	-
1,646	123	-	1,667	Increase / (Decrease) to Provision in Yea	(1,791)	2,417	-	6,087
15,389	**1,200**	**-**	**3,992**	**Balance as at 31 March**	**12,690**	**2,200**	**-**	**10,079**
13,358	**1,188**	**-**	**3,952**	**SMBC's Proportion of Provisions:**	**10,998**	**2,178**	**-**	**9,979**

Group Accounts

2019/20

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

2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000		2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
			People			
141,931	(62,055)	79,876	Adult Social Care Services	145,941	(66,666)	79,275
272,023	(271,713)	310	Schools	284,207	(279,797)	4,410
111,970	(14,418)	97,552	Children's Services	127,643	(26,832)	100,811
25,294	(24,900)	394	Public Health	24,566	(24,229)	337
			Performance			
176,574	(134,344)	42,230	Resources	149,244	(118,168)	31,076
1,271	(1,511)	(240)	Corporate Management	2,470	68	2,538
			Place			
54,760	(8,857)	45,903	Housing & Communities	51,093	(10,818)	40,275
44,247	(14,353)	29,894	Regeneration & Growth	51,444	(14,999)	36,445
89,690	(130,421)	(40,731)	Housing Revenue Account	92,559	(129,427)	(36,868)
(60,924)	-	(60,924)	- Reversal of previous revaluation losses	(260)	-	(260)
856,836	**(662,572)**	**194,264**	**Cost of Services**	**928,907**	**(670,868)**	**258,039**
		13,071	Levies			13,001
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		2,601	(Gains) / Losses on the disposal of non current assets			3,974
		29	Losses on Revaluation of Assets Held for Sale			186
		18,398	**Other Operating Expenditure**			**19,858**
		31,368	Interest payable and similar charges			30,298
		18,439	Net interest on the net defined benefit liability (asset)			17,686
		(1,666)	Interest receivable and similar income			(1,536)
		(2,836)	Income and expenditure in relation to investment properties			(3,091)
		6,182	Changes in the fair value of investment properties			4,024
		(787)	Changes in the Fair Value of Financial Assets			(191)
		50,700	**Financing and Investment Income and Expenditure**			**47,190**
		(97,929)	Council Tax income			(107,023)
		(17,051)	Non Ringfenced Government Grants			(31,096)
		(96,095)	Retained Business Rates			(96,601)
		(50,660)	Business Rates Top Up			(40,915)
		41	Collection Fund Surplus (-) / Deficit			5,375
		(38,465)	Capital grants and contributions			(44,064)
		(300,159)	**Taxation and Non Specific Grant Income**			**(314,324)**
		(36,797)	**(Surplus) / Deficit on Provision of Services**			**10,763**
		(10,997)	(Surplus) / deficit on revaluation of non current assets			(33,408)
		(81)	(Surplus) / deficit on revaluation of available for sale financial assets			11,087
		(42,110)	Actuarial (gains) / losses on pension assets and liabilities			(7,198)
		79	Any other (gains) / losses required to be included			-
		(53,109)	**Other Comprehensive Income and Expenditure**			**(29,519)**
		(89,906)	**Total Comprehensive Income and Expenditure**			**(18,756)**

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

Restated 31 March 2018 £'000	Restated 31 March 2019 £'000		Note ref	31 March 2020 £'000
1,016,880	1,105,937	Council Dwellings	Group 5	1,132,486
688,853	668,120	Other Land & Buildings	Group 5	689,480
222,154	221,499	Infrastructure	Group 5	221,637
23,271	21,597	Vehicles, Plant, Furniture & Equipment	Group 5	21,450
20,624	18,812	Community Assets	Group 5	18,829
13,568	18,221	Assets Under Construction	Group 5	36,476
17,115	17,368	Surplus Assets Not Held for Sale	Group 5	9,437
2,002,465	**2,071,554**	**Property Plant & Equipment**		**2,129,795**
4,192	4,193	Heritage Assets	11	4,312
86,402	78,498	Investment Properties	12	73,590
3,196	2,463	Intangible Assets	14	1,688
27,138	29,315	Long Term Investments	-	18,227
3,591	3,631	Long Term Debtors	-	3,985
2,126,984	**2,189,654**	**Long Term Assets**		**2,231,597**
5,021	11,029	Short Term Investments	16	2,646
281	-	Assets Held for Sale	13	1,023
1,300	1,465	Inventories	-	1,375
37,493	48,233	Short Term Debtors	Group 6	36,124
55,192	61,044	Cash & Cash Equivalents	-	66,137
99,287	**121,771**	**Current Assets**		**107,305**
(72,378)	(22,350)	Bank Overdraft	19	(18,929)
(55,908)	(77,810)	Short Term Borrowing	16	(76,250)
(77,875)	(82,234)	Short Term Creditors	Group 7	(79,487)
(6,652)	(10,316)	Provisions	22	(15,501)
(713)	(2,569)	Revenue Grants Receipts in Advance	35	(6,651)
(2,418)	(3,876)	Capital Grants Receipts in Advance	35	(4,098)
(215,944)	**(199,155)**	**Current Liabilities**		**(200,916)**
(4,239)	(3,562)	Provisions	22	(4,339)
(450,420)	(447,312)	Long Term Borrowing	16	(427,843)
(822,921)	(832,616)	Other Long Term Liabilities	21	(864,091)
(12,104)	(15,204)	Capital Grants Receipts in Advance	35	(13,292)
(1,289,684)	**(1,298,694)**	**Long Term Liabilities**		**(1,309,565)**
720,643	**813,576**	**Net Assets**		**828,421**
193,463	201,167	Usable Reserves	MIRS	200,489
509,745	596,212	Unusable Reserves	Group 8	615,904
17,435	16,197	Group Income & Expenditure Reserve		12,028
720,643	**813,576**	**Total Reserves**		**828,421**

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

2018/19				2019/20		
Sandwell MBC £'000	**Sandwell Children's Trust £'000**	**Group Total £'000**		**Sandwell MBC £'000**	**Sandwell Children's Trust £'000**	**Group Total £'000**
(38,150)	1,568	**(36,582)**	**Net (surplus) / deficit on the provision of services**	10,426	4,246	**14,672**
(61,687)	(9,147)	**(70,834)**	**Adjustments to net (surplus) / deficit on the provision of services for non cash movements**	(144,238)	3,271	**(140,967)**
56,195	21	**56,216**	**Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities**	62,430	-	**62,430**
(43,642)	**(7,558)**	**(51,200)**	**Net cash flows from Operating Activities**	**(71,382)**	**7,517**	**(63,865)**
			Investing Activities:			
65,760	-	65,760	Purchase of property, plant and equipment, investment property and intangible assets	98,494	-	98,494
157,042	-	157,042	Purchase of short and long term investments	77,646	-	77,646
(18,097)	-	(18,097)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,329)	-	(18,329)
(151,032)	(21)	(151,053)	Proceeds from short and long term investments	(86,030)	-	(86,030)
(43,057)	-	(43,057)	Other receipts from investing activities	(42,406)	-	(42,406)
10,616	**(21)**	**10,595**	**Net cash flows from Investing Activities**	**29,375**	**-**	**29,375**
			Financing Activities:			
(218,090)	-	(218,090)	Cash receipts of short and long term borrowing	(239,258)	-	(239,258)
3,519	-	3,519	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,947	-	4,947
199,295	-	199,295	Repayments of short and long term borrowing	260,287	-	260,287
(15,276)	**-**	**(15,276)**	**Net cash flows from Financing Activities**	**25,976**	**-**	**25,976**
(48,302)	**(7,579)**	**(55,881)**	**Net (increase) / decrease in cash and cash equivalents**	**(16,031)**	**7,517**	**(8,514)**
(17,187)	-	(17,187)	Cash and cash equivalents at the beginning of the reporting period	31,114	7,578	38,692
48,302	7,578	55,880	Net movement in cash and cash equivalents	16,031	(7,517)	8,514
31,115	**7,578**	**38,693**	**Cash and cash equivalents at the end of the reporting period**	**47,145**	**61**	**47,206**

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

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adj Account	Financial Instruments Adj A/C	Financial Instrument Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Accumulated Absences Account	Collection Fund Adj A/C	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2018	**133,676**	**35,281**	**7,816**	**16,690**	**193,463**	**256,269**	**990,035**	**(1,462)**	**-**	**20,599**	**(775,723)**	**(7,091)**	**(8,662)**	**473,965**	**667,428**	**102,520**	**769,948**
Prior Period Adjustment	-	-	-	-	-	6,510	16,752	-	-	-	-	-	-	**23,262**	**23,262**	(69,541)	(46,279)
Restated Balance as at 1 April 2018	**133,676**	**35,281**	**7,816**	**16,690**	**193,463**	**262,779**	**1,006,787**	**(1,462)**	**-**	**20,599**	**(775,723)**	**(7,091)**	**(8,662)**	**497,227**	**690,690**	**32,979**	**723,669**
Movement in Reserves During 2018/19																	
Total Comprehensive Income and Expenditure	(42,428)	80,579	-	-	38,151	7,367	-	-	20,680	(20,599)	42,110	-	(79)	49,479	**87,630**	2,276	**89,906**
Adjustments between Group Accounts and Council Accounts	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Group Reserves accounted for through equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase/(Decrease) before Transfers	**(42,428)**	**80,579**	**-**	**-**	**38,151**	**7,367**	**-**	**-**	**20,680**	**(20,599)**	**42,110**	**-**	**(79)**	**49,479**	**87,630**	**2,276**	**89,906**
Adjustments between accounting basis & funding basis under regulations (Note 8)	26,714	(75,424)	8,406	9,858	(30,446)	(6,925)	66,310	116	-	-	(39,825)	693	10,077	30,446	-	-	-
Increase / Decrease in Year	**(15,714)**	**5,155**	**8,406**	**9,858**	**7,705**	**442**	**66,310**	**116**	**20,680**	**(20,599)**	**2,285**	**693**	**9,998**	**79,925**	**87,630**	2,276	**89,906**
Balance at 31 March 2019 carried forward	**117,962**	**40,436**	**16,222**	**26,548**	**201,168**	**263,221**	**1,073,097**	**(1,346)**	**20,680**	**-**	**(773,438)**	**(6,398)**	**1,336**	**577,152**	**778,320**	**35,255**	**813,575**
Movement in Reserves During 2019/20																	
Total Comprehensive Income and Expenditure	(36,138)	21,803	-	-	(14,335)	30,472	-	-	(11,087)	-	7,198	-	-	26,583	12,248	2,599	14,847
Adjustments between Group Accounts and Council Accounts	3,909				3,909									-	3,909	(3,909)	-
Changes in Group Reserves accounted for through equity					-									-	-	-	-
Net Increase/(Decrease) before Transfers	**(32,229)**	**21,803**	**-**	**-**	**(10,426)**	**30,472**	**-**	**-**	**(11,087)**	**-**	**7,198**	**-**	**-**	**26,583**	**16,157**	**(1,310)**	**14,847**
Adjustments between accounting basis & funding basis under regulations (Note 8)	38,831	(22,446)	7,162	(13,799)	9,748	(5,678)	26,295	91	-	-	(24,398)	(1,936)	(4,122)	(9,748)	-	-	-
Increase / Decrease in Year	**6,602**	(643)	7,162	(13,799)	(678)	24,794	26,295	91	(11,087)	-	(17,200)	(1,936)	(4,122)	16,835	16,157	(1,310)	14,847
Balance at 31 March 2020 carried forward	**124,564**	**39,793**	**23,384**	**12,749**	**200,490**	**288,015**	**1,099,392**	**(1,255)**	**9,593**	**-**	**(790,638)**	**(8,334)**	**(2,786)**	**593,987**	**794,477**	33,945	**828,422**

1. **Accounting Policies**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2019/20 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS).

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

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

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

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

2. **Consolidated Group Entities**

Sandwell Children's Trust

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

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

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

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

Sandwell Land & Property Limited (SL&P)

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

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

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

3. **Basis of Consolidation**

The following statements consolidate the accounts of the Council with those of its subsidiaries, associates and joint venture. Transactions between the Council and its group entities are eliminated on consolidation. Details of the inter-company transactions are set out in Note 36 - Related Parties, to the single entity accounts.

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

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

Group Balance Sheet – shows the value of assets and liabilities recognised by the group at 31 March 2020 and the level of reserves, split into usable and unusable.

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

4. **Prior Period Adjustment**

During the preparation of the 2019/20 statement of accounts, the Councils valuation officers have reviewed the methodology applied for valuing schools assets owned by the Sandwell Land and Property Company that are included within the group accounts. There were two significant changes which were the reclassification of developed and undeveloped land and the valuation of non maintained school on a net present value basis. The change in value of these assets are deemed to be material and so a prior period adjustment (PPA) has been applied to the accounts.

The overall effect of the PPA is as follows:
Balance Sheet: Closing balance of Other Land and Buildings decreased by £69.5m in 2018/19
Balance Sheet: Closing balance of Unusable Reserves has decreased by £63.1m in 2018/19

The following notes have been restated for 2018/19 to reflect the impact of the Prior Period Adjustments detailed above:

Note 4 – Property Plant & Equipment
Note 7 – Unusable Reserves

Restated Balance Sheet 2018/19	**Balances as Previously Stated at 31 March 2019 £'000**	**Restatement (Note 4)**			**Restated Balances 31 March 2019 £'000**
		Asset Revaluations (SMBC) £'000	**Reversal of entries relating to The Public £'000**	**SLaP Asset Revaluations £'000**	
Other Land & Buildings	719,702	27,057	(4,325)	(74,314)	668,120
Property Plant & Equipment	**1,925,642**	**27,057**	**(4,325)**	**(74,314)**	**1,874,060**
Total Net Assets	**667,428**	**27,057**	**(4,325)**	**(74,314)**	**620,171**
Unusable Reserves	641,360	27,057	(4,325)	(67,880)	596,212
Total Reserves	**760,362**	**27,057**	**(4,325)**	**(67,880)**	**719,539**

5. **Property Plant and Equipment**

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

	Council Dwellings £'000	Other Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation								
At 1 April 2018	**1,031,513**	**768,019**	**329,585**	**89,326**	**20,678**	**13,573**	**17,564**	**2,270,258**
Prior Period Adjustment	-	(73,734)	-	-	-	-	-	**(73,734)**
Restated Balance at 1 April 2018	**1,031,513**	**694,285**	**329,585**	**89,326**	**20,678**	**13,573**	**17,564**	**2,196,524**
Additions	26,556	8,399	7,725	4,301	170	17,522	826	**65,499**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(15,656)	-	-	-	-	1,393	**(14,263)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	60,924	(3,804)	-	-	-	-	(274)	**56,846**
Derecognition - Disposals	-	(4,636)	-	(1,917)	-	-	(1,170)	**(7,723)**
Assets reclassified (to) / from Held for Sale	(13,169)	-	-	-	-	-	(568)	**(13,737)**
Other movements in Cost or Valuation	16,082	(1,310)	136	-	(1,982)	(12,778)	692	**840**
At 31 March 2019	**1,121,906**	**677,278**	**337,446**	**91,710**	**18,866**	**18,317**	**18,463**	**2,283,986**
Accumulated Depreciation and Impairment								
At 1 April 2018	**(14,633)**	**(13,760)**	**(107,431)**	**(66,055)**	**(54)**	**(5)**	**(449)**	**(202,387)**
Prior Period Adjustment	-	8,329	-	-	-	-	-	**8,329**
Restated Balance at 1 April 2018	**(14,633)**	**(5,431)**	**(107,431)**	**(66,055)**	**(54)**	**(5)**	**(449)**	**(194,058)**
Depreciation Charge	(16,141)	(15,184)	(8,516)	(5,971)	-	-	(87)	**(45,899)**
Depreciation written out to the Revaluation Reserve	14,633	11,487	-	-	-	-	149	**26,269**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(52)	-	-	-	-	(56)	**(108)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(153)	-	-	-	(79)	(700)	**(932)**
Derecognition - Disposals	-	78	-	1,913	-	-	146	**2,137**
Other movements in Depreciation and Impairment	172	97	-	-	-	(12)	(98)	**159**
At 31 March 2018	**(15,969)**	**(9,158)**	**(115,947)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(212,432)**
Net Book Value								
At 1 April 2018	**1,016,880**	**754,259**	**222,154**	**23,271**	**20,624**	**13,568**	**17,115**	**2,067,871**
At 31 March 2019	**1,105,937**	**668,120**	**221,499**	**21,597**	**18,812**	**18,221**	**17,368**	**2,071,554**

	Council Dwellings £'000	Other Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Plant, Property & Equipment £'000
Cost or Valuation								
At 1 April 2019	**1,121,906**	**677,278**	**337,446**	**91,710**	**18,866**	**18,317**	**18,463**	**2,283,986**
Prior Year Adjustment	-	-	-	-	-	-	-	**0**
Revised Balance At 1 April 2019	**1,121,906**	**677,278**	**337,446**	**91,710**	**18,866**	**18,317**	**18,463**	**2,283,986**
Additions	31,041	7,785	8,869	5,828	93	45,829	331	**99,776**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(16,008)	5,142	-	-	-	-	(4,471)	**(15,337)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	260	(7,685)	-	-	-	-	(789)	**(8,214)**
Derecognition - Disposals	-	(7,525)	-	(363)	-	-	-	**(7,888)**
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	(15,798)	**(15,798)**
Other movements in Cost or Valuation	(4,713)	20,613	-	-	(76)	(27,587)	12,487	**724**
At 31 March 2020	**1,132,486**	**695,608**	**346,315**	**97,175**	**18,883**	**36,559**	**10,223**	**2,337,249**
Accumulated Depreciation and Impairment								
At 1 April 2019	**(15,969)**	**(9,158)**	**(115,947)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(212,432)**
Prior Year Adjustment	-	-	-	-	-	-	-	**0**
Revised Balance At 1 April 2019	**(15,969)**	**(9,158)**	**(115,947)**	**(70,113)**	**(54)**	**(96)**	**(1,095)**	**(212,432)**
Depreciation Charge	(16,234)	(12,951)	(8,731)	(5,913)	-	-	(65)	**(43,894)**
Depreciation written out to the Revaluation Reserve	32,037	16,084	-	-	-	-	740	**48,861**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(101)	-	-	-	-	-	**(101)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(83)	-	-	-	-	-	**(83)**
Derecognition - Disposals	-	-	-	301	-	-	-	**301**
Other movements in Depreciation and Impairment	166	81	-	-	-	13	(366)	**(106)**
At 31 March 2020	**0**	**(6,128)**	**(124,678)**	**(75,725)**	**(54)**	**(83)**	**(786)**	**(207,454)**
Net Book Value								
At 1 April 2019	**1,105,937**	**668,120**	**221,499**	**21,597**	**18,812**	**18,221**	**17,368**	**2,071,554**
At 31 March 2020	**1,132,486**	**689,480**	**221,637**	**21,450**	**18,829**	**36,476**	**9,437**	**2,129,795**

6. **Short Term Debtors**

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

	2018/19 £'000	**2019/20 £'000**
Trade Receivables	29,925	7,807
Prepayments	4,904	8,769
Other Receivable Amounts (Council Tax, Business Rate and HMRC)	13,404	19,548
Total	**48,233**	**36,124**

7. **Short Term Creditors**

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

	2018/19 £'000	2019/20 £'000
Trade Payables	62,868	54,783
Other Payables	11,674	20,084
Finance Lease Creditors (Note 40)	4,948	4,620
Total	**79,490**	**79,487**

8. **Unusable Reserves**

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

	Restated 2018/19 £'000	2019/20 £'000
Revaluation Reserve	(308,564)	(336,218)
Available for Sale Financial Instruments Reserve	-	-
Financial Instrument Revaluation Reserve	(20,680)	(9,593)
Capital Adjustment Account	(1,046,812)	(1,073,107)
Financial Instruments Adjustment Account	1,346	1,255
Pensions Reserve	773,438	790,638
Collection Fund Adjustment Account	(1,336)	2,786
Accumulating Compensated Absences Adjustment Account	6,398	8,334
Total Unusable Reserves	**(596,210)**	**(615,905)**

9. **External Audit Fees**

The following table shows the amounts payable by the group to external auditors. Also, fees of £0.015m will be paid by SMBC in 2019/20 in relation to the 2018/19 external audit of Sandwell Land and Property Limited by Grant Thornton.

	2018/19 £'000	**2019/20 £'000**
Fees payable to KPMG the appointed auditor for the year 2017/18 and prior with regard to external audit services carried out in that year	40	
Fees payable to KPMG for the certification of grant claims and returns for 2017/18 and prior	9	
Fees payable in respect of other services provided by KPMG during 2017/18 and prior	35	
Fees payable to Grant Thornton appointed auditor for the year 2018/19 with regard to external audit services carried out for SMBC	153	(18)
Fees payable to Grant Thornton appointed auditor for the year 2019/20 with regard to external audit services carried out for SMBC	-	153
CFO insights (non-audit service provided by Grant Thornton) 2018/19	13	
Fees payable to Grant Thornton appointed auditor for the year 2018/19 with regard to external audit services carried out for the subsidiary audit	23	25
Total Fess for Appointed Auditor	**273**	**160**
Certification of 2018/19 Teachers Pension claim		5
Housing Benefit Audit		16
PFI Objection		28
AAS Support		4
West Midlands Pension Fund		1
Housing Benefits Subsidy Audit		8
2018/19 Audit fee for Sandwell Land and Property company		15
2019/20 Audit fee for Sandwell Land and Property company		15
Total Additional Fees	**-**	**92**
Total	**273**	**252**

Annual Governance Statement 2019/20

Scope of Responsibility

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

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

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

The Statement reflects the governance framework in place across the Group, including Sandwell Children's Trust Limited (a company wholly owned by the Council) and Sandwell Land and Property Limited which is also wholly owned by the Council.

The Purpose of the Governance Framework

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

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the annual report and Statement of Accounts.

The Governance Framework

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

The Council has developed its Corporate Plan- The Sandwell Plan – Big Plans for a Great Place that sets out what the Council will do to deliver Vision 2030 and the 10 Ambitions over the next five years, and is based upon six strategic outcomes. The driving theme behind the Plan is One Team: One Council, which reflects the culture of the organisation through strong leadership in an honest, open and transparent environment.

The Council's governance framework is consistent with the seven core principles of the CIPFA/ SOLACE framework. Key elements of Council systems and processes form part of the Group's Governance Framework (as detailed in the Code of Corporate Governance) and the table below sets out the evidence relied upon that provides assurance that the CIPFA/ SOLACE framework has been complied with.

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances Received	Issues Identified
• Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive	• Ongoing review of the Constitution • Corporate and Directorate business plans • Medium term financial plan • Corporate risk management strategy • Strategic risk-register and assurance map • Review of Scrutiny Function • Codes of conduct	• 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 • Annual and periodic Reports to the Ethical Standards and Member Development Committee	• Children's Services • Resilience of the Medium Term Financial Strategy • Data Protection Act 2018 (incorporating GDPR) • Cyber Security • Governance arrangements (Covid-19)

stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	• Schemes of delegation • Standards and Member Development Committee • Emergency Committee • Audit and Risk Assurance Committee • Internal audit plan • External audit plan • Independent external reviews (e.g. Ofsted, CQC, ICO, HSE) • 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 Service4 (second column) s system • Information Governance Framework • Information Governance Board • Governance Programme Board • Executive Management Team, Cabinet Member and directors' assurance statements • Procurement and Contract Procedure Rules and Financial Regulations • Committee management information system (CMIS) • Strategic Partnership Board and Operational Partnership Board • Improvement Board • Sandwell Sport and Leisure Built Facilities Steering Group • Commonwealth Games 2022 Steering Group • Standards Working Group • Better Care Fund Plan	• Member and Executive Development Programmes • Ofsted Annual Report of HMCI of Education, Children's Services and Skills • Annual Local Government Ombudsman report • Annual Fraud Report • Sandwell Safeguarding Children's Board Annual Report • Sandwell Safeguarding Adult's Board Annual Report • Scrutiny Annual Report • Investors in People • Ofsted inspection and monitoring of Children's Services • Sandwell Children's Trust Ltd Statement of Internal Control Planning Committee Annual Report • Corporate Parenting Board Annual Report • Staff surveys • Community consultations	• Commonwealth Games Aquatic Centre • Outsourcing to the Voluntary Sector • Inclusive Economy Deal • Covid-19 Reset and Recovery • Sandwell Land and Property Ltd • Brexit • External Audit Recommendations

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 2019/20 or after the year end but prior to this statement being finalised include:

- A new Leader was elected following the May 2019 local elections who resigned in July 2020, and the Statutory Deputy Leader assumed the role in accordance with legislative provisions until the May 2021 local elections, when a new Leader and a new cabinet were appointed.
- Interim Chief Executive arrangements were ceased following the successful permanent appointment to the role and a senior management restructure is underway which is designed to meet the needs of the organisation as outlined in the Corporate Plan – “Big Plans for a Great Place”
- A Standards Working Group has been set up to review the Code of Conduct, the arrangements for dealing with standards allegations and to review the member register and declarations of interest. The working group will review and contribute to the consultation on the LGA draft model code of conduct. In addition, the working group will lead on measuring the Council’s response to the Committee for Standards in Public Life best practice recommendations relating to ethical standards.
- A working group to review the Overview and Scrutiny function was established and engaged with members on the future structure and operation of scrutiny and continues to develop the organisations approach.
- A Governance Programme Board chaired by the Monitoring officer which is attended by various senior officers was established to review ongoing governance matters.
- Preparations began for the implementation of revised annual canvass arrangements.
- A Brexit Working Group was established and a Brexit lead for the Council was appointed to consider and plan for the UK’s departure from the European Union on 31 December 2020.

Covid-19 changes

- Towards the end of the financial year 2019/20, with the emerging Covid-19 situation, emergency governance arrangements were implemented that limited risk to strategic and operational decision making. These included, the deployment of the Council’s Emergency Committee as the primary decision-making body, and enhanced delegated decision-making arrangements that enabled the Council to respond to the outbreak within agreed decision making parameters. Changes were also made to Financial Regulations during the emergency period, most of which reverted to pre Covid 19 arrangements on 1 August 2020 once the initial emergency response passed.
- A Reset and Recovery Board was established in June 2020 with agreed Terms of Reference overseeing the emergency response (which included the establishment of a temporary food hub and welfare hub to support the most vulnerable) and the rest and recovery programme of activity.
- Sandwell Land and Property Ltd is an independent company, which is wholly owned by the Council and was set up with the intention to protect local authority education assets. However, following discussions with the Council’s current external auditors, a review has been undertaken, and it is considered that this arrangement does not provide that protection and as a result, a decision to dissolve the company is being considered.

The Review of Effectiveness

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

The review of effectiveness is informed by the work of Elected Members and senior officers within the Council who have responsibility for the development and maintenance of the governance framework; Internal Audit's annual report; the Audit and Risk Assurance Committee; the Ethical Standards and Member Development Committee; the Scrutiny function, and reports made by the Council's external auditors and other review agencies and inspectorates (all of which are publicly available through the Council's website) and include:

- Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the Council is able to confirm that the arrangements conform to these requirements.
- 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.
- During the year, Member and Executive Development Programmes have been delivered that have been designed by Members and focus on their development, training and support requirements from both a corporate and personal councillor perspective. Peer to Peer performance development reviews have been undertaken by elected Members, the outcomes of which will inform a bespoke future programme tailored to the specific needs identified by Councillors.
- The Council's external auditors Grant Thornton are auditing the Statement of Accounts for 2019/20 and will provide an independent audit opinion of the financial statements. The external auditors will also provide a value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

- However, it should be noted that there was a significant delay in the sign off of the 2018/19 Statement of Accounts, as a result of issues in respect of property valuations and also the accounting arrangements of the transactions between the Council and Sandwell Land and Property Limited, a company wholly owned by the Council, which have now been resolved. Finalisation of the 2019/20 Statement of Accounts also encountered delays as a result of further work that was undertaken on the basis of the provisions included in the accounts and also enquiries in respect of asset valuations. These issues were detailed in Grant Thornton's Audit Findings Report for the year ended 31 March 2020, which was presented to the Audit and Risk Assurance Committee on 18 March 2021.
  In addition, as reported to the Audit and Risk Assurance Committee on 24 June 2021, the External Auditors also made reference to a number of historic governance issues which they will be taking into consideration as part of the governance review they will carry out within their Audit Plan for the year ending 31 March 2021.

The Council is required to confirm whether its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. Annually the CFO has confirmed compliance with the CIPFA Role of the CFO. Towards the end of the year, from March 2020 the CFO was away from work (and subsequently left the Council's employment in November 2020), and the Head of Finance took on the Acting S151 role. While the Head of Finance has a different role to the CFO who was also the Executive Director of Resources and as such has a wider remit, we believe that the core accountancy principles within the CIPFA Role of the CFO have continued to be met.

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 Sandwell Children's Trust became fully operationally on 1 April 2018. The Trust while owned by the Council has day-to-day operational independence with regards to its management and the delivery of children's social care services and is managed by a board of non-executive and executive directors. The statutory duty to provide children's social care services however, remains with the Council. As such, comprehensive governance arrangements are in place to enable the Council to monitor progress of the Trust, consider performance and operational issues on a regular basis, and hold the Trust Board to account.

- For 2019/20 the Trust's Internal Auditors provided reasonable assurance that the Trust had adequate and effective governance, risk management and internal control processes.

- As part of its response to the Covid 19 emergency, the Council exercised its corporate business continuity plan. Whilst a number of front line services were temporarily ceased or reduced, a significant number of services have been successfully provided virtually with working from home arrangements put in place where appropriate. Staff were also redeployed into priority service areas such as the Food and Welfare Hubs and support provided to businesses. Risks are being managed through the completion of risk assessments which are regularly reviewed and updated in line with changing government advice.

Opinion for 2019/20

We have been informed from the sources noted above regarding 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.

However, as recognised elsewhere in this Statement, there was a significant delay in the signing-off of both the 2018/19 and 2019/20 Statement of Accounts, work on which continued throughout 2019/20 and 2020/21 respectively.

The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2018/19 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 yet to be made, the issues and outstanding actions have been carried forward and included in the 2019/20 issues.

Progress of the Governance Issues from 2018/19

The table below describes the governance issues identified during 2018/19 (which were reported in the 2018/19 Annual Governance Statement) and the progress that has been made against the implementation of actions to address these issues, during 2019/20.

Key Area for Improvement	Update on Position and Implication for the 2019/20 Annual Governance Statement
Children's Services The Trust continues to implement improvements arising from previous inspections but received 3 compliance notices following a regulatory inspection on fostering by Ofsted. An Ofsted monitoring visit in June removed two of the compliance notices and a re-inspection will take place in September 2019. An inspection of adoption services by Ofsted gave a judgement of requires improvement to be good and made recommendations on how this could be achieved. An inspection of Youth Offending Service gave a good judgement. Although the Trust went live from 1 April 2018, the Council still has a statutory responsibility for children's services. The contract between the	Sandwell Children's Trust has continued to make steady progress in implementing improvements as evidenced through the year via Ofsted monitoring visits and inspections, and the council's ongoing contract and performance monitoring activity. Nevertheless, until the Trust receives a full inspection, the council's children's services continue to be rated 'inadequate'. The Service Delivery Contract between the Council and the Trust required children's services to be assessed as 'requires Improvement' by 2020. As a result of Covid-19, Ofsted has confirmed that no full inspections will take place until after 31 March 2021. As such, a variation agreement has been drawn up to reflect this. Budget issues were addressed during the year and a Medium Term Financial Plan is now in place for the next three years. This will be closely monitored through the normal contract performance processes. **Carry forward**

Council and the Trust requires children's social care to be assessed as requires improvement by 2020 and good by 2022. The Trust will continue to work with improvement partners, to support its development. The Council is establishing a client function to monitor delivery of the contract via a performance management framework and other methods, including the Strategic Partnership Board which meets quarterly and the Operational Partnership Board which meets monthly. The Trust's outturn position for 2018/19 is an overspend of £6.3m and a key task will be to manage its budget when recognising the increased demand on services.	
Resilience of the Medium Term Financial Strategy (MTFS) Central government's failure to publish details of the Comprehensive Spending Review or detailed plans for the future local government funding formula is creating unprecedented uncertainty around funding allocations. Once details are published, plans will be drawn up.	The Covid-19 pandemic has had a significant financial impact on the current and future financial position of the Council in the form of both additional expenditure and a loss of income from various sources. Although the Council was able to set a balanced budget for 2020/21 and 2021/22 there remains significant uncertainty over future years funding settlements and future funding support from central government, for irrecoverable income. As such, the ability to plan effectively over the medium term continues to be reduced. **Carry forward**
Compliance with Contract Procedure Rules and Allocation of Grants A compliance audit against the ISO procedure has been completed with no significant issues identified. A monitoring process is now underway to monitor spend and regular budget meetings are held with finance. Previous audit recommendations are being followed up by Audit Services and the findings from this will be used to populate an action plan and will be reported back to the Audit and Risk Assurance Committee.	An audit of the procedures in operation for the use of various grants, predominantly within Neighbourhood Services was undertaken. The review identified a need to review and refresh the overarching Third Sector Funding Strategy and Voluntary and Community Sector Grant Funding Guidance and Procedures, streamline the number of, and different grant funding streams in place. Similarly, with regards to the different processes and forms used to administer these, improve monitoring and a continuing need to ensure that the use of funds aligns to Vision 2030. The Council has since formed an Investing in the Voluntary and Community Sector Operational Group and the process for dealing with such grant funding was subject to a strategic overview. In September 2019 Cabinet approved the replacement of the Third

	Sector Funding Strategy with a new Voluntary and Community Sector Funding Protocol. In March 2020 agreement was sought from Cabinet to a three-year grant for SCVO (Sandwell Council of Voluntary Organisations), bringing together a range of funding streams into a single grant agreement. With an aim that by bringing together fragmented funding into a single funding agreement, this would save time and money in terms of grant administration, provide greater stability for the SCVO staff team (leading to better services), and provide better awareness of the SCVO core funded offer. These changes should bring an independent and a fresh approach to how a number of Council wide grants are administered. **Complete**
Data Protection Act 2018 (incorporating the General Data Protection Regulation) A four-phase action plan has been approved by the Senior Information Risk Officer (SIRO) to ensure the council is able to meet the Information Commissioner's 12 step guide to GDPR compliance activity. Progress against the plan is being reported to the Council's Information Governance Board, which is chaired by the SIRO.	Council on 14 October 2019, appointed a new Data Protection Officer, as required by the DPA 2018. A revised project plan which is overseen by the refreshed Information Governance Board, has been developed to support the Council meet its DPA and GDPR obligations. A new cloud-based learning package is being considered by ICT to ensure annual refresher training requirements for officers continues to be met and evidenced. Progress has been impacted due to Covid-19 resulting in the introduction of new ways of working and increased data sharing with partners, volunteers and redeployed staff. As such, there is potential that there may be breaches from non-routine requests for data sharing. In addition, there is a potential for an increased volume of Freedom of Information requests to be made in the future and challenges to decisions made during the emergency. Prioritisation of workloads has meant that activities to ensure compliance with retention policies has been delayed. A significant delay is expected to the council's Public Service Network application and certification and Information Governance Change Activities such as specialist training, necessary to embed the change from the Information Governance Framework will now take longer. **Carry forward**

Cyber Security Cyber Security remains a fast-moving issue and the Council needs to be pro-active in managing, monitoring and reacting to the risk of on-going threats in order to: • protect its ability to deliver services, particularly critical services for a significant period of time, • prevent the loss of corporate and sensitive personal data (including bank details) • prevent enforcement action • reduce the risk of significant financial loss and reputational loss.	New cyber governance processes have been introduced including the Information Management Unit's representation on the Cyber Board and ICT The Council's Cyber Security & Connectivity Services Team continues to monitor and ensure the infrastructure is updated to compliance levels. Within the ICT governance structure, service architecture managers are tasked with ensuring proactive patching takes place across technologies as well as providing a schedule to ensure security updates are promptly uploaded to all platforms. Additional security measures have been applied to email systems to enhance protection of messages to and from our public-sector partners. Quarterly cyber updates are presented to the Leadership Team. The Regional Cyber Security Working group established by Sandwell, discusses potential vulnerabilities and produce mitigation plans. The Technology Modernisation Programme started which will implement new governance and revised security settings to Office 365 and Azure, but due to Covid-19 this task has been re-prioritised. Procurement of a new e-learning product to encompass General Data Protection Regulations and cyber security awareness for all employees and councillors has been completed. Revised policies relating to email are being developed in conjunction with the Information Management Unit and ICT to ensure data retention and storage is done in the most appropriate and consistent manner across the organisation. Continued retirement of obsolete and unsupported technology platforms to reduce the Council's vulnerabilities The annual Local Government Association Cyber Security assessment recognised the work the council has undertaken and concluded an Amber-Green status. The Council's PSN certification continues to be in a deferred' status. At present this is not impacting the Council's operations and ability to work with other service providers and share resources, as the governing body recognises the challenges involved. **Carry forward**

School Place Planning The Council has a statutory duty to provide sufficient school places. The current focus is on secondary schools where an additional 660 places are required by September 2020. The Council is considering its options as to how to address this issue.	To ensure there are sufficient year seven places available for the academic year 2020-21, eight secondary schools have agreed to offer an additional 115 temporary places in lieu of the Department for Education (DfE) delivering the proposed "Chance Academy" free school (180 places per year), which will now not be opening until September 2023. Similarly, the council will need to identify a further 180 year seven places for academic year 2021/22 as the Council continues to manage the uncertainty around the DfE's delivery of both Chance Academy and the new "CBSO" secondary free school (150 places per year) planned for central West Bromwich, which again will now not open until September 2023 at the earliest. The Council will look to bring forward new places planned as part of its programme to expand existing schools to offset the delay, utilising future Basic Need allocations received from Central Government. **Complete**

Significant Governance Issues and Action Plan for 2019/20

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 contract between the Council and Sandwell Children's Trust required the service to be assessed as Requires Improvement by 2020. As a result of Covid 19, Ofsted has announced that full inspections will not take place until 2021. As such, a variation agreement has been drafted to enable the contract to be varied in this respect. The Council needs to continue to ensure appropriate governance arrangements are in place to provide assurance that improvements in the service continue to enable the terms of the contract and variation agreement with the Trust to be achieved. The Council also needs to obtain suitable and continual assurances that the Trust will operate within the financial envelope provided to it as detailed in the Trust's Medium Term Financial Strategy.	Executive Director Children's Services By the date of full Ofsted Inspection

Resilience of the Medium Term Financial Strategy (MTFS) The Covid-19 pandemic has had a significant financial impact on the current financial position of the Council in the form of both additional expenditure and a loss of income from various sources. Work with budget holders and within Finance teams has been completed and the Council has been able to set a balanced budget for 2021/22 through the use of one-off balances. The focus now will be on addressing the shortfall for subsequent years, which is made more difficult as the government has not provided councils the necessary clarity over future years funding to enable the Council to effectively prepare a medium term plan. The Finance team is working closely with all budget holders to identify and record financial pressures associated with Covid 19 (including additional costs of external service providers) in order to assess and report to senior management, members, the WMCA and government on the adequacy of the emergency allocation. The Finance team is working closely with the Service Improvement team to understand the Reset and Recovery process for the Council and ensure that the plans for Reset and Recovery are affordable within the financial resources that are likely to be available in the future.	Chief Finance Officer March 2022
Data Protection Act 2018 (incorporating the General Data Protection Regulation) A four-phase action plan was approved by the Senior Information Risk Officer (SIRO) to ensure the Council is able to meet the Information Commissioner's 12 step guide to GDPR compliance activity. Progress against the plan is reported to the Council's Information Governance Board, which is chaired by the SIRO. The Covid-19 pandemic has impacted upon the delivery of this plan and changes to working practices have increased the potential risk of breaches occurring. The Council needs to ensure that any delays in implementing actions necessary to comply with GDPR are kept to a minimum. The revised deadline for compliance with the NHS Toolkit has been met and work continues to be progressed in relation to improving the management, storage and processing of personal data notwithstanding Covid-19.	Director of Law and Governance and Monitoring Officer June 2022
Cyber Security This risk is impacted by Covid-19 to the extent that there is a heightened risk for cyber-attacks to take place during an emergency, as well as reacting to changes in working practices. The pandemic has resulted in a delay in implementing actions from the Technology Modernisation Programme due to re-prioritising workloads. As such, these issues will need to be monitored to ensure delays in implementation are minimised.	Head of ICT and Revenues & Benefits March 2022
Governance Arrangements (Covid-19) During the emergency response to Covid-19, a revised governance framework was put in place. As such, there is the potential for decisions being made at speed which may be challenged in the future should legal requirements around decision making not be met.	Director of Law and Governance and Monitoring Officer September 2021

Commonwealth Games Aquatic Centre The Council is building a new state-of-the-art leisure centre which will also serve as the Commonwealth Games aquatics centre. The project is on target to be delivered on-time and within the identified budget, but given the scale of this project, the reputational importance, the multi-faceted nature of the stakeholders involved and the impact it has on Vision 2030, the project will require further sources of assurance to be considered and sought to ensure control measures are adequate and effective.	Project Director April 2022
Outsourcing to Voluntary Sector Sandwell Council of Voluntary Organisations is delivering a grant programme, on behalf of and in partnership with the Council, to enable voluntary and community groups to deliver activities in Sandwell, and to Sandwell residents, to support the following priorities: • **Building Social Connections** (tackling loneliness/social isolation) • **Youth Activities** (tackling loneliness/social isolation amongst young people) • **Healthy Lifestyles** (promoting / supporting healthy living) Assurance will be required that: • Approved applications are in accordance with the Community Grants Programme and have met the agreed criteria • There is an overview of all grants being paid out across the Council • All organisations have equal opportunity to apply for grants • Monitoring takes place to ensure outputs and intended outcomes are delivered	Director of Borough Economy March 2022
Inclusive Economy Deal The Council has introduced its Inclusive Economy Deal which supports Vision 2030 and will drive forward jointly with residents, businesses and the voluntary and community sector many interventions which will support the delivery of its ambitions. The deal is an informal agreement between the Council and everyone who lives or works in the borough, to work together to create a better Sandwell and deliver wealth for all, with the focus on the economy of Sandwell by developing joint interventions which will have a positive impact on the local economy and ensuring wealth creation is kept and shared within the borough. To bring the Inclusive Economy into practice the Council will: • Set up an Inclusive Economy and Community Wealth Board chaired by the Leader of the Council with representatives from residents, business and the voluntary and community sector. • Raise awareness of the Deal to the people of Sandwell and design an implementation process to achieve the commitments outlined. • Generate national interest and raise local awareness with residents, businesses, the Voluntary Community Sector and anchor institutions through a launch event.	Director of Regeneration & Growth March 2022

• Integrate the Deal among additional partners to ensure everyone in the borough is represented and committed to improving Sandwell. • Embed this Inclusive Economy approach into the corporate plan and deal-based strategies.	
Reset and Recovery The Council has had to adapt the ways in which it has worked to address Covid-19, not only in terms of ensuring that Sandwell's vulnerable residents have been supported alongside its businesses, but also in its governance arrangements. In addition to the impact on existing risks, the pandemic has resulted in new significant risks that affect the local economy, businesses, residents and Council services. These emerging risks are being identified and reviewed on a continual basis as the global and national picture of the crisis unfolds and the implications become better understood. Ongoing assessments of the disruption and consequences arising from the coronavirus pandemic are being carried out, resulting in the development of actions and updates of the relevant risk registers. A review will also be undertaken around the lessons to be learned from the response to the Covid-19 pandemic, including the identification of any improvement actions.	Director of Business Strategy and Change March 2022
Brexit The council's Brexit Lead Officer and the Brexit Working Group will continue to: • Ensure the council continue to take all reasonable steps to manage the impact of the UK's exit from the EU. This includes clear communication to local residents and businesses; • Oversee expenditure of the specific Brexit funding allocated to the council and ensuring it is effectively contributing to local preparations; • Engage in the Local Resilience Forum (LRF) to ensure that its plans take account of relevant local circumstances and potential impacts on local communities; and • Bring together local public service providers, the voluntary and community sector, community groups and businesses to effectively plan for the local impacts of leaving the EU.	Brexit Lead October2021
Sandwell Land and Property There are a number of issues associated with Sandwell Land and Property Ltd (SLaP- a company wholly owned by the Council) that had not been corrected in the council's statement of accounts. Details of the issues in respect of SLaP are explained in the 2018/ 19 Statement of Accounts which were approved by the council's Audit and Risk Assurance Committee on 3 September 2020. Requisite actions necessary to address the identified issues and enable the company to be dissolved are being undertaken as the protection believed to be	Director of Law and Governance March 2022

afforded by the transfer of land to the Company can be achieved in a more effective way.	
External Audit Recommendations There are a number of high level recommendations made by the council's external auditors- Grant Thornton as a result of significant issues identified during the course of the 2019/20 audit. An action plan has been developed and is being implemented to address the significant issues and recommendations which include addressing issues in respect of: • Improving the council's asset register and property database • Property valuations • Bank reconciliation and control over journals • Debtors and debt provisions Regular reports on the progress made to fully implement the agreed actions will be presented to the Audit and Risk Assurance Committee during 2021/22.	Chief Executive March 2022

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 Kerrie Carmichael
Leader of the Council

Date:

Kim BromleyDerry
Interim Chief Executive

Date:

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

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

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

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

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

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

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

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

Grant Thornton

The Audit Findings for Sandwell MBC(addendum)

Year ended 31 March 2020

December 2021

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Risk Committee.

Name : Mark Stocks
For Grant Thornton UK LLP
Date :tbc

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Sandwell Metropolitan Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

This report is an update to the Audit Findings Report presented in September 2021 to the Audit and Risk Assurance Committee. At that point we reported that we were anticipating issuing an unmodified opinion on the financial statements and an 'except for' value for money conclusion. This remains our intention.

This report summarises the matters and adjustments made to the accounts since the September Committee. The report does not repeat the matters raised in the September Report therefore this report should be regarded as a supplement to the Audit Findings Report (AFR).

Appendix A includes the adjusted misstatements since the September AFR and the cumulative unadjusted misstatements.

Appendix C contains the updated draft audit opinion.

Our audit has focused on the following which has resulted in some material adjustments to the accounts:

Internal recharges: adjustments have been made to the face of the Comprehensive Income and Expenditure Statement (CIES) to reflect a more accurate allocation of recharges over the directorates/ themes. The comparators for the 2018/19 accounts have also been restated. There has been material impact on the net expenditure at a service line level for two directorates, but no impact on the Costs of Services total line or on the Council's useable reserves.

Grants: there was an incorrect classification of grant income on the face of the CIES. Material adjustments has been made to the Costs of Services lines and the Taxation and Non-specific Services lines. Note 35 has also been adjusted for this and also for grants previously omitted from the disclosure. Again, the comparators have been restated. There is no overall impact on the Council's services or useable reserves.

Note 37: Capital Expenditure and Capital Financing: This is a disclosure note and has no impact on the primary statements. This note is cumulative in nature, and it was established that the opening balances had been incorrectly stated. In-year allocations were correctly stated. Again, the impact is highly material to the note, and comparators have been restated. There is no overall impact on the Council's services or useable reserves.

The following pages includes further details on these matters and the related adjustments.

Following the Audit and Risk Committee we will update our subsequent events assessment and review the updated letter of representation. There is no longer a requirement to submit the Whole of Government Accounts return in relation to 2019/20 financial year and therefore we will then be in a position to issue the opinion on the accounts and the closure certificate.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	There is no change in our value for money conclusion for 2019/20 following this additional work and a qualified 'except for' value for Money conclusion. As referenced in the previous Audit Findings Report we note that a number of governance issues have come to our attention during 2021. We consider that there is insufficient evidence to confirm that these matters impacted 2019/20 and as such they will be dealt with as part of the 2020/21 audit.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties in relation to the 2019/20 financial year but have done so as part of our 2020/21 audit and information is available on the council website.
Other matters	There has been no change to significant risks, or our findings in relation to key judgements or internal controls as set out in the September 2021 audit findings report except where referenced in this summary report. No further matters have come to our attention in relation to: • fraud, • related parties; and • Laws and regulations Management has not brought any new issues to our attention that would impact on our opinion on the accounts. We have reissued the letter of representation for further consideration by the Audit and Risk Committee due to the elapsed time and this is included on the committee agenda.
COVID 19/Going concern	We have revisited our going concern assessment and management has extended the cashflow forecast to January 2023 to support management's assessment. Reference to 'macroeconomic uncertainties' has now been removed from the draft opinion as previously shared, as it is our view that the uncertainties referred to (COVID -19 and Brexit) are no longer as important for our audits as they once were.
Acknowledgements	We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during these unprecedented times

2. Financial Statements

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan and in our previous Audit findings report. We considered the gross expenditure (materiality benchmark) in the revised statements and concluded that previously reported materiality remained appropriate.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	12.m	12m	Materiality has been based on 1.4% of the Authority and Group's gross expenditure based on the prior year financial statements. We have reconsidered based on the draft and updated 2019/20 financial statements and concluded materiality determined at planning remains appropriate
Performance materiality	8.4m	8.4m	Our performance materiality has been set at 70% of our overall materiality.
Trivial matters	0.6m	0.6m	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties]
Materiality for senior officer remuneration	0.1m	0.1m	The senior officer remuneration disclosure in the statement of accounts has been identified as an area requiring lower materiality due to its sensitive nature

2. Financial Statements

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This section provides commentary on the matters identified subsequent to the September Audit and Risk Assurance Committee

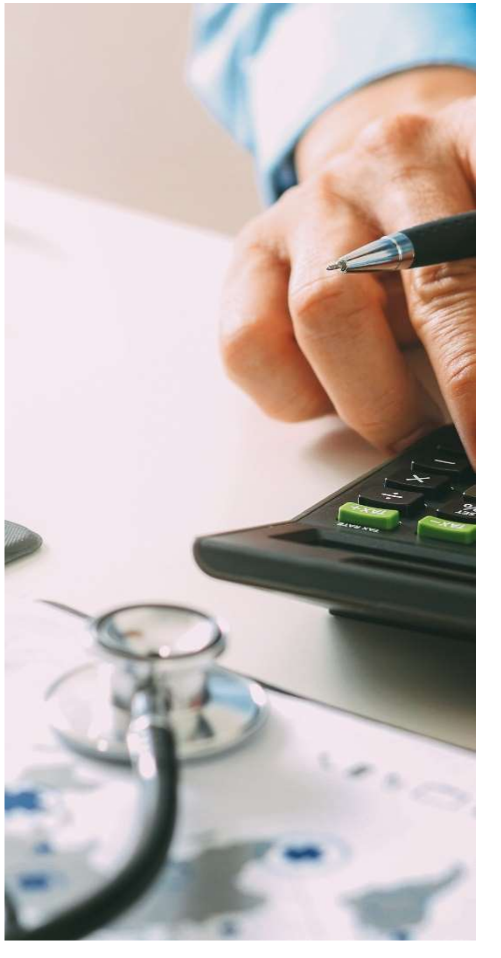
Issue	Commentary	Auditor view
Internal recharges: these had been incorrectly stated on the face of the CIES. This was regarded by management as an error in the interpretation of the Code and the 2019/20 and 2018/19 comparators have been restated. This impacts on the face of the CIES but also a number of other statements have been restated as a consequence.	Our internal consistency checks of the accounts identified that the Housing Revenue Account, did not reconcile to the CIES as we expected. On investigation management established that within the CIES management had incorrectly coded overhead expenditure between individual departments. Whilst this had no impact on the Net Costs of Services, it did result in individual service lines being significantly misstated. As this impacted on material information within a primary statement it was necessary to adjust but also to restate the prior year on a comparable basis. Management determined that this was a material error in the prior year and thus the criteria in IAS8 had been met for a prior period adjustment. The table within note 7 sets out the adjustments between the draft and final statements for the prior year.	Due to the material nature of the adjustments and because it had been due to an error we agreed that its was appropriate to treat as a prior period adjustment. It is important that the directorate lines within the CIES accurately reflect the costs of these services and that these are determined on the same basis between years to provide comparability. This is a judgmental area and it is for management to have a clear policy on the treatment of costs including direct and indirect overheads. We understand that management is planning to undertake a review of how all overheads are accounted for within its management accounts during 2022/23.
Capital Financing Requirement (CFR): the Council had made an historic error in the calculation of the CFR as reflected in note 37 Capital Expenditure and capital financing.	The CFR is a measure of the capital expenditure incurred historically by the authority that has yet to be financed; it is a measure of the authority's underlying need to borrow. The methodology for calculation of the CFR is set out within the Code. The CFR is adjusted annually for new capital investment, offset by in year financing, including the Minimum Revenue Provision (MRP) and is a rolling balance year on year. Management had correctly calculated the in-year adjustments, however it was established that the opening balance was not correctly stated. In particular, the CFR excluded both PFI related debt and debt relating to the predecessor body, the West Midlands Authority. This error appears to have occurred a number of years ago. The CFR was recalculated using the CIPFA Code as reference and this resulted in a £54.9m adjustment to the CFR (opening and closing balances) for 2018/19 and 2019/20. Again this was regarded as a prior period error in accordance with IAS 8. There was no material impact on primary statements. The process did identify an error in the calculation of the internal debt between the HRA and the council but management has chosen that this will be adjusted for in subsequent years and is referenced in the unadjusted misstatements appendix. There is no significant understatement of the Minimum Revenue Provision.	It was established that management had 'rolled forward' the working paper to support the calculation of the CFR and 'corporate memory' had been lost in relation to the basis of the calculation. It was agreed with management that the opening CFR would be recalculated from first principles and this resulted in a material adjustment as described. Management had a good understanding of what should be included within in year movements and we found these to be reasonably stated. The MRP and CFR are interrelated. The MRP is the amount set aside from revenue resources to fund capital and is a statutory charge that impacts on the general fund. We noted that the calculation of the MRP is also on the basis of a 'rolled forward' working paper with historic references on assumptions built in. Our review of the significant elements of the MRP calculation determined that these were appropriate and we also benchmarked the resulting MRP as a percentage of the CFR against our expectations of what is reasonable and relative to other similar councils. This provided us with further assurance that the MRP was not materially misstated. Management should undertake further review of the MRP working papers to ensure that management are comfortable with all entries.

2. Financial Statements

Issue	Commentary	Auditor view
Grants: there was a misallocation of grants on the face of the CIES between costs of services (mainly resource line) and the taxation and non specific grant income lines. Also Note 35 provides an analysis of all grants received. This provides the detail to support the disclosure in the CIES. Material adjustments were made to both the CIES and Note 35	The Council had incorrectly accounted for a number of grants that had been accounted for within the Costs of Services within the CIES. These grants were not specific to services and therefore should have been included in the non-ringfenced grants within the Taxation and Non specific grant income lines. This impacted on the net costs of services line in the CIES but not on the deficit on provision of services line or on the Council's useable reserves. A similar error had been made in the previous year and was material. Management concluded that in line with IAS 8 prior period adjustment was appropriate and this is reflected as restated balances in the CIES for 2018/19 and referenced within note 7.	Correct allocation of grants between lines on the CIES and between years (some grants are treated as received in advance) is even more important in 2020/21 due to the scale of grants received in particular those that are COVID related. It is important that management undertake a detailed review of these areas of the accounts before audit so that management is satisfied that the accounting is correct.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix C
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties in relation to the 2019/20 financial year We have recently reported on a number of governance matters and issued statutory recommendations but have done so as part of our 2020/21 audit and information is available on the council website.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Due to the delay in the conclusion of the audit the final date for submission of the audited return has now passed.
Certification of the closure of the audit	We intend to certify the closure of the 2020/21 audit of Sandwell Metropolitan Borough Council in the audit report, as detailed in Appendix C.

3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We have referenced a breach of ethical standards in the Audit Plan issued to the Audit and Governance Committee in the June.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

3. Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to January 2021as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £253,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	28,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,000 in comparison to the total fee for the audit of £253,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
CFO Insights Subscription	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £253,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. These fees have not been reflected in the accounts because of the timing of CFO Insights The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

Appendices

A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement 2018/19 £'000	Statement of Financial Position 2018/19 £' 000	Impact on total net expenditure 2018/19 £'000
Grants: allocated to the correct lines within the CIES	Increase costs of services line £17m Increase taxation and specific grant income £17m	N/a.	n/a
Treatment of internal recharges: Adjust the lines within the Costs of services:	adult social care services (7,565) Schools 9,881 Children's services (1,114) public health 5,372 Resources (10,136) corporate management 6 housing and communities (6,767) regeneration and growth (3,553) housing revenue account 13,878	0	0
Overall impact	£0	£0	£0

A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	**Comprehensive Income and Expenditure Statement 2019/20 £'000**	**Statement of Financial Position 2019/20 £' 000**	**Impact on total net expenditure 2019/20 £'000**
Grants: allocated to the correct lines within the CIES. (equivalent adjustments have been made to both the single entity and group accounts)	decrease costs of services line £31,096 Increase taxation and specific grant income £31,096	N/a.	n/a
Treatment of internal recharges: Adjustment to the lines within the Costs of services	Adult social care services (6,965) Schools 9,155 children services (1,675) public health 5,012 Resources (8,502) corporate management 6 housing and communities (7,098) regeneration and growth (4,356) housing revenue account 14,422	n/a	n/a
Overall impact	£0	£0	£0

A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure changes	Auditor recommendations	Adjusted?
Note 35 Grant Income: related to the adjustments above, management had not correctly classified grant income within this note and it was incomplete.	Adjust note 35 to correctly reflect grants received and include explanation of the prior period adjustment within note 7.	✓
Note 37 Capital expenditure and Financing: The CFR was incorrectly stated	The opening and closing Capital financing requirement was incorrectly understated by £54.9m. Note 37 should be restated and referenced in the note 7 Prior Period Adjustments.	✓
Note 26: Expenditure and Funding Analysis and supporting notes	This should be adjusted to reflect the adjustments in the CIES	✓
Note 28: Expenditure and Income analysed by nature	Fees charges and other income, Government grants and contributions are adjusted to reflect the grants adjustments described above	

A. Audit Adjustments

Impact of unadjusted misstatements

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The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements and were reported in the September Audit Findings Report. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the tables below: and on the next page

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Debtors: the council has not included debtor arrears in relation to ongoing benefits	5,700	5,700	(5,700)	This is a historic error identified in 2019/20. Against these arrears the council will need to set an impairment of receivables. The position is further complicated by assessing the impact of the related housing subsidy. Management would prefer to undertake further work on this before making an adjustment. This is the max unrecognised income and it is likely that the Council would raise an impairment against some or all of it.
PFI: we have compared the PFI financial models updated with the GT models, to provide us with assurance over the accuracy and there are differences between the two models as follows: **Riverside:** the model has been updated since the last GT model has been run.		SMBC liabilities > 1 year £19,080k GT PFI > 1 year £23,262k Increase in liabilities £4.2m	0	SMBC is content that the current PFI model is up to date and accurate.
Rowley PFI model: the model has been updated since the last GT model has been run		SMBC liabilities > 1 year £36,891k GT PFI > 1 years £39,815k Increase in liabilities £2.9m	0	SMBC is content that the current PFI model is up to date and accurate.
Portway PFI model. There is a difference between the SMBC model and the ledger because the ledger has not been updated.		SMBC liabilities per model > 1 year £7,080k SMBC liabilities per ledger/ accounts £8,367k Reduction in liabilities (£1.3m)	0	The model is to be updated with the support of Mazars in 2020/21. management are content the ledger reflect the accurate position
Overall Impact	£5.7m	£0.1m	£5.7m	

A. Audit Adjustments

Impact of unadjusted misstatements December 2021 update

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements and have been identified subsequent to the September Audit Findings Report.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The detailed work to correct the Capital financing requirement (CFR) (note 37) identified some further errors: Kickstart loans incorrectly accounted for	Cr income 1,011,171 Cr deferred creditors 278,250	DR capital adjustment account (unusable reserves) 1,289,421	1,289,421	Not material
Due to the amended CFR there is a knock on impact in relation to internal borrowing costs between the GF and HRA of approx. £672k	Adjustment between the Resource line on cost of services, no impact on net cost of services	No impact (MIRS will show an adjustment between HRA and GF useable reserves £672k)	n/a	Not material
Overall Impact	£6.7m	£0.1m	£6.7m	

B. Fees

We confirm below our final fees charged for the audit and **provision of non-audit services**.

Audit fees	Proposed fee £
Council Audit	153,136
Fee variation agreed February 2020	32,350
Additional uplift	57,814
Subtotal (as per next page)	**243,300**
Further overrun	10,000
Subtotal	**253,300**
*Audit of subsidiary SL&P fee as per SL&P AFR issued May 2021	25,000
*Audit of subsidiary Sandwell Children's Trust	27,250
Total audit fees (excluding VAT)	**£305,550**

Non-audit fees for other services	
Audit Related Services:	
• Housing Benefit Subsidy claim • Teachers pension return • Housing capital receipts**	28,000 6,000 tbc
Non- Audit Related Services	
Agreed upon procedures Sandwell Children's Trust (annual certification of the expenditure in respect of the Trust's Improvement Grant for DfE)* CFO highlights	5,000 12,500

* this is work for the subsidiary companies and does not form part of the Council audit fee but is referenced here for completeness

**the audit of the 2017/18 and 2018/19 audit is still being finalised by KPMG. We will agree a fee for the 2019/20 audit on finalisation of their work

Appendix D

Fees

We confirm below our final fees charged for the audit and **provision of non-audit services**.

Audit fees	**Fee per plan £**	**Proposed fee £**
Council Audit	153,136	153,136
Increased challenge and depth of work	5,000	5,000
Materiality reduction from 1.8% to 1.4%	4,000	4,000
PPE	4,350	18,350
Pensions	3,500	3,500
PFI	3,000	3,000
SL&P accounting	1,500	1,500
Group accounts	3,500	3,500
PPE Valuation – cost of auditor’s expert	5,000	5,000
Provisions		10,000
Cash		5,000
Creditors		2,500
IT audit		2,500
COVID 19 / Remote working		23,014
Gerald Eve expert advice re leisure centres, schools and the Public		3,300
Correction of internal recharges and prior period adjustment		4,000
Correction of grants charge		2,000
Amendment to Capital Financing Requirement and confirmation of MRP		4,000
Total audit fees (excluding VAT)	**£185,486**	**253,300**

C. Draft Audit opinion

We anticipate we will provide the Group with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sandwell Metropolitan Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement , the Collection Fund Statement, the Group Comprehensive, Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Group Movement in Reserves Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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

Audit opinion

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments and material valuation uncertainty- multi-storey buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings and to the Authority's share of the pension fund's property investments as at 31 March 2020.

A material valuation uncertainty exists in relation to multi-storey buildings as a result of the wholesale review of the regime relating to building safety in addition to the public inquiry that has been established to investigate the circumstances of the Grenfell fire.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority and group financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Audit opinion

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 32 the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, Sandwell Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion

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

The Council's children's social care service has been subject to an improvement notice since March 2010. In June 2015 Ofsted reported findings with an overall judgement that children's services were inadequate, and consequently the Council implemented an improvement plan. The required improvements in performance were not made and on 6 October 2016 the Council was issued with a Statutory Direction, from the Secretary of State for Education, to set up a Children's Trust to deliver children's social care services.

Audit opinion

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

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

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

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

[Signature]

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

Birmingham

[Date]