



# Draft Statement of Accounts

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2021/22

# STATEMENT OF ACCOUNTS CONTENTS

Audit Opinion	1
Narrative Report	9
Statement of Accounts	
Statement of Responsibilities for the Statement of Accounts	27
Comprehensive Income and Expenditure Statement (CI&ES)	28
Balance Sheet	30
Cash Flow Statement	32
Movement in Reserves Statement (MIRS)	34
Notes to the Accounts	37
Housing Revenue Account	133
Collection Fund	141
Group Accounts	145
Annual Governance Statement	157
Glossary	186

## Reference

1. Accounting Policies
2. Accounting Standards that have been issued but have not yet been adopted
3. Critical Judgements in Applying Accounting Policies
4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty
5. Material Items of Income and Expense
6. Events after the Reporting Period
7. Prior Period Adjustments
8. Adjustments between Accounting Basis and Funding Basis under Regulations
9. Transfers to/from Earmarked Reserves
10. Property, Plant and Equipment
11. Heritage Assets
12. Investment Properties
13. Assets Held for Sale
14. Intangible Assets
15. Fair Value of Non-Current Asset
16. Financial Instruments
17. Short Term Debtors
18. Debtors for Local Taxation
19. Cash and Cash Equivalents
20. Short Term Creditors
21. Other Long-Term Liabilities
22. Provisions
23. Usable Reserves
24. Unusable Reserves
25. Cash Flow Statement
26. Expenditure and Funding Analysis
27. Note to the Expenditure and Funding Analysis
28. Expenditure and Income analysed by nature
29. Agency Services
30. Pooled Budget
31. Officers' Remuneration
32. Members Allowances
33. External Audit Costs
34. Dedicated Schools Grant (DSG)
35. Grant Income
36. Related Parties
37. Capital Expenditure and Capital Financing
38. Capital Commitments
39. Leases
40. Private Finance Initiatives and Similar Contracts
41. Impairment Losses and Reviews
42. Termination Benefits
43. Defined Benefit Pension Schemes
44. Contingent Assets and Liabilities

### Housing Revenue Account (HRA)

133

Movement on Housing Revenue Account Balance Statement

### Notes to the HRA Account

1. Housing Stock as at 31 March 22
2. Balance Sheet Movement in HRA Non-Current Asset
3. Vacant Possession and Existing Use Valuations
4. Major Repairs Reserves
5. Capital Expenditure
6. Capital Receipts
7. Depreciation Charge
8. Revaluation and Impairment Losses
9. Rent Arrears
10. Provisions and Reserves
11. Government Subsidy
12. Housing Revenue Account Balance

**Collection Fund** **141**

**Accounting Policies**

1. Income and Expenditure
2. Council Tax/NNDR Bad Debt Provision and NNDR Provision for Valuation Appeals
3. Collection Fund Statement

**Notes to the Collection Fund**

1. General
2. Income from Non-Domestic Rates
3. Council Tax
4. Collection Fund Provisions

**Group Accounts** **145**

**Comprehensive Income and Expenditure Statement**

**Balance Sheet**

**Group Cashflow**

**Movement in Reserves Statement**

1. Accounting Policies
2. Consolidated Group Entities
3. Basis of Consolidation
4. Short Term Debtors
5. Short Term Creditors
6. Unusable Reserves
7. Property, Plant and Equipment

**Annual Governance Statement (AGS)** **157**

**Glossary** **186**

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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 329,042) 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; 34% 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**

Our corporate plan, Big Plans for a Great Place, has been refreshed in the light of significant change over the last two years. The strategic outcomes have stayed the same, but some actions have been modified and updated. This year the delivery of the corporate plan will be supported by directorate business plans.

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

The critical early period from pregnancy to a child's second birthday provides the foundation for how they will develop, grow and learn and for their future life chances.

We know that poverty can limit nutrition, affect cognitive development, the ability to do well in school and ultimately earn a good living later. It can contribute to vulnerable environments. Therefore, we have placed the emphasis on the importance of the first 1,000 days of a child's life and the importance of families securing the support available to them.

Children being ready for school and schools being ready for children. Families and communities being able to support that readiness are vital, so we are introducing specific additional measures for this early period and to prepare young people for adult life and skills, with a particular focus on vulnerable children.

#### **2) People will live well, age well**

The Pandemic and lockdowns have worsened existing health inequalities. We will work to redress that balance by investing in the community, voluntary and faith sectors, playing our part in the vaccine roll-out and ensuring that local communities are connected.

Living healthy lives is also paramount. From an early age, health is an issue for residents, with Sandwell underperforming for prevalence of obesity as well as mental ill health. People are living longer but are often in poor health as they get older. We want people to live well for longer. And we will put in place the measures to reverse this trend by working with local people to create community-based opportunities leading to healthier lives.

It is also vital that people with care and support needs are enabled to make choices about the life they live. Being able to choose where you live, how you are supported, if you work or attend college and how you spend your free time are basic decisions that many people with care and support needs find it difficult to make without support. We will help people make everyday choices around not just how they are supported, but also how they choose to live their lives.

We'll make sure that people don't stay in hospital for longer than they need to and we will share information across health and social care staff to reduce duplication. We will do this by working with partners to integrate health and social care.

### **3) Strong resilient communities**

Sandwell is an area rich with heritage and culture, with historic town centres and a legacy of metalworking to celebrate. Our residents tell us that vibrant local towns are important for encouraging families to stay and have pride in where they live. This together with our programme for enhancing our green spaces and commitment to becoming carbon neutral will deliver positive outcomes for all our communities.

We know that people want to feel proud of where they live and that part of this is about getting the basics right, ensuring that our neighbourhoods and towns are clean and well maintained.

We will ensure that Sandwell is a safe environment, whether that be the safety of our road network, our parks and open spaces, adequate street lighting or, for instance, that our residents do not get caught out by rogue traders.

### **4) Quality homes in thriving neighbourhoods**

Having a warm, safe and secure home in an attractive environment is vital for improving living standards. There are 133,000 homes in Sandwell and more than a fifth of those are managed by the council.

We continue to have a very healthy council house building programme and to work productively with partners to deliver quality homes in Sandwell. We are rightly proud of our council house building programme and we are looking at developing the second Council House Build Programme, this will enable us to deliver more homes that meet our residents' needs.

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 registered housing providers and the private sector. We will also be working with our communities to explore the potential of community-led housing schemes and self-build.

We will also want to improve the quality of existing accommodation in terms of making sure our properties are safe and comply with fire and building safety requirements and that they are energy efficient. As a Council we want residents to inform service delivery and help to shape our services, this is no different in housing. We want to ensure that our tenants can participate in activity that helps to develop our offer.

More than 4,000 Sandwell families or individuals declared themselves homeless in 2018-2019 and 65% of these were single people. We will work to identify the needs of the most vulnerable people in Sandwell and work to support families who are at risk of becoming or who are homeless.

## **5) A connected and accessible Sandwell**

Sandwell is located right in the heart of the West Midlands and is well connected both regionally and nationally. Sandwell's five motorway junctions, extensive canal network and 12 train stations are critical connectivity points, with easy access to Birmingham and Coventry.

Recognising that transport can be a barrier to work, we will work with our partners such as the West Midlands Combined Authority (WMCA) <https://www.wmca.org.uk> to ensure that our residents can access employment opportunities across the region particularly by public transport.

We want to make sure that all public transport options available locally are as green as possible. So, we will continue to invest in green infrastructure, alongside the investment we will continue the implementation of the Sandwell's Cycling and Walking Infrastructure Plan to develop more cycling and walking routes.

The COVID-19 pandemic has exacerbated the digital divide that exists in our communities. So now more than ever it is important that we address digital exclusion when designing services and making key council decisions. We also need work with our partners at WM5G to ensure Sandwell maximises opportunities for 5G infrastructure, so that internet users in Sandwell have the best connectivity.

## **6) A strong and inclusive economy**

Sandwell is the third largest borough in the West Midlands with a population of almost 330,000 and a £6.3 billion economy, the largest in the Black Country. For our size our economy is not yet punching its weight and reaching its full potential. It is well understood that working and having a good income is one of the determinants of health and wider social benefits.

We are committed to working together with all our partners to create a strong and growing Sandwell, built on fairness. An economy where no one is left behind, that benefits everyone and where we build on the collective strengths of our community. We also want to work with our partners to make sure that, wherever possible, we spend our money directly with local suppliers so that the economy in Sandwell benefits and the money stays in Sandwell.

As a council, we really value our local businesses and want to continue to deliver high quality support that helps them thrive and prosper; and encourage the growth of new businesses. Part of this is ensuring that local people have the skills and knowledge to fill any vacancies by offering local training and development opportunities.

We want our young people to have access to good jobs and we will work with education providers and local businesses to guide young people to the pathways that enable them to meet their aspirations.



## 7) One Council, One Team

To deliver our ambitious plans we will create a modern, outstanding council, one where our organisational structure, business systems, process and people and cultural working practices are fully aligned to deliver our strategic outcomes. We will build a One Council: One Team ethos, breaking down departmental barriers, building collaborative team working and setting a sustainable budget aligned to outcomes.

At the centre of everything we do are the services we provide on a day-to-day basis, that make life better for people in our communities. The pandemic has changed the way we work significantly and our residents are interacting with the council increasingly online. We want to make sure that Sandwell people get a good quality, consistent level of service, however they choose to contact the council. Central to this is the development of our digital services and supporting those people who want help in improving their digital skills. We are committed to becoming a listening, responsive council that enables our residents to influence the design of services.

Our key strength as an organisation is our staff and their commitment to give Sandwell people the very best. A skilled, diverse, motivated and healthy workforce is key to this success. We will create a modern workplace and give staff technological tools that encourage creativity, collaboration and transformation. We take the health and wellbeing of our employees very seriously and will build the resources available to support them.

### 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 Annual Council meeting on 25 May 2021 a new Leader of the Council, Councillor Rajbir Singh was elected together with Deputy Leader Councillor Maria Crompton.

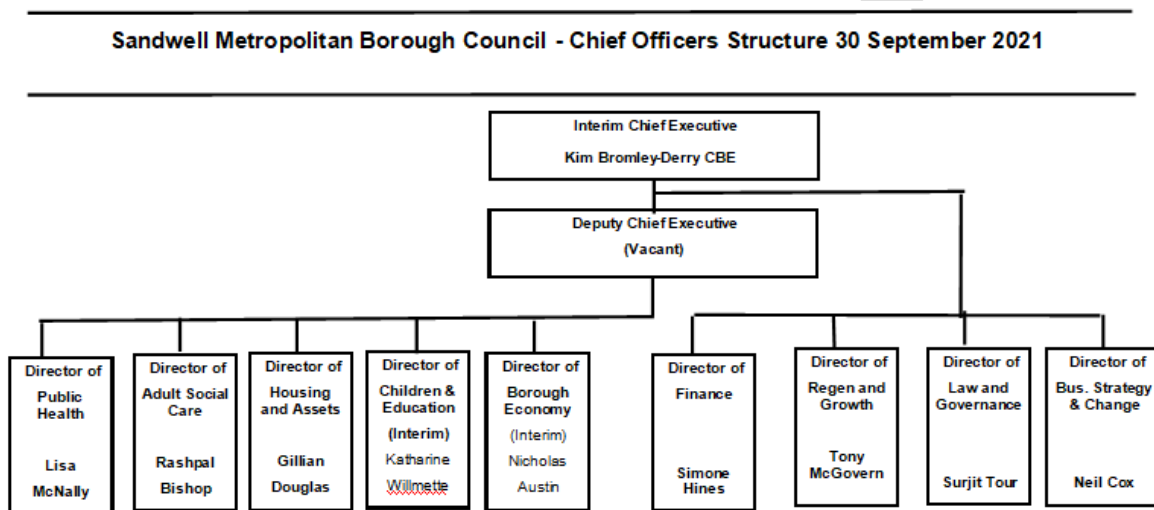
On 16 November 2021 Councillor Rajbir Singh resigned as Leader of the Council and Deputy Council Leader Councillor Maria Crompton took on the responsibilities with immediate effect.

On 7 December 2021 Councillor Kerrie Carmichael was elected.

## Organisational Structure

A senior management re-structure was approved by full Council on 6 October 2020. An Interim Chief Executive, Kim Bromley-Derry CBE was appointed on 10 August 2021.

The chart below represents the structure of the council's Chief Officer's Team during the financial year ended 31<sup>st</sup> March 2022.



A new Chief Executive, Shokat Lal, took over the chief executive role on 6th February 2023.

## Revenue Outturn

Sandwell's unearmarked general fund balance decreased by £38.367m in 2021/22. Earmarked Reserves increased by £32.647m. This is a net movement on the total general fund balance of a decrease of £5.72m.

Most services across Sandwell have ended the year in surplus and are carrying forward combined surpluses of £7.925m 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 decreased by £1.958m in 2021/22.

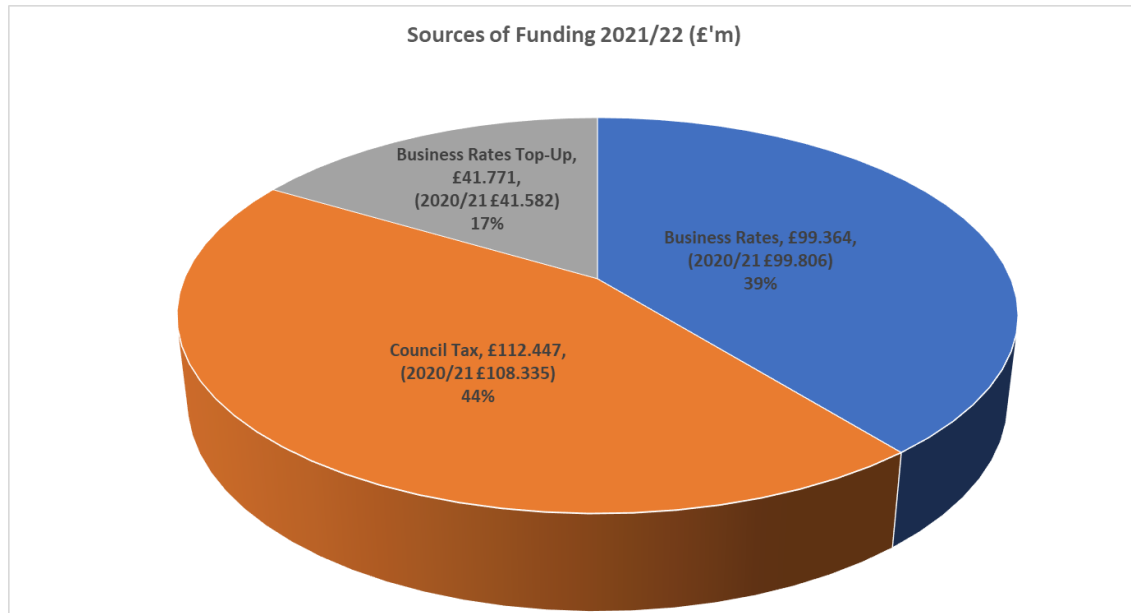
Our maintained schools have ended the year with surplus balances of £40.587m, an increase of £1.175m compared to the previous year. There are no schools that closed with a deficit budget share for 2021/22.

### **There were three schools that converted to an academy during 2021/22:**

- 1 April 2021 Hateley Heath
- 1 May 2021 Perryfields High School
- 1 June 2021 Lightwoods Primary

## Sources of funding

**Our General Fund revenue expenditure was funded from the following sources:**



## Capital Outturn

**Capital expenditure of £141.9m was incurred during 2021/22, including:**

- £4.7m Parks improvements
- £7.446m New schools/school refurbishments
- £2.637m Disabled Facilities Grant
- £3.2m Vehicles
- £11.3m Various Highways related schemes
- £32.6m New Sandwell Aquatic Centre for the 2022 Commonwealth Games
- £58.277m Housing Revenue Account

## Treasury Management

At 31 March 2022, the Council's principal external debt was £480.188m (£486.518m at 31 March 2021) and its cash investments totalled £50.850m (£37.056m at 31 March 2021).

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 2021/22 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. At 31 March 2022 the CFR was £808.927m, up from 796.767m at 31 March 2021 (See Note 37).

The financial year 2021/22 continued with the challenging environment of previous years, mainly low investment returns and additional pressures as a result of the Covid-19 pandemic.

The Council maintained an average investment balance of £88.163m in 2021/22. These funds received an average return of 0.064% compared to the performance indicator of 0.1355% (average 7 day SONIA).

During 2021/22 the Bank Rate remained at its historic low of 0.10% until December 2021 and then saw steady increases to close the financial year at 0.75% as the country saw the beginnings of economic recovery post pandemic.

The Council has complied with all 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. 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 an unearmarked general fund balance of £16.613m, a decrease of £38.367m compared to the position as at 31 March 2021 of £54.981m. The significant reduction is mostly from the reallocation of resources from unearmarked general fund balances to earmarked reserves, which have increased by £32.647m per note 9 to the account and have not been used to fund expenditure in 2021/22.

Closing unearmarked general fund balances of £16.613m represent approximately 6% of the council's budgeted net expenditure for 2021/22.

### **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 10 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.

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 2021/22 net cash and cash equivalents decreased by £13.243m.

### Assets and Liabilities

The Council continues to maintain a strong balance sheet. Long term assets are valued at £2,401.544m. Long term liabilities are valued at £1,237.613m including a net deficit of £753.776m attributable to the Council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Hymans Robertson LLP).

The results of the most recent review were used to prepare the 2021/22 accounts. The 2021/22 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 April 2022 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 36 months, with a new effective date of 1 April 2024.

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 2024/25 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 2024/25.

### **Termination Benefits**

The council terminated 32 employee contracts (excluding schools) in 2021/22 to meet the ongoing challenges of the difficult economic climate and budget reductions, incurring liabilities of £1.963m.

A provision of £1.591m was created for employees approved as planned leavers at 31 March 2021 at the end of 2020/21. Of this £0.795m was utilised and £0.786m re-provided for in 2022/23 and the balance was released back to Services.

Further termination costs of £0.466m not included in the 2020/21 provision have been incurred. £0.466m of this has been funded by Directorates and £0.0m from the Council's Corporate Resources.

Agreements were made in 2021/22 for 4 employees to leave the council during financial year 2022/23 at an estimated cost of £0.262m; a provision has therefore been created for this amount.

Further provision of £0.413m has been created for 2021/22 leavers for whom costs have been estimated but not yet incurred.

As at 31/03/2022, the council holds a total provision of £1.460m.

Schools terminated 37 employee contracts in 2021/22, incurring liabilities of £0.349m.

### **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 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 has certainly affected the Council's planning for 2021/22 and future years. Additional COVID related grant funding was made available during the earlier part of 2021/22; the full financial impacts are expected to continue throughout the 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**

Sandwell Council has played a key role in the overall national response to COVID-19, supporting businesses, communities and our most vulnerable residents throughout the

pandemic. During this time staff have worked extremely hard to continue to deliver services under challenging circumstances and in new and different ways in order to meet the needs of our communities.

Building on the council's initial Resilience Plan our response to the pandemic has been wide ranging and focused on supporting the most vulnerable in our communities. It has been successful due to the strength of our partnership working and the commitment of our staff at all levels.

We have **provided advice and financial support** to our residents and businesses to make sure they could access the maximum grants and benefits available to them. Our Welfare Rights team helped people put more money into their pockets and we provided £31.809m business rates grants in relation to Covid-19 in 2021-22. As well as advice and guidance to businesses on COVID restrictions and workplace safety measures, we introduced a scheme for local childcare business with sustainability funding and provided extensive support to schools to effectively manage through this period.

Throughout the pandemic the success of the council's response has been due to embracing innovation and good practice and building on the spirit of team working and the strength of our partnerships. It is widely recognised that the engagement of and with the community was a key strength in our response.

It has been necessary to reshape key services to minimise risk and implement measures to provide service continuity during this difficult period. Despite this, significant progress has been made during our emergency response period towards our strategic priorities as set in the Corporate Plan approved by Full Council.

### **Best Start in Life for Children and Young People:**

- Approval for the first music-focused free school in England in partnership with City of Birmingham Symphony Orchestra
- Strengthening and developing further our strategic partnership working – through SHAPE, Police and Crime Panel, Strategic Commissioning Partnership
- Extended our offer of support to care leavers up to age 25
- Sandwell rated as a top employer for apprentices
- Winner of the acclaimed MJ Award for Innovation in Children's Services

### **People Live Well and Age Well**

- Keeping people safe and maintaining wellbeing despite the pandemic
- An acceleration of personalised care to support people to achieve their outcomes
- The Council and our partners have pulled together as a whole system e.g. discharge to assess, to enable timely discharge and finding solutions to PPE together
- Proactive in our engagement with rough sleepers, provided appropriate support to help more move into and maintain sustainable tenancies.

### **Strong, Resilient Communities**

- Increased civic participation/volunteering in response to Covid



- Supporting the voluntary sector, enabling people to support each other through for instance the food bank
- Increased demand on services for the community
- New Climate Change Strategy ratified and we declared climate emergency
- Huge strides towards channel shift – more services developing digital forms and taking payments online, whilst maintaining face-to-face or telephone contact for those who really need it
- Customers using alternative methods of payment to cash increased significantly.

### **Quality Homes in Thriving Neighbourhoods**

- Continuing to build our council house programme at pace, securing national investment in Sandwell
- Progressed major housing regeneration projects across the borough to provide housing that meets the needs of current and future communities
- More empty properties have been made ready for new tenants.

### **Strong Inclusive Economy**

- The Inclusive Economy Deal and a Community Wealth Building action plan launched with organisations across the borough working together to deliver this challenging agenda
- Towns Fund Programme advancing well, including Accelerated Programme
- Other major regeneration projects progressing well - Bull Street, West Bromwich Gateway area, Wednesbury Heritage Action Zone

### **A Connected Accessible Sandwell**

- Delivered a suite of improvements to our cycling and walking network
- Submitted application for funding for Birchley Island to the Department for Transport
- Commissioned the first phase of work to develop a transport interchange at Dudley Port, examining how we can ensure an end to end journey using public transport integrating rail, metro and bus services
- Wednesbury to Brierley Hill Metro Line Extension underway

### **One Council, One Team**

- Collaborative working has grown significantly, breaking down departmental boundaries
- Great strides in progressing workplace vision with a high proportion of our workforce working from home and the ongoing redevelopments to meet the needs of our future workforce with more collaborative and drop-down space
- Creative, digital solutions ensuring our services continued

Establishment of virtual committee meetings and staff conferences as a mechanism to ensure business of the council can continue.

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 has continued to inform the Council's reset and recovery activity as we refresh our Corporate Plan. Revised and updated risk assessments have been provided to Emergency Committee and Cabinet during the pandemic.

### **Council's Workforce – new ways of working**

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 has had an impact on attendance levels both in terms of individuals sickness and because 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.

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. 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 now. Uncertainty about what represents 'Business as Usual' in the post-COVID-19 is also likely to impact on the Council's MTFS.

Regular returns have been submitted to the MHCLG to demonstrate the impact of COVID-19 on the financial position of the Council. Total emergency COVID funding of £4.516m unutilised in 2020-21 was applied in 2021-22.

Work continues reviewing and updating the Council's MTFs in the light of COVID-19 and this is being led by the Reset and Recovery Board. All assumptions will need to be revisited and updated, particularly those around future Business Rates and Council Tax income.

### **Capital Programmed 2021-22 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

### **Pension Fund Asset Valuations**

The impact of COVID was outlined in the Annual Accounting Report 2020/21 (Employers Briefing Note) as published by Barnett Waddingham LLP, the Pension Fund Actuary (now Hymans Robertson LLP).

The main impact on the Employers Liabilities is in relation to the mortality experience over the accounting year.

The approach taken by the Actuary is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members.

The Actuaries carry out a triennial valuation with 2021/22 being the most recent revaluation year. The next revaluation year will be 2024/25. The difference between the estimate and the employer's actual mortality experience in the intervening years are incorporated in the year the actuarial valuation of the Fund is complete.

## **Cash Flow Management**

The Council is continually reviewing and revising its forecast cash flow position to ensure it can fully meet its financial obligations based on extensive reviews of anticipated reductions in income and increased expenditure. The Council has received several grants from Central Government. These consist of grants to support the Council in providing a response to COVID-19. 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 to medium term, allowing it to remain within the current prudential indicators set out within its Treasury Management and Investment Strategy.

## **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-19 on our communities, economy and organisation to inform our future. 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 we have been able to manage the financial impact of COVID-19 in the short term. However, the impact will continue to be felt beyond

2022 therefore our Medium-Term Financial Strategy will continue 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.

### **Councils Economic Strategies**

The Council identifies priorities to respond to the vision at a local level building upon natural strengths, such as those in renewable energy sector while continuing to address longstanding challenges in productivity, innovation, business growth, skill demand and existing pockets of deprivation in urban, rural areas.

- **Business Growth:** Support sector growth and bring forward and maintain an attractive portfolio of employment sites in combination with high-quality and effective business support services.
- **Lifelong Learning:** Equip people with the skills they need to progress in the labour market, engage those furthest from employment or education and deliver higher level skills to meet the demands of the local economy.
- **Quality Locations:** Develop a 'place-based' approach to meet the housing, infrastructure, employment and local service needs to create sustainable and growing communities
- **Sustainable Economy:** Ensure greater cohesion and integration between our natural and economic asset base to contribute towards a more sustainable, low carbon economy.

### **2022/23 & 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**

##### **Central Government Funding**

For the second time in several years, our central government funding was not reduced for 2021/22. Central government have once again provided only a one-year settlement and therefore there is considerable uncertainty about what funding will be received in future years, particularly considering COVID-19 financial pressures.

In order to set a balanced budget for 2021/22, the Council approved the use of Covid Emergency funding of £5.8m together with the utilisation of earmarked balances of £8.0m.

**The main reasons for the shortfall in 2021/22 relate to the impact of COVID-19 on: -**

- Business Rates and Council Tax collection rates in 2020/21.
- The ongoing economic impact on future Business Rates and Council Tax income.

- The inability to address several budget pressures over the last year due to the focus on dealing with the immediate impact of the pandemic.

### **Climate Change**

**Our Climate Change Strategy was agreed by Cabinet in 2020. The strategy covers the timeframe 2020 to 2041. Our overarching targets are:**

- To reach carbon neutrality (Carbon Net Zero) across all Council functions by 2030.
- To reach carbon neutrality borough-wide by 2041.

These targets are closely aligned with both the West Midlands Combined Authority and the West Midlands Pension Fund.

Our Climate Change Strategy includes an Action Plan to get us to our target position of net zero carbon emissions.

Our ambition by 2030 is for all Council Owned Buildings and Schools to be de-carbonised, in addition to the replacement of all our vehicle fleet with electric vehicles.

**The following key risks have been identified:**

### **Financial Risks**

- **Budget pressures** in order to secure sufficient funding for the substantial investment needed in order to replace the whole of the Council's vehicle fleet with electric vehicles (Approx.500 Vehicles) together with securing sufficient grid capacity for the charging of those vehicles on a suitable depot site.
- The costs associated with **de-carbonising** all our council owned buildings, including schools.
- **Asset impairment and loss** of revenue funding streams arising from extreme weather conditions.
- Potential **financial impact upon future pension fund** valuations and pension contributions including covenant risk.

### **Enterprise Risks**

- **Flooding** - Within Businesses, Homes and the wider Community
- **Heatwaves** - Heat stress and the impact on productivity.
- **Air pollution** - The protection of Employers, Employees and our Residents

## Operational Model / Strategy & Resource Allocation

The Council's operating model is clearly set out in a range of documents approved by Cabinet and 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 including the implementation of Oracle Fusion ERP due in 2024-25.
- Our partnership resources, building on key relationships with our statutory partners.
- Our voluntary and community sector.
- The people of Sandwell.

## Rounding

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

## 1. **The Authority's Responsibilities**

### **The Authority is required to:**

- Decide 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 2022.

### **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 2022.

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

**Director of Finance  
Sandwell Metropolitan Borough Council**

# Comprehensive Income & Expenditure Statement

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2021/22

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents).

Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.



## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Restated 2020/21 Gross Expenditure £'000	Restated 2020/21 Gross Income £'000	Restated 2020/21 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000
149,261	(73,086)	76,175	<b>People</b>			
296,044	(289,305)	6,739	Adult Social Care Services	158,488	(78,236)	80,252
122,621	(32,130)	90,491	Schools	290,217	(282,409)	7,808
23,693	(28,151)	(4,458)	Children's Services	128,554	(33,175)	95,379
			Public Health	26,634	(27,264)	(630)
			<b>Performance</b>			
128,734	(124,106)	4,628	Finance (Inc SIU)	123,634	(101,207)	22,427
(2,524)	(242)	(2,766)	Corporate Management	6,306	(1,054)	5,252
8,661	(10,573)	(1,912)	Law and Governance*	10,094	(10,842)	(748)
15,394	(3,332)	12,062	Business Strategy and Change*	14,864	(2,635)	12,229
			<b>Place</b>			
12,094	(8,948)	3,146	Housing & Assets	7,926	(6,209)	1,717
22,849	(10,540)	12,309	Regeneration & Growth	39,525	(10,938)	28,587
71,653	(14,569)	57,084	Borough Economy	71,435	(18,155)	53,280
108,970	(130,292)	(21,322)	Housing Revenue Account (HRA)	66,835	(133,540)	(66,705)
(683)	-	(683)	HRA Reversal of previous revaluation losses	-	-	-
<b>956,767</b>	<b>(725,274)</b>	<b>231,493</b>	<b>Cost of Services</b>	<b>944,513</b>	<b>(705,664)</b>	<b>238,849</b>
		12,992	Levies			12,980
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		(2,670)	(Gains) / Losses on the disposal of non current assets			(2,365)
		-	(Gains) / Losses on the disposal of equity			(35,392)
		<b>13,019</b>	<b>Other Operating Expenditure</b>			<b>(22,080)</b>
		28,412	Interest payable and similar charges			29,684
		19,716	Net interest on the net defined benefit liability (asset)			29,240
		(1,127)	Interest receivable and similar income			(1,715)
		(2,933)	Income and expenditure in relation to investment properties			(2,839)
		6,109	Derecognition of Schools on conversion to Academies			22,674
		137	Changes in the Fair Value of investment properties			(4,318)
		(159)	Changes in the Fair Value of Financial Assets			(689)
		<b>50,155</b>	<b>Financing and Investment Income and Expenditure</b>			<b>72,037</b>
		(108,335)	Council Tax income			(112,447)
		(99,806)	Retained Business Rates			(99,364)
		(41,582)	Business Rates Top Up (Non Ringfenced Government Grants)			(41,771)
		38,630	Collection Fund (Surplus) Deficit			13,138
		(61,629)	Non Ringfenced Government Grants			(49,521)
		(37,429)	Capital grants and contributions			(55,529)
		<b>(310,151)</b>	<b>Taxation and Non Specific Grant Income</b>			<b>(345,494)</b>
		<b>(15,484)</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>(56,688)</b>
		(24,173)	(Surplus) / deficit on revaluation of non current assets			(25,502)
		765	(Surplus) / deficit on revaluation of financial assets			(352)
		283,616	Remeasurements of the net defined benefit liability/(asset)			(423,448)
		-	Any other (gains) / losses required to be included			-
		<b>260,208</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(449,302)</b>
		<b>244,724</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(505,990)</b>

Note: Figures for 2020-21 have been restated to reflect the Council reporting according to the Organisation Restructure in 2021-22, to allow like-for-like comparison. 2020-21 also includes a Prior Period Adjustment.

# Balance Sheet

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2021/22

▶ 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'.

BALANCE SHEET

Restated 1 April 2020 £'000	Restated 31 March 2021 £'000		Note ref	31 March 2022 £'000
2,097,952	2,158,611	Property Plant & Equipment	10	2,308,974
4,312	4,312	Heritage Assets	11	4,320
64,388	63,409	Investment Properties	12	65,610
1,688	978	Intangible Assets	14	518
44,513	43,748	Long Term Investments	16	17,517
3,985	4,095	Long Term Debtors	16	4,604
<b>2,216,838</b>	<b>2,275,153</b>	<b>Long Term Assets</b>		<b>2,401,543</b>
2,646	13	Short Term Investments	16	276
1,023	9,753	Assets Held for Sale	13	9,630
1,375	1,353	Inventories	-	1,715
51,711	82,956	Short Term Debtors	17	90,869
66,074	65,887	Cash & Cash Equivalents	19	76,854
<b>122,829</b>	<b>159,961</b>	<b>Current Assets</b>		<b>179,344</b>
(18,929)	(24,971)	Bank Overdraft	19	(22,696)
(76,250)	(78,221)	Short Term Borrowing	16	(83,835)
(89,198)	(126,658)	Short Term Creditors	20	(133,319)
(15,501)	(13,997)	Provisions	22	(11,938)
(6,651)	(1,840)	Revenue Grants Receipts in Advance	35	(1,669)
(4,098)	(12,589)	Capital Grants Receipts in Advance	35	(9,075)
<b>(210,627)</b>	<b>(258,276)</b>	<b>Current Liabilities</b>		<b>(262,532)</b>
(4,339)	(3,985)	Provisions	22	(5,022)
(427,843)	(408,297)	Long Term Borrowing	16	(396,353)
(864,091)	(1,175,960)	Other Long Term Liabilities	21	(822,625)
(13,292)	(13,843)	Capital Grants Receipts in Advance	35	(13,613)
<b>(1,309,565)</b>	<b>(1,602,086)</b>	<b>Long Term Liabilities</b>		<b>(1,237,613)</b>
<b>819,475</b>	<b>574,752</b>	<b>Net Assets</b>		<b>1,080,742</b>
200,488	266,321	Usable Reserves	MIRS	270,273
618,987	308,432	Unusable Reserves	24	810,469
<b>819,475</b>	<b>574,752</b>	<b>Total Reserves</b>		<b>1,080,742</b>

# Cash Flow Statement

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2021/22

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

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

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

## CASH FLOW STATEMENT

Restated 2020/21 £'000	Cash Flow Statement	2021/22		Note Refs
		£'000	£'000	
15,484	Net surplus / (deficit) on the provision of services		56,688	CIES
97,376	Adjustments to net (surplus) / deficit on the provision of services for non cash movements		84,664	25
(64,309)	Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities		(46,933)	25
<b>48,551</b>	<b>Net cash flows from Operating Activities</b>		<b>94,419</b>	
	<b>Investing Activities:</b>			
(109,345)	Purchase of property, plant and equipment, investment property and intangible assets	(127,472)		
-	Purchase of short and long term investments	(263)		
13,284	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,404		
2,633	Proceeds from short and long term investments	-		
59,377	Other receipts from investing activities	38,123		
<b>(34,051)</b>	<b>Net cash flows from Investing Activities</b>		<b>(70,208)</b>	
	<b>Financing Activities:</b>			
288,220	Cash receipts of short and long term borrowing	229,054		
(4,360)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,639)		
(305,709)	Repayments of short and long term borrowing	(234,924)		
1,120	Other receipts from financing activities	(1,459)		
<b>(20,729)</b>	<b>Net cash flows from Financing Activities</b>		<b>(10,968)</b>	
<b>(6,229)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>13,243</b>	
47,145	Cash and cash equivalents at the beginning of the reporting period		40,916	19
(6,229)	Net movement in cash and cash equivalents		13,243	19
<b>40,916</b>	<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>		<b>54,158</b>	

# Movement in Reserves Statement

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2021/22

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

Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated Balance as at 31 March 2021 brought forward</b>	54,981	149,914	204,895	41,286	-	15,083	5,056	266,320	308,433	574,753
<b>Movement in Reserves During 2021/22</b>										
Total Comprehensive Income and Expenditure	8,449	-	8,449	48,239		-	-	56,688	449,300	505,988
Adjustments between accounting basis & funding basis under regulations (Note 8)	(14,169)		(14,169)	(50,198)	1,308	(1,216)	11,539	(52,736)	52,736	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(5,720)</b>	<b>-</b>	<b>(5,720)</b>	<b>(1,959)</b>	<b>1,308</b>	<b>(1,216)</b>	<b>11,539</b>	<b>3,952</b>	<b>502,038</b>	<b>505,988</b>
Transfers (to)/from Earmarked Reserves (Note 9)	(32,647)	32,647	-	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>(38,367)</b>	<b>32,647</b>	<b>(5,720)</b>	<b>(1,959)</b>	<b>1,308</b>	<b>(1,216)</b>	<b>11,539</b>	<b>3,952</b>	<b>502,038</b>	<b>505,988</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>16,614</b>	<b>182,561</b>	<b>199,175</b>	<b>39,327</b>	<b>1,308</b>	<b>13,867</b>	<b>16,595</b>	<b>270,273</b>	<b>810,469</b>	<b>1,080,742</b>

## MOVEMENT IN RESERVES STATEMENT

Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	Restated £'000	£'000	Restated £'000	Restated £'000	£'000	£'000	£'000	Restated £'000	Restated £'000	£'000
<b>Balance as at 31 March 2020</b>	<b>43,447</b>	<b>81,114</b>	<b>124,561</b>	<b>39,793</b>	-	<b>23,384</b>	<b>12,749</b>	<b>200,487</b>	<b>618,988</b>	<b>819,475</b>
<b>Movement in Reserves During 2020/21</b>										
Total Comprehensive Income and Expenditure	12,777	-	12,777	2,707	-	-	-	15,484	(260,206)	(244,722)
Adjustments between accounting basis & funding basis under regulations (Note 8)	67,557	-	67,557	(1,214)	-	(8,301)	(7,693)	50,347	(50,349)	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>80,334</b>	-	<b>80,334</b>	<b>1,493</b>	-	<b>(8,301)</b>	<b>(7,693)</b>	<b>65,833</b>	<b>(310,555)</b>	<b>(244,722)</b>
Transfers (to)/from Earmarked Reserves (Note 9)	(68,800)	68,800	-	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>11,534</b>	<b>68,800</b>	<b>80,334</b>	<b>1,493</b>	-	<b>(8,301)</b>	<b>(7,693)</b>	<b>65,833</b>	<b>(310,555)</b>	<b>(244,722)</b>
<b>Restated Balance at 31 March 2021 carried forward</b>	<b>54,981</b>	<b>149,914</b>	<b>204,895</b>	<b>41,286</b>	-	<b>15,083</b>	<b>5,056</b>	<b>266,320</b>	<b>308,433</b>	<b>574,753</b>



### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22, 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 based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where **revenue and expenditure** have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- The council operates a **de-minimus level for the processing of accruals**, £10,000 for capital and £10,000 for revenue. The de-minimus policy for revenue requires that no accruals are actioned for individual amounts below £10,000; unless, for a group of similar transactions, there would be a material impact upon the accounts of not recognising the income and expenditure in the relevant accounting period.

#### iii. Cash and Cash Equivalents

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

## NOTES TO THE ACCOUNTS

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

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

iv. **Exceptional Items**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Accounting for Council Tax and NDR**

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

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

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

### ix. **Employee Benefits**

#### **Benefits Payable During Employment**

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid monthly and charged on an accruals basis to the relevant service line of the 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 2.70 % 2021/22, (2.00% 2020/21) 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 pension's liability is analysed into the following components:**

- **Service cost comprising:**
  - **Current service cost** – the increase in liabilities because 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

## NOTES TO THE ACCOUNTS

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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 based on cash flows rather than as benefits are earned by employees.

### ***Discretionary Benefits***

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

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

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

#### **Two types of events can be identified:**

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

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

xi. **Financial Instruments**

**Financial Liabilities**

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.

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

## NOTES TO THE ACCOUNTS

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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 xxix of the accounting policies and (Note 16 Financial Instruments).

### xi. **Government Grants and Contributions**

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

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

### **Principal or Agent**

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

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

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

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

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

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

### **Business Improvement District**

A Business Improvement District (BID) scheme applies across the whole of the Authority. The Albion Business Improvement District scheme is situated within the Greets Green and Ling Ward of Sandwell and the West Bromwich BID scheme is in the West Bromwich Central Ward. These schemes are funded by a BID levy paid by non-domestic ratepayers.

### **Community Infrastructure Levy**

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

When CIL is received without conditions; it is 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.

### xii. **Intangible Assets**

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

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

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

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



### xiii. **Interest in Companies and Other Entities**

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

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

- **Sandwell Children's Trust**, which is a wholly owned company of the council.
- **Sandwell Inspired Partnership Services Education Limited**. Group accounts have not been prepared for this company as it holds a minority share of 20% and it has no substantial control of its operations or assets.

### xiv. **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.

#### **The Council as Lessee**

##### **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

## NOTES TO THE ACCOUNTS

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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 (e.g., if there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### **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 (i.e. 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 (e.g., if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease

## NOTES TO THE ACCOUNTS

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

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

### xv. **Overheads and Support Services**

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

### xvi. **Capital Accounting**

#### **Non-Current Asset Valuations**

The freehold and leasehold properties in the categories Property, Plant & Equipment, Investment Assets and Assets Held for Sale have been valued by officers within Strategic Asset Management and by the council's external valuers Wilks Head & Eve LLP. The Code requires that, as a 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 2021/22 and are in accordance with the Guidance on Stock Valuation for Resource Accounting (SVRA).

#### **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 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 approach and social use factor of 40% is applied. Where previous revaluation gains exist, any in year revaluation losses are offset against these gains.

### **Community Assets**

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

### **Infrastructure Assets**

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

As per CIPFA Code/guide the Council is not required to report the gross book value accumulated depreciation for infrastructure Assets (Highways, Carriages, Bridges and Footpaths – for prior years). This temporary adaption is included from 2010/2011 Code to the 2022/2023 Code.

### **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 xxix.

### **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.

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:**

- Carriageways and Footways (28 Years Useful Life)
- Structures – Bridges (80 Years Useful Life)
- 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. The WARUL generally falls with the range of between 35 and 50 years.

## NOTES TO THE ACCOUNTS

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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 xvii.

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

### **Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value (see accounting policy xxix), 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.

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

## NOTES TO THE ACCOUNTS

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 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.

### xvii. **Component Accounting**

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

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

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

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

## NOTES TO THE ACCOUNTS

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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 2021/22 and, as a result, has not applied componentisation to its assets in this financial year. The council will however continue to review this process annually.

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

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.

### xviii. **Heritage Assets**

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

#### **Historical Buildings**

Most 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 referring to appropriate commercial markets. The assets are deemed to have indeterminable lives and a high residual value therefore the council does not consider it appropriate to charge depreciation. Acquisitions and donations are rare and where they do occur acquisitions are recognised at cost and donations at valuation.

#### **General**

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



### xix. **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 2021/22 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.

### xx. **Private Finance Initiative (PFI) and Similar Contracts**

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

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

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

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

**The amounts payable to the PFI operators each year are analysed into 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.

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

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

### xxii. **Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to form part of the Net Cost of Services in the 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 managing the accounting processes for Property, Plant and Equipment, retirement benefits and other items that do not represent useable resources for the Council. Full explanations are given within the Notes to the Core Financial Statements of the Capital Adjustment Account, the Revaluation Reserve and the Pensions Fund Reserve. Other than these the following unusable reserves apply:

- **Financial Instruments Adjustment Account**

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

- **Deferred Capital Receipts Reserve**

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

- **Collection Fund Adjustment Account**

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

### xxiii. **School Balances**

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service line in the 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.

### xxv. **Insurance Funding Arrangements**

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

**The internal insurance account provides the following main areas of cover:**

**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 £0.155m of each motor claim for damage to a council vehicle and third-party claims. Third party losses are limited to £0.471m in the aggregate after the application of individual claim excess / non-ranking deductibles.

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

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

### xxvi. **VAT**

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

### xxvii. **Fair Value Measurement**

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

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

**The measurement assumes that the transaction takes place either:**

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

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

For non-financial assets, the authority 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.

xxviii. **Pooled Budgets**

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

The Council is party to a pooled budget arrangement and has considered the S75 agreement. The arrangement with the Sandwell and 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 Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new or amended standard that has been issued but is not required to be adopted by the Council for the 2021/22 accounting period.

The relevant amended or new standards are:

**Notes four changed standards as follows:**

- **IFRS 1 (First-time adoption)** – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- **IAS 37 (Onerous contracts)** – clarifies the intention of the standard.
- **IFRS 16 (Leases)** – amendment removes a misleading example that is not referenced in the Code material.
- **IAS 41 (Agriculture)** – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

It is not envisaged that these will have a significant effect on the Council's financial statements. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) There are no changes in accounting requirements for 2022/23 that are anticipated to have a material impact on the Council's financial performance or position.

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

#### **Grants**

In 2021/22, the council received various grants, including grants to support the Covid-19 lockdown and recovery. For each grant the Council reviewed the guidance available to establish whether the authority was acting merely to distribute grant monies to other bodies (acting as an agent), having no control over the amount of/or eligibility criteria, or whether it had control over the distribution of the grant. Where the council is acting as an agent for central government the amounts within this section are not classed as council expenditure and therefore are not contained within the council's comprehensive income and expenditure statement. See Note 5 for further details.

#### **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 School

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

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

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

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

### **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 £77m which is a material sum compared to the council's net cost of services of £207m.

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

### **Sandwell Children's Trust Pensions**

Following legal advice from Bevan Brittan LLP (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 Limited 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 considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results may be materially different from the assumptions and estimates. General fund asset valuations are carried out by Wilks Head & Eve, housing stock valuations (HRA) are carried out by Savills.

The valuation report issued by Savills's covering the HRA stock has been given based on 'material valuation uncertainty' due to Multi-storey buildings.

**The items in the council's Balance Sheet at 31 March 2022 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:**

#### **Asset Valuations**

##### **Housing stock**

At 31 March there are 3,009 high rise dwellings in the council's ownership and with an attributable EUV-SH value of £61,362,800 – Savills have indicated that 'there is greater uncertainty concerning the valuation figure than would normally be the case' in respect of these properties.

##### **Non-Current Assets**

The carrying value of non-current assets subject to valuation that did not receive a revaluation in 2021/22 totalled £77.95m. An upward movement in the market of 1% would equate to an increase in value of £0.78m.

##### **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, Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.



## NOTES TO THE ACCOUNTS

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 £45.642m.

However, the assumptions interact in complex ways. During 2021/22, the Authority's actuaries advised that the net pensions liability had decreased by £348.347m 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.

<b>Change in assumptions at 31 March 2022</b>	<b>Approximate monetary amount £'000</b>
0.1% decrease in Real Discount Rate	45,642
0.1% increase in the Salary Increase Rate	6,241
0.1% increase in the Pensions Increase Rate (CPI)	39,005
1 year increase in member life expectancy	100,521

### **Pension Guarantees**

The Council has, over several years, changed its way of operating from being a direct provider of services to one where it purchases several 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

## NOTES TO THE ACCOUNTS

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- **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 £6.770m 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 £13.374m.

#### **This can be broken down as follows:**

- £2.392m relates to outstanding appeals against the 2010 rating list and 100% have been included in the provision.
- £1.482m relates to outstanding check and challenge appeals against the 2017 rating list and 82.8% have been included in the provision.
- £9.388m relates to potential appeals against the 2017 rating list identified by Analyse Local and 34.28% has been included in the provision.
- £0.112m relates to potential appeals against the 2010 rating list which have been excluded as appeals can now only be lodged under certain specific circumstances and the value of these potential appeals are not considered material.

The provision does not include any appeals in relation to a change in rateable value due to the impact of Covid 19 as these appeals are not allowed following legislation by the government.

### **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 (i.e. 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.

## NOTES TO THE ACCOUNTS

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 2022 the council had the following balances of debtors outstanding for which appropriate impairment allowances have been made:

	<b>Arrears (£'000)</b>	<b>Impairment Allowance (£'000)</b>	<b>%</b>
Trade Receivables	42,183	9,287	<b>23%</b>
Council Tax	29,368	13,157	<b>45%</b>
Non Domestic Rates (Business Rates)	7,744	2,015	<b>26%</b>
Housing Benefit	10,534	6,055	<b>57%</b>
HRA	10,565	5,015	<b>42%</b>
Payments in Advance	19,852	-	<b>0%</b>
VAT	6,106	-	<b>0%</b>
Other	44	-	<b>0%</b>
<b>Total</b>	<b>126,397</b>	<b>35,528</b>	<b>28%</b>

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**

#### **Covid 19 – Business Rates Reliefs**

Many businesses within the retail, hospitality and leisure sectors and other businesses such as nurseries were exempt from paying business rates during the year which had a significant effect on the council's accounts for 2021/22, including a substantial reduction in income from ratepayers. These measures have been fully funded by the government with £23.313m of additional S31 grants received during 2021/22. As the cost to the collection fund will not materialise until future years this grant has been contributed to a reserve and will be released over the period of the MTFS in line with the profiled collection fund deficit.

#### **Covid 19 – Other Government Grants**

In addition to the business rates relief grant referenced above the council in 2021/22 received additional grants totalling £31.809m in response to the Covid 19 pandemic.

Where the council had discretion on how to allocate these grants income and expenditure of £15.486m has been recognised in the CI&ES.

The council acted as an agent on behalf of the government for the remaining £16.323m of these grants and the grant income and expenditure has therefore been excluded from the accounts (see note 29 Agency).

**Pensions Contributions for 2020/21 - 2022/23**

In April 2020 the Council made an upfront payment of £30.563m in respect of pension contributions for the three years from 2020/21 to 2022/23. The full payment was accounted for as a reduction in the Council's net pension liability in 2021/22, however accounting regulations require that the amount due in relation to 2021/22 of £10.192m is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and 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 were authorised for issue on xx. Where 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

After successfully hosting the Birmingham 2022 Commonwealth Games swimming and diving events, the new Sandwell Aquatics Centre has been transformed into a state-of-the-art leisure facility, which will be run by Sandwell Leisure Trust and includes a 50 metre Olympic-size swimming pool, a 10 metre high competitive dive tower and a 25 metre dive pool, along with 1,000 spectator seats.

Work on the Aquatic centre continues and the cumulative spend to the end of August 2023 amounted to £89.3m. The centre will be revalued during 2023/24 with the year-end accounts reflecting the value in use. The centre opened to the public in May 2023.

On the 8th July 2022 the council concluded the sale of 1 Providence Place for the sum of £9.7m. At 31 March 2022 the asset was held in the Balance Sheet as an Asset Held for Sale at a value of £9.63m. On sale the asset realised £9.7m, a gain of £70,000 which will be posted to (gains)/losses on disposal as part of the 2022/23 accounts.

The Council's pension actuaries have estimated that its net pension liability has reduced very significantly after the 31st March 2022, mainly as a result of an increase in corporate bond yields resulting in the application of high discount rates to the calculation of pension obligations. The actuarial report issued as at 31st May 2023 for the LGPS pension scheme estimates a net liability of just £ 91.3m as at 31st March 2023. By comparison, the net pension liability as at 31 March 2022 was estimated to be £762.046m.

The council like many other local authorities has been impacted by the cost of living crisis and inflationary pressures and has therefore faced several budget pressures recently. This has meant that the Council has needed to identify savings which will be required to be delivered over the period of the Medium-Term Finance Strategy.

The council forecast a cumulative deficit as part of the budget setting process for 23/24 for the MTFS . The table below shows a cumulative shortfall of £40.693m over the MTFS period after savings options:

	2023/24 £ 000	2024/25 £000	2025/26 £000
Net (Surplus)/Deficit after savings options	(521)	2,444	40,693

The council has achieved a balanced budget for 2023/24. The ongoing work on the transformation programme and expected additional funding from central government in the area of adult social care will mitigate forecast pressures on general fund reserves and as a result the forecast deficit position as at the end of 2025/26. This ongoing work is a priority for Leadership Team and Cabinet.

A new Chief Executive, Shokat Lal, took over the chief executive role on 6th February 2023. The Council has made significant progress in its improvement journey over the last 18 months and this has meant that the commissioners are reducing their involvement in the running of the Council with the aim of intervention ending soon.

### **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.

#### **Correction for Asset classification errors**

##### **1. Investment Properties Reclassified**

During the 2021/22 audit process, in conjunction with the asset management team, assets previously classified as Investment Properties were deemed to be incorrectly classified and were considered now to be Surplus Assets. These misclassifications related to previous periods and were therefore reflected in the opening balances for the 2020/21 financial year.

**The overall effect of the prior period adjustment is as follows:**

**Balance Sheet:** Closing balance of Surplus Assets increase by £9.202m in 2019/20 and £13.673m in 2020/21. Closing balance of Investment Properties decreased by £9.202m in 2019/20 and £13.673m in 2020/21.

**Comprehensive Income and Expenditure Statement (CIES):** The Net Cost of Services in 2020/21 has decreased by £3,205k in Corporate Management and increased by £252k in Housing Revenue Account. This is a net decrease of £2,953k.

The Changes in the Fair Value of Investment Properties has decreased by £4,437k.

Surplus on revaluation of non-current assets has increased by £1,484k.

##### **2. Correction of Revaluation Reserve Balance**

A non-material prior year error between unusable reserves was identified between the Revaluation Reserve and the Capital Adjustment Account. The revaluation reserve was overstated which suggests that the reserve has been increased for revaluation gains previously incurred, instead of impacting the CAA as a reversal of previous impairments. The overall accumulated disparity in the revaluation reserve is up to 31 March 2021 but cannot be clearly identified to a particular year. The unusable reserves have now been corrected with an adjustment of £4,185k in 2020/21. Due to a lack of records, it is our judgement that this error should be corrected during 2020/21.

## NOTES TO THE ACCOUNTS

The following notes have been restated for 2020/21 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 12	-	Investment Properties
Note 15	-	Fair Value of Non-Current Assets
Note 24	-	Unusable Reserves
Note 25	-	Cash Flow Statement
Note 26	-	Expenditure and Funding Analysis
Note 27	-	Note to the Expenditure and Funding Analysis
Note 28	-	Expenditure and Income analysed by nature
HRA	-	Housing Revenue Account and Notes
Group	-	Group Accounts and Notes

The following tables show the adjustments made:

Balance Sheet 2019/20	As previously stated as at 31/03/20	Amount of Restatement 1	Amount of Restatement 2	Restated as at 31/03/20
	£'000	£'000	£'000	£'000
<b>Non Current Assets:</b>				
Property, Plant and Equipment	2,088,750	9,202	-	2,097,952
Investment Properties	73,590	(9,202)	-	64,388
<b>Unusable Reserves:</b>				
Capital Adjustment Account	(1,165,423)	18	-	(1,165,405)
Revaluation Reserve	(246,986)	(18)	-	(247,004)

Balance Sheet 2020/21	As previously stated as at 31/03/21	Amount of Restatement 1	Amount of Restatement 2	Restated as at 31/03/21
	£'000	£'000	£'000	£'000
<b>Non Current Assets:</b>				
Property, Plant and Equipment	2,144,938	13,673	-	2,158,611
Investment Properties	77,082	(13,673)	-	63,409
<b>Unusable Reserves:</b>				
Capital Adjustment Account	(1,212,995)	1,502	(4,184)	(1,215,677)
Revaluation Reserve	(262,450)	(1,502)	4,184	(259,768)

Cashflow 2020/21	As previously stated as at 31/03/21	Amount of Restatement 1	Amount of Restatement 2	Restated as at 31/03/21
	£'000	£'000	£'000	£'000
Net (surplus)/deficit on the provision of services	16,968	(1,484)	-	15,484
Adjustments to net (surplus)/deficit on the provision of services for non cash movements	95,892	1,484	-	97,376

NOTES TO THE ACCOUNTS

<b>CIES 2020/21</b>	<b>As previously stated as at 31/03/21</b>	<b>Amount of Restatement 1</b>	<b>Amount of Restatement 2</b>	<b>Restated as at 31/03/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate Management	439	(3,205)	-	(2,766)
Housing Revenue Account	(21,574)	252	-	(21,322)
<b>Cost of Services</b>	<b>234,446</b>	<b>(2,953)</b>		<b>231,493</b>
Changes in the Fair Value of Investment Properties	(4,300)	4,437	-	137
<b>Financing and Investment Income and Expenditure</b>	<b>45,718</b>	<b>4,437</b>	<b>-</b>	<b>50,155</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(16,968)</b>	<b>1,484</b>		<b>(15,484)</b>
(Surplus)/Deficit on revaluation of non current assets	(22,689)	(1,484)	-	(24,173)
<b>Other Comprehensive Income and Expenditure</b>	<b>261,692</b>	<b>(1,484)</b>	<b>-</b>	<b>260,208</b>

<b>Movement in Reserves Statement – Usable Reserves 2020/21</b>	<b>As previously stated as at 31/03/21</b>	<b>Amount of Restatement 1</b>	<b>Amount of Restatement 2</b>	<b>Restated as at 31/03/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>31</b>			
Total Comprehensive Income and Expenditure	16,968	(1,484)	-	15,484
Adjustments between accounting basis and funding basis under regulations	48,863	1,484	-	50,347

<b>Movement in Reserves Statement – Unusable Reserves 2020/21</b>	<b>As previously stated as at 31/03/21</b>	<b>Amount of Restatement 1</b>	<b>Amount of Restatement 2</b>	<b>Restated as at 31/03/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total Comprehensive Income and Expenditure	(261,690)	1,484	-	260,206
Adjustments between accounting basis and funding basis under regulations	(48,865)	(1,484)	-	50,349

NOTES TO THE ACCOUNTS

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.

2021/22	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
<b>Adjustments to the Revenue Resources</b>							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	55,442	7,854				63,296	(63,296)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(6)	(19)				(25)	25
Council tax and NDR (transfers to or from Collection Fund)	(27,132)					(27,132)	27,132
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,789)	(5)				(1,794)	1,794
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):	(7,314)	(4,120)				(11,435)	11,435
<b>Total Adjustments to Revenue Resources</b>	<b>19,201</b>	<b>3,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,911</b>	<b>(22,911)</b>

Continued:



NOTES TO THE ACCOUNTS

2021/22 (Continued)	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
<b>Adjustments between Revenue and Capital Resources</b>							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(432)	(18,972)	19,404			-	-
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		(17,252)		17,252		-	-
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(14,153)	(13,885)				(28,038)	28,038
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,934)	(3,798)				(13,732)	13,732
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(21,822)</b>	<b>(53,908)</b>	<b>16,707</b>	<b>17,252</b>	<b>-</b>	<b>(41,770)</b>	<b>41,770</b>
<b>Adjustments to Capital Resources</b>							
Use of the Capital Receipts Reserve to finance capital expenditure			(17,923)			(17,923)	17,923
Use of the Major Repairs Reserve to finance capital expenditure				(15,944)		(15,944)	15,944
Application of capital grants to finance capital expenditure					(9)	(9)	9
Capital Receipts from CI&ES to Capital Grants Unapplied	(11,548)				11,548	-	-
<b>Total Adjustment to Capital Resources</b>	<b>(11,548)</b>	<b>-</b>	<b>(17,923)</b>	<b>(15,944)</b>	<b>11,539</b>	<b>(33,876)</b>	<b>33,876</b>
<b>Total Adjustments</b>	<b>(14,169)</b>	<b>(50,198)</b>	<b>(1,216)</b>	<b>1,308</b>	<b>11,539</b>	<b>(52,736)</b>	<b>52,736</b>

NOTES TO THE ACCOUNTS

2020/21 (Restated)	Usable Reserves					Total Usable Reserves Restated £'000	Total Unusable Reserves Restated £'000
	General Fund Balance Restated £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
<b>Adjustments to the Revenue Resources</b>							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	42,508	7,268				<b>49,776</b>	<b>(49,776)</b>
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(159)	(18)				<b>(177)</b>	<b>177</b>
Council tax and NDR (transfers to or from Collection Fund)	38,802					<b>38,802</b>	<b>(38,802)</b>
Holiday pay (transferred to the Accumulated Absences Reserve)	797	14				<b>811</b>	<b>(811)</b>
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):	3,349	34,647				<b>37,996</b>	<b>(37,996)</b>
<b>Total Adjustments to Revenue Resources</b>	<b>85,297</b>	<b>41,911</b>	-	-	-	<b>127,208</b>	<b>(127,208)</b>

Continued:

NOTES TO THE ACCOUNTS

2020/21 (Continued)	Usable Reserves					Total Usable Reserves Restated £'000	Total Unusable Reserves Restated £'000
	General Fund Balance Restated £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
<b>Adjustments between Revenue and Capital Resources</b>							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,574)	(11,691)	13,265			-	-
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		(15,992)		15,992		-	-
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(11,946)	(14,172)				(26,118)	26,118
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(6,846)	(1,270)				(8,116)	8,116
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(17,669)</b>	<b>(43,125)</b>	<b>10,568</b>	<b>15,992</b>	<b>-</b>	<b>(34,234)</b>	<b>34,234</b>
<b>Adjustments to Capital Resources</b>							
Use of the Capital Receipts Reserve to finance capital expenditure			(18,869)			(18,869)	18,869
Use of the Major Repairs Reserve to finance capital expenditure				(15,992)		(15,992)	15,992
Application of capital grants to finance capital expenditure					(8,058)	(8,058)	8,058
Capital Receipts from CI&ES to Capital Grants Unapplied	(71)				365	294	(294)
<b>Total Adjustment to Capital Resources</b>	<b>(71)</b>	<b>-</b>	<b>(18,869)</b>	<b>(15,992)</b>	<b>(7,693)</b>	<b>(42,625)</b>	<b>42,625</b>
<b>Total Adjustments</b>	<b>67,557</b>	<b>(1,214)</b>	<b>(8,301)</b>	<b>-</b>	<b>(7,693)</b>	<b>50,349</b>	<b>(50,349)</b>

## NOTES TO THE ACCOUNTS

### 9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

**The balances ring fenced for schools are also included below:**

Earmarked Reserves	Opening Balance March 2020	Transfer Out 2020/21	Transfer in 2020/21	Balance 31 March 2021	Transfer Out 2021/22	Transfer in 2021/22	Closing Balance 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Balances</b>							
S31 Relief Grant	0	0	34,390	34,390	(16,026)	0	18,364
COVID Emergency Funding (S31 Business Rates Grant)	12,369	0	7,877	20,246	(3,314)	0	16,932
COVID Emergency Funding Grants	0	0	12,080	12,080	(1,604)	2,698	13,174
Better Care Fund	10,709	(1,757)	0	8,952	0	1,709	10,661
Insurance Reserve	7,059	0	1,815	8,874	(1,643)	0	7,231
Public Health Reserve	4,842	0	3,020	7,862	0	1,618	9,480
BSF PFI Sinking Fund Reserves	6,931	0	338	7,269	0	776	8,045
Sinking Fund Reserves	1,978	0	270	2,248	(591)	169	1,826
Oracle Fusion	2,184	(1,546)	0	638	(638)	0	0
Serco Contract	1,385	0	2,431	3,816	0	0	3,816
Adults Social Care Grant	1,047	0	0	1,047	0	2,699	3,746
Finance General Reserve	1,031	0	0	1,031	(860)	0	171
SCT Reserve	707	(630)	0	77	(32)	0	45
Dartmouth Park HLF	318	0	0	318	(53)	0	265
Teaching for Public Health Network	317	0	88	405	0	97	502
West Midland Regional Research	287	(53)	0	234	0	2,068	2,302
Integrated Care Records	194	(23)	0	171	(171)	0	0
Private Sector Housing Reserve	142	0	0	142	0	300	442
Regeneration & Economy Reserve	110	(20)	0	90	0	1,500	1,590
Elections (Fallow year)	0	0	268	268	0	968	1,236
Borough Economy General Reserve*	105	0	0	105	0	1,547	1,652
Aquatics Centre*	100	0	0	100	0	0	100
Brexit Funding*	76	(3)	0	73	(73)	0	0
Proceeds of Crime Act*	29	0	10	39	0	794	833
Physical Activity Board*	24	0	0	24	(24)	0	0
Business Rates Volatility	0	0	0	0	0	7,000	7,000
Regeneration & Growth Capital Projects Support	0	0	0	0	0	6,777	6,777
Aquatic Centre - Replacement	0	0	0	0	0	4,000	4,000
Oracle Fusion	0	0	0	0	0	3,231	3,231
Invest to Save Reserve	0	0	0	0	0	3,000	3,000
SCT Reserve	0	0	0	0	0	2,636	2,636
Cost of Exit Packages	0	0	0	0	0	2,052	2,052
Commonwealth Games	0	0	0	0	0	1,793	1,793
ICT Refresh	0	0	0	0	0	1,747	1,747
Kickstart Revaluation Reserve	0	0	0	0	0	1,553	1,553

## NOTES TO THE ACCOUNTS

Earmarked Reserves Continued	Opening Balance March 2020	Transfer Out 2020/21	Transfer in 2020/21	Balance 31 March 2021	Transfer Out 2021/22	Transfer in 2021/22	Closing Balance 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance Corporate Improvement	0	0	0	0	0	1,537	1,537
Cemetery Reserve	0	0	0	0	0	1,446	1,446
Pay Award	0	0	0	0	0	1,000	1,000
Business Strategy & Change General Reserve	0	0	0	0	0	715	715
New Asset Register System	0	0	0	0	0	500	500
Forge Mill Farm Demolition	0	0	0	0	0	230	230
School Repairs Reserve	0	0	0	0	0	120	120
Post LAC Pupil Premium Grant	0	0	0	0	0	114	114
Leaders Office	0	0	0	0	0	100	100
Borough Economy Grant Reserve	0	0	0	0	0	11	11
<b>Total General Fund Earmarked Reserves</b>	<b>51,944</b>	<b>(4,032)</b>	<b>62,587</b>	<b>110,499</b>	<b>(25,029)</b>	<b>56,505</b>	<b>141,975</b>
<b>Schools Balances</b>	<b>29,169</b>	<b>0</b>	<b>10,245</b>	<b>39,414</b>	<b>0</b>	<b>1,175</b>	<b>40,589</b>
<b>Total Earmarked Reserves</b>	<b>81,114</b>	<b>(4,032)</b>	<b>72,832</b>	<b>149,913</b>	<b>(25,029)</b>	<b>57,680</b>	<b>182,564</b>

\*Consolidated Total in 2020/21 Statement of Accounts in line "Other Earmarked Reserves"

NOTES TO THE ACCOUNTS

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.

<b>Movements in 2021/22</b>	<b>Council dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Assets under Construction £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>1,146,869</b>	<b>655,658</b>	<b>101,024</b>	<b>68,512</b>	<b>18,945</b>	<b>28,559</b>	<b>2,019,567</b>
Additions	42,346	8,889	7,661	60,877	63	250	120,086
SL&P Addition on Absorption		61,677					61,677
Revaluation increases/(decreases) recognised in the Revaluation Reserve		10,874				2,502	13,376
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	18,334	(12,759)		-		(6,277)	(702)
Derecognition – Disposals	(15,323)	(23,394)	(2,031)			-	(40,748)
Derecognition – Other		(38)	(10,137)			(1,260)	(11,435)
Assets reclassified - Transfers In/Out	26,246	2,868		(27,365)	(14)	52	1,787
Other movements in cost or valuation		(16)	-	-	-	-	(16)
<b>At 31 March 2022</b>	<b>1,218,472</b>	<b>703,759</b>	<b>96,517</b>	<b>102,024</b>	<b>18,994</b>	<b>23,825</b>	<b>2,163,592</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2021</b>	<b>-</b>	<b>(5,321)</b>	<b>(80,589)</b>	<b>(83)</b>	<b>(54)</b>	<b>(45)</b>	<b>(86,092)</b>
Depreciation charge	(16,812)	(13,525)	(5,892)			(27)	(36,256)
Depreciation written out to the revaluation reserve		12,100		-		28	12,128
Depreciation written out to the Surplus/Deficit on the Provision of Services	16,615	947		85		38	17,685
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services		1,294		(4,408)		-	(3,114)
Transfers	(8)	78		-		(69)	-
Derecognition – disposals	205	632	2,031			70	2,938
Derecognition - Other			10,137				10,137
Other movements in depreciation and impairment		18	-	-		-	18
<b>At 31 March 2022</b>	<b>-</b>	<b>(3,777)</b>	<b>(74,313)</b>	<b>(4,406)</b>	<b>(54)</b>	<b>(5)</b>	<b>(82,556)</b>
<b>Net Book Value</b>							
<b>At 31 March 2022</b>	<b>1,218,472</b>	<b>699,982</b>	<b>22,204</b>	<b>97,618</b>	<b>18,940</b>	<b>23,820</b>	<b>2,081,036</b>
<b>At 31 March 2021</b>	<b>1,146,869</b>	<b>650,336</b>	<b>20,435</b>	<b>68,429</b>	<b>18,891</b>	<b>28,514</b>	<b>1,933,475</b>

NOTES TO THE ACCOUNTS

<b>Movements in 2020/21 (Restated)</b>	<b>Council dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Assets under Construction £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>1,132,486</b>	<b>654,563</b>	<b>97,175</b>	<b>36,559</b>	<b>18,883</b>	<b>10,223</b>	<b>1,949,889</b>
<b>Restated Adjustments – Note 7</b>						<b>9,202</b>	<b>9,202</b>
<b>Restated Balance At 1 April 2020</b>	<b>1,132,486</b>	<b>654,563</b>	<b>97,175</b>	<b>36,559</b>	<b>18,883</b>	<b>19,425</b>	<b>1,959,091</b>
Additions	34,504	8,975	5,028	48,197	62	751	<b>97,517</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,359)	5,780				7,606	<b>12,027</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(15,843)	(546)				3,164	<b>(13,225)</b>
Derecognition – Disposals		(4,989)	(1,179)				<b>(6,168)</b>
Impairment Losses / (reversals) recognised in the Revaluation Reserve	(8,317)						<b>(8,317)</b>
Impairment Losses/Reversals– CI&ES				(2,896)			<b>(2,896)</b>
Assets reclassified – (to) / from Held for Sale	(8,759)					(9,679)	<b>(18,438)</b>
Other movements in cost or valuation	14,157	(8,125)		(13,348)		7,292	<b>(24)</b>
<b>At 31 March 2021</b>	<b>1,146,869</b>	<b>655,658</b>	<b>101,024</b>	<b>68,512</b>	<b>18,945</b>	<b>28,559</b>	<b>2,019,567</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2020</b>	<b>0</b>	<b>(6,128)</b>	<b>(75,725)</b>	<b>(83)</b>	<b>(54)</b>	<b>(786)</b>	<b>(82,776)</b>
<b>Prior Year Adjustments</b>							<b>-</b>
<b>Restated Balance At 1 April 2020</b>	<b>0</b>	<b>(6,128)</b>	<b>(75,725)</b>	<b>(83)</b>	<b>(54)</b>	<b>(786)</b>	<b>(82,776)</b>
Depreciation charge	(16,612)	(12,383)	(6,019)			(30)	<b>(35,044)</b>
Depreciation written out to the revaluation reserve	9,663	9,808				993	<b>20,464</b>
Depreciation written out to the Surplus/Deficit on Provision of Services							<b>0</b>
Impairment (losses)/reversals recognised in the Revaluation Reserve	6,844						<b>6,844</b>
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services		3,145					<b>3,145</b>
Derecognition – disposals		117	1,155				<b>1,272</b>
Other movements in depreciation and impairment	105	120				(222)	<b>3</b>
<b>At 31 March 2021</b>	<b>0</b>	<b>(5,321)</b>	<b>(80,589)</b>	<b>(83)</b>	<b>(54)</b>	<b>(45)</b>	<b>(86,092)</b>
<b>Net Book Value</b>							
<b>At 31 March 2021</b>	<b>1,146,869</b>	<b>650,337</b>	<b>20,435</b>	<b>68,429</b>	<b>18,891</b>	<b>28,514</b>	<b>1,933,475</b>
<b>At 31 March 2020</b>	<b>1,132,486</b>	<b>648,435</b>	<b>21,450</b>	<b>36,476</b>	<b>18,829</b>	<b>9,437</b>	<b>1,867,113</b>

**Infrastructure Assets**

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

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

<b>2020/21 £'000</b>	<b><i>Analysis of movement on net carrying amount:</i> Net Book Value (modified historical cost)</b>	<b>2021/22 £'000</b>
<b>221,637</b>	<b>at 1 April (restated)</b>	<b>225,136</b>
11,600	Additions	11,297
(8,101)	Depreciation	(8,548)
-	Other movements	53
<b>225,136</b>	<b>Balance at 31 March</b>	<b>227,938</b>

11. **Heritage Assets**

The council will undertake a valuation exercise for the financial year ended 31<sup>st</sup> March 2023 in accordance with its policy to revalue Heritage assets formally every 5 years. The carrying value as at 31 March 2022 is £4.32m pending the conclusion of this valuation exercise.

**Art Collection**

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

**17th Century Furniture**

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

**Civic Regalia & Presentational Silver**

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

**Other**

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



NOTES TO THE ACCOUNTS

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.

2020/21 £'000	Income and Expenditure	2021/22 £'000
(3,798)	Rental income from investment property	(3,556)
863	Direct operating expenses arising from investment property	717
<b>(2,935)</b>	<b>Net (gain) / loss</b>	<b>(2,839)</b>

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:

Restated 2020/21 £'000	Movement in the fair value of investment	2021/22 £'000
<b>73,590</b>	<b>Balance at start of the year</b>	<b>63,409</b>
(9,202)	Restated Adjustment	-
<b>64,388</b>	<b>Restated Balance at start of the year</b>	<b>63,409</b>
-	Additions	249
(560)	Disposals	(526)
(439)	Net gains / (losses) from fair value adjustments	4,318
20	Other movement in the FV of Investment Property	(1,840)
<b>63,409</b>	<b>Balance at the end of the year</b>	<b>65,610</b>

13. **Assets Held for Sale**

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

2020/21 £'000	Assets Held for Sale	2021/22 £'000
<b>1,023</b>	<b>Balance at start of year</b>	<b>9,753</b>
18,439	Property Plant and Equipment	-
-	Revaluation	(44)
(9,709)	Assets sold	(79)
<b>9,753</b>	<b>Balance at year end</b>	<b>9,630</b>

## NOTES TO THE ACCOUNTS

### 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:

2020/21 £'000	Intangible Assets	2021/22 £'000
1,688	<b>Balance at start of year</b>	<b>978</b>
153	Purchases	130
(863)	Amortisation for the period	(590)
<b>978</b>	<b>Net carrying amount at end of year</b>	<b>518</b>
19,610	<b>Comprising:</b> Gross carrying amount	19,739
(18,632)	Accumulated amortisation	(19,221)
<b>978</b>		<b>518</b>

### 15. Current Value of Non-Current Assets

#### Movement in the Current Value of Non-Current Assets

Movement in Values of Fixed Assets	Valued at Historical Cost £'000	2017/18	2018/19	2019/20	2020/21	2021/22	Total £'000
		£'000	£'000	£'000	£'000	£'000	
<b>Property Plant &amp; Equipment</b>							
Council Dwellings	-	-	-	-	-	1,218,472	1,218,472
Land & Buildings	-	29,691	3,796	10,312	28,442	627,741	699,982
Infrastructure	227,938	-	-	-	-	-	227,938
Vehicles, Plant & Equipment	22,204	-	-	-	-	-	22,204
Community Assets	18,940	-	-	-	-	-	18,940
Assets Under Construction	97,618	-	-	-	-	-	97,618
Surplus Assets Not Held for Sale	-	-	-	653	702	22,465	23,820
<b>Heritage Assets</b>	-	-	4,311	-	-	9	4,320
<b>Investment Properties</b>	-	-	-	43	-	65,567	65,610
<b>Intangible Assets</b>	518	-	-	-	-	-	518
<b>Total</b>	<b>367,218</b>	<b>29,691</b>	<b>8,107</b>	<b>11,008</b>	<b>29,144</b>	<b>1,934,254</b>	<b>2,379,422</b>

### **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, Community Centres, Industrial and Retail assets have been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets. Market conditions for these asset types are such that the level of observable inputs is significant and should be categorised at Level 2.

#### **Level 3 – Significant Unobservable**

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

#### **Fair Value Hierarchy**

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

NOTES TO THE ACCOUNTS

Fair Value Hierarchy 2021/22	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input level 3 £000's	Fair Value 31st March 2022 £000's
<b>Fair Value Category</b>				
<b>Investment Properties:</b>				
Car Parks	-	-	-	-
Cleared Sites	-	206	-	206
Community Assets	-	95	-	95
Compounds	-	1,414	-	1,414
Depots	-	-	-	-
Farms	-	-	-	-
Industrial Sites	-	7,549	-	7,549
Land	-	14,607	-	14,607
Managed Workspace	-	175	-	175
Office	-	161	-	161
Retail Sites	-	33,417	-	33,417
Shops	-	7,644	-	7,644
Vacant Sites	-	342	-	342
<b>Total Investment</b>	-	<b>65,610</b>	-	<b>65,610</b>
<b>Surplus Assets:</b>				
Car Parks	-	153	-	153
Depots	-	254	-	254
Land	-	13,832	-	13,832
Vacant Sites	-	9,581	-	9,581
<b>Total Surplus</b>	-	<b>23,820</b>	-	<b>23,820</b>
<b>Total</b>	-	<b>89,430</b>	-	<b>89,430</b>

Fair Value Hierarchy 2020/21	(Quoted Prices) Input Level 1 £000's	Restated Observable Input Level 2 £000's	Unobservable Input level 3 £000's	Restated Fair Value 31st March 2021 £000's
<b>Fair Value Category:</b>				
<b>Investment Properties:</b>				
Car Parks	-	-	-	-
Cleared Sites	-	182	-	182
Community Assets	-	-	256	256
Compounds	-	986	-	986
Industrial Sites	-	6,484	-	6,484
Land	-	14,745	-	14,745
Managed Workspace	-	187	-	187
Office	-	132	-	132
Retail Sites	-	32,630	-	32,630
Shops	-	7,559	-	7,559
Vacant Sites	-	248	-	248
<b>Total Investment</b>	-	<b>63,153</b>	<b>256</b>	<b>63,409</b>
<b>Surplus Assets:</b>				
Car Parks	-	863	-	863
Depots	-	254	-	254
Land	-	17,531	-	17,531
Vacant Sites	-	9,866	-	9,866
<b>Total Surplus</b>	-	<b>28,514</b>	-	<b>28,514</b>
<b>Total</b>	-	<b>91,667</b>	<b>256</b>	<b>91,923</b>

Community centres have transferred from level 3 to level 2 during 2021/22. There has been no change in the valuation techniques used to determine fair value.

**Reconciliation of Fair Value Measurements– Level 3**

## NOTES TO THE ACCOUNTS

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**

<b>31 March 2021 £000's</b>		<b>31 March 2022 £000's</b>
<b>256</b>	<b>Opening Balance</b>	<b>256</b>
-	Transfers From Level 3 to Level 2	<b>(256)</b>
<b>256</b>	<b>Closing Balance</b>	<b>-</b>

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.

The fair value of the authority's Investment and Surplus Assets are measured and reviewed annually.

The council's valuations are undertaken by external valuers in accordance with the following guidance relating to asset valuations for accounting purposes:

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

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

## 16. **Financial Instruments**

### **Categories of Financial Instruments**

Balances as at 31 March 2021 have been restated in some circumstances due to a re-assessment of statutory and non-statutory debtor and creditor balances. Statutory balances are not classed as Financial Instruments and are therefore included as a separate line within the tables of financial assets and liabilities to present non financial instrument balances that are included within the balance sheet totals. Examples of such statutory balances are arrears and prepayments of council tax and business rate and debtor balances with HM Government for VAT.

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

NOTES TO THE ACCOUNTS

**Financial Assets:**

Financial Assets - Financial Instrument Balances (IFRS9)	Non Current				Current			
	Investments		Debtors		Investments plus Cash and Cash Equivalents		Debtors	
	31 March 21	31 March 22	31 March 21	31 March 22	31 March 21	31 March 22	31 March 21 Restated	31 March 22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	334	84	3	2	65,900	77,130	24,883	32,556
Fair Value through Profit & Loss	-	-	4,092	4,601	-	-	-	-
Fair Value through Other Comprehensive Income	17,129	17,433	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>17,463</b>	<b>17,517</b>	<b>4,095</b>	<b>4,603</b>	<b>65,900</b>	<b>77,130</b>	<b>24,883</b>	<b>32,556</b>
Non Financial Assets included on the Balance Sheet	26,285	-	-	-	-	-	58,073	58,313
<b>Total Balance Sheet</b>	<b>43,748</b>	<b>17,517</b>	<b>4,095</b>	<b>4,603</b>	<b>65,900</b>	<b>77,130</b>	<b>82,956</b>	<b>90,869</b>

Within Investments on the Balance Sheet for 2020/21 the Council had concluded that the SL&P (Sandwell Land and Property) investment did not meet the definition of a financial instrument and is therefore reflected as a Non Financial Asset in the above table. As at 31 March 2022 the balance sheet value was nil.

The financial assets – current debtors as at 31 March 2021 has been restated from £23,438k to £24,883k following reassessment of statutory debtor balances which are not classed as financial assets. The total debtor amount as reported on the balance sheet remains unchanged.

**Financial Liabilities:**

	Non Current				Current			
	Borrowings		Creditors and Liabilities		Borrowings		Creditors	
	31 March 21	31 March 22	31 March 21 Restated	31 March 22	31 March 21	31 March 22	31 March 21 Restated	31 March 22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit & Loss	-	-	-	-	-	-	-	-
Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Amortised Cost	(408,297)	(396,353)	(68,525)	(65,476)	(78,221)	(83,835)	(145,120)	(144,582)
<b>Total Financial Liabilities</b>	<b>(408,297)</b>	<b>(396,353)</b>	<b>(68,525)</b>	<b>(65,476)</b>	<b>(78,221)</b>	<b>(83,835)</b>	<b>(145,120)</b>	<b>(144,582)</b>
Non Financial Liabilities included on the Balance Sheet	-	-	(1,107,435)	(757,149)	-	-	(6,509)	(11,433)
<b>Total Balance Sheet</b>	<b>(408,297)</b>	<b>(396,353)</b>	<b>(1,175,960)</b>	<b>(822,625)</b>	<b>(78,221)</b>	<b>(83,835)</b>	<b>(151,629)</b>	<b>(156,015)</b>

Creditors as at 31 March 2021, both non-current and current amounts, have been restated following reassessment of statutory balances which are not classed as financial assets. Total amounts as included on the balance sheet are unchanged from the audited accounts for 2020/21 with differences being between financial and non-financial liabilities in the above table.

Non-current creditor financial liabilities have been restated to £68,525k from £71,910k reported in the 2020/21 financial statements, and current creditor financial liability amounts restated to £145,120k from £148,244k.

## NOTES TO THE ACCOUNTS

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

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

### Fair value has been measured by:

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

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

The detailed soft loans information is as follows:

31 March 2021	Salix Finance Ltd	31 March 2022
£'000		£'000
1,013	Opening Balance	2,760
1,972	+ New Loans Granted	-
(127)	- Fair Value Adjustment on Initial Recognition	-
(124)	- Loans Repaid	(411)
26	+/- Other Changes	47
<b>2,760</b>	<b>Balance Carried Forward</b>	<b>2,396</b>

### 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 2022 as FVOCI:

NOTES TO THE ACCOUNTS

Description	Nominal Value	Fair Value as at 31 March 22	Change in Fair Value during 2021/22	Dividends
	£'000	£'000	£'000	£'000
Birmingham Airport - Ordinary Shares	182	15,144	352	-
Birmingham Airport - Preference Shares	1,766	1,766	-	-
LEP Special Purpose Vehicle - Ordinary Shares	523	523	(48)	-
<b>Investments in Equity Instruments</b>	<b>2,471</b>	<b>17,433</b>	<b>304</b>	<b>-</b>

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

**LEP Special Purpose Vehicle** – The Council holds an approx. 10% shareholding in Environments for Learning Sandwell PFI Ltd for an unspecified period. The company is a special purpose vehicle set up by the Local Enterprise Partnership (LEP); it is a concession contract responsible for designing, building and operating schools within Sandwell. The shares will be treated as an equity investment and as they are not held for trading, the Council has elected to classify them as FVOCI. Part of this investment was repaid in 2021/22 resulting in a fall in the fair value.

**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:

	(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensiv e Income & Expenditure £'000	(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensiv e Income & Expenditure £'000
<b>Net (gains)/losses on:</b>				
Financial assets measured at fair value through profit or loss	(159)	-	(689)	-
Financial assets measured at amortised cost	441	-	995	-
Investments in equity instruments designated at fair value through other comprehensive income	0	765	-	(304)
Financial liabilities measured at amortised cost	(101)	-	47	-
<b>Total net (gains)/losses</b>	<b>181</b>	<b>765</b>	<b>353</b>	<b>(304)</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(1,568)	-	(2,710)	-
Other financial assets measured at fair value through other comprehensive income	-	-	-	-
<b>Total interest revenue</b>	<b>(1,568)</b>	<b>-</b>	<b>(2,710)</b>	<b>-</b>
<b>Interest Expense</b>	<b>28,513</b>	<b>-</b>	<b>26,992</b>	<b>-</b>



## NOTES TO THE ACCOUNTS

### **Fair Values of Financial Assets**

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

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

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

The LEP loan notes value of the remaining shares held by the authority, is valued at cost. There is no market and no reliable way of revaluing the asset held; as such the LEP loan notes are classified at input level 3 in 2021/22 and are shown with the Birmingham Airport share value in the 'Unquoted Shares' column in the 2021/22 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 2021/22 and are shown in the column headed 'Other' in the 2021/22 table below.

**The tables below detail the fair value of assets classified and reclassified by the authority at input level 3 in 2021/22 compared to 2020/21:**

<b>2021/22</b>	<b>Unquoted</b>	<b>Other</b>	<b>Total</b>
	<b>Shares</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening Balance	17,129	4,092	21,221
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains/ (losses) for the period:			
recognised in Surplus or Deficit on Provision of Services	-	617	617
recognised in Other Comprehensive Income and Expenditure	352	-	352
Disposals	(48)	(108)	(156)
<b>Closing Balance</b>	<b>17,433</b>	<b>4,601</b>	<b>22,034</b>

<b>2020/21</b>	<b>Unquoted</b>	<b>Other</b>	<b>Total</b>
	<b>Shares</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening Balance	17,894	3,979	21,873
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains/ (losses) for the period:			
recognised in Surplus or Deficit on Provision of Services	-	147	147
recognised in Other Comprehensive Income and Expenditure	(765)	-	(765)
Additions	-	28	28
Disposals	-	(62)	(62)
<b>Closing Balance</b>	<b>17,129</b>	<b>4,092</b>	<b>21,221</b>

## NOTES TO THE ACCOUNTS

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

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

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

- For loans from the PWLB, new loan rates have been applied for 2021/22. 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 2021/22 to provide the fair value under PWLB debt redemption rate procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### **Financial Liabilities Not Held at Fair Value**

The fair values calculated are as follows:

	31 March 2021		31 March 2022	
	Carrying Amount Restated	Fair Value Restated	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	327,466	481,737	307,772	425,614
Non PWLB Debt	93,928	139,197	93,903	125,205
Other Local Authority Debt	9,906	11,186	28,283	28,822
Salix Loans (Interest Free)	2,760	2,760	2,396	2,396
Bank Overdraft	24,971	24,971	22,696	22,696
Other Temporary Borrowing	52,459	52,459	47,834	47,834
<b>Total Debt</b>	<b>511,490</b>	<b>712,310</b>	<b>502,884</b>	<b>652,567</b>
PFI & Finance Lease Liabilities	71,910	114,664	68,524	100,862
Creditors	116,763	116,763	118,838	118,838
<b>Total Financial Liabilities</b>	<b>700,163</b>	<b>943,737</b>	<b>690,246</b>	<b>872,267</b>

Creditor amounts as at 31 March 2021 of £116,763k included above, have been restated from those included in the financial statements for 2020/21 of £123,272k following a reassessment of financial and non-financial liabilities.

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.

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 £307.772m would be valued at £490.179m (this is the exit price for

## NOTES TO THE ACCOUNTS

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.

### **Financial Assets Not Held at Fair Value**

Fair Values of Financial Assets	31 March 2021		31 March 2022	
	Carrying Amount Restated	Fair Value Restated	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Short Term:</b>				
Cash Equivalents plus Short Term Investments	65,900	65,900	76,880	76,880
Credit Union Loan	-	-	250	250
Current Debtors	24,882	24,882	32,556	32,556
<b>Total Short Term Assets</b>	<b>90,782</b>	<b>90,782</b>	<b>109,686</b>	<b>109,686</b>
<b>Long Term</b>				
Local Enterprise Partnership	84	84	84	84
Credit Union loan	250	250	-	-
Non-Current Debtors	4	4	2	2
<b>Total Long Term Assets</b>	<b>338</b>	<b>338</b>	<b>86</b>	<b>86</b>
<b>Total Financial Assets</b>	<b>91,120</b>	<b>91,120</b>	<b>109,772</b>	<b>109,772</b>

Current Debtor amounts as at 31 March 2021 of £24,882k included above, have been restated from those included in the financial statements for 2020/21 of £23,438k following a reassessment of financial and non-financial assets.

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.

Assets held at Fair Value are not included in the above table and include the council's long-term investment in Birmingham Airport which was revalued as at the 31 March 2022 which has seen a small increase from £16.558m to £16.910m and the LEP Special Purpose Vehicle which is valued at £0.523m as at 31 March 2022 compared to £0.572m twelve months earlier.

### **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.

## NOTES TO THE ACCOUNTS

	31 March 2022			Total £'000
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
<b>Financial Liabilities held at amortised cost</b>				
PWLB	-	307,772	-	307,772
Non-PWLB	-	170,020	-	170,020
Soft Loans	-	2,396	-	2,396
Bank Overdraft	-	22,696	-	22,696
PFI & Finance Lease Liabilities	-	68,524	-	68,524
Creditors	-	118,838	-	118,838
<b>Total Financial Liabilities</b>	-	<b>690,246</b>	-	<b>690,246</b>
<b>Financial Assets at amortised cost</b>				
Investments plus Cash & Cash Equivalents	-	77,214	-	77,214
Debtors	-	32,559	-	32,559
<b>Total Financial Assets</b>	-	<b>109,773</b>	-	<b>109,773</b>

	31 March 2021			Total Restated £'000
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) Restated £'000	Significant unobservable inputs (Level 3) £'000	
<b>Financial Liabilities held at amortised cost</b>				
PWLB	-	327,466	-	327,466
Non-PWLB	-	156,293	-	156,293
Soft Loans	-	2,760	-	2,760
Bank Overdraft	-	24,971	-	24,971
PFI & Finance Lease Liabilities	-	71,910	-	71,910
Creditors	-	116,763	-	116,763
<b>Total Financial Liabilities</b>	-	<b>700,163</b>	-	<b>700,163</b>
<b>Financial Assets at amortised cost</b>				
Investments plus Cash & Cash Equivalents	-	66,234	-	66,234
Debtors	-	24,887	-	24,887
<b>Total Financial Assets</b>	-	<b>91,121</b>	-	<b>91,121</b>

### 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 is £94.622m and is made up of long-term investments, short-term investments and cash & cash equivalents. Potential losses cannot be assessed generally as the risk of any institution failing to make interest payments or repay the sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Authorities deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

**A table to show the investments held by the Council at the 31 March 2022 is below:**

Amounts as at 31 March 2021 £m	Fitch Credit Ratings (or equivalent)	Amounts as at 31 March 2022 £m
41.900	AAA	50.200
	AA	
3.244	A	0.651
	BBB	
47.146	N/A	43.771
<b>92.290</b>	<b>Total</b>	<b>94.622</b>

Allowances for impairment losses have been calculated (exc. LEP working capital and Credit Union loans) for investments held at 31 March 2022, 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.

## NOTES TO THE 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 Fair Value through Other Comprehensive Income are outside the scope of impairment and therefore no impairment is required in 2021/22.

The impairment requirements do not apply to the Kickstart loans categorised as assets held at Fair Value through Profit and Loss, as current market prices are considered to be an appropriate reflection of credit risk and therefore, no further impairment will be required for this investment category in 2021/22.

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;

<b>2020/21 £'000</b>	<b>Financial Instruments - Aged Debt Analysis</b>	<b>2021/22 £'000</b>
10,714	Less than 3 months	14,399
3,088	3 to 6 months	1,256
2,054	6 months to 1 year	2,362
8,359	More than 1 year	9,893
<b>24,215</b>	<b>Total amounts overdue</b>	<b>27,910</b>

### **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.

## NOTES TO THE ACCOUNTS

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

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

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

The maturity analysis of fixed rate borrowings is shown below, along with the maximum limits maturing in each period as approved by council in the Treasury Management Strategy.

Maturity Structure of Fixed Rate Borrowing	Principal Amount as at 31 March 2021	Principal Amount as at 31 March 22	Percentage of Total Fixed Rate Debt	Approved Indicator
		£m		
Less than 1 year	21.285	31.88	7.5%	10%
Between 1 and 2 years	6.997	15.418	3.6%	10%
Between 2 and 5 years	44.149	34.577	8.1%	20%
Between 5 and 10 years	49.545	46.198	10.8%	20%
Between 10 and 20 years	29.5	22.000	5.1%	20%
Between 20 and 30 years	85.537	85.537	20.0%	30%
Between 30 and 40 years	152.235	152.235	35.6%	40%
Between 40 and 50 years	20.00	20.00	4.7%	50%
Above 50 years	20.00	20.00	4.7%	50%
	<b>429.248</b>	<b>427.845</b>		

### 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

## NOTES TO THE ACCOUNTS

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strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The council's long term debt and all investments are currently held at fixed rates of interest. Therefore, there would be no impact from an increase in interest rates, so there is no need for a sensitivity analysis. However, if interest rates had been 1% higher with all other variables held constant the fair value of the council's long-term debt would result in a decrease of £80.349m 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 £16.910m in Birmingham Airport and £0.523m in the Local Education Partnership. Whilst these holdings are generally illiquid, the council is exposed to losses arising in movements in the prices of the shares.

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

The shares have all been elected/classified as FVOCI, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £2.171m 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.



NOTES TO THE ACCOUNTS

17. **Short Term Debtors**

2020/21 £'000	Short Term Debtors	2021/22 £'000
25,949	Trade Receivables	32,897
13,921	Council Tax	16,212
6,367	Non Domestic Rates	5,730
6,294	Housing Benefits	4,479
6,137	HRA	5,549
16,778	Payments In Advanced	19,852
79	Other	44
<b>75,525</b>	<b>Total</b>	<b>84,763</b>
7,430	HMRC VAT	6,106
<b>82,955</b>	<b>Total</b>	<b>90,869</b>

The debtor figures above are net of provisions for impairment losses of £35.528m in 2021/22, (£32.973m in 2020/21). 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:

2020/21			Debtor Analysis for Local Taxation	2021/22		
Council Tax £'000	NNDR £'000	Total £'000		Council Tax £'000	NNDR £'000	Total £'000
6,038	3,957	9,995	Less than one year	6,644	3,323	9,967
3,006	1,167	4,173	One to two years	3,843	1,366	5,209
4,052	639	4,691	More than two	5,725	1,041	6,766
<b>13,096</b>	<b>5,763</b>	<b>18,859</b>	<b>Total</b>	<b>16,212</b>	<b>5,730</b>	<b>21,942</b>

19. **Cash and Cash Equivalents**

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

2020/21 £'000	Cash & Cash Equivalents	2021/22 £'000
28,831	Bank current accounts	26,004
37,056	Short term deposits	50,850
<b>65,887</b>		<b>76,854</b>
(24,971)	Bank Overdraft	(22,696)
<b>40,916</b>	<b>Total Cash and Cash Equivalents</b>	<b>54,158</b>

NOTES TO THE ACCOUNTS

20. **Short Term Creditors**

2020/21 £'000	Categories	2021/22 £'000
105,361	Trade Payables	109,520
17,912	Other Payables	20,751
3,385	Finance Lease Creditors (Note 40)	3,048
<b>126,658</b>	<b>Total</b>	<b>133,319</b>

21. **Other Long-Term Liabilities**

2020/21 £'000	Other Long Term Liabilities	2021/22 £'000
68,525	Finance Lease Creditors (Note 40)	65,476
169	Deferred Liabilities	163
3,530	Deferred Creditors	3,210
1,103,736	Pensions Liability (Note 43)	753,776
<b>1,175,960</b>	<b>Other Long Term Liabilities</b>	<b>822,625</b>

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).

Provisions	Opening Balance at 1 April 2020 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2021 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2022 £'000
<b>Current Provisions</b>	-								
Termination Benefits	1,795	1,591	(1,358)	(437)	1,591	1,461	(795)	(796)	1,461
Insurance	3,727	-	(329)	-	3,398	-	60	-	3,458
Collection Fund Provisions	9,979	-	-	(971)	9,008	-	(2,238)	-	6,770
6 Towns Credit Union Loan	-	-	-	-	-	250	-	-	250
<b>Total Current Provisions</b>	<b>15,501</b>	<b>1,591</b>	<b>(1,687)</b>	<b>(1,408)</b>	<b>13,997</b>	<b>1,711</b>	<b>(2,973)</b>	<b>(796)</b>	<b>11,939</b>
<b>Long Term Provisions</b>									
Insurance	4,005	-	(354)	-	3,651	-	677	-	4,328
Housing	-	-	-	-	-	655	(45)	-	610
LEP Working Capital Loan	84	-	-	-	84	-	-	-	84
6 Towns Credit Union Loan	250	-	-	-	250	-	-	(250)	-
<b>Total Long Term Provisions</b>	<b>4,339</b>	<b>-</b>	<b>(354)</b>	<b>-</b>	<b>3,985</b>	<b>655</b>	<b>632</b>	<b>(250)</b>	<b>5,022</b>
<b>Total Provisions</b>	<b>19,840</b>	<b>1,591</b>	<b>(2,041)</b>	<b>(1,408)</b>	<b>17,982</b>	<b>2,366</b>	<b>(2,341)</b>	<b>(1,046)</b>	<b>16,961</b>

**The main provisions held are:**

- Since the changes to the retained **Business Rates** scheme came into effect from 1 April 2013, the council became liable for any successful rating valuation appeals. It therefore has Collection Fund provisions set aside to mitigate this liability as well as to cover any potential liabilities arising from the local Council Tax reduction scheme.
- Considering council wide restructuring required to address efficiency savings because of central government cuts, the accounts include termination benefit provisions totalling £1.461m. These provisions reflect the known costs of all **termination benefits** approved as at 31 March 2022.
- An **insurance provision** of £7.786m for previous years' asset, employee and public liability claims held in line with recommendations made within the actuarial valuation. This provision is split between current and long term provisions of £3.458m and £4.328m respectively.
- Further details on the **council's insurance fund** can be found within Notes to the accounts, accounting policies, (xii Provisions, Contingent, Liabilities and Contingent Assets).

23. **Usable Reserves**

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and (Note 9) to the accounts.

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

2020/21 £'000	Usable Reserves	2021/22 £'000
54,981	General Fund Balance	16,614
149,914	General Fund Earmarked Reserves (including Schools Balances)	182,561
41,286	Housing Revenue Account Balance	39,327
-	Major Repairs Reserve	1,308
15,083	Capital Receipts Reserve	13,867
5,056	Capital Grants Unapplied	16,596
<b>266,320</b>	<b>Total Usable Reserves</b>	<b>270,272</b>

**General Fund Balance**

The council held working General Fund revenue balances of £16.613m as at 31 March 2022 compared to £54.981m the previous year. However, included within the figure as at 31st March 2021 were committed funds which have been reallocated during 2021/22 to Earmarked Reserves.

**Schools Balances**

Any balances relating to schools are ring fenced and cannot be appropriated by the Council. In 2021/22 the Individual School Budgets (ISB) generated a surplus of £1.175m increasing school balances to £40.589m.

Schools are directly funded from a Dedicated Schools Grant (DSG). In 2021/22, 41 schools overspent their DSG budget totalling £4.291m and 37 under spent totalling £5.132m. Other non-schools' budgets which are part of the overall ISB, under spent by £0.334m resulting in a total surplus of £1.175m.

NOTES TO THE ACCOUNTS

**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:

<b>2020/21 £'000</b>	<b>Usable Capital Receipts</b>	<b>2021/22 £'000</b>
<b>23,384</b>	Balance brought forward 1 April	<b>15,083</b>
13,264	Amounts receivable in year	19,404
(18,868)	Amounts applied to finance new capital investment in year	(17,923)
(2,697)	Pooled capital receipts paid to MHCLG	(2,697)
<b>(8,301)</b>	<b>Total increase / (decrease) in realised capital resources</b>	<b>(1,216)</b>
<b>15,083</b>	Balance carried forward 31 March	<b>13,867</b>

24. **Unusable Reserves**

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

<b>Restated 2020/21 £'000</b>	<b>Unusable Reserves</b>	<b>2021/22 £'000</b>
(259,768)	Revaluation Reserve	(260,387)
(8,828)	Financial Instrument Revaluation Reserve	(9,180)
(1,215,677)	Capital Adjustment Account	(1,327,643)
1,078	Financial Instruments Adjustment Account	1,054
1,124,030	Pensions Reserve	763,879
41,588	Collection Fund Adjustment Account	14,456
9,145	Accumulated Compensated Absences Adjustment Account	7,352
<b>(308,432)</b>	<b>Total Unusable Reserves</b>	<b>(810,469)</b>

## NOTES TO THE ACCOUNTS

### Revaluation Reserve

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

Restated 2020/21 £'000	Revaluation Reserve	2021/22 £'000
(246,986)	<b>Balance at 1 April</b>	(259,768)
(18)	Restated Adjustment (Note 7)	-
<b>(247,004)</b>	<b>Restated Balance at 1 April</b>	<b>(259,768)</b>
(53,179)	Upward Revaluation of Assets	(31,267)
29,008	Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provisions of Services	13,416
<b>(24,171)</b>	<b>Surplus or Deficit on Revaluation of Non-Current Assets Not Posted to the Surplus or Deficit of the Provision of Services</b>	<b>(17,851)</b>
3,947	Difference Between Fair Value Depreciation and Historical Cost of Depreciation	4,096
3,261	Accumulated Gains or Assets Sold or Scrapped	10,150
4,199	Amounts Written off to the Capital Adjustment Account	2,986
<b>(259,768)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(260,387)</b>

Includes amounts adjusted for 2020/21 Restatement (See Note 7)

### Available for Sale Financial Instruments Reserve

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

### 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.

2020/21 £'000	Financial Instrument Reserve	2021/22 £'000
(9,593)	<b>Balance at 1 April</b>	(8,828)
	<b>Total (Gains) or Losses For Fair Value Through Other Comprehensive Income</b>	
765	Birmingham Airport In Year Revaluation	(352)
<b>(8,828)</b>	<b>Balance at 31 March</b>	<b>(9,180)</b>

NOTES TO THE ACCOUNTS

**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 2020/21 £'000	Capital Adjustment Account	2021/22 £'000
(1,165,423)	<b>Balance at 1 April</b>	(1,215,677)
18	Restated Adjustment	-
(1,165,405)	<b>Restated Balance at 1 April</b>	(1,215,677)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
44,008	Depreciation and impairment of non current assets	49,802
4,770	Revaluation and impairment losses/(gains) on property, plant and equipment	(25,947)
-	Kickstart impairment	1,029
23,346	Revenue expenditure funded from capital under statute	10,090
16,402	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	65,998
<b>88,526</b>		<b>100,972</b>
(11,407)	Adjusting amounts written out of the Revaluation Reserve	(17,232)
<b>77,119</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>83,740</b>
	<b>Capital financing applied in the year:</b>	
(18,869)	Use of the Capital Receipts Reserve	(17,923)
(15,992)	Use of the Major Repairs Reserve	(15,944)
(50,678)	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(54,073)
(8,058)	Applications of grants to capital financing from the Capital Grants Unapplied Account	-
(26,117)	Statutory provision for the financing of capital investment	(28,039)
(8,116)	Revenue Contributions to Capital	(13,732)
<b>(127,830)</b>		<b>(129,711)</b>
	<b>Other Adjustments:</b>	
439	Movements in the market value of Investment Properties debited or credited to the CI&ES	(4,318)
-	Absorption of SL&P Assets	(61,677)
<b>(1,215,677)</b>	<b>Balance at 31 March</b>	<b>(1,327,643)</b>

Includes amounts adjusted for 2020/21 Restatement (See Note 7)

NOTES TO THE ACCOUNTS

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**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).

2020/21 £'000	Financial Instruments Adjustment Account	2021/22 £'000
1,255	<b>Balance at 1 April</b>	1,078
	<b>Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:</b>	
(56)	Discounts & Premiums	(52)
	<b>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:</b>	
(20)	Market Loans (LOBOs)	(20)
(101)	Salix Loans (EIR Adjustment)	48
<b>1,078</b>	<b>Balance at 31 March</b>	<b>1,054</b>

## NOTES TO THE ACCOUNTS

### **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.

<b>2020/21 £'000</b>	<b>Pensions Reserve</b>	<b>2021/22 £'000</b>
<b>790,638</b>	<b>Balance at 1 April</b>	<b>1,124,030</b>
283,616	Remeasurements of the net defined benefit liability / (asset)	(423,446)
99,016	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	112,308
(49,240)	Employer's pensions contributions and direct payments to pensioners payable in the year	(49,013)
<b>1,124,030</b>	<b>Balance as at 31 March</b>	<b>763,879</b>

In 2020/21 the Council funded an upfront contribution of £10,192k (2020/21 £10,269k) on its pension fund obligation. This was adjusted against the pension liability. This arrangement is an accounting requirement, part of which has been unwound in 2021/22 and will be so again in 2022/23, fully reinstating the balance on the unusable pensions reserve. Further details are disclosed within note 43 Pensions.

### **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 (£41.588m) on this reserve has decreased to (£14.456m) 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, e.g. annual leave entitlement carried forward at 31 December. The opening balance of £9.145m on this reserve has decreased to £7.352m during the year.



NOTES TO THE ACCOUNTS

25. **Cash Flow Statement**

Net cash flows from operating activities include the following items:

The cash flows for operating activities include the following items:

31/03/2021 £ 000's		31/03/2022 £ 000's
1,591	Interest received	1,715
(28,614)	Interest paid	(29,240)

**Adjustments to net (surplus) / deficit on the provision of services for non cash movements**

Restated 31/03/2021 £ 000's		31/03/2022 £ 000's
44,008	Depreciation	44,831
4,770	Impairment and downward valuations	(11,888)
-	Amortisation	563
31,727	Increase/(decrease) in creditors	6,852
(29,904)	(Increase)/decrease in debtors	(7,590)
22	(Increase)/decrease in inventories	(362)
29,482	Movement in pension liability	53,193
16,403	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	65,998
868	Other non-cash items charged to the net surplus or deficit on the provision of services	(66,933)
97,376	Net cash flows from operating activities	84,664

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

31/03/2021 £ 000's		31/03/2022 £ 000's
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	26,536
(13,265)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(19,405)
(51,044)	Any other items for which the cash effects are investing or financing cash flows	(54,064)
(64,309)		(46,933)

NOTES TO THE ACCOUNTS

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.

2021/22	As Reported to Management £'000	Adjustments to arrive at net amount chargeable to General Fund and HRA £'000	Net Expenditure Chargeable to General Fund and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
<b>People</b>					
- Adults	75,781	(750)	75,031	5,223	80,252
- Schools	(2,325)	(16,920)	(19,245)	27,053	7,808
- Children's	85,266	(21,978)	63,288	32,091	95,379
- Public Health	(866)	(458)	(1,324)	693	(630)
<b>Performance</b>					
- Finance	(34,843)	65,087	30,244	(7,816)	22,427
- Corporate Management	(824)	625	(199)	5,450	5,252
- Law and Governance	(904)	(105)	(1,009)	262	(748)
- Business Strategy and Change	11,945	(1,637)	10,308	1,921	12,229
<b>Place</b>					
- Housing & Communities	2,780	(7,255)	(4,475)	6,192	1,717
- Regeneration & Growth	6,989	1,732	8,721	19,866	28,587
- Borough Economy	60,312	(20,822)	39,490	13,790	53,280
Housing Revenue Account	(32,645)	(14,572)	(47,217)	(19,486)	(66,705)
<b>Cost of Services</b>	<b>170,666</b>	<b>(17,054)</b>	<b>153,611</b>	<b>85,238</b>	<b>238,850</b>
Other operating expenditure	(14,601)	27,580	12,979	(35,059)	(22,080)
Financing and Investment Income and Expenditure	12,747	91,176	103,923	(31,886)	72,037
Taxation and Non Specific Grant Income	(213,313)	(49,520)	(262,833)	(82,661)	(345,495)
<b>(Surplus)/Deficit</b>	<b>(44,501)</b>	<b>52,181</b>	<b>7,680</b>	<b>(64,368)</b>	<b>(56,688)</b>

<b>Opening General Fund &amp; HRA Balance</b>	(246,182)
(Surplus)/Deficit on General Fund and HRA Balance in year	7,681
<b>Closing General Fund &amp; HRA Balance at 31 March 2022 *</b>	<b>(238,501)</b>

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

2020/21				Restated	Restated
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NOTES TO THE ACCOUNTS

	As Reported to Management £'000	Adjustments to arrive at net amount chargeable to General Fund and HRA £'000	Net Expenditure Chargeable to General Fund and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
<b>People</b>					
- Adults	76,432	(678)	<b>75,754</b>	422	<b>76,176</b>
- Schools	506	(7,307)	<b>(6,801)</b>	13,537	<b>6,736</b>
- Children's	98,713	(30,116)	<b>68,597</b>	21,894	<b>90,491</b>
- Public Health	(4,333)	(6)	<b>(4,339)</b>	(119)	<b>(4,458)</b>
<b>Performance</b>					
- Finance	(54,420)	67,079	<b>12,659</b>	(8,031)	<b>4,628</b>
- Corporate Management	39	626	<b>665</b>	(3,431)	<b>(2,766)</b>
- Law and Governance	(1,742)	(110)	<b>(1,852)</b>	(60)	<b>(1,912)</b>
- Business Strategy and Change	12,062	(1,777)	<b>10,285</b>	1,777	<b>12,062</b>
<b>Place</b>					
- Housing & Communities	5,470	(4,527)	<b>943</b>	2,203	<b>3,146</b>
- Regeneration & Growth	12,108	1,512	<b>13,620</b>	(1,311)	<b>12,309</b>
- Borough Economy	56,605	(12,461)	<b>44,144</b>	12,940	<b>57,084</b>
Housing Revenue Account	(35,350)	(19,631)	<b>(54,981)</b>	33,659	<b>(21,322)</b>
Reversal of previous revaluation losses	-	-	-	(683)	<b>(683)</b>
<b>Cost of Services</b>	<b>166,090</b>	<b>(7,396)</b>	<b>158,694</b>	<b>72,797</b>	<b>231,491</b>
Other operating expenditure	12,992	0	<b>12,992</b>	27	<b>13,019</b>
Financing and Investment Income and Expenditure	0	73,965	<b>73,965</b>	(23,810)	<b>50,155</b>
Taxation and Non Specific Grant Income	(249,895)	(77,579)	<b>(327,474)</b>	17,324	<b>(310,150)</b>
<b>(Surplus)/Deficit</b>	<b>(70,813)</b>	<b>(11,010)</b>	<b>(81,823)</b>	<b>66,337</b>	<b>(15,485)</b>

<b>Opening General Fund &amp; HRA Balance</b>	<b>(164,355)</b>
(Surplus)/Deficit on General Fund and HRA Balance in year	<b>(81,823)</b>
<b>Closing General Fund &amp; HRA Balance at 31 March 2022 *</b>	<b>(246,178)</b>

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

Note: Figures for 2020-21 have been restated to reflect the Council reporting according to the Organisation Restructure in 2021-22, to allow like-for-like comparison. 2020-21 also includes a Prior Period Adjustment.

NOTES TO THE ACCOUNTS

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.

2021/22	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 Adjustments between Funding and Accounting Basis  £'000
<b>People:</b>							
- Adults	(596)	(155)	(751)	596	4,841	(214)	5,223
- Schools	(13,623)	(3,298)	(16,921)	6,488	22,346	(1,781)	27,053
- Children's Services	(25,873)	3,894	(21,978)	29,545	2,548	(2)	32,091
- Public Health	(6)	(453)	(458)	6	667	20	693
<b>Performance:</b>							
- Finance	-	65,086	65,086	-	(7,496)	(319)	(7,816)
- Corporate Management	95	530	625	5,436	14	-	5,450
- Law and Governance	(118)	13	(105)	118	-	143	262
- Business Strategy and Change	(1,638)	1	(1,637)	1,638	-	283	1,921
<b>Place:</b>							
- Housing & Communities	(753)	(6,502)	(7,255)	(424)	6,764	(149)	6,192
- Regeneration & Growth	(516)	2,248	1,732	14,526	5,387	(48)	19,866
- Borough Economy	(21,621)	798	(20,822)	13,513	-	277	13,790
<b>Housing Revenue Account</b>	(9,858)	(4,714)	(14,572)	(17,157)	(1,016)	(1,313)	(19,486)
<b>Net Cost of Services</b>	<b>(74,507)</b>	<b>57,453</b>	<b>(17,054)</b>	<b>54,284</b>	<b>34,056</b>	<b>(3,101)</b>	<b>85,238</b>
<b>Other operating exp</b>	27,580	-	27,580	(35,059)	-	-	(35,059)
Financing and Investment Income and Expenditure	86,561	4,615	91,176	(61,102)	29,240	(24)	(31,886)
Taxation and Non Specific Grant Income	-	(49,520)	(49,520)	(55,529)	-	(27,132)	(82,661)
<b>(Surplus) or Deficit</b>	<b>39,634</b>	<b>(12,547)</b>	<b>52,181</b>	<b>(97,406)</b>	<b>63,296</b>	<b>(30,258)</b>	<b>(64,368)</b>

NOTES TO THE ACCOUNTS

2020/21	Capital Adjustments at Directorate level Restated Note 1 £'000	Other Adjustments at Directorate level Restated Note 2 £'000	Total to arrive at amount charged to the General Restated £'000	Adjustments for Capital Purposes Restated Note 3 £'000	Net change for the Pensions Adjustments Restated Note 4 £'000	Other Differences Restated Note 5 £'000	Total Adjustment between Funding and Accounting Restated £'000
<b>People:</b>							
- Adults	(805)	127	(678)	805	2,221	(2,604)	422
- Schools	(7,129)	(178)	(7,307)	8,508	4,263	766	13,537
- Children's Services	(30,147)	31	(30,116)	22,048	746	(900)	21,894
- Public Health	(6)	-	(6)	6	-	(125)	(119)
<b>Performance:</b>							
- Finance	-	67,079	67,079	-	(9,428)	1,397	(8,031)
- Corporate Management	(16)	642	626	(3,444)	13	-	(3,431)
- Law & Governance	(110)	-	(110)	(60)	-	-	(60)
- Business Strategy & Change	(1,777)	-	(1,777)	1,777	-	-	1,777
<b>Place:</b>							
- Housing & Communities	(4,309)	(218)	(4,527)	3,194	-	(991)	2,203
- Regeneration & Growth	(1,177)	2,689	1,512	(1,262)	775	(824)	(1,311)
- Borough Economy	(12,461)	-	(12,461)	12,091	849	-	12,940
<b>Housing Revenue Account</b>	(19,751)	120	(19,631)	8,343	59	25,257	33,659
Reversal of previous revaluation losses				(683)	-		(683)
<b>Net Cost of Services</b>	<b>(77,688)</b>	<b>70,292</b>	<b>(7,396)</b>	<b>51,323</b>	<b>(503)</b>	<b>21,977</b>	<b>72,797</b>
<b>Other operating exp</b>	-	-	-	6,136	-	(6,109)	27
Financing and Investment Income and Expenditure	75,968	(2,002)	73,965	(48,584)	26,373	(1,600)	(23,810)
Taxation and Non Specific Grant Income	-	(77,579)	(77,579)	(35,162)	-	52,486	17,325
<b>(Surplus) or Deficit</b>	<b>(1,720)</b>	<b>(9,289)</b>	<b>(11,010)</b>	<b>(26,287)</b>	<b>25,870</b>	<b>66,755</b>	<b>66,337</b>

Note: Figures for 2020-21 have been restated to reflect the Council reporting according to the Organisation Restructure in 2021-22, to allow like-for-like comparison.

**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 i.e. Minimum Revenue Provision and other revenue contributions are deducted from Financial and Investment Income and Expenditure as these are not chargeable under generally accepted accounting practices.

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

**Note 4 – Net Change for the Pensions Adjustments**

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

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

NOTES TO THE ACCOUNTS

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 2020/21 £'000	Expenditure and Income by Nature	2021/22 £'000
	<b>Expenditure:</b>	
362,397	Employee Benefits Expenses	326,258
549,540	Other Services Expenses	586,666
53,241	Depreciation, Amortisation and Impairment*	25,360
3,439	Gain/(Loss) on Disposal of Non Current Assets	20,309
-	Gain/(Loss) on Disposal of Equity	(35,392)
48,615	Interest Payments	58,995
15,689	Precepts and Levies	15,677
26	Support Services Recharges	51
<b>1,032,947</b>	<b>Total Expenditure</b>	<b>997,924</b>
	<b>Income:</b>	
(191,693)	Fees and Charges and Other Service Income	(198,548)
(169,511)	Income from Council Tax and Business Rates	(198,674)
(679,836)	Government Grants and Contributions	(653,937)
-	Support Services Recharges	-
(7,391)	Interest and Investment Income	(3,453)
<b>(1,048,431)</b>	<b>Total Income</b>	<b>(1,054,612)</b>
<b>(15,484)</b>	<b>Deficit on Provision of Services</b>	<b>(56,688)</b>

29. **Agency Services**

The council is classed as an agent where the amounts of grant to be distributed and the eligibility criteria is defined by central government and the council has no discretion on who would receive these amounts. As the council is acting as an agent for central government the amounts within this section are not classed as council expenditure and therefore are not contained within the council's comprehensive income and expenditure statement.

During 2021-22 those grants where the council was acting as an agent for central government relate to the distribution of Business Grants, Test and Trace payments and Infection Control Grants. In addition the Omicron Grant and Restart Grant were two new one off grants. Note that several agency grants ended in 2020-21 including the Small Business Grants Fund, Closed Business Lockdown Grant and Christmas Support Payments Grant.

The 2021-22 agency grants are summarised in the following table:

Grant	Grant Received £'000	Payments £'000	Balance Held £'000
Local Restrictions Support Grant (Closed)	4,658	1,359	3,299
Test and Trace Support Payments – Programme Costs	542	542	-
Omicron Grant	1,494	1,314	180
Restart Grant	12,955	9,788	3,167
Infection, Prevention, Rapid Testing and Vaccine Grants	3,320	3,320	-
Energy Rebate Grant	19,188	-	19,188
<b>Total Grants and Payments Distributed by Central Government</b>	<b>42,157</b>	<b>16,323</b>	<b>25,834</b>

**Further information can be provided on each grant.**

### **Covid Grants**

The council has received a number of specific additional grants in relation to Covid 19. There are a number of these grants where the council is acting as an agent for these grants on behalf of the government. The council made total payments of £16.323m acting as an agent during 2021-22 which are broken down below.

- **Local Restrictions Support Grant Closed Scheme.** The council received a grant of £4.658m to make payments to businesses required to close during tier three restrictions and lockdowns. During 2021-22 the council used £1.359m of the grant to make payments to businesses.
- **Test and Trace Support Payments Programme Costs.** The council received a grant of £0.542m to make a fixed payment of £500 to individuals required to self isolate. During 2021-22 the council fully utilised the grant to make payments to individuals.
- **Restart Grant.** The council received a grant of £12.955m to make a fixed payment of up to £6,000 to specified types of businesses. During 2021-22 the council used £9.788m of the grant to make payments to businesses.
- **Omicron Hospitality and Leisure Grant.** The council received a grant of £1.494m to make a fixed payment of up to £6,000 to specified types of businesses. During 2021-22 the council used £1.314m of the grant to make payments to businesses.
- **Adult Social Care Infection Prevention and Rapid Testing Grants.** The council received a number of individual grants to support adult social care providers to reduce the rate of Covid 19 transmission and to support rapid testing in care homes.

For all of these grants in accordance with the grant conditions a specified proportion of funding must be allocated to care home or community care providers on a 'per bed' and 'per user' basis. The council received a total grant of £3.320m which was fully allocated and spent by adult social care providers.

The remainder of each grant must be used in accordance with the conditions of the grant but can be applied at the local authorities discretion. Income and Expenditure in relation to the discretionary element of each grant has been included within the council's comprehensive income and expenditure statement.

- **Other Grants – Energy Rebate Grant.** During 2021-22 the council received an Energy Rebate Grant of £19.188m. This was a scheme operated by central government which provided a fixed payment of £150.00 to council tax payers in eligible households, those in Band A to Band D. The terms of the grant were that it could not be distributed until 2022-23.

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 acted as the Agent.

### 30. **Pooled Budgets**

Utilising Section 75 of the National Health Act 2006, Sandwell Council has entered into a pooled budget arrangement in relation to the better care fund (BCF) with Sandwell & West Birmingham



## NOTES TO THE ACCOUNTS

Clinical Commissioning Group (CCG). The services are commissioned by Sandwell Council or Sandwell and West Birmingham CCG depending upon the needs of the client and are provided by a number of methods including internal, external and voluntary sector organisations.

During 2021/22 Sandwell MBC hosted the Better Care Fund pooled budget the objectives and performance of the pooled budget are outlined below;

### **Better Care Fund (BCF)**

Better Care Fund (BCF) came into operation on 1 April 2015 and is hosted by Sandwell MBC with contributions from the 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.

### **Improved Better Care Fund Grant in 2021/22**

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

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

The standing orders and financial regulations of the pool host applies to the management of the pool fund and the financial performance the pool for the year ended 31 March 2022 is shown below.

<b>Better Care Fund 2020/21 £'000</b>		<b>Better Care Fund 2021/22 £'000</b>
51,275	Gross Expenditure	49,408
(2)	Income exc. Partner Contributions	(2)
<b>51,273</b>	<b>Net Expenditure</b>	<b>49,406</b>
	<b>Partner Contributions:</b>	
(27,170)	Sandwell & West Birmingham CCG	(28,770)
(22,345)	Sandwell MBC - I-BCF	(22,345)
<b>(49,515)</b>	<b>Total Contribution</b>	<b>(51,115)</b>
<b>1,758</b>	<b>Net (Surplus) / Deficit in Year</b>	<b>(1,709)</b>
(10,710)	Reserves brought forward	(8,952)
1,758	Net (surplus)/deficit transferred from Reserves	(1,709)
<b>(8,952)</b>	<b>Total BCF Reserves</b>	<b>(10,661)</b>

## NOTES TO THE ACCOUNTS

### 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	Salary, Fees & Allowances	Other Emoluments	Total Remuneration exc Pension Contributions	Employers Pension Contribution	Total Remuneration inc Pension Contributions	Annualised Salary
2021/22	£	£	£	£	£	£
David Stevens (Chief Executive) (g)	51,285	316,849	<b>368,133</b>	10,513	<b>378,647</b>	153,434
Kim Bromley Derry (Chief Executive - Interim) (h)	102,596	8,872	<b>111,468</b>	-	<b>111,468</b>	160,719
<b>Director:</b>						
- Katharine Willmette (Adult Social Care - Interim) (i)	87,442	-	<b>87,442</b>	-	<b>87,442</b>	215,650
- Adult Social Care (j)	67,718	-	<b>67,718</b>	13,882	<b>81,601</b>	96,551
- Education, Skills and Employment (k)	8,649	272,789	<b>281,438</b>	1,773	<b>283,211</b>	105,234
- Children's Services (l)	58,516	168,622	<b>227,138</b>	-	<b>227,138</b>	139,597
- Children's Services (interim) (m)	30,003	118	<b>30,122</b>	5,991	<b>36,112</b>	90,505
- Children and Education (n)	40,332	-	<b>40,332</b>	8,268	<b>48,599</b>	113,238
- Finance (Acting) (o)	34,806	21	<b>34,826</b>	7,039	<b>41,865</b>	103,285
- Finance (p)	68,942	-	<b>68,942</b>	14,133	<b>83,075</b>	103,982
- Nick Austin (Borough Economy - Interim) (q)	126,378	-	<b>126,378</b>	-	<b>126,378</b>	228,356
- Borough Economy (r)	32,689	-	<b>32,689</b>	6,705	<b>39,394</b>	97,004
- Regeneration and Growth (Acting) (s)	40,751	-	<b>40,751</b>	8,230	<b>48,981</b>	103,292
- Regeneration and Growth (t)	61,904	-	<b>61,904</b>	12,690	<b>74,595</b>	112,975
- Business Strategy and Change	106,818	-	<b>106,818</b>	21,898	<b>128,716</b>	106,818
- Law and Governance and Monitoring Officer	112,313	240	<b>112,553</b>	23,073	<b>135,626</b>	112,313
- Housing (u)	69,535	-	<b>69,535</b>	14,255	<b>83,789</b>	96,502
- Public Health	111,205	-	<b>111,205</b>	22,797	<b>134,002</b>	111,205

g) The Chief Executive departed on 31st July 2021 (Annualised salary £153,434).

h) The Interim Chief Executive commenced on 10th August 2021 (Annualised salary £160,719).

i) The Director of Adult Social Care (interim) departed on 26th August 2021 (Annualised salary £215,650). Salary costs were invoiced by an external Agency.

j) The Director of Adult Social Care was appointed on 19th July 2021 (Annualised salary £96,551).

k) The Director of Education and Skills departed on 30th April 2021. (Annualised salary £105,234). The post was deleted on this date.

l) The Director of Children's Services departed on 31st August 2021 (Annualised salary £139,597).

m) The Interim Director of Children's Services was appointed on 26th August 2021 and departed on 24th December 2021 (Annualised salary £90,505).

n) The Director of Children and Education was appointed on 22nd November 2021 (Annualised salary £113,238).

o) The Director of Finance (acting) ended on the 1st August 2021. (Annualised salary £103,285).

p) The Director of Finance was appointed on the 2nd August 2021 (Annualised salary £103,982).

q) The Director of Borough Economy (interim) was appointed on 11th May 2021 and departed on the 28th November 2021. (Annualised salary £228,356). The post was vacant until 10th May 2021. Salary costs were invoiced by an external Agency.

r) The Director of Borough Economy was appointed on the 29th November 2021 (Annualised salary £97,004).

s) The Director of Regeneration (acting) ended on 22nd August 2021 (Annualised salary £103,292) The post was vacant until 12th September 2021.

t) The Director of Regeneration was appointed on the 13th September 2021 (Annualised salary £112,975).

u) The Director of Housing was appointed on 12th July 2021 (Annualised salary £96,502). The post was vacant until 11th July 2021.

## NOTES TO THE ACCOUNTS

Position Title 2020/21	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Annualised Salary £
<b>Chief Executive</b>	151,440	140	<b>151,580</b>	31,074	<b>182,654</b>	N/A
<b>Executive Director</b>						
- Adult Social Care, Health & Wellbeing (a)	82,915	140	<b>83,055</b>	17,026	<b>100,081</b>	108,863
- Adult Social Care, Health & Wellbeing (Interim) (b)	33,218	-	<b>33,218</b>	-	<b>33,218</b>	N/A
- Neighbourhoods (c)	100,594	180,370	<b>280,964</b>	20,659	<b>301,622</b>	133,515
- Children's Services	140,378	60	<b>140,438</b>	21,592	<b>162,030</b>	N/A
- Resources (d)	91,686	158,721	<b>250,407</b>	18,828	<b>269,236</b>	137,153
<b>Director:</b>						
- Director of Law & Governance & Monitoring Officer	110,650	240	<b>110,890</b>	22,732	<b>133,622</b>	N/A
- Education, Skills and Employment	103,349	140	<b>103,489</b>	21,277	<b>124,766</b>	N/A
- Regeneration & Growth	97,113	-	<b>97,113</b>	19,908	<b>117,021</b>	N/A
- Housing and Communities (e)	110,750	140	<b>110,890</b>	22,732	<b>133,622</b>	N/A
- Director of Public Health	105,700	200	<b>105,900</b>	21,710	<b>127,610</b>	N/A
- Business Strategy and Change (f)	99,696	140	<b>99,836</b>	20,466	<b>120,303</b>	N/A
- Finance	97,067	180	<b>97,247</b>	19,974	<b>117,221</b>	N/A

- a) The Director of Regeneration and Growth commenced maternity leave on 8th March 2020 (Annualised salary £105,572)
- b) The Interim Director of Regeneration and Growth was appointed on 9th March 2020 (Annualised salary £91,054)
- c) The Director of Prevention and Protection was vacant from 16th July 2019 until 25th September 2019 (Annualised salary £92,393)
- d) The Head of Finance was paid on the Directors PayScale from 19th March 2020 to 31st March 2020 due to acting up responsibilities
- e) The Executive Director of Adult Social Care, Health & Wellbeing departed on 3rd January 2021 (Annualised salary £108,863)
- f) The Interim Executive Director of Adult Social Care, Health & Wellbeing was appointed on the 4th February 2021
- g) The Executive Director of Neighbourhoods departed on the 31st December 2021 (Annualised salary £133,515)
- h) The Executive Director of Resources departed on the 30th November 2020 (Annualised salary £137,153)
- i) The Director of Housing and Communities departed on the 31st March 2021
- j) The Director of Business, Strategy and Change post has replaced the Director of Prevention and Protection post

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.

## NOTES TO THE ACCOUNTS

### Other Employees

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

2020/21		Remuneration Band	2021/22	
Schools	Non Schools		Schools	Non Schools
71	71	£50,000 - £54,999	68	74
38	27	£55,000 - £59,999	35	42
33	9	£60,000 - £64,999	28	4
28	11	£65,000 - £69,999	25	13
15	11	£70,000 - £74,999	16	5
12	2	£75,000 - £79,999	13	7
9	11	£80,000 - £84,999	8	5
6	1	£85,000 - £89,999	7	8
3	1	£90,000 - £94,999	5	-
1	-	£95,000 - £99,999	1	-
-	1	£100,000 - £104,999	-	-
-	-	£105,000 - £109,999	-	-
-	-	£110,000 - £114,999	-	1
-	-	£115,000 - £119,999	-	-
-	-	£120,000 - £124,999	-	-
-	-	£125,000 - £129,999	-	-
-	-	£130,000 - £134,999	-	-
1	-	£135,000 - £139,999	-	-
-	1	£140,000 - £144,999	-	-
-	-	£145,000 - £149,999	-	1
-	-	£150,000 - £154,999	-	-
-	-	£155,000 - £159,999	-	-
-	-	£160,000 - £164,999	-	-
-	-	£165,000 - £169,999	-	-
-	-	£170,000 - £174,999	-	-
<b>217</b>	<b>146</b>		<b>206</b>	<b>160</b>

### 32. Members Allowances

The total amount paid during 2021/22 to elected members of the council in respect of basic and special responsibility allowances was £1.379m (£1.322m in 2020/21).

NOTES TO THE ACCOUNTS

33. **External Audit Costs**

2020/21 £'000		2021/22 £'000
153	Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for 2020/21	-
-	Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for 2021/22	164
51	Agreed Fee Variation 2018/19 External Audit	-
242	Agreed Fee Variation 2020/21 External Audit	-
-	Agreed Fee Variation 2021/22 External Audit	113
<b>446</b>	<b>Total fees for appointed Auditor</b>	<b>277</b>
	<b><u>Fees payable in respect of other services provided by Grant Thornton during 2020/21 and 2021/22</u></b>	
6	Certification of 2018/19 Teachers Pension claim	-
-	Teachers Pension Audit 2020/21	6
-	Teachers Pension Audit 2021/22	7
35	Housing Benefit Audit	35
30	Childrens Trust: Fees payable to Grant Thornton appointed auditor for the year 2021/22 with regards to external audit services carried out for the subsidiary audit	29
5	2018-19 Audit fee for Sandwell Land and Property company	-
10	2019-20 Audit fee for Sandwell Land and Property company	-
<b>86</b>	<b>Total additional fees</b>	<b>77</b>
<b>532</b>	<b>TOTAL</b>	<b>354</b>

Note: Fee variation for 2021/22 External Audit Fee to be agreed by PSSA

## NOTES TO THE ACCOUNTS

### 34. **Dedicated Schools Grant (DSG)**

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

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

2021/22 The local authority reported a DSG surplus for the year. Where a DSG deficit position requires separate reporting from the general fund. Reporting a Dedicated School Grant adjustment Account "Unusable Reserves".

Dedicated Schools Grant 2021/22	Central Expenditure £000	ISB £000	Total £000
Final DSG For 2021-22 Before Academy Recoupment			378,587
Academy Figure Recouped for 2021-22			(149,018)
<b>Total Final DSG After Academy Recoupment for 2021-22</b>			<b>229,568</b>
Bought Forward From 2020-21			1,958
Less: Carry-forward to 2022/23 agreed in advance			0
<b>Agreed Initial Budgeted Distribution in 2021-22</b>	<b>13,934</b>	<b>217,592</b>	<b>231,526</b>
In Year Adjustments	0	(723)	(723)
<b>Final Budgeted Distribution for 2021-22</b>	<b>13,934</b>	<b>216,869</b>	<b>230,803</b>
<b>Less</b> Actual Central Expenditure	(13,379)		(13,379)
<b>Less</b> Actual ISB Deployed To Schools		(213,354)	(213,354)
Plus Local Authority Contribution For 2021-22	0	0	0
<b>Carry Forward To 2022-23</b>	<b>555</b>	<b>3,515</b>	<b>4,070</b>

NOTES TO THE ACCOUNTS

35. **Grant Income**

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

**The balances at each year end are as follows:**

31st March 2021 £'000	Revenue Grants Receipts in Advance	31st March 2022 £'000
681	Test and Trace Support Grant	-
408	Planning Delivery Grant	-
453	Adult Education Grant	453
-	Health Inequalities Grant	255
-	Restart Grant	238
-	Cyber Support Grant	175
298	Other Grants	548
<b>1,840</b>	<b>Total</b>	<b>1,669</b>

31st March 2021 £'000	Capital Grants Receipt In Advance	31st March 2022 £'000
	<b><u>Short Term:</u></b>	
1,119	Renewal & Growth	1,085
1,178	Standards Fund	321
9,972	Other Grants	7,319
320	Other Contributions	350
	-	
	<b><u>Long Term:</u></b>	
3,618	Section 106	3,618
5,144	Disabled Facilities Grant	7,711
2,002	Other Grants	1,216
3,079	Other Contributions	1,068
<b>26,432</b>	<b>Total</b>	<b>22,688</b>

NOTES TO THE ACCOUNTS

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

2020/21 £'000	Credited to Taxation and Non Specific Grant Income	2021/22 £'000
<b>41,582</b>	<b>Non ring-fenced government grants:</b> Business Rates Top Up	<b>41,771</b>
	<b>Non ring-fenced government grants:</b>	
8,506	Covid-19 - Emergency Funding	4,516
17,127	Section 31 Business Rates Grant	17,388
34,390	Covid 19 Business Rates Relief Grant	10,780
-	Business Rates Covid 19 Additional Relief Fund	7,583
-	Local Council Tax Support Grant	3,587
-	Tax Income Guarantee	4,412
1,606	New Homes Bonus	1,255
<b>61,629</b>	<b>Subtotal</b>	<b>49,521</b>
	<b>Capital Grants and Contributions:</b>	
4,835	Local Transport Plan Grant	4,458
2,178	Challenge Fund Grant	-
-	Bridge Repair Grant	2,476
-	Schools Basic Need Grant	1,486
-	Disabled Facilities Grant	-
-	Schools Capital Maintenance Grant	5,344
-	High Needs Grant	1,491
-	Devolved Formula Capital Grant	2,055
1,002	Free Schools Grant	131
1,004	Homes England Grant	1,472
20,313	Department of Culture Media & Sports - Aquatic Centre Grant	21,383
-	Department for Transport - Additional Highways Maintenance Grant	-
457	Black Country Local Enterprise Partnership Grant	-
485	Sport England Grant	-
62	Lottery Funding	3,899
-	Priority Schools Build Programme Grant	-
1,113	Towns Fund Grant	5,167
2,266	Community Infrastructure Levy	772
-	PSDG Grant Heat Pump Technology	1,205
1,664	Other Grants	2,057
2,049	Other Contributions	2,133
<b>37,428</b>	<b>Subtotal</b>	<b>55,529</b>
<b>140,639</b>	<b>Total Grants and Contributions Credited to Taxation and Non Specific Grant Income</b>	<b>146,821</b>



NOTES TO THE ACCOUNTS

2020/21 £'000	Credited to Services	2021/22 £'000
	<b>Non-Covid-19 grants and contributions</b>	
226,254	Dedicated Schools Grant	228,687
48,328	Rent Rebates	43,880
34,556	Rent Allowance Subsidy	30,083
24,891	Public Health Grant	25,110
19,215	Improved Better Care Fund	17,408
14,682	Pupil Premium Grant	14,299
13,320	Grants funding REFCUS	10,083
12,317	Adult Social Care Support Grant	16,994
13,535	PFI Grants	13,535
5,745	Teacher Pension Grant	433
3,513	Universal Infant Free School Meals	2,972
1,969	Post 16 Funding	2,289
1,914	Teacher Pay Grant	153
1,836	Troubled Families	1,710
1,823	Benefit Admin Grant	1,741
1,414	PE Sports Grant	1,352
1,279	Discretionary Housing Payments	1,008
1,184	New Burdens Grants	1,387
1,025	Independent Living Fund	-
-	Household Support Grant	3,471
1,858	Preventing Homelessness Grant	1,429
21	Holiday Activities and Food Programme	1,202
7,053	Other Government Grants under £1m	9,728
53,877	Other Contributions and Donations	46,353
<b>491,609</b>	<b>Subtotal</b>	<b>475,307</b>
	<b>Covid-19 grants and contributions</b>	
924	Workforce Recruitment and Retention Grant	3,561
3,859	Sales, Fees and Charges	609
12,093	Covid-19 - Emergency Funding	6,764
-	Covid-19 Local Support Grant	1,544
8,915	Contain, Outbreak, Management Fund	2,911
2,277	Test and Trace Grant	841
1,635	Covid 19 Catch up Package Grant	2,782
1,144	Infection Control Fund	927
-	Covid Rapid Testing Fund	899
1,342	Covid Winter Grant Scheme	551
4,547	Council Tax Hardship Fund	-
266	Local Restrictions Support Grants	-
4,838	Additional Restrictions Grant	6,716
2,913	Discretionary Business Support Grant	-
2,542	Other Grants under £1m	3,704
<b>47,295</b>	<b>Subtotal</b>	<b>31,809</b>
<b>538,904</b>	<b>Total Credited to Services</b>	<b>507,116</b>

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.

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 £12.866m and a Flood Defence levy of £0.088m were made during the financial year.

### **Members**

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

Councillor Richard McVitte is a Director of Sandwell Leisure Trust. Councillor Underhill is a member of Sandwell Inspired Partnership Services Limited.

Councillor Jay Anandou is a Director of Shireland Collegiate Academy Trust and Shireland Learning Limited.

Councillor Kerrie Carmichael is a Director of Black Country Consortium Limited.

In 2021/22 payments to other organisations where Members have declared an interest totalled £1.612m and income received totalled £0.035m.

### **Other Organisations**

The council made grants to voluntary organisations amounting to £8.253m during 2021/22.

**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 2021/22 was £2.505m which included the management fee and other fees. Amounts received from SLT for services provided by the council were £0.686m.

**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 £6.913m to the LEP during 2021/22 mainly relating to the building and renovation costs of schools. The council has a 10% shareholding and a £0.084m holding of 10% loan stock in the company. The council also has a direct shareholding in Environments for Learning Sandwell PFI One Ltd (the special purpose vehicle established by the LEP) and a £0.571m holding of 10% loan stock. Interest on these investments of £0.068m has been received in 2021/22.

**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 £0.334m to SIPS in 2021/22 and received £0.044m 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 to protect and maintain ownership of land and property currently occupied by school establishments. The council was the sole shareholder of SL&P. Under the Code the company was classed as a subsidiary of

the council; their financial activities have been consolidated 100% into the financial statements. A decision was made in 2021-22 to wind up Sandwell Land and Property Ltd (SL &P) as the protection believed to be afforded by the transfer of land to the company to protect the councils' assets is no longer required. On the 26th March 2022 a declaration of insolvency was filed with Companies House and on the same date a liquidator was appointed to wind up the company. The beneficial interests were distributed on the 31st March 2022 which resulted in the council owning the beneficial titles to the land. Following this transfer the assets previously owned by Sandwell Land & Property (SL&P) have now been included within the councils' single entity accounts. The Council has:

- Derecognised the carrying amount of the Council's investment in the Company from the Council Balance Sheet (£26m).
- Recognised the Company assets and liabilities in the Council's Balance Sheet, measured at the Controlling Party's carrying amount at 31 March 2022 (£61m).
- Processed the downward revaluation as at 31 March 2022 of the newly recognised assets in the Council's Balance Sheet (£5m).
- Derecognised the long leases for assets relating to Schools that converted to Academies (£1m). An accounting policy has been added to reflect this.

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 £0.970m to WMCA in 2021/22 and received £0.032m in relation to goods and services supplied by the council to WMCA in the same year. The WMCA wholly owns both West Midlands Rail Limited and West Midlands Growth Company, as the council is a constituent member of the WMCA it therefore owns a proportion of both companies. There have been no direct transactions between these companies and the council.

**Sandwell Children's Trust** was established on 1st April 2018 to provide for Sandwell's children's social care services. The council made payments totalling £75.993m to Sandwell Children's Trust (SCT) in 2021/22 and received £5.175m in relation to goods and services supplied by the council to SCT in the same year. SCT have been consolidated into the Councils group.

NOTES TO THE ACCOUNTS

37. **Capital Expenditure and Capital Financing**

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

2020/21 £'000		2021/22 £'000
<b>791,981</b>	<b>Opening Capital Financing Requirement</b>	<b>796,767</b>
	<b>Capital Investment:</b>	
109,117	Property, Plant & Equipment*	131,383
-	Heritage assets	9
-	Investment properties	249
153	Intangible assets	131
23,346	Revenue Expenditure Funded from Capital under Statute	10,090
<b>132,616</b>		<b>141,862</b>
	<b>Sources of Finance:</b>	
(58,737)	Government grants & other contributions	(54,064)
(18,868)	Capital receipts	(17,923)
(8,116)	Direct revenue contributions	(13,732)
(26,117)	Minimum Revenue Provision	(28,039)
(15,992)	Major Repairs Reserve	(15,944)
<b>(127,830)</b>		<b>(129,702)</b>
<b>796,767</b>	<b>Closing Capital Financing Requirement</b>	<b>808,927</b>
	<b>Explanation of movements in year:</b>	
4,786	Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	12,160
<b>4,786</b>	<b>Increase/ (decrease) in Capital Financing Requirement</b>	<b>12,160</b>

\* PP&E excludes the net absorption of SL&P assets (£61m). These were offset by the derecognition of the share equity in the Company.

38. **Capital Commitments**

The Council has to plan its capital spending in advance of work proceeding. As at 31st March 2022 the Council had allocated resources to a five year programme covering the period 2022/23 to 2026/27 that amount to £383.859m. The main areas to where these resources have been allocated are listed below:

<b>Capital Commitments</b>	<b>£'000</b>
Housing Investment Programme	247,327
Adaptations for Disabled (DFG / HRA)	40,395
Structural Maintenance of Roads, Bridges & Lighting - Local Transport Plan	19,961
Integrated Transport Block - Local Transport Plan	9,433
ICT End User Computing 2	8,491
Towns Fund	7,515
Acquisition Of Vehicles	7,500
School Capital Programme	6,857
Aquatic Centre - Commonwealth Games 2022	5,749
Property Refurbishment	4,693
New Social Care & Health Centre - Rowley Regis	3,862
New Cemetery - West Bromwich	3,671
Birchley Island	2,213
Dudley Street / Scott Bridge repairs (DFT)	1,980
New Cemetery - Rowley Regis	728

Included within the 5 year programme are amounts that are legally committed as at 31st March 2022 that amount to £13.221m.

## NOTES TO THE ACCOUNTS

### 39. Leases

#### Council as Lessee

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

The council has acquired several administrative buildings by entering operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31/03/2021 £'000	Lessee	31/03/2022 £'000
1,058	Not later than one year	1,118
3,034	Later than one year and not later than five years	3,178
8,702	Later than five years	8,826
<b>12,794</b>	<b>Total</b>	<b>13,122</b>

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

31/03/2021 £'000	Lessee	31/03/2022 £'000
	<b>Minimum lease payments:</b>	
155	Adult Social Care	117
1,089	Housing, Regeneration and Growth	1,077
1,244		1,194
(77)	Less: sublease payments receivable	(78)
<b>1,167</b>	<b>Total</b>	<b>1,116</b>

In accordance with IAS10, it should be noted that the lease for Kings Square was terminated in July 2022. Whilst no adjustments are required to be made in the 2021/22 Financial Statements the impact of the termination of the lease will reduce the Council's future obligation by £7.440m, which is the projected expenditure that would have been incurred under the lease until its expiry.

#### 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:

31/03/2021 £'000	Lessor	31/03/2022 £'000
4,813	Not later than one year	4,163
13,314	Later than one year and not later than five years	10,399
160,261	Later than five years	158,380
<b>178,388</b>	<b>Total</b>	<b>172,942</b>

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

### 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 Harvill's Hawthorn and Millfield's estates. In addition to the planned refurbishments this scheme also includes 132 new build homes and 67 'Walls in Walls Out'.

The Council has the right to use the specified assets for the duration of the project agreement and the right to expect the provision of housing management services. At the end of the concession period the specified assets will transfer back to the Council in line with predetermined standards. Both parties have the right to terminate the contract should the contract no longer represent value for money. The Council has a right to terminate the agreement in instances of contractor default, persistent breach and voluntary termination. The unitary charge for 2021/22 was £8.5m (£8.5m in 2020/21).

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, £17.927m will be spent on lifecycle works to maintain the homes at the level of decency as specified in the contract.

#### **Rowley Campus**

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

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

The unitary charge payments made during 2021/22 totalled £7.0m (2020/21 was £7.0m). The total capital cost of the scheme is in the region of £44.955m.

#### **Total Schools Solutions**

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

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

## NOTES TO THE ACCOUNTS

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 2021/22 was £2.8m (2020/21 was £2.8m).

### **Portway Lifestyle Centre**

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

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

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

The unitary charge for 2021/22 was £1.3m (2020/21 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:**

Liabilities resulting from PFI Contracts		Riverside Housing £'000	Total School Solutions £'000	BSF Rowley Campus £'000	Portway £'000	Total PFI Schemes £'000	Total Finance Lease Liabilities £'000
<b>Balance at 31 March 2021</b>	Current	(1,324)	(637)	(1,272)	(152)	(3,385)	(3,385)
	Long Term	(17,763)	(7,434)	(34,559)	(8,769)	(68,525)	(68,525)
	<b>Total</b>	<b>(19,087)</b>	<b>(8,071)</b>	<b>(35,831)</b>	<b>(8,921)</b>	<b>(71,910)</b>	<b>(71,910)</b>
<b>Balance at 31 March 2022</b>	Current	(1,356)	(704)	(770)	(218)	(3,048)	(3,048)
	Long Term	(16,407)	(6,730)	(33,789)	(8,551)	(65,477)	(65,477)
	<b>Total</b>	<b>(17,763)</b>	<b>(7,434)</b>	<b>(34,559)</b>	<b>(8,769)</b>	<b>(68,525)</b>	<b>(68,525)</b>
<b>Movement in Year</b>		<b>1,324</b>	<b>637</b>	<b>1,272</b>	<b>152</b>	<b>3,385</b>	<b>3,385</b>
<b><u>Analysis of Movement in Year:</u></b>							
Capital Additions in year		-	-	-	-	-	-
Write down of liability		1,324	637	1,272	152	3,385	3,385
		<b>1,324</b>	<b>637</b>	<b>1,272</b>	<b>152</b>	<b>3,385</b>	<b>3,385</b>

NOTES TO THE ACCOUNTS

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

Schedule of payments due to be made under PFI contracts	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000	Total £'000
<b>Riverside Housing PFI</b>						
Liability Repayments	1,356	7,966	8,440	-	-	17,762
Interest Charges	1,570	6,554	4,178	-	-	12,302
Operating Costs	2,481	10,617	11,654	-	-	24,752
Lifecycle Costs	3,248	10,923	3,756	-	-	17,927
	<b>8,655</b>	<b>36,060</b>	<b>28,028</b>	-	-	<b>72,743</b>
<b>Total School Solutions PFI</b>						
Liability Repayments	704	3,632	3,098	-	-	7,434
Interest Charges	1,172	4,060	1,837	-	-	7,069
Operating Costs	868	3,561	2,449	-	-	6,878
Lifecycle Costs	108	442	343	-	-	893
	<b>2,852</b>	<b>11,695</b>	<b>7,727</b>	-	-	<b>22,274</b>
<b>BSF Rowley Campus PFI</b>						
Liability Repayments	770	6,912	12,553	14,324	-	34,559
Interest Charges	2,792	11,710	11,382	5,338	-	31,222
Operating Costs	2,023	8,091	10,113	8,168	-	28,395
Lifecycle Costs	1,422	1,867	3,031	2,376	-	8,696
	<b>7,007</b>	<b>28,580</b>	<b>37,079</b>	<b>30,206</b>	-	<b>102,872</b>
<b>Portway PFI</b>						
Liability Repayments	218	745	954	1,723	5,128	8,768
Interest Charges	771	2,896	3,242	2,733	858	10,500
Operating Costs	321	1,284	1,605	1,605	455	5,270
Lifecycle Costs	65	575	1,074	814	106	2,634
	<b>1,375</b>	<b>5,500</b>	<b>6,875</b>	<b>6,875</b>	<b>6,547</b>	<b>27,172</b>
<b>Total Payments</b>	<b>19,889</b>	<b>81,835</b>	<b>79,709</b>	<b>37,081</b>	<b>6,547</b>	<b>225,061</b>



## NOTES TO THE ACCOUNTS

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

	<b>Council Dwellings (Riverside) £'000</b>	<b>Buildings (Total Schools) £'000</b>	<b>Buildings (Rowley Campus) £'000</b>	<b>Land &amp; Buildings (Portway) £'000</b>	<b>Total £'000</b>
<b>Balance as at 1 April 2021</b>	43,116	23,471	44,030	13,850	<b>124,467</b>
Additions	638	130	479	118	<b>1,365</b>
Revaluations	2,452	1,102	2,527	(1,174)	<b>4,907</b>
In Year Depreciation	(625)	(522)	(978)	(277)	<b>(2,402)</b>
Depreciation Written Out	611	522	978	277	<b>2,388</b>
Other Movements	(1,030)	-	-	-	<b>(1,030)</b>
<b>Balance as at 31 March 2022</b>	<b>45,162</b>	<b>24,703</b>	<b>47,036</b>	<b>12,794</b>	<b>129,695</b>

### **Serco Limited Waste Contract**

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

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

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

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

Upon default by the council, Serco Limited may terminate the contract by giving 30 days' notice. The termination notice must be served within 30 days of the contractor becoming aware of the default. The council may terminate the contract where the contractor fails to rectify defaults notified to them by the council, or on the occurrence of persistent breach of the contract. The council made payments of £25.775m in 2021/22 to Serco Limited (£24.228m in 2020/21).

## NOTES TO THE ACCOUNTS

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

Schedule of payments due to be made under PFI contracts	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Total £'000
<b>SERCO</b>					
Operating Costs	27,910	136,194	197,555	158,884	<b>520,543</b>
Lifecycle Costs	1,733	7,147	9,048	7,210	<b>25,138</b>
	<b>29,643</b>	<b>143,341</b>	<b>206,603</b>	<b>166,094</b>	<b>545,681</b>

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

31/03/2021 £'000		31/03/2022 £'000
834	<b>Balance as at 1 April</b>	252
-	Replacement asset (start of period)	3,289
(582)	Depreciation	(197)
<b>252</b>	<b>Balance as at 31 March</b>	<b>3,344</b>

As at the 31<sup>st</sup> March 2022 the Council had £3.5m (£5.1m at 31<sup>st</sup> March 2021) of prepayments relating to the contract with Serco Limited. The accounts reflect the change of accounting treatment implemented for the 2021/22 accounts.

#### 41. Impairment Losses and Reviews

During 2021/22 no material Impairment Losses have been identified in relation to the Council's Non-Current assets.

Reversal of impairment losses recognised in previous years amounting to £58.965m were recognised in 21/22.

The Councils Valuers carried out impairment reviews where deemed appropriate to determine if there were any material changes in property values from the 1 April 2021 to 31 March 2022.

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 were last valued within their rolling valuation cycle.

## NOTES TO THE ACCOUNTS

### 42. Termination Benefits

The council terminated 32 employee contracts (excluding schools) in 2021/22 to meet the ongoing challenges of the difficult economic climate and budget reductions, incurring liabilities of £1.963m.

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

(Exit Packages) Band	Total Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (£'000)		Details of Termination Packages - Cost of Prior Year's Included in Current Year		Comments
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	Number s	Cost ('000)	
£0 - £20,000	-	-	4	12	4	12	19	98	-	-	
£20,001 - £40,000	-	-	3	6	3	6	95	158	-	-	
£40,001 - £60,000	-	-	3	2	3	2	159	118	-	-	
£60,001 - £80,000	-	-	3	2	3	2	227	125	-	-	
£80,001 - £100,000	-	-	1	3	1	3	95	269	2	166	Provision created in 2020-21
£100,001 - £150,000	-	-	4	3	4	3	506	363	2	218	Provision created in 2020-21
£150,001 - £200,000	-	-	4	2	4	2	662	322	1	130	Provision created in 2020-21
£201,000 - £250,000	-	-	3	1	3	1	667	244	1	225	Provision created in 2020-21
£250,001 - £300,000	-	-	-	1	-	1	-	267	1	56	Provision created in 2020-21 for £267k of which £56k was utilised in 2021/22
£300,001 - £350,000	-	-	-	-	-	-	-	-	-	-	
£350,001 - £400,000	-	-	-	-	-	-	-	-	-	-	
£400,001 - £450,000	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL</b>	-	-	<b>25</b>	<b>32</b>	<b>25</b>	<b>32</b>	<b>2,430</b>	<b>1,963</b>	<b>7</b>	<b>795</b>	

A provision of £1.591m was created for employees approved as planned leavers at 31 March 2021 at the end of 2020/21. Of this £0.795m was utilised and £0.786m re-provided for in 2022/23 and the balance was released back to Services.

Further termination costs of £0.466m not included in the 2020/21 provision have been incurred. £0.466m of this has been funded by Directorates and £0.0m from the Council's Corporate Resources.

Agreements were made in 2021/22 for 4 employees to leave the council during financial year 2022/23 at an estimated cost of £0.262m, a provision has therefore been created for this amount.

Further provision of £0.413m has been created for 2021/22 leavers for whom costs have been estimated but not yet incurred.

As at 31/03/2022, the council holds a total provision of £1.460m.

Schools terminated 37 employee contracts in 2021/22, incurring liabilities of £0.349m.

### 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:

#### Teachers

The teachers employed by the council are members of the Teachers Pension Scheme (TPS) which is a defined benefit multi-employer scheme operated by the Department for Education (DFE). The scheme is managed by the Teachers Pensions Agency under the Teachers Pensions Regulations 1997. The Teachers Pensions Fund is accounted for as a defined contribution scheme in line with

## NOTES TO THE ACCOUNTS

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the requirements of IAS19 since the scheme is notionally funded and for which underlying liabilities cannot be identified on a consistent basis.

In 2021/22 the council paid £16.298m (2020/21 £16.610m) to the DFE in respect of teachers' pension costs. This represents 16.48% of teacher's pensionable pay. Estimated contributions for 2022/23 are £16.982m 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 2021/22 these amounted to £2.543m (2020/21 £2.531m). 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 2021/22 the council paid £0.029m (2020/21 £0.045m) to the NHS Pension Scheme in respect former NHS staff retirement benefits, representing 16.48% of pensionable pay. Estimated contributions for 2022/23 are £0.030m based on a contribution rate of 20.91%.

### **Other Employees**

Other employees of the council contribute to the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. In 2021/22 the council paid an employer's pension contribution of £34.932m (2020/21 £30.598m) based on 20.5% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Contributions for 2022/23 were £38.680m based on 20.5% of pensionable pay.

The capital cost of awarding discretionary additional benefits relating to the year 2021/22 was £1.175m (2020/21 £1.767m). 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.

## NOTES TO THE ACCOUNTS

The following transactions have been made in year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Teachers Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
<b>Cost of Services</b>				
Current service costs	82,125	89,305		
Past service costs		876		
Settlements and curtailments	(3,775)	(7,113)		
Administration expenses	950	-		
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	18,825	21,873	894	710
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>98,125</b>	<b>104,941</b>	<b>894</b>	<b>710</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in net interest expense)	(242,510)	(117,899)		
- Actuarial gains and losses arising on changes in demographic assumptions	(27,780)	(78,626)	2,954	(374)
- Actuarial gains and losses arising on changes in financial assumptions	581,844	(162,257)	(2,925)	(563)
- Experience (gain) / loss	(26,367)	(55,541)		83
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>285,187</b>	<b>(414,323)</b>	<b>29</b>	<b>(854)</b>

Movement in Reserves Statement	Local Government Pension Scheme		Teachers Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'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	98,125	112,308	891	
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>46,709</b>	<b>45,124</b>		
Employer's Contributions payable to scheme				
Retirement benefits payable to pensioners		1,346	2,531	2,543

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.

## NOTES TO THE ACCOUNTS

The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2022 have been provided by the Funds' Actuary and are detailed below:

Reconciliation of present value of the scheme liabilities	Local Government Pension Scheme		Teachers Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
<b>Opening Balance at 1 April</b>	<b>2,084,876</b>	<b>2,681,872</b>	<b>39,994</b>	<b>36,783</b>
Current Service Cost	82,125	89,305		
Interest on pension liabilities	41,484	53,860	891	710
Contributions by scheme participants	10,547	10,636	-	
Remeasurement (gain) / loss:				
- Actuarial gains and losses arising on changes in demographic assumptions	(27,780)	(78,626)	(527)	(374)
- Actuarial gains and losses arising on changes in financial assumptions	581,844	(162,257)	4,667	(563)
- Experience (gain) / loss	(26,367)	(48,673)	(5,711)	83
Benefits paid	(60,161)	(57,399)	(2,531)	-
Unfunded Benefits paid		(1,346)		(2,543)
Past service costs / Curtailment	1,523	876	-	
Settlements	(6,219)	(9,326)	-	
<b>Closing Balance at 31 March</b>	<b>2,681,872</b>	<b>2,478,922</b>	<b>36,783</b>	<b>34,096</b>

Scheme History	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Present Value of Liabilities</b>						
Local Government Pension Scheme (funded)	(2,063,623)	(2,037,255)	(2,087,257)	(2,070,007)	(2,667,105)	(2,465,543)
Local Government Pension Scheme (unfunded)	(16,377)	(15,047)	(13,424)	(14,869)	(14,767)	(13,379)
Teachers Pension Scheme (unfunded)	(49,903)	(45,140)	(42,180)	(39,994)	(36,783)	(34,096)
<b>Total Present Value of Liabilities</b>	<b>(2,129,903)</b>	<b>(2,097,442)</b>	<b>(2,142,861)</b>	<b>(2,124,870)</b>	<b>(2,718,655)</b>	<b>(2,513,018)</b>
<b>Fair Value of assets in the local government pension scheme</b>	<b>1,278,745</b>	<b>1,355,619</b>	<b>1,386,323</b>	<b>1,334,232</b>	<b>1,614,919</b>	<b>1,759,242</b>
<b>Surplus / (Deficit) in the scheme:</b>						
Local Government Pension Scheme (LGPS)	(801,255)	(696,683)	(714,358)	(750,644)	(1,066,953)	(719,680)
Teachers Pension Scheme (TPS)	(49,903)	(45,140)	(42,180)	(39,994)	(36,783)	(34,096)
<b>Total</b>	<b>(851,158)</b>	<b>(741,823)</b>	<b>(756,538)</b>	<b>(790,638)</b>	<b>(1,103,736)</b>	<b>(753,776)</b>

Reconciliation of fair value of the scheme assets	Local Government Pension Scheme	
	2020/21 £'000	2021/22 £'000
<b>Opening Balance at 1 April</b>	<b>1,334,232</b>	<b>1,614,919</b>
Interest Income	22,659	31,987
Return on assets less interest	242,510	119,512
Administration expenses	(950)	6,868
Settlements	(921)	(2,213)
Employers contributions	67,003	34,932
Contributions by scheme participants	10,547	10,636
Benefits paid	(60,161)	(57,399)
<b>Closing Balance at 31 March</b>	<b>1,614,919</b>	<b>1,759,242</b>

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £2,513m has a substantial impact on the net worth of the council as recorded in the Balance Sheet in a negative overall balance of £753.776m, 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.

## NOTES TO THE ACCOUNTS

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

Asset Category	2020/21 £'000	2021/22 £'000
Equities	968,670	1,061,873
Bonds	235,865	393,216
Property	120,681	125,584
Alternatives	204,415	101,537
Cash	78,631	68,762
Remeasurements of the net defined benefit liability/(asset)	6,657	8,270
<b>Total</b>	<b>1,614,919</b>	<b>1,759,242</b>

### **Basis for Estimating Assets & Liabilities**

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

Basis for Estimating Assets & Liabilities	Local Government Pension Scheme		Teachers Pension Scheme	
	2020/21	2021/22	2020/21	2021/22
<b>Mortality Assumptions</b>				
<b>Longevity at 65 for current pensioners</b>				
Men	21.6	21.1	21.6	21.1
Women	23.9	23.9	23.9	23.9
<b>Longevity at 65 for future pensioners</b>				
Men	23.4	22.0		22.0
Women	25.8	25.4		25.4
Rate of CPI Inflation	2.85%	3.20%	2.85%	3.20%
Rate of Increase In Salaries (LGPS)	3.85%	4.20%		
Rate of Increase In Pensions	2.85%	3.20%	2.85%	3.20%
Discount Rate	2.00%	2.70%	1.75%	2.70%

A ruling was made regarding age discrimination arising from public sector pension scheme transition arrangements put in place when moving from final salary to average salary scheme arrangements. Court of Appeal judgements were made in cases affecting judges' pensions (the McCloud Judgement) and firefighter pensions. Allowance has been made for the potential impact in the results reported.

### **Changes in Assumptions on Conversion of Schools to Academies**

The assets and liabilities of 3 schools were transferred out of the scheme during 2021/22 and, in line with IAS 19, remeasurement of the profit and loss items from the date of any special event for the remainder of the accounting period was considered. These transfers were not deemed to be significant and therefore there has not been any remeasurement of the profit and loss items.

### **Early Payment of Pension Contributions**

The Council made an early up front pension contribution of £30.563m in May 2020, covering the three year period 2020/21 to 2022/23. The full payment was accounted for as a reduction in the Council's net pension liability in 2020/21, however accounting regulations require that the amount due in relation to 2021/22 of £10.192m (2020/21 £10.269m) is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and in the Defined Benefit Pension Schemes (Note 43).

### 44. **Contingent Assets and Liabilities**

#### **Contingent Liabilities**

There are presently 18 active civil litigation claims (5 in 2020/21) and 8 active employment tribunal cases (14 in 2020/21), 2 of which relate to the Sandwell Children's Trust in the Council's wider group companies.

#### **Equal Pay**

The Council has in the past received several claims for back pay arising from the Equal Pay Initiative. All of these claims were settled and there are none currently outstanding. Therefore, no provision for Equal Pay has been set in 2021/22.

#### **Municipal Mutual Insurance Ltd (MMI)**

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

#### **Contingent Liability – Unlodged Appeals**

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

Analyse Local has provided a threats report identifying potential appeals of £13.374m. Using information from Analyse Local on the historic proportion of threats that have actually progressed to check and challenge we have included £3.218m of these threats within our appeals provision. We have excluded the remaining £6.170m 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.

#### **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 2021/22 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.



# Housing Revenue Account

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2021/22

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

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

HOUSING REVENUE ACCOUNT

Restated 2020/21 £'000	HRA Income and Expenditure Statement	2021/22 £'000
	<b><u>Income:</u></b>	
(118,254)	Dwelling Rents	(120,526)
(305)	Non-Dwelling Rents	(85)
(2,735)	Charges for Services & Facilities	(3,322)
(5,713)	PFI Grant	(5,713)
<b>(127,007)</b>	<b>Total Income</b>	<b>(129,646)</b>
	<b><u>Expenditure:</u></b>	
41,500	Repairs & Maintenance	45,798
28,415	Supervision & Management	27,047
1,377	Rent, Rates, Taxes & Other Charges	1,649
4,658	PFI Contract	5,499
26,559	Depreciation & Impairment of Non Current Assets	(17,257)
1,537	Interest Payable/(Receivable) charged to Cost of Services	-
958	Movement in Impairment Allowance for Bad Debts	263
<b>105,004</b>	<b>Total Expenditure</b>	<b>62,999</b>
<b>(22,003)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account</b>	<b>(66,647)</b>
(2,594)	(Gain) or loss on sale of HRA Non Current Assets	(3,804)
(5)	(Gain) or loss on revaluation of HRA Non Current Assets	1
1,964	PFI Interest payable and similar charges	1,606
3,147	Pensions Interest Costs	3,025
17,931	Interest payable and similar charges	19,238
(143)	Movement on Impairment Losses	374
(1,004)	Capital grants and contributions receivable	(2,032)
<b>(2,707)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(48,239)</b>

HOUSING REVENUE ACCOUNT

2020/21 £'000	Movement on Housing Revenue Account Balance Statement	2021/22 £'000
<b>(39,794)</b>	<b>Balance on the HRA at the end of the previous reporting period</b>	<b>(41,287)</b>
(2,707)	(Surplus)/deficit for the year on the Income and Expenditure Statement	(48,239)
1,214	Adjustments between accounting basis and funding basis under statute	48,890
(1,493)	Net increase/(decrease) before transfers to or from reserves	651
-	Transfers to/(from) Major Repairs Reserve	1,308
<b>(1,493)</b>	(Increase)/decrease in year on the HRA	<b>1,959</b>
<b>(41,287)</b>	<b>Balance on the HRA at the end of the current reporting period</b>	<b>(39,328)</b>

**Note to the Statement of Movement on the HRA Balance**

Restated 2020/21 £'000	HRA Income and Expenditure Statement	2021/22 £'000
	<b>Items included in the HRA Income &amp; Expenditure Statement but excluded from the Movement on HRA Balance for the year</b>	
(26,559)	Depreciation & impairment of Non Current Assets	17,257
2,594	Gain or loss on sale of HRA Non Current Assets	3,804
5	Gain or loss on revaluation of HRA Non Current Assets	(1)
1,004	Capital grants and contributions receivable	2,032
(7,268)	Pension Reserve	(9,790)
(14)	Accumulated Compensated Absences Account	5
<b>(30,238)</b>		<b>13,307</b>
	<b>Items not included in the HRA Income &amp; Expenditure Statement but included in the Movement on HRA Balance for the year</b>	
18	Amortisation of premiums, discounts & LOBOs	19
2,294	PFI Finance Lease Creditor	1,324
139	PFI Capital expenditure funded by the HRA	139
1,131	Capital expenditure funded by the HRA	3,659
15,992	Net transfer to / (from) Major Repairs Reserve	15,944
-	Pension Reserve	1,936
11,878	Debt Repayment	12,561
<b>31,452</b>		<b>35,582</b>
<b>1,214</b>	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>	<b>48,890</b>

HOUSING REVENUE ACCOUNT

**Notes to the HRA Accounts**

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

Total No. 2020/21	Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 2021/22
	<b><u>0 Bedroom</u></b>					
2	Bungalow			2		2
43	Flat		19	24		43
	<b><u>1 Bedroom</u></b>					
3	Houses	-	1	2	-	3
6,162	Flats	217	1,455	4,435	131	6,238
1,371	Bungalows	384	318	666	-	1,368
	<b><u>2 Bedroom</u></b>					
3,167	Houses	1,576	846	525	199	3,146
4,848	Flats	124	2,385	2,257	110	4,876
173	Bungalows	6	52	59	62	179
	<b><u>3 Bedroom</u></b>					
11,448	Houses	6,578	2,893	1,670	146	11,287
538	Flats	49	265	223	1	538
12	Bungalows	1	1	9	1	12
	<b><u>4 Bedroom</u></b>					
629	Houses	404	149	33	54	640
2	Bungalows	-	-	2	-	2
	<b><u>5 Bedroom</u></b>					
10	Houses	6	3	-	-	9
	<b><u>6 Bedroom</u></b>					
3	Houses	1	1	1	-	3
	<b><u>8 Bedroom</u></b>					
1	Houses	-	-	1	-	1
<b>28,412</b>	<b>Total Stock</b>	<b>9,346</b>	<b>8,388</b>	<b>9,909</b>	<b>704</b>	<b>28,347</b>

The housing stock at 31 March 2022 includes 983 council dwellings (1,001 at 31 March 2021) included within the Riverside Housing PFI contract, which are included on the council's Balance Sheet.

## HOUSING REVENUE ACCOUNT

### 2. Balance Sheet Movement in HRA Non-Current Assets

					Restated			Restated	
	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
<b>Cost or Valuation</b>									
Previous Balance at 1 April 2021 brought forward	1,146,869	1,351	258	7,843	3,343	599	21,379	3,829	1,185,471
Prior Period Adjustment	-	-	-	-	1,164	-	-	(1,164)	-
Restated Balance at 1 April 2021 brought forward	<b>1,146,869</b>	<b>1,351</b>	<b>258</b>	<b>7,843</b>	<b>4,507</b>	<b>599</b>	<b>21,379</b>	<b>2,665</b>	<b>1,185,471</b>
Additions	42,346			1,319			13,625		57,290
Revaluations - RR					1,041				1,041
Revaluations - CI&ES	18,334				(563)			(2)	17,769
Disposals	(15,323)				(51)			(1)	(15,375)
Transfers	26,246	(89)			(306)		(25,085)	3	769
Other Movements	(1)	1	-	-	(1,377)	(599)	(17)	(2,614)	(4,607)
<b>as at 31 March 2022</b>	<b>1,218,471</b>	<b>1,263</b>	<b>258</b>	<b>9,162</b>	<b>3,251</b>	<b>-</b>	<b>9,902</b>	<b>51</b>	<b>1,242,358</b>
<b>Depreciation &amp; Impairment</b>									
Previous Balance at 1 April 2021 brought forward	-	(8)	(231)	(5,132)	(1,411)	(599)	(102)	(2,616)	(10,099)
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
Restated Balance at 1 April 2021 brought forward	-	<b>(8)</b>	<b>(231)</b>	<b>(5,132)</b>	<b>(1,411)</b>	<b>(599)</b>	<b>(102)</b>	<b>(2,616)</b>	<b>(10,099)</b>
In Year Depreciation*	(16,812)	(21)	(27)	(379)	(14)				(17,253)
Impairment Losses / Reversals - CI&ES	16,615				38		85		16,738
Disposals	205				2				207
Transfer	(8)	1			7				-
Other Movements	-	-	-	-	1,378	599	17	2,616	4,610
<b>As at 31 March 2022</b>	<b>-</b>	<b>(28)</b>	<b>(258)</b>	<b>(5,511)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,797)</b>
<b>As at 31 March 2022</b>	<b>1,218,471</b>	<b>1,235</b>	<b>-</b>	<b>3,651</b>	<b>3,251</b>	<b>-</b>	<b>9,902</b>	<b>51</b>	<b>1,236,561</b>
<b>Restated Balance at 31 March 2021</b>	<b>1,146,869</b>	<b>1,343</b>	<b>27</b>	<b>2,711</b>	<b>2,997</b>	<b>-</b>	<b>21,277</b>	<b>148</b>	<b>1,175,372</b>

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 983 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 2021/22, no losses of relating to new additions were offset against revaluation gains from previous years.

## HOUSING REVENUE ACCOUNT

### 3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2021 was £2,867.172m, 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 £1,146.869m and included a regional social housing discount factor of 40%. The difference shows the economic cost to Government of providing council housing at submarket rents.

The closing vacant possession value of council dwellings as at 31 March 2022 was £3,046.178m and the balance sheet value as at 31 March 2022 was £1,218.471m 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.

2020/21 £'000		2021/22 £'000
	<b>Opening Balance as at 1 April</b>	
15,992	Depreciation on Dwellings to the MRR during year	16,812
419	Depreciation on other Non Current Assets	440
(419)	Amounts transferred to HRA	0
(15,992)	Capital expenditure on land, houses & other property within HRA	(15,944)
-	<b>Closing Balance as at 31 March</b>	<b>1,308</b>

### 5. Capital Expenditure

Capital expenditure on land, houses and other property within the HRA during 2021/22 is £58.277m (£49.473m in 20/21). This expenditure has been financed as follows:

2020/21 £'000		2021/22 £'000
<b>49,473</b>	<b>Capital Expenditure</b>	<b>58,277</b>
	<b>Sources of Funding:</b>	
27,312	Prudential Borrowing	30,381
1,004	Grants	2,032
15,992	Major Repairs Reserve	15,944
428	Revenue Contribution	3,798
4,737	Usable Capital Receipts	6,122
<b>49,473</b>	<b>Total Funding</b>	<b>58,277</b>

## HOUSING REVENUE ACCOUNT

### 6. Capital Receipts

Net Capital Receipts received from the disposal of land, houses and other property within the HRA during 2021/22 are summarised below:

2020/21 £'000		2021/22 £'000
306	Land & Buildings	1
11,385	Council Houses	18,971
<b>11,691</b>	<b>Total Capital Receipts</b>	<b>18,972</b>

### 7. Depreciation Charge

As required by the Code, the council has charged depreciation on all HRA properties, including non-dwellings. In 2021/22 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:

2020/21 £'000		2021/22 £'000
15,992	Dwellings	16,187
620	PFI Dwellings	625
29	Neighbourhood Offices	21
326	Equipment	379
14	Assets Not Held for Sale	14
50	Intangible	27
<b>17,031</b>	<b>Total Depreciation</b>	<b>17,253</b>

### 8. Revaluation and Impairment Losses

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment losses.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. Due to an increase in the value of Housing Stock there were £35.071m previous year losses reversed during 2021/22 relating to HRA properties.

### 9. Rent Arrears

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

2020/21 £'000		2020/21 £'000
5,254	Current Tenants	5,587
4,024	Former Tenants	4,978
<b>9,278</b>	<b>Total Arrears</b>	<b>10,565</b>

## HOUSING REVENUE ACCOUNT

### 10. Provisions & Reserves

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

2020/21 £'000		2021/22 £'000
4,703	<b>Provision b/fwd 1 April</b>	4,670
(848)	Write Off / On Charged to Provision	(263)
815	Additional Provision	607
<b>4,670</b>	<b>Provision c/fwd 31 March</b>	<b>5,014</b>

### 11. Government Subsidy

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

2020/21 £'000		2021/22 £'000
(5,713)	PFI Credit Receivable	(5,713)
<b>(5,713)</b>	<b>Total Government Subsidy Payable / (Receivable)</b>	<b>(5,713)</b>

### 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:

2020/21 £'000		2021/22 £'000
41,285	HRA Surplus as at 31st March	39,327
	Less Earmarked Balances:	
(7,400)	- Working Balance	(7,400)
(8,387)	- Contingencies	(8,387)
(15,000)	- Capital Investment	(15,000)
(181)	- Carry Forward Commitments	(181)
<b>10,317</b>	<b>Uncommitted HRA Resources</b>	<b>8,359</b>



# Collection Fund

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2021/22

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.

## COLLECTION FUND

### Accounting Policies

#### 1. Income and Expenditure

The accounts have been prepared on an accrual's basis. This means sums due to or from the Collection Fund, are included whether the cash has been received or paid in the year.

The above policy is not followed when dealing with the apportionment of the surplus or deficit on the fund to precepting authorities.

#### 2. Council Tax/NNDR Bad Debt Provision and NNDR Provision for Valuation Appeals

A provision is created when a sum of money is set aside to meet future specific expenses which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

The Collection Fund provides for bad debts on arrears based on prior year experience and the current year's collection rates.

#### 3. Collection Fund Statement

2020/21				2021/22		
Council Tax	NDR	Total		Council Tax	NDR	Total
£'000	£'000	£'000		£'000	£'000	£'000
124,825	-	124,825	<b>Income</b>	130,269	-	130,269
2,789	-	2,789	- Council Tax Payers	2,513	-	2,513
-	64,671	64,671	- Council Tax Hardship Relief Grant	-	84,113	84,113
-	39	39	- Business Rates Payers	-	42,825	42,825
			Contribution towards previous year's estimated Collection Fund Deficit			
<b>127,614</b>	<b>64,710</b>	<b>192,324</b>	<b>Total Income</b>	<b>132,782</b>	<b>126,938</b>	<b>259,720</b>
			<b>Expenditure</b>			
			<b>Precepts:</b>			
108,257	-	108,257	- Sandwell MBC	111,654	-	111,654
12,074	-	12,074	- West Midlands Police Crime Commissioner	13,208	-	13,208
4,591	-	4,591	- West Midlands Fire & Rescue Authority	4,689	-	4,689
			<b>Non Domestic Rates:</b>			
-	-	-	- Central Government	-	-	-
-	99,806	99,806	- Sandwell MBC	-	99,364	99,364
-	1,008	1,008	- West Midlands Fire & Rescue Authority	-	1,004	1,004
-	429	429	- Cost of Collection Allowances	-	423	423
-	1,272	1,272	- Transitional Protection Payment	-	316	316
			<b>Provisions:</b>			
2,595	2,157	4,752	- Bad Debts	2,309	(1,463)	846
	(981)	(981)	- Appeals	-	(2,260)	(2,260)
332		332	Distribution of Estimated Collection Fund Surplus	3,369	-	3,369
<b>127,849</b>	<b>103,691</b>	<b>231,540</b>	<b>Total Expenditure</b>	<b>135,229</b>	<b>97,384</b>	<b>232,613</b>
<b>(235)</b>	<b>(38,981)</b>	<b>(39,216)</b>	<b>Collection Fund Surplus / (Deficit) in year</b>	<b>(2,447)</b>	<b>29,554</b>	<b>27,107</b>
<b>4,292</b>	<b>(6,566)</b>	<b>(2,274)</b>	<b>Opening Balance at 1 April</b>	<b>4,057</b>	<b>(45,547)</b>	<b>(41,490)</b>
<b>4,057</b>	<b>(45,547)</b>	<b>(41,490)</b>	<b>Closing Balance at 31 March</b>	<b>1,610</b>	<b>(15,993)</b>	<b>(14,383)</b>

**Notes to the Collection Fund****1. General**

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

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

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

**2. Income from Non-Domestic Rates**

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

Central government set a baseline level of business rates income for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect, Sandwell received a top up grant to the General Fund in 2021/22 to the value of £41.771m which is included within the Comprehensive Income and Expenditure Statement on page 29.

The total amount collectable by the council in 2021/22 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

<b>Non-domestic multiplier</b>	<b>2021/22 £</b>
Total rateable value as at 31 March Non domestic multiplier	256,173,715

## COLLECTION FUND

The share of Business Rates payable were originally estimated as £99.364m to be retained by the council and £1.004m 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 2021/22 was £84.113m.

### 3. Council Tax

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

The council calculated a council tax base of 74,388 for 2021/22 as compared to the 2020/21 base of 74,280. The tax base for 2021/22 has been calculated as follows:

Council tax base	Band D Equivalents Number
Band A	22,973
Band B	25,295
Band C	15,642
Band D	6,505
Band E	3,180
Band F	671
Band G	94
Band H	28
	<b>74,388</b>

In 2021/22 the council set Band D Council Tax at £1,500.98.

### 4. Collection Fund Provisions

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

2020/21					2021/22			
Bad Debts		Appeals			Bad Debts		Appeals	
Council Tax	NNDR	Council Tax	NNDR		Council Tax	NNDR	Council Tax	NNDR
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
10,938	2,178	-	9,978	Balance as at 01/04/2021	12,103	4,181		9,007
(1,052)	(133)	-	-	Write Offs in Year	(933)	(718)	-	-
2,236	2,136	-	(971)	Increase / (Decrease) to provision in year	1,987	(1,448)	-	(2,237)
12,122	4,181	-	9,007	<b>SMBC Balance as at 31/03/2022</b>	13,157	2,015	-	6,770

# Group Accounts

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2021/22

## GROUP ACCOUNTS

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

Restated 2020/21	Restated 2020/21	Restated 2020/21		2021/22	2021/22	2021/22
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
146,764	(70,473)	76,291	<b>People</b>			
294,526	(288,843)	5,683	Adult Social Care Services	158,439	(78,187)	80,252
126,596	(40,650)	85,946	Schools	288,710	(280,902)	7,808
24,040	(28,151)	(4,111)	Children's Services	130,023	(35,307)	94,716
			Public Health	26,364	(26,995)	(630)
			<b>Performance</b>			
128,070	(120,327)	7,743	Finance (Inc SIU)	123,309	(100,882)	22,427
(2,524)	(859)	(3,383)	Corporate Management	6,306	(1,054)	5,252
7,882	(9,794)	(1,912)	Law & Governance	8,389	(9,137)	(748)
14,655	(2,594)	12,062	Business Strategy & Change	13,794	(1,566)	12,229
			<b>Place</b>			
10,849	(7,481)	3,368	Housing & Communities	7,926	(6,209)	1,717
21,868	(8,888)	12,980	Regeneration & Growth	38,840	(10,252)	28,587
69,768	(12,685)	57,084	Borough Economy	71,390	(18,110)	53,280
108,972	(130,292)	(21,320)	<b>Housing Revenue Account</b>	66,834	(133,538)	(66,704)
(683)	-	(683)	- Reversal of previous revaluation losses			
<b>950,783</b>	<b>(721,036)</b>	<b>229,747</b>	<b>Cost of Services</b>	<b>940,324</b>	<b>(702,139)</b>	<b>238,185</b>
		12,992	Levies			12,980
		2,697	Payments to the Government Housing Capital Receipts Pool			2,697
		(2,670)	(Gains) / Losses on the disposal of non current assets			(2,365)
		<b>13,019</b>	<b>Other Operating Expenditure</b>			<b>13,312</b>
		28,412	Interest payable and similar charges			29,684
		19,716	Net interest on the net defined benefit liability (asset)			29,240
		(1,127)	Interest receivable and similar income			(1,715)
		(2,933)	Income and expenditure in relation to investment properties			(2,839)
		6,109	Disposal of Academies			22,674
		137	Changes in the fair value of investment properties			(4,318)
		-	Changes in the fair value of investment properties			-
		(159)	Changes in the Fair Value of Financial Assets			(689)
		<b>50,155</b>	<b>Financing and Investment Income and Expenditure</b>			<b>72,037</b>
		(108,335)	Council Tax income			(112,447)
		-	NDR from Pool			-
		(99,806)	Retained Business Rates			(99,364)
		(41,582)	Business Rates Top Up			(41,771)
		-	Small Business Rates Relief s31 Grant			-
		38,630	Collection Fund Surplus (-) / Deficit			13,138
		(61,629)	Non Ringfenced Government Grants			(49,521)
		(37,429)	Capital grants and contributions			(55,529)
		<b>(310,150)</b>	<b>Taxation and Non Specific Grant Income</b>			<b>(345,494)</b>
		<b>(17,230)</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>(21,959)</b>
		(19,806)	(Surplus) / deficit on revaluation of non current assets			(25,502)
		765	(Surplus) / deficit on revaluation of available for sale financial assets			(352)
		-	Actuarial (gains) / losses on pension assets and liabilities			-
		-	Any other (gains) / losses required to be included			-
		283,616	Remeasurements of the net defined benefit liability/(asset)			(423,449)
		<b>264,575</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(449,303)</b>
		<b>247,342</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(471,261)</b>

Note: Figures for 2020-21 have been restated to reflect the Council reporting according to the Organisation Restructure in 2021-22, to allow like-for-like comparison.

## GROUP ACCOUNTS

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

Restated 1 April 2020 £'000	Restated 31 March 2021 £'000		Note ref	31 March 2022 £'000
2,163,996	2,220,288	Property Plant & Equipment	<b>G7</b>	2,308,974
4,312	4,312	Heritage Assets	<b>11</b>	4,320
64,388	63,409	Investment Properties	<b>12</b>	65,610
1,688	978	Intangible Assets	<b>14</b>	518
18,227	17,462	Long Term Investments	<b>16</b>	17,517
3,985	4,095	Long Term Debtors	-	4,604
<b>2,256,596</b>	<b>2,310,543</b>	<b>Long Term Assets</b>		<b>2,401,543</b>
2,646	13	Short Term Investments		276
1,023	9,753	Assets Held for Sale	<b>13</b>	9,630
1,375	1,353	Inventories	-	1,715
36,124	72,547	Short Term Debtors	<b>G4</b>	80,565
66,137	77,904	Cash & Cash Equivalents		88,658
<b>107,305</b>	<b>161,569</b>	<b>Current Assets</b>		<b>180,844</b>
(18,929)	(24,971)	Bank Overdraft	<b>19</b>	(22,696)
(76,250)	(78,221)	Short Term Borrowing	<b>16</b>	(83,835)
(79,487)	(135,937)	Short Term Creditors	<b>G5</b>	(141,837)
(15,501)	(13,997)	Provisions	<b>22</b>	(11,938)
(6,651)	(1,840)	Revenue Grants Receipts in Advance	<b>35</b>	(1,669)
(4,098)	(12,589)	Capital Grants Receipts in Advance	<b>35</b>	(9,075)
<b>(200,916)</b>	<b>(267,555)</b>	<b>Current Liabilities</b>		<b>(271,050)</b>
(4,339)	(3,985)	Provisions	<b>22</b>	(5,022)
(427,843)	(408,297)	Long Term Borrowing	<b>16</b>	(396,353)
(864,091)	(1,175,960)	Other Long Term Liabilities	<b>21</b>	(822,625)
(13,292)	(13,843)	Capital Grants Receipts in Advance	<b>35</b>	(13,613)
<b>(1,309,565)</b>	<b>(1,602,086)</b>	<b>Long Term Liabilities</b>		<b>(1,237,613)</b>
<b>853,420</b>	<b>602,472</b>	<b>Net Assets</b>		<b>1,073,724</b>
200,488	266,321	Usable Reserves	<b>MIRS G6</b>	270,273
640,904	326,288	Unusable Reserves		810,469
12,028	9,864	Group Income & Expenditure Reserve		(7,018)
<b>853,420</b>	<b>602,472</b>	<b>Total Reserves</b>		<b>1,073,724</b>

## GROUP ACCOUNTS

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

2020/21				2021/22		
Restated Sandwell MBC £'000	Sandwell Children's Trust £'000	Restated Group Total £'000		Sandwell MBC £'000	Sandwell Children's Trust £'000	Group Total £'000
15,484	(1,858)	13,626	<b>Net surplus / (deficit) on the provision of services</b>	56,688	663	57,351
97,376	13,812	111,188	<b>Adjustments to net (surplus) / deficit on the provision of services for non cash movements</b>	84,664	(874)	83,790
(64,309)	-	(64,309)	<b>Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities</b>	(46,933)	-	(46,933)
<b>48,551</b>	<b>11,954</b>	<b>60,505</b>	<b>Net cash flows from Operating Activities</b>	<b>94,419</b>	<b>(211)</b>	<b>94,208</b>
(109,345)	-	(109,345)	<b>Investing Activities:</b>			
-	-	-	Purchase of property, plant and equipment, investment property and intangible assets	(127,472)	-	(127,472)
13,284	-	13,284	Purchase of short and long term investments	(263)	-	(263)
2,633	-	2,633	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,404	-	19,404
59,377	-	59,377	Proceeds from short and long term investments	-	-	-
			Other receipts from investing activities	38,123	-	38,123
<b>(34,051)</b>	<b>-</b>	<b>(34,051)</b>	<b>Net cash flows from Investing Activities</b>	<b>(70,208)</b>	<b>-</b>	<b>(70,208)</b>
			<b>Financing Activities:</b>			
288,220	-	288,220	Cash receipts of short and long term borrowing	229,054	-	229,054
(4,360)	-	(4,360)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,639)	-	(3,639)
(305,709)	-	(305,709)	Repayments of short and long term borrowing	(234,924)	-	(234,924)
1,120	-	1,120	Other receipts from financing activities	(1,459)	-	(1,459)
<b>(20,729)</b>	<b>-</b>	<b>(20,729)</b>	<b>Net cash flows from Financing Activities</b>	<b>(10,968)</b>	<b>-</b>	<b>(10,968)</b>
<b>(6,229)</b>	<b>11,954</b>	<b>5,725</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>13,243</b>	<b>(211)</b>	<b>13,032</b>
47,145	61	47,206	Cash and cash equivalents at the beginning of the reporting period	40,916	12,015	52,931
(6,229)	11,954	5,725	Net movement in cash and cash equivalents	13,243	(211)	13,032
<b>40,916</b>	<b>12,015</b>	<b>52,931</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>54,158</b>	<b>11,804</b>	<b>65,962</b>



## GROUP ACCOUNTS

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

Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31 March 2021</b>	204,895	41,286	-	15,083	5,056	266,320	308,433	574,753	27,722	602,474
<b>Movement in Reserves During 2021/22</b>										
Total Comprehensive Income and Expenditure	5,660	48,239		-	-	53,899	449,300	503,199	(31,938)	471,261
Adjustments between Group Accounts and Council Accounts	2,789					2,789	-	2,789	(2,789)	-
Adjustments between accounting basis & funding basis under regulations (Note 8)	(14,169)	(50,198)	1,308	(1,216)	11,539	(52,736)	52,736	-	-	-
Increase / Decrease in Year	(5,719)	(1,959)	1,308	(1,216)	11,539	3,954	502,036	505,989	(34,730)	471,261
<b>Balance at 31 March 2022 carried forward</b>	<b>199,176</b>	<b>39,327</b>	<b>1,308</b>	<b>13,867</b>	<b>16,595</b>	<b>270,273</b>	<b>810,469</b>	<b>1,080,742</b>	<b>(7,008)</b>	<b>1,073,734</b>

GROUP ACCOUNTS

Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	Restated £'000	Restated £'000	£'000	£'000	£'000	Restated £'000	Restated £'000	£'000	£'000	£'000
<b>Balance as at 31 March 2020</b>	124,561	39,793	-	23,384	12,749	200,487	618,988	819,475	33,945	853,420
<b>Movement in Reserves During 2020/21</b>										
Total Comprehensive Income and Expenditure	9,176	2,707	-	-	-	11,883	(260,206)	(248,323)	(2,622)	(250,945)
Adjustments between Group Accounts and Council Accounts	3,601					3,601		3,601	(3,601)	-
Adjustments between accounting basis & funding basis under regulations (Note 8)	67,555	(1,214)	-	(8,301)	(7,693)	50,347	(50,347)	-	-	-
<b>Increase / Decrease in Year</b>	<b>80,334</b>	<b>1,493</b>	<b>-</b>	<b>(8,301)</b>	<b>(7,693)</b>	<b>65,833</b>	<b>(310,555)</b>	<b>(244,722)</b>	<b>(6,223)</b>	<b>(250,945)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>204,895</b>	<b>41,286</b>	<b>-</b>	<b>15,083</b>	<b>5,056</b>	<b>266,320</b>	<b>308,433</b>	<b>574,753</b>	<b>27,722</b>	<b>602,474</b>

### 1. **Accounting Policies**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2021/22 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 £77m which is a material sum compared to the council's net cost of services of £207m.

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

### **Sandwell Land and Property Limited**

Sandwell Land and Property Limited was declared insolvent on 26 March 2022 and the beneficial interest in land transferred to the Council on 31 March 2022 with Land and Buildings previously owned by SL&P now included in the Council's single entity accounts.

The following analysis illustrates the accounting treatment for the liquidation of the Company using absorption accounting:

- Derecognised the carrying amount of the Council's investment in the Company from the Council Balance Sheet (£26m).
- Recognised the Company assets and liabilities in the Council's Balance Sheet, measured at the Controlling Party's carrying amount at 31 March 2022 (£61m).
- Processed the downward revaluation as at 31 March 2022 of the newly recognised assets in the Council's Balance Sheet (£5m).
- Derecognised the long leases for assets relating to Schools that converted to Academies (£1m). An accounting policy has been added to reflect this.

### 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 2022 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.

## GROUP ACCOUNTS

### 4. Short Term Debtors

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

2020/21 £'000	Debtor Analysis	2021/22 £'000
20,747	Trade Receivables	22,593
16,943	Prepayments	19,896
34,857	Other Receivable Amounts (Council Tax, Business Rate and HMRC)	38,076
<b>72,547</b>	<b>Total</b>	<b>80,565</b>

### 5. Short Term Creditors

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

2020/21 £'000	Short Term Creditors	2021/22 £'000
110,147	Trade Payables	118,038
22,405	Other Payables	20,751
3,385	Finance Lease Creditors (Note 40)	3,048
<b>135,937</b>	<b>Total</b>	<b>141,837</b>

### 6. Unusable Reserves

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

2020/21 £'000	Group Unusable Reserves	2021/22 £'000
(303,909)	Revaluation Reserve	(260,387)
(8,828)	Financial Instrument Revaluation Reserve	(9,180)
(1,189,392)	Capital Adjustment Account	(1,327,643)
1,078	Financial Instruments Adjustment Account	1,054
1,124,030	Pensions Reserve	763,879
41,588	Collection Fund Adjustment Account	14,456
9,145	Accumulating Compensated Absences Adjustment Account	7,352
<b>(326,288)</b>	<b>Total Unusable Reserves</b>	<b>(810,469)</b>

## GROUP ACCOUNTS

### 7. 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.

Movements in 2021/22	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>1,146,869</b>	<b>717,335</b>	<b>101,024</b>	<b>68,512</b>	<b>18,945</b>	<b>28,559</b>	<b>2,081,244</b>
Additions	42,346	8,889	7,661	60,877	63	250	120,086
Revaluation increases/(decreases) recognised in the Revaluation Reserve		10,874				2,502	13,376
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	18,334	(12,759)		-		(6,277)	(702)
Derecognition – Disposals	(15,323)	(23,394)	(2,031)			-	(40,748)
Derecognition – Other		(38)	(10,137)			(1,260)	(11,435)
Assets reclassified - Transfers In/Out	26,246	2,868		(27,365)	(14)	52	1,787
Other movements in cost or valuation		(16)	-	-	-	-	(16)
<b>At 31 March 2022</b>	<b>1,218,472</b>	<b>703,759</b>	<b>96,517</b>	<b>102,024</b>	<b>18,994</b>	<b>23,825</b>	<b>2,163,591</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2021</b>	<b>0</b>	<b>(5,321)</b>	<b>(80,589)</b>	<b>(83)</b>	<b>(54)</b>	<b>(45)</b>	<b>(86,092)</b>
Depreciation charge	(16,812)	(13,525)	(5,892)			(27)	(36,256)
Depreciation written out to the revaluation reserve		12,100		-		28	12,128
Depreciation written out to the Surplus/Deficit on the Provision of Services	16,615	947		85		38	17,685
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services		1,294		(4,408)		-	(3,114)
Transfers	(8)	78		-		(69)	1
Derecognition – disposals	205	632	2,031			70	2,938
Derecognition - Other			10,137				10,137
Other movements in depreciation and impairment		18	-	-		-	18
<b>At 31 March 2022</b>	<b>0</b>	<b>(3,777)</b>	<b>(74,313)</b>	<b>(4,406)</b>	<b>(54)</b>	<b>(5)</b>	<b>(82,555)</b>
<b>Net Book Value</b>							
<b>At 31 March 2022</b>	<b>1,218,472</b>	<b>699,982</b>	<b>22,204</b>	<b>97,618</b>	<b>18,940</b>	<b>23,820</b>	<b>2,081,036</b>
<b>At 31 March 2021</b>	<b>1,146,869</b>	<b>712,014</b>	<b>20,435</b>	<b>68,429</b>	<b>18,891</b>	<b>28,514</b>	<b>1,995,152</b>

GROUP ACCOUNTS

Movements in 2020/21	Council dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Community Assets	Surplus Assets	Total Property, Plant and Equipment
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2020</b>	1,132,486	720,607	97,175	36,559	18,883	10,223	2,015,933
<b>Prior Year Adjustments</b>						9,202	9,202
<b>Restated Balance At 1 April 2020</b>	1,132,486	720,607	97,175	36,559	18,883	19,425	2,025,135
Additions	34,504	8,975	5,028	48,197	62	751	97,517
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,359)	1,719				7,606	7,966
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(15,843)	(852)				3,164	(13,531)
Derecognition – Disposals		(4,989)	(1,179)				(6,168)
Impairment Losses / (reversals) recognised in the Revaluation Reserve	(8,317)						(8,317)
Impairment Losses/Reversals– CI&ES				(2,896)			(2,896)
Assets reclassified – (to) / from Held for Sale	(8,759)					(9,679)	(18,438)
Other movements in cost or valuation	14,157	(8,125)		(13,348)		7,292	(24)
<b>At 31 March 2021</b>	1,146,869	717,335	101,024	68,512	18,945	28,559	2,081,244
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2020</b>	0	(6,128)	(75,725)	(83)	(54)	(786)	(82,776)
Depreciation charge	(16,612)	(12,383)	(6,019)			(30)	(35,044)
Depreciation written out to the revaluation reserve	9,663	9,808				993	20,464
Depreciation written out to the Surplus/Deficit on Provision of Services							0
Impairment (losses)/reversals recognised in the Revaluation Reserve	6,844						6,844
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services		3,145					3,145
Derecognition – disposals		117	1,155				1,272
Other movements in depreciation and impairment	105	120				(222)	3
<b>At 31 March 2021</b>	0	(5,321)	(80,589)	(83)	(54)	(45)	(86,092)
<b>Net Book Value</b>							
<b>At 31 March 2021</b>	1,146,869	712,014	20,435	68,429	18,891	28,514	1,995,152
<b>At 31 March 2020</b>	1,132,486	714,479	21,450	36,476	18,829	18,639	1,942,359

**Infrastructure Assets**

<b>2020/21</b>	<i>Analysis of movement on net carrying amount:</i>	<b>2021/22</b>
<b>£'000</b>	<b>Net Book Value (modified historical cost)</b>	<b>£'000</b>
<b>221,637</b>	<b>at 1 April (restated)</b>	<b>225,136</b>
11,600	Additions	11,297
-	Derecognition	-
(8,101)	Depreciation	(8,548)
-	Impairment	-
-	Disposal and Decommissioning	-
-	Other movements	53
<b>225,136</b>	<b>Balance at 31 March</b>	<b>227,938</b>





# Annual Governance Statement 2021/22



## Foreword

We are pleased to present Sandwell Metropolitan Borough Council's Annual Governance Statement for 2021/22.

While we have recently come out of government intervention we also recognise we still need to continue on our improvement journey.

While the Council is now working within a much stronger governance system, it will take time and hard work to become fully established. We still have significant gaps in capacity and capability to fill and risks to be managed.

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

We have welcomed the engagement of our Commissioners, Audit and Risk Assurance Committee and our external auditors Grant Thornton in scrutinising and challenging our systems and encouraging and supporting us to improve them further.

**Councillor Kerrie Carmichael,  
Leader of the Council**

**Shokat Lal  
Chief Executive**

**Date:**

**Date:**

## 1. Introduction

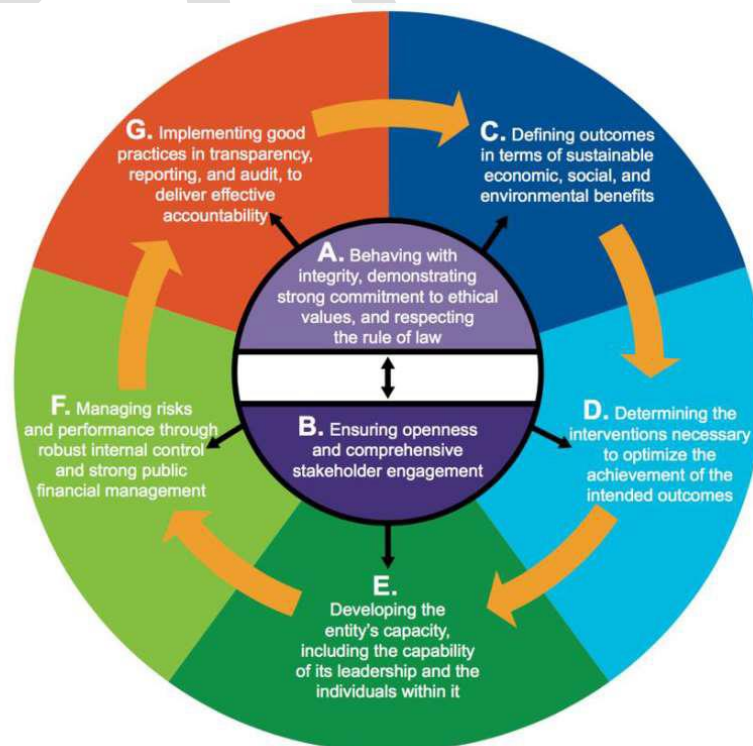
- 1.1 This Annual Governance Statement (the “Statement”) is a public facing assessment of the effectiveness of Sandwell Metropolitan Borough Council (the Council’s) governance framework during 2021-22. The Statement contains three main elements:
- (i) An explanation of the Council’s governance framework and context;
  - (ii) The Council’s review of the effectiveness of the governance framework in the reporting period based on internal and external data and assessments; and
  - (iii) The Council’s assessment of significant governance issues facing the Council and its action plan to manage and mitigate those issues.
- 1.2 Delivering good governance is a process of continuous review and improvement. This Statement provides a “snapshot” of the effectiveness of governance at the point of publication within the Council’s ongoing programme to review and improve its governance, as set out in its action plans.
- 1.3 This Statement meets the Council’s duty to prepare and approve an annual governance statement under regulation 6 (1) of the Accounts and Audit (England) Regulations 2015. The Statement will be approved by the Council’s Audit and Risk Assurance Committee under its delegated powers and signed by the Committee’s Chair and the Chief Executive.

### **Scope of responsibility**

- 1.4 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. The Council also has a statutory best value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.5 In discharging this overall responsibility, the Council is responsible for putting in place robust arrangements for the governance of all its functions and the effective discharge of its duties and obligations, including the implementation of appropriate arrangements for the management and mitigation of risk. These arrangements are set out in this statement.
- 1.6 This statement 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.

## 2. Governance

- 2.1 Governance is the term used to describe the system by which the Council directs and controls its functions and relate these to its communities. It is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 2.2 Good governance is vital in contributing to effective:
- (i) leadership and management;
  - (ii) performance and risk management;
  - (iii) stewardship of public money; and
  - (iv) public engagement and outcomes for our citizens and service users.
- 2.3 Conversely, weak, or poor governance is likely to have a detrimental impact and the Council's ability to deliver best value.
- 2.4 The Council has a Local Code of Corporate Governance, in line with the latest principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government.' These principles have been adopted in this statement and details of how they operate in the Council are set out below –



## GOVERNANCE STATEMENT

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- 2.5 The Council would advise that job titles and responsibilities within this statement have, since the time period this statement covers, been subject to review and update. For purposes of clarity, the following table sets out titles used within the statement and the current designated post for purpose of this responsibility.

2021/22 job title	Current job title
Director of Finance and Resources	Executive Director of Finance and Transformation
Director of Law and Governance	Monitoring Officer - Assistant Director, Legal and Assurance

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### 3. Governance and Control Frameworks

3.1 The Council's governance framework comprises:

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

3.2 The Council's governance framework enables it to:

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

#### Extent of control and influence

3.3 This statement reflects the governance framework in place across the wider Group (the Council and companies within the substantive control of the Council) including:

- (i) **Sandwell Children's Trust Limited (SCT)** – this is a trading subsidiary company wholly owned by the Council and was set up on 1 April 2018, following a government Statutory Direction under Section 479A of the Education act 1996) to deliver children's social care services. The Council is the primary funder to the Company, with a Council director and elected member represented on the Trust's Board of Directors. There is a Service Delivery Contract (including a Service Support Agreement) between the Council and the Trust which sets out the contractual and governance arrangements between the parties.
- (ii) **Sandwell Land and Property Limited (SL&P)** – this is wholly owned by the Council, was set up in January 2011 as a holding company for school assets. The company has now been dissolved as the protection originally believed to be afforded by the transfer of school assets to the Company can now be achieved in a more effective way.

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

#### Purpose

3.5 The Governance Framework outlines the Council's culture and values and comprises the

systems and processes by which the Council is directed and controlled and details those activities through which it accounts to, engages with and leads the community.

- 3.6 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.
- 3.7 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.
- 3.8 The Governance Framework has been in place at the Council for the year ended 31 March 2022 and up to the date of the approval of the delayed Statement of Accounts.

### Policy Framework

- 3.9 The **Council's Vision 2030** outlines ten Ambitions for the long-term future of the Borough of Sandwell –
  1. Sandwell is a community where our families have high aspirations and where we pride ourselves on equality of opportunity and on our adaptability and resilience.
  2. We have excellent and affordable public transport that connects us to all local centres and to jobs in Birmingham, Wolverhampton, the airport and the wider West Midlands.
  3. Sandwell is a place where we live healthy lives and live them for longer and where those of us who are vulnerable feel respected and cared for.
  4. We now have many new homes to meet a full range of housing needs in attractive neighbourhoods and close to key transport routes.
  5. Our workforce and young people are skilled and talented, geared up to respond to changing business needs and to win rewarding jobs in a growing economy.
  6. Our distinctive towns and neighbourhoods are successful centres of community life, leisure and entertainment where people increasingly choose to bring up their families.
  7. Our children benefit from the best start in life and a high-quality education throughout their school careers with outstanding support from their teachers and families.
  8. Sandwell has become a location of choice for industries of the future where the local economy and high performing companies continue to grow.
  9. Our communities are built on mutual respect and taking care of each other, supported by all the agencies that ensure we feel safe and protected in our homes and local neighbourhoods.
  10. Sandwell now has a national reputation for getting things done, where all local partners are focused on what really matters in people's lives and communities.



3.10 The Council has developed a 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, to reflect a culture of the organisation through strong leadership in an honest, open and transparent environment.

3.11 The Plan was refreshed in September 2021 to ensure the strategic priorities reflected the impact of the COVID-19 pandemic on our communities and the services they need.

## OUR STRATEGIC OUTCOMES



THE BEST START IN  
LIFE FOR CHILDREN  
AND YOUNG PEOPLE



PEOPLE  
LIVE WELL  
AND AGE  
WELL



STRONG  
RESILIENT  
COMMUNITIES



QUALITY HOMES  
IN THRIVING  
NEIGHBOURHOODS



A STRONG AND  
INCLUSIVE  
ECONOMY



A CONNECTED  
AND ACCESSIBLE  
SANDWELL



ONE COUNCIL  
ONE TEAM

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## 4. Decision-making

### The Constitution

- 4.1 The Council has a Constitution which sets out its rules for decision making and the checks and balances in place to ensure decision making is lawful, subject to scrutiny and is open and transparent, including but not limited to:
- (i) An **ethical framework** with Codes of Conduct for both Councillors and officers and obligations to register and declare private interests and gifts and hospitality;
  - (ii) Clear delineation of the **separation of powers** between those exercised by the Leader and Cabinet and by Full Council and the powers delegated to committees by Full Council set out in their terms of reference;
  - (iii) **Access to information rules** requiring decision making and other formal meetings of Councillors are held with advance notice in public and public access to all relevant documentation, unless the Council can demonstrate it is in the public interest to withhold the information;
  - (iv) **Financial Procedure Rules** to govern how public money delivers best value;
  - (v) **Contract Standing Orders** to govern how the Council procures goods, services and works from external contractors; and
  - (vi) A protocol on how Councillors and officers should work together (the “**Member-Officer Protocol**”):
- 4.2 The Full Council and the Leader and Cabinet have also agreed a **Scheme of Delegation** of executive and non-executive powers to officers. Corporate Directors are required to agree a scheme of delegation for the exercise of powers to officers within their directorates. The Leadership Team (see below) has agreed standard delegations to officers at tiers 3 and 4 of the officer structure.
- 4.3 In addition to the Constitution, the Council must comply with the general law as it governs local authorities and as interpreted by the courts. The constitutional rules are supplemented on an operational level by the Council’s clear framework for forward planning of decisions and workflows to ensure high quality evidence-based decision-making. The Constitution can be found on [www.sandwell.gov.uk](http://www.sandwell.gov.uk) and includes the scheme of delegation

### The Leader and Cabinet

- 4.4 The Council has adopted the strong ‘leader and cabinet’ form of executive arrangement under the Local Government and Public Involvement in Health Act 2007 with a Cabinet of up to ten Councillors, meeting in public to make executive decisions on matters of strategy and borough-wide significance.
- 4.5 Each Cabinet Member also has a portfolio of responsibility for the delivery of services, which are aligned to each of the 10 Vision Ambitions, for which they are accountable.

- 4.6 The Leader has agreed a scheme of delegation of executive powers under which:
- (i) The Leader and Cabinet make significant decisions collectively, save in cases of urgency;
  - (ii) The Leader and Cabinet make all key decisions with a value over £500,000 or where there is a significant effect on two or more wards.
  - (iii) A Scheme of Delegation of all other “non-key” decisions are delegated to officers with powers dependent on their seniority and areas of responsibility.
- 4.7 The Constitution and the statutory framework governing local authorities reserve specific decision-making powers to the Full Council of all the Councillors. Most importantly, this includes the power to set the annual budget and Council tax and agree major policies. The Leader and Cabinet must make decisions within the budget and policy framework set by the Full Council.
- 4.8 Full Council appoints committees to makes decisions in specific areas, such as planning, licensing and audit. Each committee has terms of reference setting out their delegated powers. Full Council and committees also delegate powers to officers. Full Council agrees its Scheme of Delegation of Powers to officers at every annual Council meeting in May.
- 4.9 The Audit and Risk Assurance Committee is critical to the oversight of good governance as its remit includes receiving assurance on the Council's financial management, internal control and anti-fraud measures, including the approval of the Council's statement of accounts which includes this Statement.

### **Overview and Scrutiny**

- 4.10 Full Council must appoint one or more member bodies to discharge statutory overview and scrutiny functions. The Council has 5 Scrutiny Management Boards –
- (i) Budget and Corporate Scrutiny Management Board
  - (ii) Children's Services and Education Scrutiny Board
  - (iii) Economy, Skills, Transport and Environment Scrutiny Board
  - (iv) Health and Adult Social Care Scrutiny Board
  - (v) Safer Neighbourhoods and Active Communities Scrutiny Board
- 4.11 Each Scrutiny Management Board agrees an annual work plan focusing on strategic priorities and adopts a “critical friend” approach towards the Leader and Cabinet. The most effective scrutiny occurs pre-decision and the Council's Overview and Scrutiny committees now each have a pro-active work programme. However, if a Scrutiny Management Board wishes to review a Cabinet decision after it has been made, it can exercise its power of call in.
- 4.12 Each Scrutiny Board may make recommendations to the Leader and Cabinet on the decision, who are required to reconsider their decisions taking account of any scrutiny recommendations.

## All Councillors

4.13 The Council's practices are underpinned by three overarching principles:

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

## Conduct and behaviour of Councillors

- 4.14 The Council has a clear ethical framework based on the Standards of Conduct in Public Life (the Nolan Principles). The Monitoring Officer is the Council's lead officer for maintaining high standards of conduct in the authority reporting to the Ethical Standards and Member Development Committee. The Committee has an independent (non-voting chair) and a further independent person appointed under the Localism Act 2011 to provide advice to the Monitoring Officer, the Committee and individual Councillors subject to complaints.
- 4.15 There is a Code of Conduct for Councillors, including obligations to register and declare specific private interests at meetings (and not participate where required) and to declare gifts and hospitality from third parties. Councillors are required to receive training on the Code of Conduct and ethical standards.
- 4.16 The Council has a complaints procedure for the consideration of complaints that a Councillor has breached the Code of Conduct. The Monitoring Officer is responsible for handling complaints and may require a complaint to be investigated. The Monitoring Officer may refer an investigation to a hearing by the Ethical Standards and Member Development Committee to determine whether a Councillor has breached the Code of Conduct and, if so, the sanction.
- 4.17 A Code of Conduct for employees and disciplinary policy is in place with an obligation to declare and register private interests and gifts and hospitality from third parties.
- 4.18 The Council's Ethical Standards and Member Development Committee has an annual work plan and receives a regular report on the Ethical Framework providing details of the declarations and conduct in the reporting period to identify issues and patterns for the Monitoring Officer and Full Council to consider.
- 4.19 The Council is committed to creating and maintaining an anti-fraud culture and high ethical standards in the administration of public funds. Commercial relationships between the Council and third-party organisations or individuals are subject to a robust due diligence process.

### Officers

- 4.20 The Council's officers are employed to advise Councillors on matters of policy and strategy and to implement decisions at operational level using delegated powers (agreed under the Scheme of Delegation). Officers manage the Council's staff and all other aspects of day-to-day operations. The Council's management structure can be found in the Constitution.
- 4.21 The Council's Member Officer Protocol provides practical guidance on how Councillors and officers work together positively, respecting their different roles in delivering the Council's priorities. The Protocol provides guidance on the boundaries between the roles and responsibilities of Councillors and officers and can be found the councils website.
- 4.22 The Council has appointed officers to discharge powers that must be assigned to an individual officer, collectively known as statutory officers. There are three principal statutory officers for governance purposes (known as the "golden triangle"):
- (i) **Head of Paid Service** is the Chief Executive, who is responsible for all Council staff to deliver the Council's services and functions;
  - (ii) **Section 151 Officer** is the Director of Finance and Resources, who is responsible for ensuring the proper administration of the Council's financial affairs and ensuring value for money; and
  - (iii) **Monitoring Officer** is the Director of Law and Governance, who is responsible for ensuring legality and promoting high standards of public conduct.
- 4.23 Both the s.151 officer and monitoring officer have a statutory duty to suspend a Council decision being made if they consider it is likely to result in unlawful expenditure in the case of the s.151 officer or an unlawful decision in the case of the monitoring officer. The s.151 officer must also ensure the Council sets a balanced budget each year and reports on the robustness of the Council's finances as part of the annual budget.
- 4.24 Other key statutory officers include:
- (i) **Director of Children Services**, who is responsible for the safeguarding of all children and young people;
  - (ii) **Director of Adult Social Services**, who is responsible for safeguarding of vulnerable adults and meeting the needs of all adults with social care needs; and
  - (iii) **Director of Public Health**, who has overall responsibility for the Council's duties to assess, protect and improve the health and wellbeing of the people in its area.
- 4.25 Leadership Team (LT) is the Council's senior officer group led by the Chief Executive and comprises the Council's Directors and other key officer invitees as required.
- 4.26 LT has overall responsibility and accountability for the vision and culture of the organisation, the implementation and development of political strategies and priorities, the organisation and management of staff and delivery against the Council's priorities. Whilst LT as a body has no formal delegated decision-making powers, its members agree to exercise their

delegated powers in a consistent way across the Council and the rationale for doing so.

- 4.27 LT provides a leading role in setting the culture of the authority and modelling standards of behaviour and performance, including ensuring it seeks and listens to feedback from staff and their representatives (trade unions).
- 4.28 Directors are personally accountable for the performance of services, compliance with Council policies and practices and systems of internal control within their directorate. The s.151 officer requires Directors to provide an annual letter providing assurance about their services and budget delivery and raise any concerns. These letters are reviewed by the s.151 officer and Finance for any concerns and issues and will be used in future performance management processes and will also provide supporting evidence when the Council undertakes a further self-assessment against the CIPFA Financial Management Code to demonstrate the Council has an effective framework of financial accountability. Each Directorate has a management structure to cascade information, guidance and decisions from LT through the organisation and to allow for feedback back into LT.
- 4.29 The Council has a framework for the training and development of members and officers at all levels to ensure it has the capacity to meet the demands of delivering the Sandwell Plan, Vision 2030 and operational services. The appraisal system cascades the “golden thread” between the priorities in the Sandwell Plan and Vision 2030 into individual officers’ performance objectives and development needs.
- 4.30 LT and the Leader and Cabinet work collaboratively to deliver the Council’s priorities and progress the development of policy through forward planning and cabinet reports. There are weekly joint briefing meetings and individual directors work with their respective Cabinet lead members, including consultation on the exercise of delegated powers and the development of future Cabinet reports within the portfolio. Outcomes from these meetings are fed into LT and Cabinet and joint meetings to ensure cross-cutting issues are identified and addressed.

## 5. Putting the principles into practice in Sandwell

- 5.1 Sandwell Council is confident that its governance arrangements are robust. Following central government intervention and the appointment of independent Commissioners the Council has reviewed, with the assistance of external specialist organisations, its corporate arrangements and has implemented a schedule of changes. The Council recognises, however, that improvement and progress will need to continue and evolve in order that we continue to respond to extensive change and to meet rising government and customer expectations about the quality and responsiveness of services.
- 5.2 The Council had an Improvement Plan in place that was monitored monthly by Leadership Team and quarterly by Cabinet, Audit and Scrutiny. The Council reported its progress to Central Government every six months. Significant progress has been made to deliver the actions within the Improvement Plan and the Council's progress has been recognised by the Commissioners and by our external reviewers (Grant Thornton, CIPFA and the Local Government Association (LGA)) who conducted follow up reviews in late 2022.
- 5.3 At the Cabinet meeting in March 2024, it was reported that following the latest Grant Thornton review in October 2023, the External Auditors were satisfied that the council had made appropriate progress against the three statutory recommendations, and these had been lifted. Also, at the same Cabinet meeting it was noted that following the latest report to the Secretary of State in December 2023, government ministers concluded that the Statutory Directions would be lifted, and the council has now come out of intervention as a result of the improvements that had been made.
- 5.4 The Council acknowledges the amount of work ahead to continue the Council's improvement. Key areas of focus are organisational culture, customer journey, transformation and delivering the Medium-Term Financial Strategy.
- 5.5 As indicated above, the Council's governance framework is consistent with the seven core principles of the CIPFA / SOLACE framework –

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Ensuring openness and comprehensive stakeholder engagement

Defining outcomes in terms of sustainable economic, social and environmental benefits

Determining the interventions necessary to optimise the achievement of the intended outcomes

Developing the entity's capacity, including the capability of its leadership and the individuals within it

Managing risks and performance through robust internal control and strong public financial mismanagement

Implementing good practices in transparency, reporting and audit to deliver effective accountability

## GOVERNANCE STATEMENT

5.6 Key elements of Council systems and processes form part of the Group's Governance Framework and the table below sets out the evidence relied upon that provides assurance that the CIPFA/ SOLACE framework has been complied with –

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances Received and Review of Effectiveness	Issues Identified for action
<ul style="list-style-type: none"> <li>• Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</li> <li>• Ensuring openness and comprehensive stakeholder engagement.</li> <li>• Defining outcomes in terms of sustainable economic, social and environmental benefits.</li> <li>• Determining the interventions necessary to optimise the achievement of the intended outcomes.</li> <li>• Developing the entity's capacity, including the capability of its leadership and the individuals within it.</li> <li>• Managing risks and performance through robust internal control and strong public financial management.</li> <li>• Implementing good practices in transparency, reporting and audit to deliver effective accountability.</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution (including the Head of Paid Service, Monitoring Officer and Chief Financial Officer</li> <li>• Director of Public Health</li> <li>• Corporate Plan</li> <li>• Medium term financial plan</li> <li>• Strategic risk register</li> <li>• Scrutiny Function</li> <li>• Codes of conduct</li> <li>• Schemes of delegation</li> <li>• Ethical Standards and Member Development Committee</li> <li>• Audit and Risk Assurance Committee</li> <li>• Internal and external audit</li> <li>• Independent external reviews (Ofsted, ICO)</li> <li>• Code of Corporate Governance</li> <li>• Whistleblowing and Anti-Fraud and Corruption Strategy</li> <li>• Information Governance Board</li> <li>• Procurement and Contract Procedure Rules and Financial Regulations</li> <li>• Modern.gov - Committee management information system</li> <li>• Children's Trust Strategic Partnership, Operational Partnership and Improvement Board</li> <li>• Customer Complaints and compliments system (My Sandwell portal)</li> <li>• Schools Forum</li> <li>• Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>• Grant Thornton – Value for Money Governance Review</li> <li>• CIPFA's Financial Management Review</li> <li>• LGA Corporate Peer Challenge</li> <li>• Annual Statement of Accounts (delayed)</li> <li>• External Audit – Audit Findings Report (delayed as a result of the above)</li> <li>• Annual Internal Audit Report</li> <li>• Audit and Risk Assurance Committee Annual Report</li> <li>• Member and Executive Development Programmes</li> <li>• Ofsted Annual Report of HMCI of Education, Children's Services and Skills</li> <li>• Annual Local Government Ombudsman report</li> <li>• Annual Fraud Report</li> <li>• Sandwell Safeguarding Adult's Board and Children's Board Annual Reports</li> <li>• Annual Scrutiny Report</li> <li>• Investors in People</li> <li>• Ofsted monitoring visits</li> <li>• Sandwell Children's Trust Ltd Statement of Internal Control</li> <li>• Staff surveys</li> <li>• Self-Assessment - Financial Management Code</li> </ul>	<p>As detailed later in this Statement, following a range of external reviews, primarily the Grant Thornton Governance Review, LGA Corporate Peer Challenge the CIPFA Financial Management Review and the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities, a number of statutory, key, improvement and other recommendations were made. These formed the basis of the Council's Improvement Plan which incorporated all of these recommendations. This will be the key driver for improving the Council's governance arrangements going forward.</p>

5.7 As detailed later in this Statement, following a range of external reviews, primarily the Grant Thornton Governance Review, LGA Corporate Peer Challenge the CIPFA Financial

Management Review and the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities, a number of statutory, key, improvement and other recommendations were made. These formed the basis of the Council's Improvement Plan which incorporated all these recommendations. This is the key driver for improving the Council's governance arrangements going forward.

- 5.8 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.

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## 6. Key changes and challenges

6.1 The key changes to the Governance framework during 2021/22, or after the year end but prior to this statement being finalised include:

- The Leader of the Council resigned in September 2021 and the Statutory Deputy Leader assumed the role in accordance with legislative provisions until November 2021, when a new Leader and a new cabinet were appointed.
- A senior management restructure was completed during the year which was designed to meet the needs of the organisation as outlined in the Corporate Plan – “Big Plans for a Great Place.” Following the departure of the Chief Executive in July 2021, an interim Chief Executive was appointed in August 2021. Following national government intervention in March 2022, the interim Chief Executive was appointed as the Managing Director/Commissioner and was responsible for the oversight of the Council’s Corporate Improvement Plan. A new Chief Executive was appointed by the Council in November 2022 and commenced with the authority in February 2023.
- A new senior management structure was approved by Full Council in October 2023. As of July 2024, recruitment to the new Executive Director posts is nearing completion.
- Following the Value for Money Governance Review conducted by Grant Thornton, Council approved an Improvement Plan in January 2022 which responded to the 37 recommendations of that report. This included three Statutory Recommendations. This Improvement Plan was revised and expanded in June 2022 to incorporate the recommendations from the LGA Corporate Peer Challenge (February 2022), the CIPFA Financial Management Review (February 2022) and Statutory Directions received from the Secretary of State for Levelling Up, Housing and Communities. A comprehensive assurance framework has been established to ensure not only progress in achieving the activity required, but that the necessary improvements had been embedded and were sustainable. This included regular monitoring, capturing evidence of impact, reporting to Audit and Risk Assurance Committee and Budget and Corporate Scrutiny Management Board and inviting external reviewers to undertake follow-up visits. Further detail on the Council’s Improvement Plan and framework is set out below.
- At the Cabinet meeting in March 2024, it was reported that following the latest Grant Thornton review in October 2023, the External Auditors were satisfied that the council had made appropriate progress against the three statutory recommendations, and these had been lifted. Also, at the same Cabinet meeting it was noted that following the latest report to the Secretary of State in December 2023, government ministers concluded that the Statutory Directions would be lifted, and the council has now come out of intervention as a result of the improvements that had been made.
- Completion of the review and update of the Member Code of Conduct was completed in 2021. The review included arrangements for dealing with complaints, social media policy for Elected Members and gifts and hospitality.
- The Council has completed a review of its Scrutiny arrangements. A change programme arising from the review has been implemented and progress is being embedded and monitored.

- A holistic review of governance arrangements commenced in March 2022, following the review of corporate decision making by the Council's external auditor and the Local Government Association.
- A Towns Deal Superboard was dissolved and three local boards were established to oversee the delivery of the Towns Fund Programme and the projects within the town deal areas, respectively.
- An Equalities Commission was set up to provide further understanding and assurance on equalities across the Council. A dedicated Equality, Diversity and Inclusion service was established in 2022 to support delivery of the Commissions ambitions. The EDI (Equality, Diversity and Inclusion) Strategic Roadmap and Action Plan was introduced in 2022.
- Implementation of a Corporate Performance Management Framework from April 2022, covering Council performance against a suite of measures and progress in delivering outcomes in the Corporate Plan. Regular reporting to senior officers, Cabinet and Scrutiny Committees has seen an increased level of corporate oversight of key issues and action taken as a result, such as the Customer Journey Programme.
- Establishment of a Cyber Board to ensure that the Council has an awareness of, identifies, monitors and manages any cyber related risks.
- Development and approval of a Climate Change Strategy 2020-2041 for Sandwell.
- Statutory Officers Group was established to provide a forum for the Chief Executive and Head of Paid Service, Director of Law and Governance and Monitoring Officer and Section 151 Officer to discuss issues and matters arising in relation to their respective statutory roles, functions, duties, powers and responsibilities. The group continues to meet with political group leaders and secretaries with a focus on the Council's governance infrastructure.
- The launch of 'My Councillor' portal – a platform to efficiently progress Councillor casework across the Council commenced in March 2021. This continues to provide members with an electronic casework system and is scheduled to be reviewed as part of the Council's commitment to improving relationships with its customers.
- The Council's Contract Procedure Rules and Financial Regulations were reviewed and revised following feedback from an independent CIPFA review. Changes were approved by Council in September and November 2022.
- Update of the emergency plan taking account of the experiences during Covid-19.
- Self-assessment against the CIPFA Financial Management Code.

### **Covid-19 Considerations (during 2021/22)**

6.2 In 2020/21 and 2021/22 the Council, as with all other local authorities and Sandwell Children's Trust, continued to adapt the ways in which it worked to address Covid-19 in terms of its governance arrangements, safeguarding the borough's residents, supporting Sandwell businesses and assisting with the roll out of Central Government Covid-19 related announcements, initiatives and policies. The Council's approach to governance during Covid-19 was clearly set out and shared with Councillors, the key aspects of which included:

- The Sandwell Covid-19 Local Outbreak Management Plan which outlined the locally led system for Sandwell to protect and promote health and wellbeing during the pandemic. This was further updated in April 2021 to include new challenges that had since been presented.

- Sandwell Strategic Incident Management Team (SIMT) which was responsible for the day-to-day Covid-19 response and linked into regional governance structures including the Strategic Coordinating Group and Public Health England.
  - The deployment of the Council's Emergency Committee as the primary decision-making body during the initial lockdown period.
  - 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, all of which later reverted to pre Covid-19 arrangements.
- 6.3 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. The Reset and Recovery programme involved new ways of working with officers working remotely and delivering services virtually where appropriate.
- 6.4 Some front-line services initially ceased or were delivered with reduced frequency. These were only restarted once a full risk assessment and reset request had been completed and signed off by the Council's health and safety team and Public Health team and approved by the Reset and Recovery Board. This process continued until 2022 when national restrictions and guidance relating to managing Covid-19 were relaxed.
- 6.5 Following the enactment of the provisions in the Coronavirus Act 2020 introduced in May 2020 on remote meetings, a full range of Council meetings took place using these powers and were streamed and made available on the Council's website.
- 6.6 Development of a Covid-19 risk register interfacing with the Council's strategic risk register ensured that the Council was aware of and took account of the key Covid-19 risks. The register was regularly presented to the Audit and Risk Assurance Committee during 2020/21 and at the request of the Committee was later merged into the Council's Strategic risk register.
- 6.7 The Corporate Plan was refreshed with learning and recovery from the impacts of Covid-19 being a key theme that runs through the plan.

## **7. 2021/22 Review of Effectiveness**

- 7.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control.
- 7.2 The review of effectiveness is informed by the work of Councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework, Internal Audit's annual report, the Audit and Risk Assurance Committee, the Ethical Standards and Member Development Committee, the Governance and Constitution Review Committee, the Scrutiny function and reports made by the Council's external auditors and other review agencies and inspectorates (all of which are publicly available through the Council's website).
- 7.3 During 2021/22 the Council also had several external reviews primarily the Grant Thornton Governance Review, LGA Corporate Peer Challenge, the CIPFA Financial Management Review and the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities. Where appropriate, these have also informed the annual review of effectiveness.
- 7.4 A key component of the review of effectiveness is through the work of the Council's Audit and Risk Assurance Committee and during the year the Committee continued helping to ensure that the Council had a modern, effective and risk focussed Committee. The Committee maintained its focus on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its strategic risks and Covid-19 risks effectively and maintained a strong working relationship, through regular meetings with the Council's External Auditors Grant Thornton, the Internal Auditors and Senior Officers.
- 7.5 Several recommendations regarding the way the Committee operates were made in the Grant Thornton Value for Money Governance review and these were incorporated into the Council's Improvement Plan and continue to be monitored. In their report following their return visit in October 2022, Grant Thornton noted that in relation to the Audit and Risk Assurance Committee they "found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks". All recommendations from Grant Thornton's initial Governance Review and their follow up visit have now either been embedded within business as usual or have been addressed.

### **Commissioners' Progress Reports**

- 7.6 Commissioners' monitor the Council's progress in delivering the Improvement Plan. Regular meetings take place between Commissioners, the Chief Executive, Leadership Team and statutory officers. Commissioners also meet with the Leader, Cabinet Members as required.
- 7.7 The Commissioners report to the Secretary of State on the Council's progress every six months. Reports have been published in December 2022, March 2023 and July 2023. Their fourth report was submitted to the Secretary of State in December 2023.
- 7.8 The first Commissioners' report to the Secretary of State observed the need for very tangible changes to be made in the Council in the immediate term reflecting the then early stages of the intervention with a recognition that "there are many challenges ahead". It was

acknowledged that the Council had adopted a single improvement plan which encompassed actions in relation to all the recommendations in best value, governance and financial reviews. In turn, Commissioners had developed twelve “proxies for success” intended to use to evaluate progress during this intervention period.

- 7.9 Commissioners pointed to several early indicators of welcome progress including the arrival of new officers, the willingness of Sandwell’s Cabinet and Councillors to start to respond to the recommendations from the reviews and very early signs of culture change.
- 7.10 The Commissioners second report to the Secretary of State provided commentary on improvements they have seen at the Council since June 2022 and made further comment on follow up reviews conducted by Grant Thornton, CIPFA and the Local Government Association. The Commissioners also confirmed the Council’s appointment of a permanent Chief Executive. The Commissioners submitted an addendum to the report to account for the CIPFA review being finalised after the report was submitted.
- 7.11 In their July 2023 report, Commissioners concluded that there was cautious optimism for the improvement journey of the Council. Commissioners found the Council’s leadership at political and officer level, had shown grip and determination to improve at pace and that if the level of focus, energy and commitment observed was maintained, then the required progress would be made. Commissioners in turn signalled their beginning to step back from the Council and have challenged Sandwell to demonstrate its ability to take forward its improvement independently.
- 7.12 Following the Commissioners’ fourth report in December 2023, government ministers concluded that the Statutory Directions would be lifted, and the Council has now come out of intervention as a result of the improvements that had been made.

### **Internal Audit**

- 7.13 Internal Audit reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the Council can confirm that the arrangements conform to these requirements and general compliance with the Public Sector Internal Audit Standards.
- 7.14 The Internal Audit Opinion for 2021/22 given in their annual report, was that as a result of a number of the key governance issues raised during the year, predominantly those detailed in the Grant Thornton Value for Money review with its accompanying statutory and key recommendations and the action taken by the Government in appointing commissioners to the Council, Internal Audit were unable to provide reasonable assurance for 2021/22 that the Council had fully adequate and effective governance processes. However, from the work they completed they were able to provide reasonable assurance that both risk management and internal control processes remained adequate.
- 7.15 They also noted that they had issued several limited assurance reports during the year. Similarly, there had continued to be delays in the finalising and signing-off of the Council’s Statement of Accounts including both 2020/21 and 2021/22. This had a subsequent effect in delaying the receipt of the Annual External Auditor’s Reports, which can be used to help inform the annual internal audit opinion and in the ability to produce the Annual Governance Statement in a timely manner.

7.16 However, they also commented that during the year a number of activities and actions had been put in place as part of the Council's improvement journey, including an appointed Commissioner alongside a new Leadership Team and a Single Improvement Plan pulling together the recommendations from a number of recent key independent and external reviews (including Grant Thornton's Value for Money Governance Review, CIPFA's Financial Management Review and the LGA's Corporate Peer Challenge). Following the improvement actions the Council subsequently put in place, in 2022/23 Internal Audit were able to give reasonable assurance that the Council had adequate and effective governance processes.

### **External Audit**

7.17 As referred to elsewhere in this Statement, following delays in the completion and sign-off of the 2020/21 Statement of Accounts in August 2023, the Council's External Auditors Grant Thornton have now also finalised their audit of the Statement of Accounts for 2021/22.

7.18 Also, during the 2021/22 year the External Auditors issued their comprehensive Value for Money Governance review with its statutory, key and improvement recommendations, all of which have helped inform and drive the Council's Improvement Plan. Further reference is made to these throughout this statement.

### **CIPFA's Statement on the Role of the Chief Financial Officer in Local Government**

7.19 The Council is required to confirm whether its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.

7.20 A new Director of Finance joined the Council in August 2021. They subsequently left the Council in September 2023 and an interim s.151 Officer was appointed in September 2023. The interim s.151 Officer left the Council in May 2024 and a new Executive Director of Finance and Transformation took up their role under the new senior management structure. A review of the role of the Council's s.151 Officer against the CIPFA Statement on the Role of the Chief Finance Officer will be undertaken.

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

### **Managing the risk of Fraud and Corruption**

7.22 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. During the 2021/22 year, a key area of focus on fraud risks was around pre and post payment assurance checks for the distribution of the various Covid-19 business support grants.

**Sandwell Children's Trust Limited**

- 7.23 The Sandwell Children's Trust became fully operationally on 1 April 2018. The Trust while owned by the Council has day-to-day operational independence with regards to its management and the delivery of children's social care services and is managed by a board of non-executive and executive directors. The Trust's accounts are audited separately by external auditors and for 2021/22 an unqualified opinion was provided.
- 7.24 The Trust's Internal Auditors provided reasonable assurance that the Trust had adequate and effective governance, risk management and internal control processes.
- 7.25 The statutory duty to provide children's social care services, however, remains with the Council. As such, comprehensive governance arrangements including Operational and Strategic Partnership Boards and a Service Delivery Contract and are in place to enable the Council to monitor progress of the Trust, consider performance and operational issues on a regular basis and hold the Trust Board to account.
- 7.26 The Contract between the Council and the Trust stipulates the Trust must ensure that children's social care services are assessed by Ofsted as 'Requires Improvement' by 2020 and 'Good' by 2022. Due to Covid-19, during 2020 the relief clause within the Contract was enacted by the Council in respect of this measure because of Ofsted confirming that regulatory inspections were being suspended and would not take place again until 2021. However, a remote focussed visit by Ofsted was undertaken on 3 and 4 March 2021 to look at how social care services were being delivered during the pandemic. This found that:
- "Both Sandwell Borough Council and Sandwell Children's Trust have risen to the challenge of the COVID-19 pandemic. They have been able to demonstrate continued and enhanced partnership working across the Borough. The trust has managed to ensure that many of the most vulnerable children have been visited in their own homes and, in partnership with schools, it has continued to identify and support those most in need."*
- 7.27 However, it also found that weaknesses in some areas identified in previous inspections remained and required addressing.
- 7.28 Following their inspection of Children's Services in May 2022 Ofsted concluded that services 'require improvement to be good'. This represented significant progress as Children's Services had been rated inadequate by Ofsted for more than a decade. They praised improved governance and effective relationships between the council and Trust, noting that the new Chief Executive at the Trust had worked effectively with senior leaders to set a clear strategic pathway which had already changed the culture and begun to improve services for vulnerable children and families. However, their report did highlight areas for further improvement, particularly around supporting children out of neglectful situations quicker, and planning the transition into care more effectively.
- 7.29 In July 2023 Ofsted and the Care Quality Commission undertook an Area SEND inspection of the Sandwell Local Area Partnership. The inspection outcome was that the local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). They highlighted that the local area partnership must work jointly to make improvements and made a number of recommendations.

### **The Financial Management Code**

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

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

7.31 The self-assessment found the Council to be in compliance with the Code. However, there were a limited number of matters where areas for improvement were identified. As a result of this, an action plan was prepared and its implementation continued throughout the year.

### **Constitution Review**

7.32 The ongoing review of the Council's constitution and decision-making processes has continued during 2021/22 and this work will continue during up to 2024. The review to date has introduced changes to Cabinet, Executive Member and Officer delegation, a refresh of the Financial Regulations and Procurement and Contract procedure Rules; a review of the Scrutiny function around pre decision making and policy development; update to the Council's decision-making arrangements including the forward plan and report templates and report writing.

7.33 All elements of the constitution will have been reviewed by 2024. The review is being overseen by the Governance and Constitution Review Committee with the opportunity for all Councillors to be involved in the construct of any changes.

7.34 New Member and Executive Development Programmes have been delivered that have informed by the needs of Members and focus on their development, training and support requirements from both a corporate and personal Councillor perspective. A newly elected Councillor induction programme was introduced in 2021 and has been subject to annual review and refresh to best meet the needs of those new to the Councillor role.

### **Previous Governance Issues from 2020/21**

7.35 Governance issues which were originally identified back in 2020/21 and reported in the 2020/21 Annual Governance Statement are listed in summary below. Due to the passage



of time since they were first identified, where such issues were still appropriate, they have been absorbed into the governance and wider key lines of enquiries included by Grant Thornton in their Value for Money Governance Review and which form the basis of the Council's Improvement Plan.

- Children's Services
- Resilience of the Medium-Term Financial Plan
- Records Retention
- Technology Modernisation Programme
- Grants to Voluntary Sectors
- Inclusive Economy Deal
- Sandwell Land and Property Limited
- External Audit Recommendations
- Financial Management Code
- Equalities
- Legacy Issues Impacting on Governance
- Performance Management Framework

### **8. Significant Governance Issues**

8.1 Based on the outcome of several external reviews, as already referenced throughout this statement, culminating in the Council's Improvement Plan, this is a summary of the key areas where issues were identified and action is being taken to make the necessary improvements.

#### **Value for Money Governance review**

8.2 In December 2021 Grant Thornton issued their Value for Money Governance review making the following recommendations:

#### **Statutory Recommendations**

- It is imperative that senior officers and senior members take effective corporate grip of long-standing service issues highlighted by the findings in this report (including SLT, SCT, the waste service, the ERP system and Lion Farm) and prioritise corporate effort in managing the issues identified and embed the solutions into the Council.
- The Council must ensure that the learning in relation to commercial decisions, procurement and contract management highlighted in this report are understood through the organisation.
- Senior leadership, both officers and members, must demonstrate that they can continue to work together effectively, that they operate in line with the Council's values, codes, policies and procedures and that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints so that they restore balance and proportionality.

### Key Recommendations

- The Council's leadership needs to be relentless in its focus in delivering and embedding sustainable change and use its past history as a reference point when focusing on improvement.
- Critical to embedding the transformation and change required will be the appointment of the right permanent Chief Executive. The Council must ensure an effective recruitment process, including attracting a pool of appropriate candidates.
- The Council should ensure that a corporate performance framework is agreed so that the implementation of the Corporate Plan can be effectively monitored and there is collective corporate responsibility rather than silo working.
- Members in key statutory roles, in particular in relation to Cabinet, scrutiny, standards and audit, need to be provided with effective induction and ongoing development, training and support. The member development programme should be reviewed to ensure corporate governance forms part of the training for members with governance roles.
- The Council should develop and agree an action plan in relation to the statutory, key and improvement recommendations, ensuring that they are specific, measurable, attainable, realistic and time bound.

8.3 A range of Improvement Recommendations were also made across the following key lines of enquiry:

- The Children's Trust
- Sandwell Leisure Trust
- Providence Place
- Sandwell Educational Needs Transport
- Sandwell Land and Property Company
- MADE Festival
- Waste Service
- Governance and Legal Support re: DPH
- Lion Farm
- Introduction of new ERP system (Oracle)
- Chief Officers
- Senior Leadership
- Complaints
- Officers and Members relationships
- Ethical Standards and Member Development Committee
- Audit and Risk Assurance Committee
- Financial Reporting

8.4 CIPFA were also commissioned by the Council to undertake a review of the financial management and governance arrangements using the Financial Management Model to contribute to the development of the Council's financial management operation and arrangements. It assessed the Council's financial management capability, its internal

processes and operations. It also examined how the Council plans its future financial management.

- 8.5 The report from CIPFA received in January 2022 set out that the Council was financially stable and in recent years had been able to contribute towards reserves through achieving a balanced budget or an underspend, but that the authority had previously lacked ambition and innovation and had a very traditional approach to financial management. The scoring process generated an overall star rating between one and five, five being the highest. The Council achieved an overall rating of two stars and considered to be a progressive two-star authority with an encouraging direction of travel. In total CIPFA made 14 recommendations.
- 8.6 Following the various external reviews an Improvement Plan was agreed by Council in June 2022. The Improvement Plan incorporated all of the recommendations from the Grant Thornton Governance Review, the LGA Corporate Peer Challenge and the CIPFA Financial Management Review, as well as the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities. Risk management was also embedded within the Council's programme management of the Improvement Plan and a risk register has been developed which underpins the Council's strategic risk relating to the Improvement Plan.
- 8.7 The implementation of the recommendations in the Improvement Plan has been recognised as the key driver in enabling the Council to improve its governance processes going forward. In their letter to the Secretary of State in December 2022, the Commissioners stated that they were reassured by the continued commitment from members, leaders and staff to deliver the improvement plan. They recognised that significant progress had been made as a result but cautioned that there remained a lot of work to be done.
- 8.8 The LGA, Grant Thornton and CIPFA conducted follow-up reviews in Autumn 2022 to evaluate the Council's progress on implementing the specific recommendations from those individual reviews. The findings from the follow-up visits from Grant Thornton, the LGA and the CIPFA FM Model Re-assessment Report were received in December 2022/February 2023. They indicated that good progress was being made, with CIPFA identifying that Sandwell had moved to a 3-star rating since their initial review less than a year before. Progress has been reported through the appropriate routes.
- 8.9 The Improvement Plan was regularly refreshed through a documented Change Control process. This enabled the Plan to be a living document and incorporate key areas for improvement, such as those arising from the external reviews follow up visits. It also enabled actions to be closed when completed, or transition from implementation to monitoring/assurance activity. These changes were implemented on a quarterly basis and reported to Cabinet.

### **Future Assurance**

- 8.10 As part of the governance and assurance arrangements, the Council's Corporate Plan was refreshed in June 2023 to incorporate the ongoing activity from the Improvement Plan so that the Council could move towards a single plan covering all key strategic priorities.
- 8.11 Following the end of government intervention in March 2024, the Improvement Plan programme has ended as a separate governance process. Sustained improvement activity has been embedded into existing arrangements. Where actions on the Improvement Plan

remain 'open' at the close of the programme, these have been mapped to existing plans and governance arrangements (e.g. local, business, and corporate plans) and recorded in an Assurance Plan. This Assurance Plan will be built into the quarterly corporate performance management reporting arrangements for 2024/25 to ensure continued oversight of key workstreams whilst ensuring that the council continues its improvement journey.

DRAFT

## GOVERNANCE STATEMENT

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



**Shokat Lal**  
**Chief Executive**



**Councillor Kerrie Carmichael**  
**Leader of the Council**

**Date:**

**Date:**

## **GLOSSARY**

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

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

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

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

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

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

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

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

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

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

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

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

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

**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.

## GLOSSARY

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**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.

## GLOSSARY

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

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

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

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

**IAS** – International Accounting Standards.

**IFRIC** – International Financial Reporting Interpretations Committee.

**IFRS** – International Financial Reporting Standards.

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

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

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

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

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

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

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

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

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

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

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



## GLOSSARY

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**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.

## GLOSSARY

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

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

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

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

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

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

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

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