

Statement of Accounts

2016/17

STATEMENT OF ACCOUNTS CONTENTS

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

We have audited the financial statements of Sandwell Metropolitan Borough Council for the year ended 31 March 2017 on pages 19 to 107. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director of Resources and auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; The reasonableness of significant accounting estimates made by the Executive Director of Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2017 and of the Council's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 108 to 119 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any mailers have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Sandwell Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Council's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Sandwell Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sandwell Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Sandwell Metropolitan Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

Basis for qualified conclusion

The Council's children's social care service has been subject to an improvement notice since March 2010. In June 2015 Ofsted reported findings with an overall judgement that children's services were inadequate, and as a consequence the Council implemented an improvement plan. A monitoring visit in September 2016 concluded that the Council had made positive changes since the last monitoring visit but outlined a number of areas where performance remained poor or inconsistent. Subsequently, on 6 October 2016 the Council was issued with a Statutory Direction, from the Secretary of State for Education, to set up a Children's Trust to deliver children's social care services.

Since receiving this Direction the Council put in place and progressed with arrangements to set up the Children's Trust, with the service ultimately transferring on 1 April 2018. However, the basis of the findings of the Ofsted and CQC inspection of local area services for children and young people with special educational needs and/or disabilities, published on 27 March 2017, in addition to the reports of the current Ofsted inspection programme into children's services, most recently published on 13 June 2017, was that whilst some improvements had been made, there had been insufficient focus on the quality and standards of practice, and the pace of change remained too slow.

AUDIT OPINION

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the mailer reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Sandwell Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

Delay in certification of completion of the audit due to mailers brought to our attention by a local authority elector

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of mailers brought to our attention by a local authority elector relating to 2016/17. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Andrew Cardoza
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

1 MESSAGE FROM EXECUTIVE DIRECTOR OF RESOURCES

- 1.1 Sandwell MBC has a strong track record of financial stability allied to protecting the core front-line services that matter most to the people we serve. After almost 7 years of austerity, with resources being cut and with demand for our services increasing, all of our services ended the 2016-17 financial year in surplus.
- 1.2 However, financial stability on its own isn't enough. It's also about the services we continue to provide to the people of Sandwell, including:
- 11 Green Flag award-winning parks;
 - Weekly bin collections;
 - 37,000 vulnerable residents supported through our Council Tax Reduction Scheme;
 - 600 new council homes to be built;
 - New leisure centres;
 - The development of the Wednesbury to Brierley Hill metro link;
 - 1.7 million library visits;
 - Free swimming lessons for the under 16's and over 60's;
 - More than 5,500 children attending summer activities;
 - Providing 5,000 reception age school places;
 - Supporting around 35,000 carers.
- 1.3 There are many factors that have contributed to our financial stability, including our policy-driven multi-year budget planning process, but I want to focus on the contribution made by our workforce. Sandwell has a strong, flexible and innovative workforce who are constantly striving to deliver excellent services with reducing resources. Our own staff have developed a set of 3 core values based on the principles of Trust; Unity and Progress that embody the way we work together as a council. There are so many examples of innovation in Sandwell that I can't possibly mention them all but a few notable examples include:
- The new Discover Sandwell web-site that was devised and implemented by one of our 'Facing the Future' quality circles;
 - The outstanding work of the counter fraud team;
 - The new coroner's service at Jack Judge house;
 - The work of the virtual team put together to deliver CSE training to taxi drivers;
 - The volunteering in libraries campaign;
 - The Sandwell Jobs Promise;
 - The 'I am Sandwell ... Count on me' campaign;

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- The work of the independent travel training team; and
 - Our first Christmas at the Valley event, which attracted more than 15,000 visitors and which was supported by a large group of staff volunteers.
- 1.4 Underpinning all of these examples is the commitment to take control of our own destiny and to grasp the opportunities to grow and develop Sandwell as a council and as a place. The next 12 months will see the launch of the new Sandwell 2030 vision based around 10 key ambitions. The development of this vision has been a hugely rewarding process with widespread engagement from the public, partners and from our own staff. I look forward to seeing where this work takes us.

Darren Carter
Executive Director – Resources
22 May 2017

‘I am **Sandwell**...count on me’

ABOUT SANDWELL: Great People, Great Place, Great Prospects

The Borough

- 1.5 Sandwell is a Metropolitan Borough formed in 1974 and is one of seven authorities that makes up the West Midlands Conurbation.
- 1.6 The Sandwell Borough comprises of six towns: -



- 1.7 Sandwell is an ethnically diverse borough. In the ten years from 2001 to 2011 the White British population reduced from 78% to 65.8%.
- 1.8 As at June 2014 the borough had a population of approximately 316,000 people and, at the last census in March 2011, had 121,498 households.
- 1.9 Sandwell has high levels of deprivation which is widespread. In October 2015, 3.2% of the local working population were claiming Jobseekers Allowance compared to 2.9% for the West Midlands as a whole and 1.5% for England and Wales. One in 5 of Sandwell’s Lower Super Output Areas (LSOA) fall into the most deprived 10% nationally according to the Index of Multiple Deprivation (2015). A further third fall into the most deprived 10-20%, so overall 55% of Sandwell’s LSOAs fall within the worst 20% nationally, and 86% within the worst 50% nationally.
- 1.10 Health in Sandwell has been improving over time, although at a slower rate than nationally. The table below shows the life expectancy of men and women in Sandwell compared to national figures: -

	Sandwell	National
♂	76.8	79.2
♀	81.3	83.0

The Council

- 1.11 Sandwell MBC is a Labour led council, employing 10,224 staff. Over 50% of these employees work within the borough’s schools.

1.12 The council is organised into 5 directorates: -

- Resources
- Adult Social Care and Public Health
- Children's Services
- Regeneration and the Economy
- Neighbourhoods

1.13 Sandwell is also a constituent member, together with the other six West Midlands metropolitan districts, of the West Midlands Combined Authority (WMCA). The devolution agreement means that the government will contribute £36.5m per year for 30 years to support investment in the area which it is hoped will achieve a number of targets including the creation of half a million more jobs and the elimination of the current £3.9bn deficit between taxes raised and public expenditure.

1.14 The council is currently working on updating its vision for 2030 and has consulted widely with the public, partners and our own staff. The vision will be underpinned by a set of ambitions that are still in draft form but are likely to focus on:-

- Feel safe and cared for,
- Enjoy good health,
- Be employed in rewarding work,
- Experience choice in their lives and
- Have a positive outlook on life.

Economic Environment

1.15 Sandwell MBC continues to face an extremely challenging financial position with funding cuts to Local Government set to continue for a number of years.

1.16 The council's Medium Term Financial Strategy (MTFS) sets out how the council will structure and manage its finances now and in the future. The strategy provides a robust and consistent approach that places the council's finances on a sound and stable footing, whilst supporting our transformational 'Facing the Future' programme.

1.17 The 3 key objectives of the council's MTFS are to: -

- Ensure the council remains financially stable in the face of Central Government funding reductions.
- Protect front-line services to the people of Sandwell by transforming the way we deliver services and growing the funding we generate locally.
- Deliver a policy-led multi-year budget planning process that fully integrates revenue and capital resources.

1.18 The MTFS was approved by Cabinet on 22 February 2017 and Council on 7 March 2017 as part of the wider budget setting process.

1.19 The council operates a multi-year budget planning process that gives services the ability to manage budgets across financial years. Those services have delivered savings of £23m in 2015/16 and a further £24m of savings in 2016-17. It is estimated that savings of £16.7m are required for the period 2018-19 to 2019-20. Work is ongoing to identify ways of achieving these savings.

- 1.20 Key to this process is the decision to allow services to retain any budget surpluses that arise. This means that a service that is required to deliver savings across three financial years is able to restructure once, delivering savings earlier than required, secure in the knowledge that any surpluses generated are retained by the service.

2 2016/17 PERFORMANCE

Explanation of accounting statements

- 2.1 The following accounting statements are included in this document: -

Comprehensive Income & Expenditure Statement

- 2.2 This statement shows the cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

- 2.3 The Balance Sheet shows the value of the assets and liabilities recognised by the council as at the balance sheet date. The net assets (assets less liabilities) are matched by the reserves held by the council.

Cash Flow Statement

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

Movement in Reserves Statement

- 2.5 This statement shows the movement in year on the different reserves held by the council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce taxation) and unusable reserves. The Surplus or Deficit on the Provision of Services shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis

- 2.6 This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments.

Change in accounting policies

- 2.7 The notes to the accounts include a section which explains the accounting policies used in the preparation of the accounts. These are the rules and practices adopted by the Council that dictate how transactions and events are shown.
- 2.8 In 2016/17 the following changes have been made to the Minimum Revenue Provision accounting policy: -

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2.9 Minimum Revenue Provision (MRP) is a statutory requirement to make a charge to the General Fund (GF) to make a provision for the repayment of the Council's outstanding capital debt and other credit liabilities.

2.10 Since 2008 the Council has adopted the following methodologies: -

Borrowing Prior to 1st April 2008

The MRP for capital expenditure financed by borrowing prior to 1 April 2008 is based on the Capital Financing Requirement (CFR) method i.e. based upon 4% of the non-housing CFR at the end of the preceding year.

Borrowing After 1st April 2008

The MRP for capital expenditure financed from borrowing after 1st April 2008 is based on the Asset Life Method using equal annual instalments over the estimated life of the relevant assets.

PFI Contracts

For on balance sheet PFI contracts the MRP requirement is equal to the element of the unitary charge applied to write down the liability.

2.11 For the financial year 2016/17 officers have reviewed the existing policy and concluded that the following treatment should be adopted: -

Borrowing Prior to 1st April 2008

The main assumption with the CFR method is that the Government continues to support the repayment of borrowing made prior to 1st April 2008 via the Revenue Support Grant (RSG) system. However, due to the significant reduction in RSG over the past few years it is difficult to establish if the 4% charge on CFR is still supported by this funding. It is, therefore, 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. This method would ensure that the debt would be fully repaid over a fixed number of years and would give certainty to the budget setting process in the future.

This has the impact of reducing the MRP by approximately £2.7m.

Borrowing After 1st April 2008 and PFI Contracts

The existing approaches are still deemed to be prudent and, therefore, no change is required.

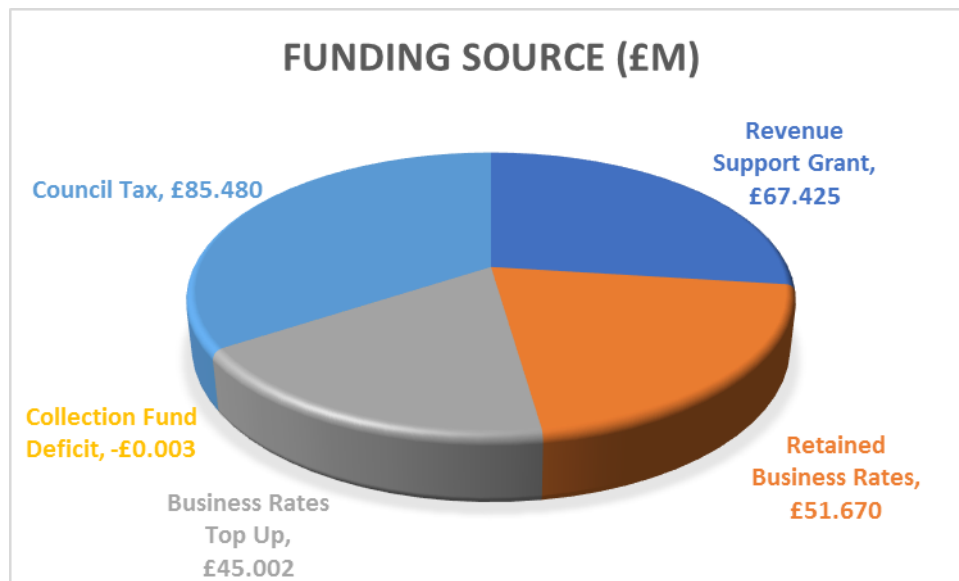
Revenue Outturn

2.12 The council's net approved revenue budget for 2016/17 was £249.263m. General Fund service budgets amounted to £215.004m. The final reported outturn against this budget was a surplus of £5.480m. The table below summarises how this was reported to Cabinet on 17 May 2017.

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	Budget £'000	Outturn £'000	Earmarked Reserves £'000	Centrally Earmarked Reserves £'000	Surplus/(Deficit) against Budget £'000	Central Items £'000	Total Service Expenditure £'000
Corporate Management Resources	94	(174)	-	14	282	-	(174)
Adult Social Care	28,840	30,480	(326)	4,013	2,047	3,522	34,002
Childrens Services	79,765	78,830	-	-	935	-	78,830
Regeneration & Economy Neighbourhoods	65,003	65,688	681	132	128	400	66,088
Public Health - Regulatory Services	16,129	16,122	253	111	371	421	16,543
Public Health - Ring Fenced Grant	20,521	19,217	(570)	103	837	23,151	42,368
	3,217	3,231	-	97	83	-	3,231
	1,435	600	(38)	-	797	-	600
Total General Fund Services	215,004	213,994	-	4,470	5,480	27,494	241,488
Schools	-	1,194	(151)	-	(1,345)	-	1,194
Housing Revenue Account	(47,466)	(52,918)	(18)	229	5,663	-	(52,918)
Total Non General Fund Services	(47,466)	(51,724)	(169)	229	4,318	-	(51,724)
Total Net Service Expenditure	167,538	162,270	(169)	4,699	9,798	27,494	189,764

This is funded by the following sources: -



2.13 The £5.480m surplus against service areas was due to several factors including staff vacancies, additional partner contributions and income generation, and achievement of savings targets earlier than anticipated.

2.14 The Comprehensive Income and Expenditure Statement (CI&ES) for 2016/17 shows a surplus on the provision of services of £139.288m and a net cost of services of £68.819m. The Expenditure and Funding Analysis on page 23 shows how the net cost of services on the CI&ES reconciles to the net service expenditure per the outturn reports.

Capital Outturn

2.15 Capital spending is expenditure on non-current assets that have a life expectancy of more than one year and have the potential to benefit current and future taxpayers within the borough. The

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assets are usually funded over a longer period of one year, either from borrowing, grants or from reserves.

2.16 The total spend on the capital programme for 2016/17 was £113.076m compared to a revised budget of £114.581m, creating a surplus of £1.505m. This surplus will be rolled forward and added to the capital funding available in 2017/18.

2.17 Further details around capital expenditure and financing can be found in notes 34 to 37 to the accounts.

Financial Position

Net Assets

2.18 The council continues to maintain a strong balance sheet which is summarised in the table below. A more detailed breakdown of these headings can be found on the balance sheet page.

	As at 31 March 2016 £'000	As at 31 March 2017 £'000
Long Term Assets	1,719,343	1,888,776
Current Assets less Current Liabilities	(82,025)	(84,454)
Long Term Liabilities	(1,237,384)	(1,419,085)
Net Assets	399,934	385,237
Represented by:-		
Usable Reserves	190,027	185,423
Unusable Reserves	209,907	199,814
Total Reserves	399,934	385,237

Reserves

2.19 The council held free balances of £11.684m at the end of 2016/17 compared to the previous year's balances of £12.141m. This equates to 4.86% of the 2017/18 approved revenue budget of £240.236m which is line with the council's policy to hold free balances of between 3% and 5%.

Cash Flows

2.20 The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. During 2016/17, net cash and cash equivalents increased by £26.768m.

	As at 31 March 2016 £'000	As at 31 March 2017 £'000
Opening cash and cash equivalents	(29,890)	(47,871)
Movement during year	(17,981)	26,768
Closing cash and cash equivalents	(47,871)	(21,103)
Comprising:		
Cash and Cash equivalents	32,135	56,661
Overdraft	(80,006)	(77,764)
Total	(47,871)	(21,103)

Material Assets and Liabilities

Pensions Liability

- 2.21 There is currently a net deficit of £851m attributable to the council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Barnett Waddingham).
- 2.22 The last review was undertaken recently and the results have been reflected in the actuarial valuation used to prepare the 2016/17 accounts. The 2017/18 past service and future service contribution rates for the council and employees have been adjusted in order to address this deficit over time.
- 2.23 Note 40 explains the pensions liability in more detail.
- 2.24 The council has taken up the offer from the West Midlands Pension Fund to make an upfront payment of £50.8m to cover the cost of past service deficit contributions for the years 2017/18 and 2019/20. This has resulted in a discount of approximately £2.7m compared to the amount that would have been due if this had been paid on an annual basis.

Treasury Management

- 2.25 The Treasury Management Strategy Statement (TMSS) sets out the framework around management and projection of ongoing cash flow requirements and longer term borrowing requirements in order to fund the council's capital programme.
- 2.26 The council is currently in an under-borrowed position which means that the capital financing requirement is not fully funded with loan debt. The council has instead made use of reserves, balances and cashflow to fund capital expenditure. This is a prudent approach in the current economic climate where the returns on investments are low and the risk of investment is higher than usual.

Non-Financial Performance and Developments

Children's Trust

- 2.27 On the 6th October 2016 Sandwell received notification that the Minister of State for Vulnerable Children was issuing a new Statutory Direction to Sandwell Metropolitan Borough Council under section 497A (4B) of the 1996 Education Act.
- 2.28 An important part of this Direction was that the council must transfer children's social care services to a Children's Services Trust, for a period of time. Work is ongoing on developing this trust with a target implementation date of October 2017.

West Midlands Combined Authority

- 2.29 Sandwell continues to work alongside the other authorities as part of the WMCA. The West Midlands Mayor has now been elected which will allow priorities and workplans to be clarified and confirmed.

ICT Improvements

2.30 The council has continued to implement improvements to ICT systems such as the introduction of the IMPRESS system for Adults and Children's Social Care and the rollout of CITRIX to all employees.

Jobs Promise

2.31 The extension of the Jobs Promise has meant that there have been very few compulsory redundancies and 52 staff have been redeployed and retrained in new roles.

Facing the Future programme

2.32 A Facing the Future Quality Circle developed and launched a new website www.discoversandwell.co.uk which showcases the many places to see and visit in Sandwell.

2.33 The programme has also been successful in winning or becoming finalists for a number of employee engagement awards. Most recently the council received a UK Employee Engagement award which highlighted companies and organisations that put talking and listening at the heart of their business.

I am Sandwell...Count on Me

2.34 The council launched 'I am Sandwell...Count on Me' as a new way of encouraging values and behaviours. The 3 elements to this are Trust, Unity and Progress.

Vision 2030

2.35 The council has begun to develop a vision for the Sandwell of 2030 including a new set of ambitions. This has involved proactive engagement with residents, business and voluntary and community organisations.

Scorecard Performance 2016/17

2.36 Sandwell's scorecard measures performance against the following 4 areas: -

- Great People
- Great Place
- Great Prospects
- Great Performance


2.37 In 2016/17: -

- 41.2% (18) of the 34 'Great People' performance measures met or exceeded targets with 52.9% (18) showing an improvement over 2015/16.
- 38.5% (5) of the 13 'Great Place' performance measures met or exceeded targets with 23.1% (3) showing an improvement over 2015/16.
- 80% (4) of the 5 'Great Prospects' performance measures met or exceeded targets with 80% (4) showing an improvement over 2015/16.













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- 44.4% (4) of the 'Great Performance' performance measures met or exceeded targets with 33.3% (3) showing an improvement over 2015/16.

2.38 Performance against some of these measures is shown below: -

Description	2014/15 Outturn	2015/16 Outturn	2016/17 Outturn	Performance	Target	Target Met
Great People						
Participation of 17 year-olds in education or training	91.0%	91.2%	93.9%		92.0%	
Secondary school persistent absence rate	N/a	13.63%	13.1%		13.6%	
Percentage of Single Assessments for children's social care authorised within 35 working days of referral	76.3%	78.4%	73.5%		88.0%	
Adult Social Care - overall satisfaction of people who use services with their care and support	66.0%	70.0%	63.0%		67.0%	
Adult Social Care - The proportion of people who use services who say that those services have made them feel safe and secure	85.0%	90.0%	90.0%		85.0%	
Great Place						
Number of affordable homes delivered (gross)	499	329	285		307	
Reduction in the number of overcrowded houses	159	133	115		100	
The number of local authority owned homes improved through the investment programme.	1,561	1,711	4,308		4,300	

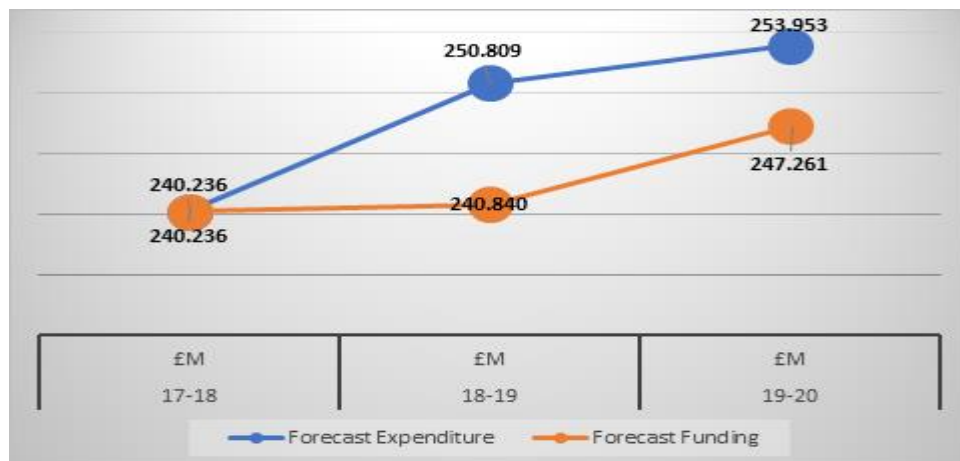
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Description	2014/15 Outturn	2015/16 Outturn	2016/17 Outturn	Performance	Target	Target Met
Residual household waste per household	571.98kg	566.48kg	584.63kg		509kg	
Great Prospects						
The total number of people assisted by the Welfare Rights Service to claim additional benefits.	10,023	9,690	11,465		9,500	
Number of people from Sandwell who are unemployed or economically inactive, placed into employment per annum, supported by the Regeneration & Economy Directorate	-	422	387		400	
The number of parks in Sandwell holding a green flag award	7	8	8		8	
Great Performance						
The proportion of people who use services and carers who find it easy to find information about services	72.0%	83.0%	84.0%		75.0%	
The number of working days/shifts lost due to sickness absence	8.0 days	7.99 days	8.44 days		8.9 days	

3 LOOKING FORWARD

Medium Term Financial Strategy

- 3.1 The council's Medium Term Financial Strategy (MTFS) sets out how the council will structure and manage its finances now and in the future. The strategy provides a robust and consistent approach that places the council's finances on a sound and stable footing.
- 3.2 The 3 key objectives of the council's MTFS are to: -
- Ensure the council remains financially stable in the face of Central Government funding reductions.
 - Protect front-line services to the people of Sandwell by transforming the way we deliver services and growing the funding we generate locally.
 - Deliver a policy-led multi-year budget planning process that fully integrates revenue and capital resources.
- 3.3 The MTFS was approved by Cabinet on 22 February 2017 and Council on 7th March 2017 as part of the wider budget setting process.
- 3.4 Funding for 2017/18 to 2019/20 was announced as part of the final settlement in February 2017. The main points to highlight as part of this were: -
- The impact of Sandwell taking part in the 100% Business Rates Retention pilot in 2017/18.
 - The ceasing of the Education Services Grant from September 2017.
 - The reduction of the New Homes Bonus Grant in order to create a new Adult Social Care Grant.
 - The ability for local authorities to bring forward increases in Council Tax to fund Adult Social Care. Sandwell's Council Tax increase for 2017/18 includes an additional 3% for the Adult Social Care Precept.
- 3.5 In comparison to projected expenditure over the next 3 years, it is estimated that there will be a funding shortfall of approximately £16.7m: -



- 3.6 Work is ongoing to identify ways of achieving these reductions in expenditure.

Capital Programme

3.7 The current capital programme commitments and available resources between 2017 and 2020 are:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Approved Commitments	114,077	82,803	47,740	244,620
Resources	114,077	82,803	47,740	244,620

3.8 The level of resources committed by the council for capital investment is significant. In the period 2016/17 to 2020/21 total resources including borrowing approvals, receipts from the sale of assets, government grants, lottery/European funds and private sector contributions are expected to be around £405m.

3.9 The council has an embedded strategic approach to ensure funds are invested in capital projects that support the longer-term objectives of the Council and its partners and provide value for money service provision.

Planned Service Developments

3.10 Some of the main priorities for the council over the next 12 months are: -

- Successfully establishing the Children’s Trust.
- Developing the Vision for 2030 and aligning this against the plans for the WMCA.
- Providing more extra care housing to help older people live for longer in their communities.
- Building more high quality and affordable homes.
- Improving access to council services including providing more services online.
- Developing transport projects to support the West Midlands Combined Authority’s Strategic Transport Plan.

1. The Authority's Responsibilities

The Authority is required to:

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

2. The Responsibilities of the Executive Director of Resources

The Executive Director of Resources is responsible for the preparation of the council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2017.

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

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

The Executive Director of Resources has also:

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

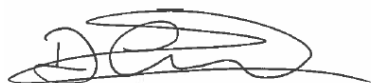
Approval of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2017.



Liam Preece
Chair, Audit Committee
Sandwell Metropolitan Borough Council

17 August 2017



Darren Carter
Executive Director of Resources
Sandwell Metropolitan Borough Council

17 August 2017

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2015/16			2016/17			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			People			
125,490	(39,818)	85,672	Adult Social Care Services	120,811	(38,705)	82,106
229,589	(244,632)	(15,043)	Schools	245,760	(257,715)	(11,955)
83,766	(14,600)	69,166	Childrens Services	89,455	(18,725)	70,730
31,816	(27,768)	4,048	Public Health & Regulatory Services	34,183	(29,758)	4,425
			Performance			
180,125	(172,353)	7,772	Resources	178,576	(165,977)	12,599
9,274	(229)	9,045	Corporate Management	6,760	(360)	6,400
			Place			
88,204	(16,747)	71,457	Neighbourhoods & Regeneration and Economy	81,835	(17,260)	64,575
77,201	(137,269)	(60,068)	Housing Revenue Account	78,079	(135,143)	(57,064)
-	-	-	- Reversal of previous revaluation losses (Note 5)	(102,997)	-	(102,997)
825,465	(653,416)	172,049	Cost of Services	732,462	(663,643)	68,819
		14,951	Levies			14,191
		2,752	Payments to the Government Housing Capital Receipts Pool			2,714
		2,971	(Gains) / Losses on the disposal of non current assets			5,934
		19	Losses on Revaluation of Assets Held for Sale			561
		20,693	Other Operating Expenditure			23,400
		35,243	Interest payable and similar charges			33,794
		21,832	Net interest on the net defined benefit liability (asset)			22,316
		(5,630)	Interest receivable and similar income			(2,508)
		(2,932)	Income and expenditure in relation to investment properties			(2,466)
		4,516	Changes in the fair value of investment properties			5,092
		53,029	Financing and Investment Income and Expenditure			56,228
		(80,486)	Council Tax income			(85,997)
		(50,401)	Retained Business Rates			(51,669)
		(44,630)	Business Rates Top Up			(45,002)
		1,641	Collection Fund Surplus (-) / Deficit			2,163
		(81,661)	Revenue Support Grant			(67,425)
		(25,600)	Capital grants and contributions			(39,805)
		(281,137)	Taxation and Non Specific Grant Income			(287,735)
		(35,366)	(Surplus) / Deficit on Provision of Services			(139,288)
		(25,909)	(Surplus) / deficit on revaluation of non current assets			(23,862)
		-	(Surplus) / deficit on revaluation of available for sale financial assets			(7,410)
		(47,823)	Actuarial (gains) / losses on pension assets and liabilities			185,257
		(73,732)	Other Comprehensive Income and Expenditure			153,985
		(109,098)	Total Comprehensive Income and Expenditure			14,697

BALANCE SHEET

31 March 2016 £'000		Note ref	31 March 2017 £'000
789,330	Council Dwellings	10	930,418
515,743	Other Land & Buildings	10	535,616
216,652	Infrastructure	10	221,004
22,950	Vehicles, Plant, Furniture & Equipment	10	22,876
19,781	Community Assets	10	22,251
14,064	Assets Under Construction	10	15,311
12,679	Surplus Assets Not Held for Sale	10	12,058
1,591,199	Property Plant & Equipment		1,759,534
3,924	Heritage Assets	11	3,931
95,946	Investment Properties	12	88,718
2,209	Intangible Assets	14	3,201
22,164	Long Term Investments	16	29,574
3,901	Long Term Debtors	-	3,818
1,719,343	Long Term Assets		1,888,776
25,048	Short Term Investments	16	4
2,041	Assets Held for Sale	14	593
1,237	Inventories	-	1,474
46,432	Short Term Debtors	17	40,391
32,135	Cash & Cash Equivalents	18	56,661
106,893	Current Assets		99,123
(80,006)	Bank Overdraft	18	(77,764)
(20,920)	Short Term Borrowing	16	(23,022)
(79,692)	Short Term Creditors	19	(72,508)
(5,072)	Provisions	21	(7,785)
(240)	Revenue Grants Receipts in Advance	32	(78)
(2,988)	Capital Grants Receipts in Advance	32	(2,420)
(188,918)	Current Liabilities		(183,577)
(4,526)	Provisions	21	(3,882)
(480,556)	Long Term Borrowing	16	(465,703)
(745,503)	Other Long Term Liabilities	20	(939,228)
(6,799)	Capital Grants Receipts in Advance	32	(10,272)
(1,237,384)	Long Term Liabilities		(1,419,085)
399,934	Net Assets		385,237
190,027	Usable Reserves	9/22	185,423
209,907	Unusable Reserves	23	199,814
399,934	Total Reserves		385,237

CASH FLOW STATEMENT

2015/16 £'000		2016/17		Note Refs
		£'000	£'000	
(35,366)	Net (surplus) / deficit on the provision of services		(139,288)	
(76,047)	Adjustments to net (surplus) / deficit on the provision of services for non cash movements		18,319	24
38,973	Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities		57,345	24
(72,440)	Net cash flows from Operating Activities		(63,624)	
	Investing Activities:			
88,398	Purchase of property, plant and equipment, investment property and intangible assets	104,955		
165,249	Purchase of short and long term investments	108,334		
(14,398)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,048)		
(140,224)	Proceeds from short and long term investments	(133,378)		
(27,935)	Other receipts from investing activities	(41,734)		
71,090	Net cash flows from Investing Activities		20,129	
	Financing Activities:			
(25,183)	Cash receipts of short and long term borrowing	(22,796)		
3,990	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,974		
40,524	Repayments of short and long term borrowing	35,549		
19,331	Net cash flows from Financing Activities		16,727	
17,981	Net (increase) / decrease in cash and cash equivalents		(26,768)	
(29,890)	Cash and cash equivalents at the beginning of the reporting period		(47,871)	18
(47,871)	Cash and cash equivalents at the end of the reporting period		(21,103)	18

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance as at 31 March 2015	118,256	37,583	4,481	18,978	179,298	111,538	290,836
Movement in Reserves During 2015/16							
Total Comprehensive Income and Expenditure	279	35,087	-	-	35,366	73,732	109,098
Adjustments between accounting basis & funding basis under regulations	8,303	(35,255)	988	1,327	(24,637)	24,637	-
Increase / Decrease in Year	8,582	(168)	988	1,327	10,729	98,369	109,098
Balance at 31 March 2016 carried forward	126,838	37,415	5,469	20,305	190,027	209,907	399,934
Movement in Reserves During 2016/17							
Total Comprehensive Income and Expenditure	6,489	132,799	-	-	139,288	(153,985)	(14,697)
Adjustments between accounting basis & funding basis under regulations (Note 8)	(7,081)	(134,565)	2,394	(4,640)	(143,892)	143,892	-
Increase / Decrease in Year	(592)	(1,766)	2,394	(4,640)	(4,604)	(10,093)	(14,697)
Balance at 31 March 2017 carried forward	126,246	35,649	7,863	15,665	185,423	199,814	385,237

EXPENDITURE & FUNDING ANALYSIS

2015/16	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	81,865	3,761	85,626	46	85,672
- Schools	(3,862)	(6,932)	(10,794)	(4,249)	(15,043)
- Children & Families	63,393	(2,401)	60,992	8,174	69,166
- Public Health	3,128	(705)	2,423	1,625	4,048
Performance					
- Resources	32,697	(27,093)	5,604	2,168	7,772
- Corporate Management	589	6,718	7,307	1,738	9,045
Place					
- Neighbourhoods & Regeneration and Economy	62,125	(9,982)	52,143	19,314	71,457
Housing Revenue Account	(58,668)	(15,397)	(74,065)	13,997	(60,068)
Cost of Services	181,267	(52,031)	129,236	42,813	172,049
Other operating expenditure	14,951	-	14,951	5,742	20,693
Financing and Investment Income and Expenditure	(15,973)	120,839	104,866	(51,837)	53,029
Taxation and Non Specific Grant Income	(257,467)	-	(257,467)	(23,670)	(281,137)
(Surplus) or Deficit	(77,222)	68,808	(8,414)	(26,952)	(35,366)

Opening General Fund & HRA Balance
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year
Closing General Fund & HRA Balance at 31 March 2016 *

(155,839)

(8,414)

(164,253)

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

EXPENDITURE & FUNDING ANALYSIS

2016/17	As Reported to Management £'000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
People					
- Adults	78,830	3,505	82,335	(229)	82,106
- Schools	1,194	(6,996)	(5,802)	(6,153)	(11,955)
- Children & Families	66,088	(2,792)	63,296	7,434	70,730
- Public Health	3,831	(59)	3,772	653	4,425
Performance					
- Resources	34,002	(25,573)	8,429	4,170	12,599
- Corporate Management	(174)	6,348	6,174	226	6,400
Place					
- Neighbourhoods & Regeneration and Economy	58,911	(8,726)	50,185	14,390	64,575
Housing Revenue Account	(52,918)	(16,324)	(69,242)	(90,819)	(160,061)
Cost of Services	189,764	(50,617)	139,147	(70,328)	68,819
Other operating expenditure	14,191	-	14,191	9,209	23,400
Financing and Investment Income and Expenditure	(9,943)	108,224	98,281	(42,053)	56,228
Taxation and Non Specific Grant Income	(249,263)	-	(249,263)	(38,472)	(287,735)
(Surplus) or Deficit	(55,251)	57,607	2,356	(141,644)	(139,288)

Opening General Fund & HRA Balance	(164,253)
Plus/Less (Surplus) or Deficit on General Fund and HRA Balance in year	2,356
Closing General Fund & HRA Balance at 31 March 2017 *	(161,897)

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

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The council operates a de-minimus level for the processing of accruals, £10,000 for capital and £1,000 for revenue. The de-minimus policy for revenue was implemented in 2015/16 and requires that no accruals are actioned for individual amounts below £1,000 unless for a group of similar transactions there would be a material impact upon the accounts of not recognising the income and expenditure in the relevant accounting period.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid funds invested in call accounts and 30 day notice accounts which are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE ACCOUNTS

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

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

iv. **Exceptional Items**

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

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

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

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

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

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

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

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations and therefore, these are reversed out of General Fund balances to the Capital Adjustment Account via the Movement in Reserves Statement.

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

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

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

viii. **Employee Benefits**

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current

NOTES TO THE ACCOUNTS

employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (including time off in lieu, flexi leave and carers leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

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

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

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

Teachers' and National Health Service Pension Schemes

Arrangements for both the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The schemes are therefore accounted for as if they were defined contribution schemes with no liability for future payments of benefits being recognised in the Balance Sheet. The Children's and Education Services 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.

NOTES TO THE ACCOUNTS

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% 2016/17, (2015/16 3.6%) based on the indicative rate of return on high quality corporate bonds.

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

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement 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 on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Net interest expense – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
- Remeasurements comprising:
 - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

Discretionary Benefits

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

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

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

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

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

x. **Financial Instruments**

Financial Liabilities

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

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

Financial Assets

Financial assets are classified as follows:

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

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

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

Available for Sale Assets

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

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

- Instruments with quoted market prices - market price
- Other instruments with fixed or determinable payments - discounted cash flow analysis

- Unquoted equity shares for which a reliable fair value cannot be determined - independent appraisal

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

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

xi. **Government Grants and Contributions**

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

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

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

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

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

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

Business Improvement District

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

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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

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

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

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

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

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

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

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, as supplementary information, summarised group accounts.

The council has financial relationships with Sandwell Land and Property Ltd, which is a subsidiary of the council. Further details are included within the narrative report to the accounts. The council also has an associate company, Sandwell Inspired Partnership Services, however group accounts have not been prepared as there is no material impact to the financial statements of the council.

xiv. **Leases**

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at its fair value measured at the inception of the lease (or the present value of the minimum lease

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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 Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a

capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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

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

Operating Leases

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

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

The beacon valuations appertaining to Council Dwellings have been carried out by the District Valuer (DV) in 2016/17 and are in accordance with the Guidance on Stock Valuation for Resource Accounting. A full valuation was completed in 2012/13; this will be repeated every fifth year with a desktop revaluation in each of the interim years. Further details on the beacon valuation methodology can be found in note 4 to the accounts.

Property Plant & Equipment

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

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

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

Council Dwellings

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

Community Assets

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

Infrastructure

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

Assets Under Construction

These assets are held at historic cost.

Surplus Assets

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

Other Assets

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

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains may be credited to the Comprehensive Income & Expenditure Statement (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 as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the

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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 Property, Plant and Equipment (PP&E) assets by the systematic allocation of their depreciable amounts over their determinable finite lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community and Heritage Assets) and assets that are not yet available for use (ie assets under construction).

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

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

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

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

Investment Properties

Investment properties are those that are used solely to earn rentals 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 xxviii), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Investment properties receive a physical revaluation on a rolling three year cycle, properties that do not receive a physical revaluation in a

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given year are uplifted based upon current market indices where it is appropriate to do so. Further details can be found in note 4 to the accounts.

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

Non Current Assets Held For Sale

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

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

Depreciation is not charged on Assets Held for Sale.

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

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

Asset Disposals

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

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

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

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

Borrowing Costs

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

xvii. **Component Accounting**

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

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

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

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

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

In order to assess materiality, the council has instructed WH&E to provide individual PP&E valuations on a componentised basis so that the impact upon depreciation can be determined. From the results of this process the council has concluded that componentisation would not materially affect the level of depreciation charged on any of its PP&E assets valued during 2016/17 and, as a result, has not applied componentisation to its assets in this financial year. The council will however continue to review this process annually.

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

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

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, however some of the measurement rules are relaxed. The council's collections of heritage assets are accounted for as follows:

Historical Buildings

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

Museum Exhibits, Fine Art Collections & Civic Regalia

These collections are reported in the Balance Sheet using insurance valuations undertaken every five years by external valuers making reference to appropriate commercial markets. The assets

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

General

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

The disposal of heritage assets must receive prior approval from the relevant Cabinet Member. 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 xvi).

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, for 2016/17 onwards it has been deemed more prudent to adopt the Asset Life (Equal Instalments) method where the useful life applied to the debt is based on the average useful life of the councils depreciable operational assets. For Sandwell this useful life has been calculated to be 38 years.

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

In line with section v of the councils accounting policies this is seen to be a change in accounting estimates and, therefore, no prior year adjustment has been reflected in the accounts.

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.

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

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(s) in the Comprehensive Income and Expenditure Statement (CI&ES) in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxii. **Reserves**

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

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

xxiii. **School Balances**

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

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 Comprehensive Income and Expenditure Statement 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 £100,000 of loss on non-educational establishments and the first £500,000 in respect of educational establishments. The aggregate excess (cap) being £2,000,000 in any policy year. The council's asset protection does not cover the council's housing stock.

Liabilities - The first £250,000 of each claim in respect of public/products and employer's liability and pollution and the first £50,000 in respect of officials' indemnity, professional indemnity and land charges. The aggregate excess (cap) being £4,600,000 in any policy year across all liability sections of cover.

Motor – The first £150,000 of each motor claim for damage to the council vehicle and third party claims. Third party losses are limited to £419,020 in the aggregate after the application of individual claim excess / non-ranking deductibles.

Fidelity Guarantee - The first £50,000 of each claim in respect of fraud committed against the council by its own employees. There is no annual aggregate excess (cap) in respect of fidelity guarantee claims.

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

xxvi. **VAT**

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

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

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

xxviii. **Fair Value Measurement**

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can assess at the measurement date.

- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code.

The current provisions in the 2016/17 Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would therefore not be appropriate for their financial statements to be provided on anything other than a going concern basis. CIPFA/LASAAC has augmented the Code's provisions in Section 3.4 (Presentation of Financial Statements) of the 2017/18 Code to confirm the going concern basis of accounting for local authorities.

The 2017/18 Code also introduces changes in relation to narrative reporting and accounting policies as a result of the "Telling the Story" of local authority financial statements. It also introduces changes in relation to accounting and reporting by pension funds, a restructure of the introduction of the code and other minor amendments.

The 2017/18 Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

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

Funding where the council acts as the Agent

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

Accounting for Schools

The council accounts for the income, expenditure, assets, liabilities and reserves of its schools in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. Each type of school is accounted for as follows:

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

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

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

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

NOTES TO THE ACCOUNTS

The annual review of the councils operational assets found that 5 schools that form part of the Rowley Learning Trust (RLT) were excluded from the council's balance sheet in 2014/15 when a full assessment of all the maintained schools had been undertaken.

The review has confirmed that the land and buildings for all the schools that form part of RLT are owned by SL&P Co and are leased to the schools on a long term lease for a period of 125 years.

As a result, and in line with section 8 of LAAP 101, the economic benefits and service potential lie within the control of either the Local Authority or the School / Governing Body and, therefore, the council has concluded that these assets should be included on the council's balance sheet.

Therefore, in line with section v of the councils accounting policies a prior year adjustment has been reflected in the opening balance of Property, Plant & Equipment for 2015/16 (see note 10).

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

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

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

The items in the council's Balance Sheet at 31 March 2017 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Beacon Valuation of Council Dwellings

A full valuation of council dwellings was undertaken by the District Valuer (DV) in 2012/13 with the intention that subsequent valuations be carried out on a desktop basis for the next 4 years.

The desktop process undertaken in 2016/17 has looked at a sample of beacon properties to determine if there has been a significant change in value between the 31 March 2015 and the 1 April 2016.

The Guidance on Stock Valuation for Resource Accounting requires that desktop valuations be carried out at an asset group level. The work undertaken by the DV for 2016/17 identified various percentage increases and decreases in the value of the sample beacons which have subsequently been applied to the relevant asset groups that they represent.

When applied to the opening stock there is an increase in gross value of approximately £2.9m between the old beacon values and the new. This represents a movement of 0.13%. An upward movement of 1% would have given rise to an increase of approximately £22.7m.

It should be noted that these are for illustration purposes only to show the impact of the desktop review on beacon values before any other adjustments have been applied and does not represent the true movement in value of the housing stock as at the 31st March 2017.

Equal Pay Provision/Earmarked Reserve

The council has made a provision of £0.135m for the settlement of claims for back pay arising from the Equal Pay Initiative, based upon the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the council or

that precedents set by other authorities in the settlement of claims will be applicable. An increase in either the number of claims or the average settlement would affect the value of the provision required.

Property Plant & Equipment (PP&E)

Prior to 2012/13 operational buildings included in the balance sheet category of PP&E, which have been revalued during the year, have been assigned a remaining useful life of 40 years by the council's external valuers, except where there has been a clear indication of a more appropriate asset life.

In order for valuations and the subsequent depreciation charge to better reflect the condition of individual assets, a weighted average remaining useful life (RUL) has been assigned to each asset revalued during the year, following condition assessments carried out by the councils internal building surveyors, from 2012/13 onwards.

As depreciation is calculated on the brought forward balances, this weighted average RUL has been used to calculate depreciation on a straight line basis since 2013/14.

Operational buildings last revalued prior to 2012/13 will continue to be depreciated based on the generic RUL of 40 years until a revaluation becomes due within the five year rolling programme.

A change in accounting estimate does not give rise to a prior period adjustment and therefore no retrospective adjustments have been made.

Investment Properties

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

In order to bring the value of the properties not receiving a full valuation in year up to a current value, an indexation factor is applied to each property, relevant to when it was last revalued, if it is determined that market movements require this. An impairment review carried out for Investment Properties indicated that this was not required in 2016/17.

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

Pensions Liability

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

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £37.880m.

However, the assumptions interact in complex ways. During 2016/17, the council's actuaries advised that the net pensions liability had increased by £463.602m as a result of assumptions being updated.

Long Term Investments – Birmingham Airport Shareholding

The council holds shares in Birmingham Airport Holdings Limited represented by 5.62% of equity shares and 11.48% of preference shares. These were re-valued in 2015/16 by Solihull MBC and reviewed by their valuers BDO LLP. The value of ordinary shares had increased by £2.32m and the value of preference shares had decreased by £0.164m.

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 £1.807m has been set aside, of which the council's share of 49% equates to £0.886m. The provision has been based upon information provided by the Valuation Office Agency and estimations of both the likelihood of the appeal being successful and the subsequent reduction in rateable value. An estimation technique such as this is susceptible to numerous variables, all of which could potentially change the end value of the provision created.

Fair Value Measurement

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

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

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

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

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

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

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

In 2016/17 there were net re-valuation gains on council dwellings totalling £102.997m mainly due to an increase in the social housing discount factor from 34% to 40%.

These gains were posted to the Comprehensive Income and Expenditure Statement during the year to reverse accumulated revaluation losses incurred in previous years.

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

The statement of accounts was authorised for issue on 17 August 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE ACCOUNTS

Following the tragic fire disaster at Grenfell Tower, Kensington, London, the council is currently completing tests to all of its tower blocks to ensure that any cladding found to be of a similar nature to that of Grenfell Tower is removed and replaced. At the date of authorisation, it is unable to establish the estimated cost of this process.

7. Prior Period Restatement of Accounts

CIPFA published 'Understanding Local Authority Financial Statements' as part of its programme of changes under the Telling the Story review. This included changes that are required to the 2016/17 Comprehensive Income and Expenditure and Movement in Reserves statements. The 2016/17 code also requires that the 2015/16 versions of both statements are restated in the same format as for 2016/17. These restatements are shown below.

Restatement of the Movement of Reserves Statement

The Movement in Reserves statement prescriptions have been reduced to an absolute minimum. The table below shows how the statement has been restated.

	General Fund Balance as previously stated £'000	Earmarked General Fund Reserves as previously stated £'000	Schools Balances as previously stated £'000	General Fund Balance Restated £'000	Housing Revenue Account as previously stated £'000	HRA Reserves as previously stated £'000	Housing Revenue Account Balance Restated £'000
Balance as at 31 March 2015	67,944	18,568	31,744	118,256	34,677	2,906	37,583
Movement in Reserves During 2015/16							
Surplus / (deficit) on the provision of services	279	-	-	279	35,087	-	35,087
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	279	-	-	279	35,087	-	35,087
Adjustments between accounting basis & funding basis under regulations	8,303	-	-	8,303	(35,255)	-	(35,255)
Net Increase / Decrease before Transfers to Earmarked Reserves	8,582	-	-	8,582	(168)	-	(168)
Transfers to / from Earmarked Reserves	(5,528)	1,521	4,007	-	212	(212)	-
Increase / Decrease in 2015/16	3,054	1,521	4,007	8,582	44	(212)	(168)
Balance at 31 March 2016 carried forward	70,998	20,089	35,751	126,838	34,721	2,694	37,415

Restatement of the Comprehensive Income & Expenditure Statement - Net Cost of Services

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the Code of Local Authority Accounting in the UK. The 2016/17 code requires the council to present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the council's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

NOTES TO THE ACCOUNTS

	As reported in the Comprehensive Income and Expenditure Statement 2015/16	Adjustments between SERCOP classifications and internal reporting classifications	As restated 2015/16	
NET EXPENDITURE SERCOP Service line	£'000	£'000	£'000	NET EXPENDITURE Management Structure
Adult Social Care	84,905	767 (15,043)	85,672 (15,043)	People Adults Social Care Services Schools
Children's & Education Services	53,402	15,764	69,166	Childrens Services
Public Health	(601)	4,649	4,048	Public Health & Regulatory Services
Environmental & Regulatory Services	28,709	(28,709)		
				Performance
Corporate & Democratic Core	(1,536)	9,308	7,772	Resources
Non Distributed Costs	11,621	(2,576)	9,045	Corporate Management
Central Services to the Public	3,992	(3,992)		
				Place
Highways & Transport Services	15,984	55,473	71,457	Neighbourhoods & Reneration and the Economy
Cultural & Related Services	21,482	(21,482)		
Planning Services	6,419	(6,419)		
Other Housing Services	7,740	(7,740)		
Local Authority Housing (HRA)	(60,068)	-	(60,068)	Housing Revenue Account
TOTAL NET EXPENDITURE	172,049	-	172,049	TOTAL NET EXPENDITURE
GROSS EXPENDITURE SERCOP Service line	£'000	£'000	£'000	GROSS EXPENDITURE Management Structure
Adult Social Care	124,933	557 229,589	125,490 229,589	People Adults Social Care Services Schools
Children's & Education Services	313,104	(229,338)	83,766	Childrens Services
Public Health	23,836	7,980	31,816	Public Health & Regulatory Services
Environmental & Regulatory Services	35,975	(35,975)		
				Performance
Corporate & Democratic Core	15,294	164,831	180,125	Resources
Non Distributed Costs	14,253	(4,979)	9,274	Corporate Management
Central Services to the Public	16,440	(16,440)		
				Place
Highways & Transport Services	19,333	68,871	88,204	Neighbourhoods & Reneration and the Economy
Cultural & Related Services	24,970	(24,970)		
Planning Services	149,656	(149,656)		
Other Housing Services	10,475	(10,475)		
Local Authority Housing (HRA)	77,196	5	77,201	Housing Revenue Account
TOTAL GROSS EXPENDITURE	825,465	-	825,465	TOTAL GROSS EXPENDITURE
GROSS INCOME SERCOP Service line	£'000	£'000	£'000	GROSS INCOME Management Structure
Adult Social Care	(40,028)	210 (244,632)	(39,818) (244,632)	People Adults Social Care Services Schools
Children's & Education Services	(259,702)	245,102	(14,600)	Childrens Services
Public Health	(7,266)	(20,502)	(27,768)	Public Health & Regulatory Services
Environmental & Regulatory Services	(24,437)	24,437		
				Performance
Corporate & Democratic Core	(16,829)	(155,524)	(172,353)	Resources
Non Distributed Costs	(2,632)	2,403	(229)	Corporate Management
Central Services to the Public	(12,448)	12,448		
				Place
Highways & Transport Services	(3,349)	(13,398)	(16,747)	Neighbourhoods & Reneration and the Economy
Cultural & Related Services	(3,488)	3,488		
Planning Services	(4,056)	4,056		
Other Housing Services	(141,916)	141,916		
Local Authority Housing (HRA)	(137,265)	(4)	(137,269)	Housing Revenue Account
TOTAL GROSS INCOME	(653,416)	-	(653,416)	TOTAL GROSS INCOME

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.

2015/16

	Usable Reserves						Total Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments to the Revenue Resources							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	13,900	822				14,722	(14,722)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(60)	(25)				(85)	85
Council tax and NDR (transfers to or from Collection Fund)	1,929					1,929	(1,929)
Holiday pay (transferred to the Accumulated Absences Reserve)	(76)	(216)				(292)	292
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):	16,754	25,816				42,570	(42,570)
Total Adjustments to Revenue Resources	32,447	26,397	-	-	-	58,844	(58,844)
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,438)	(11,935)	13,373			-	-
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)	2,752		(2,752)			-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(11,852)		11,852		-	-
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(18,357)	(11,858)				(30,215)	30,215
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(7,101)	(26,007)				(33,108)	33,108
Total Adjustments between Revenue and Capital Resources	(24,144)	(61,652)	10,621	11,852	-	(63,323)	63,323
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure			(9,633)			(9,633)	9,633
Use of the Major Repairs Reserve to finance capital expenditure				(11,852)		(11,852)	11,852
Application of capital grants to finance capital expenditure					(10,129)	(10,129)	10,129
Cash payments in relation to deferred capital receipts					11,456	11,456	(11,456)
Total Adjustment to Capital Resources	-	-	(9,633)	(11,852)	1,327	(20,158)	20,158
Total Adjustments	8,303	(35,255)	988	-	1,327	(24,637)	24,637

NOTES TO THE ACCOUNTS

2016/17

	Usable Reserves						Total Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments to the Revenue Resources							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	11,815	800				12,615	(12,615)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(131)	(587)				(718)	718
Council tax and NDR (transfers to or from Collection Fund)	1,333					1,333	(1,333)
Holiday pay (transferred to the Accumulated Absences Reserve)	1,249	222				1,471	(1,471)
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)						-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	2,619	(75,471)				(72,852)	72,852
Total Adjustments to Revenue Resources	16,885	(75,036)	-	-	-	(58,151)	58,151
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,586)	(12,954)	17,540			-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	2,714		(2,714)			-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(12,057)		12,057		-	-
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(16,270)	(11,351)				(27,621)	27,621
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,824)	(23,167)				(28,991)	28,991
Total Adjustments between Revenue and Capital Resources	(23,966)	(59,529)	14,826	12,057	-	(56,612)	56,612
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure			(12,432)			(12,432)	12,432
Use of the Major Repairs Reserve to finance capital expenditure				(12,057)		(12,057)	12,057
Application of capital grants to finance capital expenditure					(16,637)	(16,637)	16,637
Cash payments in relation to deferred capital receipts					11,997	11,997	(11,997)
Total Adjustment to Capital Resources	-	-	(12,432)	(12,057)	(4,640)	(29,129)	29,129
Total Adjustments	(7,081)	(134,565)	2,394	-	(4,640)	(143,892)	143,892

EXPENDITURE & FUNDING ANALYSIS

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

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17. The balances ring fenced for schools are also included below.

	Balance as at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance as at 31 March 2017 £'000
General Fund:				
Insurance	9,000	-	131	9,131
Non Domestic Rates Reserve	2,625	-	-	2,625
Sinking Fund Reserves	2,063	-	589	2,652
Social Fund Reserve	640	(279)	-	361
Revenue Grants	1,047	-	-	1,047
Grants Irregularities	1,031	-	-	1,031
Early Help Reserve	1,330	(247)	-	1,083
West Midlands Regional Research	584	(71)	-	513
Adoption Support Reserve	400	(400)	-	-
Regeneration & Economy	285	(94)	-	191
Teaching for Public Health Network	208	-	39	247
Childrens Workforce Development	189	(92)	-	97
Dartmouth Park HLF	-	-	409	409
Private Sector Housing Reserve	209	-	45	254
Other Earmarked Reserves	478	(89)	63	452
Total General Fund	20,089	(1,272)	1,276	20,093
Balances Held by Schools under a Scheme of Delegation	35,751	(1,345)	-	34,406
HRA:				
HRA Balance	34,721	(1,784)	-	32,937
HRA Welfare Reform Reserve	2,694	-	18	2,712
Total HRA	37,415	(1,784)	18	35,649

NOTES TO THE ACCOUNTS

10. **Property, Plant and Equipment**

	Council Dwellings	Other Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets Not Held for Sale	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2015	807,099	491,835	297,748	74,875	19,852	15,148	25,440	1,731,997
Prior Period Adjustment	-	17,582	-	-	-	-	-	17,582
Additions	42,680	8,080	9,782	5,869	364	17,999	-	84,774
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(23,124)	19,878	-	-	-	-	5,806	2,560
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(405)	(4,720)	-	-	-	-	1,403	(3,722)
Derecognition - Disposals	-	(474)	-	(2,704)	(51)	(6,156)	(770)	(10,155)
Assets reclassified (to) / from Held for Sale	(6,840)	-	-	-	-	-	(1,302)	(8,142)
Other movements in Cost or Valuation	695	14,357	-	79	254	(10,878)	(4,109)	398
At 31 March 2016	820,105	546,538	307,530	78,119	20,419	16,113	26,468	1,815,292
Accumulated Depreciation and Impairment								
At 1 April 2015	(30,413)	(33,309)	(82,967)	(51,774)	(638)	(2,036)	(8,536)	(209,673)
Depreciation Charge	(12,339)	(10,210)	(7,911)	(6,023)	-	-	(284)	(36,767)
Depreciation written out to the Revaluation Reserve	11,886	12,897	-	-	-	-	691	25,474
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	(2,126)	(2,126)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	(3,781)	(3,781)
Derecognition - Disposals	-	39	-	2,628	-	-	-	2,667
Other movements in Depreciation and Impairment	91	(212)	-	-	-	(13)	247	113
At 31 March 2016	(30,775)	(30,795)	(90,878)	(55,169)	(638)	(2,049)	(13,789)	(224,093)
Net Book Value								
At 1 April 2015	776,686	458,526	214,781	23,101	19,214	13,112	16,904	1,522,324
At 31 March 2016	789,330	515,743	216,652	22,950	19,781	14,064	12,679	1,591,199

NOTES TO THE ACCOUNTS

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

11. **Heritage Assets**

There has been no material change to the carrying value of heritage assets in 2016/17. The carrying value as at 31 March 2017 is £3.931m (£3.924m 2015/16).

Art Collection

An art collection displayed at Ingestre Hall Residential Arts Centre was last valued in March 2012 to be worth £1.375m. The remainder of the council's art collection was also valued in March 2012 at £0.423m by CJM Auctioneers & Valuers.

17th Century Furniture

The council's museums display some fine examples of 17th century furniture. The complete collection of furniture was valued by CJM Valuers & Auctioneers in March 2012 at £0.560m.

Civic Regalia & Presentational Silver

The majority of the civic regalia and presentational silver are assets that have been donated to the council which currently amount to over 100 items. Valuations provided by Fattorinis in November 2011 estimated the entire collection to be worth £1.232m.

Other

The council holds other heritage assets including a collection of Ruskin pottery which was last valued at £0.081m and the Helen Caddick Ethnographical Collection estimated to be worth £0.075m. Both of these were last valued in March 2012 by CJM Valuers & Auctioneers.

A full re-valuation of Heritage Assets is due to be undertaken in the financial year 2017/18.

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 expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2015/16 £'000		2016/17 £'000
3,280	Rental income from investment property	3,064
(348)	Direct operating expenses arising from investment property	(598)
2,932	Net gain / (loss)	2,466

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 or repairs, maintenance or enhancement.

NOTES TO THE ACCOUNTS

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

2015/16 £'000		2016/17 £'000
102,113	Balance at start of the year	95,946
171	Subsequent expenditure	128
(5,666)	Disposals	(4,693)
(257)	Net gains / (losses) from fair value adjustments	(863)
(415)	Other changes	(1,800)
95,946	Balance at the end of the year	88,718

13. Assets Held for Sale

	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	1,465	2,041
Assets newly classified as held for sale:		
Property Plant and Equipment	8,143	11,236
Revaluation losses	(19)	(561)
Assets Sold	(7,453)	(12,010)
Other movements	(95)	(113)
Balance outstanding at year end	2,041	593

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:

	2015/16 £'000	2016/17 £'000
Balance at start of year	1,383	2,209
Purchases	1,527	1,805
Amortisation for the period	(701)	(813)
Net carrying amount at end of year	2,209	3,201
Comprising:		
Gross carrying amount	16,662	18,466
Accumulated amortisation	(14,453)	(15,265)
	2,209	3,201

NOTES TO THE ACCOUNTS

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

Movement in the Fair Value of Non Current Assets

	Valued at Historical Cost £'000	Net Book Value at Date of last Valuation					Total £'000
		2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	
Property Plant & Equipment							
Council Dwellings	-	-	-	-	-	930,418	930,418
Land & Buildings	-	46,440	117,048	115,050	165,441	91,637	535,616
Infrastructure	221,004	-	-	-	-	-	221,004
Vehicles, Plant & Equipment	22,876	-	-	-	-	-	22,876
Community Assets	22,251	-	-	-	-	-	22,251
Assets Under Construction	15,311	-	-	-	-	-	15,311
Surplus Assets Not Held for Sale	-	762	1,599	2,959	5,750	988	12,058
Heritage Assets	3,931	-	-	-	-	-	3,931
Investment Properties	-	-	-	7,162	70,418	11,138	88,718
Intangible Assets	3,201	-	-	-	-	-	3,201
	288,574	47,202	118,647	125,171	241,609	1,034,181	1,855,384
Assets Held for Sale	-	1	-	87	504	1	593
Total	288,574	47,203	118,647	125,258	242,113	1,034,182	1,855,977

Fair Value Measurement of Investment Properties & Surplus Assets

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

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

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

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

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

Level 1 – Quoted Prices

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

NOTES TO THE ACCOUNTS

Level 2 – Significant Observable

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

Level 3 – Significant Unobservable

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

Fair Value Hierarchy

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

Fair Value Hierarchy 2015/16

	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input Level 3 £000's	Fair Value 31st March 2016 £000's
<u>Fair Value Category</u>				
Investment Properties				
Cleared Sites	-	8,577	-	8,577
Community Centres	-	-	397	397
Compounds	-	1,323	-	1,323
Depots	-	2	-	2
Farms	-	470	-	470
Industrial Sites	-	5,756	-	5,756
Land	-	33,712	-	33,712
Retail Sites	-	37,016	-	37,016
Shops	-	7,807	-	7,807
Vacant Sites	-	886	-	886
Total	-	95,549	397	95,946
Surplus Assets				
Car Parks	-	2,817	-	2,817
Cleared Sites	-	2	-	2
Depots	-	204	-	204
Land	-	6,838	-	6,838
Vacant Sites	-	2,818	-	2,818
Total Surplus	-	12,679	-	12,679
Total	-	108,228	397	108,625

NOTES TO THE ACCOUNTS

Fair Value Hierarchy 2016/17

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

There have been no transfers between input levels during 2016/17 and there has been no change in the valuation techniques used to determine fair value.

Reconciliation of Fair Value Measurements – Level 3

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

Investment: Community Centres Categorised Within Level 3

	31 March 2016 £000's	31 March 2017 £000's
Opening Balance	319	397
Transfers to Level 3	-	-
Transfers from Level 3	-	-
Gains/ Losses included resulting from a change in Fair Value	78	-
Additions	-	-
Disposals	-	-
Closing Balance	397	397

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

Quantative Information about Fair Value Measurements – Level 3

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

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

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

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

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

NOTES TO THE ACCOUNTS

16. **Financial Instruments**

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

	Current 31 March 2016 £'000	Long Term £'000	Total £'000	Current 31 March 2017 £'000	Long Term £'000	Total £'000
LIABILITIES						
Borrowings:						
Financial Liabilities (principal)	15,283	479,331	494,614	17,708	464,949	482,657
Plus accrued interest	4,944	-	4,944	4,841	-	4,841
Soft Loans	30	112	142	40	71	111
Other Accounting Adjustments	663	1,113	1,776	433	683	1,116
Total Borrowings at amortised cost	20,920	480,556	501,476	23,022	465,703	488,725
PFI & Finance Lease Liabilities	4,714	88,338	93,052	4,877	84,201	89,078
Creditors	74,978	-	74,978	67,631	-	67,631
TOTAL LIABILITIES	100,612	568,894	669,506	95,530	549,904	645,434
ASSETS						
Loans & Receivables:						
Principal	12,011	-	12,011	38,250	-	38,250
Plus accrued interest	48	-	48	4	-	4
Total Loans & Receivables at amortised cost	12,059	-	12,059	38,254	-	38,254
Available for Sale Financial assets	-	21,509	21,509	-	28,919	28,919
Unquoted Equity Investment at cost	-	655	655	-	655	655
Investments	25,000	-	25,000	-	-	-
Total Investments	25,000	22,164	47,164	-	29,574	29,574
Debtors	46,432	-	46,432	40,391	-	40,391
TOTAL ASSETS	83,491	22,164	105,655	78,645	29,574	108,219

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:

	2015/16			
	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost £'000	Loans & Receivables £'000	Available for Sale Assets £'000	
Total expenses in Surplus or Deficit on the Provision of Services:				
Interest Expense	(35,243)	-	-	(35,243)
Total income in Surplus or Deficit on the Provision of Services:				
Interest Income	-	5,630	-	5,630
Net Gain / (Loss) for the Year	(35,243)	5,630	-	(29,613)

NOTES TO THE ACCOUNTS

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

Amortised cost

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

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

Fair Value Measurement

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

Fair Values of Financial Assets

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

Financial Assets Measured at Fair Value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/03/2016 £'000	As at 31/03/2017 £'000
<i>Available for Sale:</i>				
Equity shareholding in Birmingham Airport	Level 2	Fair value derived on an earnings approach.	21,509	28,919

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

There were no transfers between input levels during the financial year 2016/17 and there has been no change in the valuation techniques used to measure them.

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

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Fair value of Assets and Liabilities carried at Amortised Cost

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

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

Financial Liabilities

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Total Debt	501,476	755,680	488,725	804,273
PFI & Finance Lease Creditors	93,052	93,052	89,078	89,078
Trade Creditors	74,978	74,978	67,631	67,631
Total Financial Liabilities	669,506	923,710	645,434	960,982

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

In 2016/17 the fair value of the PWLB and non PWLB debt decreased due to an increase in the discount rate applied to calculate the fair value between 2015/16 and 2016/17.

The fair value of Public Works Loan Board (PWLB) loans of £621.1m and the various banks Market Loans (ML) of £164.4m measures the economic effect of the terms agreed with the PWLB and the various banks with regards to the ML compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount (PWLB £376.0m/ML £94.0m) and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB and the various banks with regards to the ML, against what would be paid if the loans were at prevailing market rates, which are those equivalent to the PWLB redemption interest rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB and ML commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of PWLB at £376.0m would be valued at £537.0m and ML at £94.0m would be valued at £133.6m. But, if the authority were to seek to avoid the

NOTES TO THE ACCOUNTS

projected loss by repaying the loans to the PWLB and the various banks with regards to the ML, the PWLB and the various banks would raise a penalty charge for early redemption. The exit price for the PWLB loans including the penalty charge would be £621.1m, being the principal of £372.0m, accrued interest of £3.9m and a penalty charge/premium of £245.2m. The exit price for the various banks ML including the penalty charge would be £164.4m, being the principal £92.0m, accrued interest of £1.3m and a penalty charge/premium of £71.1m.

Financial Assets

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

The councils long term investment in Birmingham Airport was revalued as at the 31 March 2017. It has been concluded that the movement in fair value is material and therefore an adjustment has been made within the accounts; as a result the carrying value of the investment has increased from £21.509m to £28.919m.

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

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.

	31 March 2016			Total £'000
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
LIABILITIES				
Borrowings:				
Financial Liabilities (principal)	-	494,614	-	494,614
Plus accrued interest	-	4,944	-	4,944
Soft Loans	-	142	-	142
Other Accounting Adjustments	-	1,776	-	1,776
Total Borrowings at amortised cost	-	501,476	-	501,476
PFI & Finance Lease Liabilities	-	93,052	-	93,052
Creditors	-	74,978	-	74,978
TOTAL LIABILITIES	-	669,506	-	669,506
ASSETS				
Loans & Receivables:				
Principal	-	12,011	-	12,011
Plus accrued interest	-	48	-	48
Total Loans & Receivables at amortised cost	-	12,059	-	12,059
Unquoted Equity Investment at cost	-	655	-	655
Investments	-	25,000	-	25,000
Total Investments	-	25,655	-	25,655
Debtors	-	46,432	-	46,432
TOTAL ASSETS	-	84,146	-	84,146

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

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 rate or terms;
- Market Risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

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

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Credit Risk

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

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

- Short Term of F1, Long Term A, Support 3 and Individual C (Fitch or equivalent rating), with the lowest available rating being applied to the criteria
- Building Societies that meet the same credit ratings as banks (above)
- UK Institutions provided with support from the UK government

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of un-recoverability applies to all of the council's deposits, but no breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits. Of the £38.250m total deposits, £23.250m were held with overseas banks and £15.000m were held with British banks; all on a temporary basis at 31 March 2017. During 2016/17 the council did not hold any collateral as security.

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

Principal Amount	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default as at 31 March	
			2016	2017
£'000	31 March 2017 %	%	£'000	£'000
14,164	9.54	9.54	1,752	1,351

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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;

	2015/16 £'000	2016/17 £'000
Less than three months	13,210	8,354
Three to six months	1,772	809
Six months to one year	1,042	1,348
More than one year	3,503	3,653
Total	19,527	14,164

Liquidity Risk

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

The council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets provide access to longer term funds.

The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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

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

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

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

NOTES TO THE ACCOUNTS

	Approved Minimum Limits	Approved Maximum Limit (of total debt)	Principal 31 March 2016 £'000	Principal 31 March 2017 £'000
Less than one year	0%	20% (£114m)	15,313	17,748
Between one and two years	0%	20% (£114m)	14,384	15,264
Between two and five years	0%	25% (£143m)	38,716	44,295
Between five and ten years	0%	50% (£286m)	72,132	59,490
More than ten years	10%	90% (£514m)	354,211	345,971
			494,756	482,768

All trade and other payables are due to be paid in less than one year and trade creditors of £3.190m are not shown in the table above.

Market Risk

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

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

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

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

The risk of interest rate loss is partially mitigated by government grant payable on financing costs.

NOTES TO THE ACCOUNTS

The council's debt and investments are currently all held at fixed rates of interest. Therefore, there would be no impact from an increase in interest rates, so there is no need for a sensitivity analysis. However, if interest rates had been 1% higher with all other variables held constant the fair value of the council's debt would result in an increase of £167.5m 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 £21.509m in Birmingham Airport and £0.655m 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.

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

17. Short Term Debtors

	2015/16 £'000	2016/17 £'000
Central Government Bodies	11,607	12,547
Other Local Authorities	5,241	1,856
NHS Bodies	5,048	1,515
Public Corporations and Trading Funds	336	276
Other Entities and Individuals	24,200	24,197
Total	46,432	40,391

The debtor figures above are net of provisions for bad and doubtful debts of £29.811m in 2016/17 (£30.550m in 2015/16). These provisions enable the write-off of arrears on housing rents, rates, community charges, council tax and other sundry debtors.

18. Cash and Cash Equivalents

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

	2015/16 £'000	2016/17 £'000
Bank current accounts	20,124	18,411
Short term deposits	12,011	38,250
	32,135	56,661
Bank Overdraft	(80,006)	(77,764)
Total Cash and Cash Equivalents	(47,871)	(21,103)

NOTES TO THE ACCOUNTS

19. **Short Term Creditors**

	2015/16 £'000	2016/17 £'000
Central Government Bodies	11,809	11,094
Other Local Authorities	3,814	3,377
NHS Bodies	3,778	1,642
Public Corporations and Trading Funds	64	637
Other Entities and Individuals	55,513	50,881
Finance Lease Creditors (Note 37)	4,714	4,877
Total	79,692	72,508

20. **Other Long Term Liabilities**

	2015/16 £'000	2016/17 £'000
Finance Lease Creditors (Note 37)	88,338	84,201
Deferred Liabilities	162	234
Deferred Creditors	3,717	3,635
Pensions Liability (Note 40)	653,286	851,158
Other Long Term Liabilities	745,503	939,228

21. **Provisions**

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

	Opening Balance at 1 April 2016 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2017 £'000
Current Provisions					
Termination Benefits	1,175	4,105	(893)	(282)	4,105
Insurance	2,786	-	(397)	-	2,389
Collection Fund Provisions	1,054	-	(168)	-	886
Carbon Reduction Scheme	46	225	(1)	-	270
Single Status - Equal Pay Settlement	11	185	(61)	-	135
Total Current Provisions	5,072	4,515	(1,520)	(282)	7,785
Long Term Provisions					
Insurance	4,526	-	(644)	-	3,882
Total Long Term Provisions	4,526	-	(644)	-	3,882
Total Provisions	9,598	4,515	(2,164)	(282)	11,667

NOTES TO THE ACCOUNTS

The main provisions held are:

- Since the changes to the retained business rates scheme came into effect from 1 April 2013, the council became liable for any successful rating valuation appeals. It therefore has Collection Fund provisions of £0.886m set aside to mitigate this liability as well as to cover any potential liabilities arising for the local council tax reduction scheme.
- In light of council wide restructuring required to address efficiency savings as a result of central government cuts, the accounts include termination benefits provisions totalling £4.105m. These provisions reflect the known costs of all termination benefits approved as at 31 March 2017.
- An insurance provision of £6.271m for previous years' employee and public liability claims is held in line with recommendations made within the actuarial valuation. Further details on the council's insurance fund can be found within accounting policy (xxv) on page 40.

22. Usable Reserves

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

General Fund Balance

The council held total revenue balances of £71.748m as at 31 March 2017, however, included within this figure are approved committed items relating to directorate surpluses carried forward into 2017/18 and additional approved revenue expenditure on specific items in future years. Free balances available to the council at 31 March 2017 are £11.684m.

	2015/16 £'000	2016/17 £'000
Revenue Balance	70,998	71,748
less Committed Items:		
Revenue contribution to capital expenditure	12,800	6,324
Earmarked central items	46,057	53,740
Total Available Resources	12,141	11,684

Schools Balances

Any balances relating to schools are ring fenced and cannot be appropriated by the council. In 2016/17 the Individual School Budgets (ISB) generated a deficit of £1.345m, decreasing school balances to £34.406m.

Schools are directly funded from a Dedicated Schools Grant (DSG). In 2016/17, 50 schools overspent their DSG budget totalling £3.124m and 35 under spent totalling £2.247m. Other non schools' budgets, which are part of the overall ISB over spent by £0.468m resulting in a total deficit of £1.345m.

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:

	2015/16 £'000	2016/17 £'000
Amounts receivable in year	13,373	17,540
Amounts applied to finance new capital investment in year	(9,633)	(12,432)
Pooled capital receipts paid to DCLG	(2,752)	(2,714)
Total increase / (decrease) in realised capital resources	988	2,394
Balance brought forward 1 April	4,481	5,469
Balance carried forward 31 March	5,469	7,863

23. **Unusable Reserves**

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

	2015/16 £'000	2016/17 £'000
Revaluation Reserve	(144,994)	(163,475)
Available for Sale Financial Instruments Reserve	(13,779)	(21,189)
Capital Adjustment Account	(714,001)	(877,974)
Financial Instruments Adjustment Account	2,254	1,536
Pensions Reserve	653,286	851,158
Collection Fund Adjustment Account	2,590	3,922
Accumulating Compensated Absences Adjustment Account	4,737	6,208
Total Unusable Reserves	(209,907)	(199,814)

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.

	2015/16 £'000	2016/17 £'000	£'000
Balance at 1 April	(122,821)	(144,994)	
Upward revaluation of assets	(57,304)	(143,485)	
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	31,395	119,623	
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	(25,909)	(23,862)	
Difference between fair value depreciation and historical cost depreciation	2,160	2,631	
Accumulated gains on assets sold or scrapped	1,530	2,750	
Amounts written off to the Capital Adjustment Account	46	-	
Balance at 31 March	(144,994)	(163,475)	

NOTES TO THE ACCOUNTS

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are either revalued downwards or impaired and the gains are lost, or disposed of, and the gains are realised. The opening balance of £13.779m on this reserve has increased to £21.189m during the year.

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.

	2015/16 £'000	2016/17 £'000	£'000
Balance at 1 April	(651,771)		(714,001)
Prior year adjustments (Note 1 (v) & 3)	(17,582)	-	
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Depreciation of non current assets	37,467	39,038	
Revaluation and impairment losses on property, plant and equipment	7,522	(102,080)	
Revenue expenditure funded from capital under statute	6,342	10,981	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	20,604	27,279	
	71,935		(24,782)
Adjusting amounts written out of the Revaluation Reserve	(3,736)		(5,381)
Net written out amount of the cost of non current assets consumed in the year	68,199		(30,163)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve	(9,634)	(12,431)	
Use of the Major Repairs Reserve	(11,852)	(12,057)	
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(18,166)	(37,354)	
Applications of grants to capital financing from the Capital Grants Unapplied Account	(10,129)	(16,637)	
Statutory provision for the financing of capital investment	(30,215)	(27,621)	
Capital expenditure charged against the General Fund and HRA balances			
Revenue Contributions to Capital	(33,108)	(28,991)	
	(113,104)		(135,091)
Movements in the market value of Investment Properties debited or credited to the CI&ES	257		1,286
Movements in the Donated Assets Account	-		(5)
Balance at 31 March	(714,001)		(877,974)

NOTES TO THE ACCOUNTS

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).

	2015/16 £'000	2016/17 £'000
Balance at 1 April	2,339	2,254
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	(57)	(57)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
Market Loans (LOBOs)	(28)	(661)
Balance at 31 March	2,254	1,536

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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	686,387	653,286
Remeasurements of the net defined benefit liability / (asset)	(47,823)	185,257
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	54,263	56,957
Employer's pensions contributions and direct payments to pensioners payable in the year	(39,541)	(44,342)
Balance at 31 March	653,286	851,158

NOTES TO THE ACCOUNTS

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 amount by which income credited to the CI&ES is different from income calculated for the year in accordance with statutory requirements is £1.333m (£1.929m in 2015/16).

Accumulating Compensated Absences Adjustment Account

This account absorbs the differences that would arise on the General Fund and Housing Revenue Account Balance by accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. The amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements is £1.471m (£0.292m in 2015/16).

24. Cash Flow Statement

Net cash flows from operating activities include the following items:

	2015/16 £'000	2016/17 £'000
Interest Paid	(39,003)	(33,917)
Interest Received	118	119
Dividends Received	1,250	5,980

	2015/16 £'000	2016/17 £'000
Adjustments to net surplus / deficit on the provision of services for non cash movements		
Non Cash Transactions:		
Depreciation, impairment and amortisation of non current assets	(44,989)	63,042
Sale of non current assets - disposals (carrying value)	(20,604)	(27,279)
Net charges made for retirement benefits in accordance with IAS19	(14,722)	(12,615)
Appropriations to / from Collection Fund Adjustment Account	(1,929)	(1,333)
Appropriations to / from Accumulated Absences Account	292	(1,471)
Gains / Losses on Revaluation	(257)	(1,286)
Other non cash transactions	(6)	449
	(82,215)	19,507
Items on an Accruals Basis:		
Increase / (decrease) in Inventories	(142)	237
Increase / (decrease) in Debtors	112	(9,308)
(Increase) / decrease in Creditors	3,803	10,138
(Increase) / decrease in Provisions	2,395	(2,255)
	6,168	(1,188)
Total adjustments to net surplus/deficit on the provision of services for non cash movements	(76,047)	18,319
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		
Sale of non current assets - proceeds	13,373	17,540
Taxation & Specific Grants	25,600	39,805
	38,973	57,345
Total adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		

NOTES TO THE ACCOUNTS

25. Note to the Expenditure and Funding Analysis

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

2015/16	Capital Adjustments at		Total to arrive at amount charged to the general fund & HRA £'000	Net change for the			Total Adjustment between Funding and Accounting Basis £'000
	Directorate level (Note 1) £'000	Other Adjustments at Directorate level (Note 2) £'000		Adjustments for Capital Purposes (Note 3) £'000	Pensions Adjustments (Note 4) £'000	Other Differences (Note 5) £'000	
People							
- Adults	(342)	4,103	3,761	272	(223)	(3)	46
- Schools	(6,726)	(206)	(6,932)	-	(4,479)	230	(4,249)
- Children & Families	(8,861)	6,460	(2,401)	8,622	(283)	(165)	8,174
- Public Health	(1,571)	866	(705)	1,570	(62)	117	1,625
Performance							
- Resources	(2,841)	(24,252)	(27,093)	3,547	(1,491)	112	2,168
- Corporate Management	(272)	6,990	6,718	1,751	(5)	(8)	1,738
Place							
- Neighbourhoods & Regeneration and Economy	(15,651)	5,669	(9,982)	17,522	(254)	2,046	19,314
Housing Revenue Account	(15,965)	568	(15,397)	14,006	(312)	303	13,997
NET Cost of Services	(52,229)	198	(52,031)	47,290	(7,109)	2,632	42,813
Other operating expenditure	-	-	-	5,742	-	-	5,742
Financing and Investment Income and Expenditure	110,498	10,341	120,839	(70,658)	21,832	(3,011)	(51,837)
Taxation and Non Specific Grant Income	-	-	-	(25,600)	-	1,930	(23,670)
(Surplus) or Deficit	58,269	10,539	68,808	(43,226)	14,723	1,551	(26,952)

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

Adjustments made to Directorate reports

Note 1 – Capital Charges at Directorate Level

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

Note 2 – Other adjustments at Directorate Level

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

For resource management purposes, the council includes movements to/from its reserves and balances in its directorate reporting. Therefore, these need to be removed as they are not included in the net expenditure chargeable to the general fund and HRA.

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

Note 3 – Adjustments for Capital Purposes

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

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

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

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

Note 4 – Net Change for the Pensions Adjustments

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

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

Note 5 – Other Differences

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

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

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

NOTES TO THE ACCOUNTS

The income and expenditure of the council's directorates recorded in the outturn reports for the year is as follows:

2015/16	People			Performance		Place (Neighbourhoods & Regeneration & Economy)	HRA	Total Reported to Management
	Adults	Schools	People (Children & Families and Public Health)	Resources	Corporate Management			
	£'000	£'000	£'000	£'000	£'000			
Employees	23,213	156,830	35,957	56,111	791	22,563	30,511	325,976
Premises	682	17,667	3,169	10,809	-	5,075	2,441	39,843
Transport	515	514	4,054	459	5	3,255	1,829	10,631
Supplies & Services	21,311	269,505	34,820	19,992	332	47,929	35,495	429,384
Third Party Payments	88,665	9,400	21,563	1,358	-	3,199	545	124,730
Transfer Payments	10,792	-	1,033	135,943	-	6	110	147,884
Capital Charges	343	-	14,414	2,840	368	13,457	11,852	43,274
Total Expenditure	145,521	453,916	115,010	227,512	1,496	95,484	82,783	1,121,722
Specific Grants	(3,152)	(223,881)	(33,016)	(149,266)	(96)	(2,196)	(5,777)	(417,384)
Other Grants & Contributions	(31,426)	(4,805)	(1,653)	(6,647)	(1)	(2,838)	(16)	(47,386)
Fees & Charges	(14,126)	(15,494)	(2,406)	(13,873)	(126)	(13,551)	(130,345)	(189,921)
Recharges in Target	(14,952)	(213,495)	(7,433)	(24,976)	(684)	(14,661)	(5,188)	(281,389)
Other Income	-	(103)	(3,981)	(53)	-	(113)	(125)	(4,375)
Total Income	(63,656)	(457,778)	(48,489)	(194,815)	(907)	(33,359)	(141,451)	(940,455)
Net Expenditure	81,865	(3,862)	66,521	32,697	589	62,125	(58,668)	181,267

NOTES TO THE ACCOUNTS

2016/17	People			Performance		Place (Neighbourhoods & Regeneration & Economy)	HRA	Total Reported to Management
	Adults	Schools	People (Children & Families and Public Health)	Resources	Corporate Management			
	£'000	£'000	£'000	£'000	£'000			
Employees	22,908	169,980	37,115	59,732	192	22,557	32,678	345,162
Premises	724	17,059	3,076	10,399	1	4,330	2,286	37,875
Transport	445	607	4,132	443	8	3,181	1,790	10,606
Supplies & Services	20,648	267,718	40,037	18,032	444	45,659	33,572	426,110
Third Party Payments	86,542	9,774	21,832	1,583	-	3,247	503	123,481
Transfer Payments	10,905	-	1,051	129,930	-	-	-	141,886
Capital Charges	592	-	19,384	2,702	177	14,199	12,832	49,886
Capital Financing	-	-	-	-	-	-	679	679
Total Expenditure	142,764	465,138	126,627	222,821	822	93,173	84,340	1,135,685
Specific Grants	(1,382)	(226,751)	(34,037)	(143,687)	(94)	(1,918)	(5,713)	(413,582)
Other Grants & Contributions	(30,650)	(5,663)	(1,305)	(7,153)	-	(2,788)	(3)	(47,562)
Fees & Charges	(15,412)	(19,849)	(2,530)	(12,651)	(285)	(14,638)	(128,183)	(193,548)
Recharges in Target	-	(87)	(9,576)	(17)	-	(176)	(39)	(9,895)
Other Income	(16,490)	(211,594)	(9,260)	(25,311)	(617)	(14,742)	(3,320)	(281,334)
Total Income	(63,934)	(463,944)	(56,708)	(188,819)	(996)	(34,262)	(137,258)	(945,921)
Net Expenditure	78,830	1,194	69,919	34,002	(174)	58,911	(52,918)	189,764

Reconciliation of Income and Expenditure based on a Directorate basis to the Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures included in the analysis of the single entity directorate income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16 £'000	2016/17 £'000
Net expenditure in the Single Entity Directorate Analysis	181,267	189,764
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(9,218)	(120,945)
Net Cost of Services in the Comprehensive Income and Expenditure Statement	172,049	68,819

NOTES TO THE ACCOUNTS

Reconciliation to Subjective Analysis

This reconciliation shows how the figures included in the analysis of the single entity directorate income and expenditure relates to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Theme Analysis	Amounts not reported to management	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Employees	325,976	(13,620)	312,356	-	312,356
Premises	39,843	(11,570)	28,273	-	28,273
Transport	10,631	(6,661)	3,970	-	3,970
Supplies & Services	429,384	(263,825)	165,559	-	165,559
Third Party Payments	124,730	(9,071)	115,659	-	115,659
Transfer Payments	147,884	(1)	147,883	-	147,883
Capital Charges	43,274	8,105	51,379	-	51,379
Capital Financing	-	361	361	-	361
Non Target Recharges	-	25	25	-	25
Levies	-	-	-	14,951	14,951
Interest Payments	-	-	-	35,243	35,243
Payments to Housing Capital Receipts Pool	-	-	-	2,752	2,752
(Gains)/Losses on Disposal of Non Current Assets	-	-	-	2,971	2,971
Losses on revaluation of Assets Held for Sale	-	-	-	19	19
Pensions interest cost & expected return on assets	-	-	-	21,832	21,832
Gross Expenditure	1,121,722	(296,257)	825,465	77,768	903,233
Specific Grants	(417,384)	-	(417,384)	-	(417,384)
Other Grants & Contributions	(47,386)	9,060	(38,326)	-	(38,326)
Fees & Charges	(189,921)	(3,456)	(193,377)	-	(193,377)
Recharges in Target	(281,389)	281,363	(26)	-	(26)
Other Income	(4,375)	72	(4,303)	-	(4,303)
Interest & Investment Income	-	-	-	(5,630)	(5,630)
Income & expenditure re Investment Properties	-	-	-	(2,932)	(2,932)
Changes in Fair Value of Investment Properties	-	-	-	4,516	4,516
Income from Council Tax	-	-	-	(80,486)	(80,486)
Retained Business Rates	-	-	-	(50,401)	(50,401)
Business Rates Top Up	-	-	-	(44,630)	(44,630)
Collection Fund Deficit	-	-	-	1,641	1,641
Revenue Support Grant	-	-	-	(81,661)	(81,661)
Capital Grants and Contributions	-	-	-	(25,600)	(25,600)
Gross Income	(940,455)	287,039	(653,416)	(285,183)	(938,599)
Surplus or deficit on the provision of services	181,267	(9,218)	172,049	(207,415)	(35,366)

NOTES TO THE ACCOUNTS

2016/17	Theme Analysis	Amounts not reported to management	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Employees	345,162	(14,131)	331,031	-	331,031
Premises	37,875	(6,638)	31,237	-	31,237
Transport	10,606	(4,676)	5,930	-	5,930
Supplies & Services	426,110	(273,959)	152,151	-	152,151
Third Party Payments	123,481	(8,754)	114,727	-	114,727
Transfer Payments	141,886	-	141,886	-	141,886
Capital Charges	49,886	(102,444)	(52,558)	-	(52,558)
Capital Financing	679	-	679	-	679
Non Target Recharges	-	(192)	(192)	-	(192)
Levies	-	-	-	14,191	14,191
Interest Payments	-	-	-	33,794	33,794
Payments to Housing Capital Receipts Pool	-	-	-	2,714	2,714
(Gains)/Losses on Disposal of Non Current Assets	-	-	-	5,934	5,934
Losses on revaluation of Assets Held for Sale	-	-	-	561	561
Pensions interest cost & expected return on assets	-	-	-	22,316	22,316
Gross Expenditure	1,135,685	(410,794)	724,891	79,510	804,401
Specific Grants	(413,582)	(5,227)	(418,809)	-	(418,809)
Other Grants & Contributions	(47,562)	8,973	(38,589)	-	(38,589)
Fees & Charges	(193,548)	(1,372)	(194,920)	-	(194,920)
Recharges in Target	(9,895)	201	(9,694)	-	(9,694)
Other Income	(281,334)	287,274	5,940	-	5,940
Interest & Investment Income	-	-	-	(2,508)	(2,508)
Income & expenditure re Investment Properties	-	-	-	(2,466)	(2,466)
Changes in Fair Value of Investment Properties	-	-	-	5,092	5,092
Income from Council Tax	-	-	-	(85,997)	(85,997)
Retained Business Rates	-	-	-	(51,669)	(51,669)
Business Rates Top Up	-	-	-	(45,002)	(45,002)
Collection Fund Deficit	-	-	-	2,163	2,163
Revenue Support Grant	-	-	-	(67,425)	(67,425)
Capital Grants and Contributions	-	-	-	(39,805)	(39,805)
Gross Income	(945,921)	289,849	(656,072)	(287,617)	(943,689)
Surplus or deficit on the provision of services	189,764	(120,945)	68,819	(208,107)	(139,288)

26. **Agency Services**

The Council acts as an agent for Growing Places, Growing Priority Sectors (Black Country Growth Deal), the Land Development Fund and Black Country Superfast Broadband monies; the distribution of which is managed by the Black Country Local Enterprise Partnership and Black Country Joint Committee. Grant of £1.3m has been distributed in relation to the Growing Priority Sectors project.

Growing Places funding of £14.4m was received in 2011/12. No additional monies were received for Growing Places during 2016/17.

The Land Development fund is a loans fund for which Public Works Loans Board (PWLB) funding is available. One project progressed through the Land Development Fund in 2014/15 and was repaid in full in 2015/2016. A further project began in 2015/16 claiming loan funding of £1.6m to date.

A sum of £2.9m has been claimed from the Department of Culture, Media and Sport for the Black Country Superfast Broadband project. This money was paid out to the contractor to fund the work of extending superfast broadband across the Black Country.

Only income and expenditure in relation to transactions directly incurred by the council is recognised in its financial statements for these funds where the council acts as the Agent. There were no transactions in 2016/17 or 2015/16.

27. **Pooled Budgets**

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

During 2016/17 one pooled budget was hosted by Sandwell MBC. The objectives and performance of the pooled budget is outlined below;

Better Care Fund – came into operation on 1 April 2015 and is hosted by Sandwell MBC with contributions from CCG. It aims to improve the quality and cost effectiveness of services through greater integration of health, social care and voluntary/third sector provisions. This pool generated a surplus of £0.063m in 2016/17 and in accordance with the agreement in place this will be carried forward into 2017/18.

A Mental Health Pooled Budget operated in 2015/16 but ceased on 31 March 2016.

The standing orders and financial regulations of the pool host will apply to the management of the pool fund and the financial performance of each pool for the year ended 31 March 2017 is shown below.

NOTES TO THE ACCOUNTS

Better Care Fund 2015/16 £'000	Mental Health 2015/16 £'000		Better Care Fund 2016/17 £'000
23,147	481	Gross Expenditure	24,262
-	-	Income exc. Partner Contributions	-
23,147	481	Net Expenditure	24,262
		Partner Contributions:	
(23,192)	(287)	Sandwell & West Birmingham CCG	(23,375)
-	(34)	Birmingham Cross City CCG	-
(905)	(160)	Sandwell MBC	-
(24,097)	(481)	Total Contribution	(23,375)
(950)	-	Net (Under) / Over Spend in Year	887
-	-	(Under) / Over Spend B/Fwd	(950)
-	-	(Over) / Under Spend Written Off In Year	-
(950)	-	(Under) / Over Spend C/Fwd	(63)

28. **Officers' Remuneration**

Senior Employees

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

Position Title	Salary, Fees & Allowances	Other Emoluments	Total Remuneration exc Pension Contributions	Employers Pension Contribution	Employers Capital Costs	Total Remuneration inc Pension Contributions
2015/16	£	£	£	£	£	£
Chief Executive	138,733	-	138,733	18,209	-	156,942
Assistant Chief Executive	124,873	-	124,873	16,358	-	141,231
Director:						
- Governance Services	101,687	-	101,687	13,321	-	115,008
- Education (Interim)	89,308	440	89,748	11,699	-	101,447
- Children's Services	115,873	-	115,873	15,179	-	131,052
- Children's & Families (a)	93,834	-	93,834	12,292	-	106,126
- Adult Social Care	113,306	-	113,306	14,843	-	128,149
- Regeneration & Economy	100,469	-	100,469	13,161	-	113,630
- Street Scene (b)	100,469	76,109	176,578	13,161	203,092	392,831
- Homes & Communities (c)	75,352	75,280	150,632	9,871	-	160,503
- Neighbourhoods	100,469	-	100,469	13,161	-	113,630
- Public Health	100,469	-	100,469	14,367	-	114,836
Section 151 Officer (d)	18,069	-	18,069	2,038	-	20,107
Section 151 Officer (e)	46,096	-	46,096	6,097	-	52,193

NOTES TO THE ACCOUNTS

Position Title 2016/17	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Employers Capital Costs £	Total Remuneration inc Pension Contributions £
Chief Executive	140,290	-	140,290	18,391	-	158,681
Assistant Chief Executive (f)	64,251	82,791	147,042	8,553	326,484	482,079
Director:						
- Governance Services (g)	33,683	33,358	67,041	4,412	293,825	365,278
- Monitoring Officer (Interim) (h)	59,645	-	59,645	-	-	59,645
- Education	87,466	2,539	90,005	11,471	-	101,476
- Children's Services	119,403	-	119,403	15,655	-	135,058
- Children's & Families (i)	86,374	58,881	145,255	11,775	-	157,030
- Children's & Families (Interim) (j)	5,100	-	5,100	-	-	5,100
- Adult Social Care	119,403	-	119,403	15,655	-	135,058
- Regeneration & Economy	102,704	-	102,704	13,454	-	116,158
- Neighbourhoods (k)	77,028	59,941	136,969	10,091	-	147,060
- Neighbourhoods (Interim) (l)	90,450	-	90,450	-	-	90,450
- Public Health	102,704	-	102,704	14,643	-	117,347
- Prevention & Protection (m)	68,645	-	68,645	9,006	-	77,651
- Resources (n)	43,430	-	43,430	5,707	-	49,137
Section 151 Officer (n)	38,165	-	38,165	5,025	-	43,190

- a) The Director of Children's & Families was appointed 7 April 2015 (Annualised salary in 2015/16 was £95,669)
- b) The Director of Street Scene post was deleted on 31 March 2016
- c) The Director of Homes & Communities post was deleted on 31 December 2015 (Annualised salary in 2015/16 was £104,469)
- d) The Section 151 Officer became vacant on 26 June 2015 (Annualised salary in 2015/16 was £64,418)
- e) The Section 151 Officer was appointed on 1 August 2015 (Annualised salary in 2015/16 was £69,812)
- f) The Assistant Chief Executive post was deleted on 3 October 2016 (Annualised salary £126,084). The employers capital costs included are provisional.
- g) The Director of Governance Services became vacant on 30 July 2016 (Annualised salary £102,451)
- h) The Interim Monitoring Officer was appointed on 10 October 2016 and departed on 30 March 2017
- i) The Director of Children's & Families became vacant on 7 February 2017 (Annualised salary £101,046)
- j) The Interim Director of Children's & Families was appointed on 20 February 2017
- k) The Director of Neighbourhoods became vacant on 1 January 2017 (Annualised salary £102,237)
- l) The Interim Director of Neighbourhoods was appointed on 17 October 2016
- m) The Director of Prevention & Protection was appointed on 20 June 2016 (Annualised salary £87,914)
- n) The Section 151 Officer was appointed as Interim Director of Resources on 3 October 2016 (Annualised salary £88,072). This post became the permanent Executive Director of Resources on 23 March 2017.

The remuneration disclosed in the above table does 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. Due to the number of redundancy payments made during 2015/16 and 2016/17, numbers excluding these payments have also been included in brackets to enable more accurate comparisons to be made.

Remuneration Band	Number of Employees			
	2015/16		2016/17	
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	68 (68)	45 (43)	70 (70)	44(44)
£55,000 - £59,999	32 (32)	7 (7)	37 (37)	16 (16)
£60,000 - £64,999	38 (37)	20 (20)	38 (37)	16 (16)
£65,000 - £69,999	23 (23)	21 (20)	20 (20)	13 (13)
£70,000 - £74,999	10 (9)	1 (0)	9 (9)	7 (7)
£75,000 - £79,999	5 (5)	0 (0)	8 (7)	1 (1)
£80,000 - £84,999	8 (8)	0 (0)	5 (5)	0 (0)
£85,000 - £89,999	4 (4)	1 (0)	6 (6)	0 (0)
£90,000 - £94,999	3 (2)	0 (0)	2 (2)	0 (0)
£95,000 - £99,999	1 (1)	1 (0)	1 (1)	0 (0)
£100,000 - £104,999	1 (1)	0 (0)	0 (0)	0 (0)
£105,000 - £109,999	0 (0)	1 (0)	0 (0)	0 (0)
£110,000 - £114,999	0 (0)	0 (0)	1 (1)	0 (0)
£115,000 - £119,999	0 (0)	1 (0)	0 (0)	1 (0)
£120,000 - £124,999	1 (1)	0 (0)	0 (0)	0 (0)
£125,000 - £129,999	0 (0)	0 (0)	1 (1)	0 (0)
£130,000 - £134,999	1 (0)	0 (0)	0 (0)	0 (0)
	195 (191)	98 (90)	198 (196)	98 (97)

29. Members Allowances

The total amount paid during 2016/17 to elected members of the council in respect of basic and special responsibility allowances was £1.244m (£1.231m in 2015/16).

30. External Audit Costs

	2015/16 £'000	2016/17 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	199	199
Fees payable to KPMG for the certification of grant claims and returns for the year	16	14
Fees payable in respect of other services provided by KPMG during the year	16	12
Total	231	225

31. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Department for Education. 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 schools 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.

NOTES TO THE ACCOUNTS

	Central Expenditure	ISB	Total
	£000	£000	£000
Final DSG For 2016-17 Before Academy Recoupment			292,156
Academy Figure Recouped for 2016-17			91,311
Total Final DSG After Academy Recoupment for 2016-17			200,845
Bought Forward From 2015-16	412		412
Agreed Initial Budgeted Distribution in 2016-17	15,039	186,218	201,257
In Year Adjustments	-	-	-
Final Budgeted Distribution for 2016-17	15,451	186,218	201,257
Less Actual Central Expenditure	14,447	-	14,447
Less Actual ISB Deployed To Schools	-	188,255	188,255
Local Authority Contribution For 2016-17	1,445	-	1,445
Carry Forward To 2017-18	2,449	(2,037)	-

32. **Grant Income**

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

Capital Grants Receipts in Advance	31 March 2016 £'000	31 March 2017 £'000
Short Term:		
Renewal & Growth	1,264	1,188
Standards Fund	1,140	852
Local Transportation Plan Grant	-	-
Other Grants	344	264
Other Contributions	240	116
	2,988	2,420
Long Term:		
Section 106	3,280	5,048
Other Grants	3,193	1,674
Other Contributions	326	3,550
	6,799	10,272
Total	9,787	12,692

Revenue Grants Receipts in Advance	31 March 2016 £'000	31 March 2017 £'000
Other Grants	240	78
Total	240	78

NOTES TO THE ACCOUNTS

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

Credited to Taxation and Non Specific Grant Income	2015/16 £'000	2016/17 £'000
Schools Basic Need Grant	10,904	12,778
Local Transportation Plan Grant	5,320	4,588
Schools Capital Maintenance Grant	2,990	3,017
Challenge Fund Grant	2,798	3,153
Lottery Funding	1,639	2,396
Standards Fund	781	1,005
Renewal & Growth	74	2,309
Priority Schools Building Programme	-	8,450
Other Grants	430	943
Other Contributions	664	1,166
Total	25,600	39,805

Credited to Services	2015/16 £'000	2016/17 £'000
Dedicated Schools Grant	193,854	201,450
Rent Rebates	75,983	72,334
Rent Allowances	58,387	56,851
Public Health Grant	23,433	26,007
Pupil Premium Grant	15,665	15,819
Private Finance Initiative Grant	7,822	7,822
New Homes Bonus	5,378	6,789
Housing Subsidy	5,713	5,713
Education Services Grant	3,959	3,713
Business Rates Compensation Grant	4,280	3,504
Young People's Learning Agency	3,512	3,462
Universal Infant Free School Meals	3,047	3,229
Benefit Administration Grant	2,556	2,315
Families & Communities Grant	1,875	1,438
Local Reform & Community Voices Grant	1,533	1,382
Skills Funding Agency	1,849	1,231
New Care Act Burden Grant	1,619	-
Council Tax Reduction Grant	1,051	-
Other Grants	5,868	5,750
Total	417,384	418,809

33. Related Parties

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

Central Government - Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding in the form of grants. Receipts in respect of the Revenue Support Grant and Non Domestic Rates are shown in the Comprehensive Income & Expenditure Statement on page 19. Details of other grants received are analysed in more detail in Note 32.

Other Public Bodies - West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities, for which details can be found on page 105 as part of the Collection Fund Revenue Account, levy precepts on the council. In 2016/17 West Midlands Integrated Transport Authority merged with West Midlands Combined Authority. A Transport levy totalling £14.078m was made to these organisations. A Flood Defence levy of £0.080m was also paid to the Environment Agency during the financial year.

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

However, Councillor C Tranter has been identified as a member of Sandwell Citizens Advice Bureaux, to which the council made payments totalling £0.685m in 2016/17. Councillor S Eling's spouse has been identified as a board member of Sandwell Women's Aid, to which the council made payments totalling £1.003m in 2016/17.

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

In 2016/17 payments made to other organisations where Members have declared an interest totalled £0.505m and income received totalled £0.008m.

Chief Officers and Other Officers - The Chief Executive Officer has been identified as a Governor of Sandwell College. The former Assistant Chief Executive (who left the council on 3 October 2016) has been identified as a Director of Sandwell Futures Ltd and Environments for Learning Sandwell PFI One Ltd. There were no other significant transactions between the council and its Directors and related parties identified during the year.

In 2016/17 the council made payments totalling £0.155m to Penna PLC for the services of 3 key management personnel.

Other Organisations

The council made grants to voluntary organisations amounting to £5.696m during 2016/17.

Sandwell Leisure Trust (SLT) is a charitable company limited by guarantee that manages sports facilities and provides sports development in Sandwell. The principal income of the leisure trust is from the council, which takes the form of a management fee. The amount paid in 2016/17 was £3.032m which included the management fee and other fees. Amounts received from the SLT for services provided by the Council was £0.489m.

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 £29.301m to the LEP during 2016/17 mainly relating to the building and renovation costs of schools. The council has a 10% shareholding and a £0.84m 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 £571k holding of 10% loan stock. Interest on these investments of £0.076m has been received in 2016/17.

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 £0.751m to SIPS in 2016/17 and received £0.210m in relation to goods and services supplied by the council to SIPS in the same year.

NOTES TO THE ACCOUNTS

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

Sandwell is also a constituent member, together with the other six West Midlands metropolitan districts, of the West Midlands Combined Authority (WMCA). In additions to the Transport Levy the council made payments totalling £0.551m to WMCA in 2016/17 and received £0.181m in relation to goods and services supplied by the council to WMCA in the same year.

Sandwell Children's Social Care Trust was incorporated on 15 February 2017 as a company limited by guarantee, with a view to transfer social care function to the Trust during 2017/18.

34. Capital Expenditure and Capital Financing

A review of the Capital Financing Requirement (CFR) for 2016/17 identified that entries totalling £15.770m in relation the previous BT Contract had been excluded from the calculation in error during 2011/12. Therefore, in line with section v of the councils accounting polices an adjustment has been reflected in the 2015/16 opening balance.

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement	793,668	789,149
Adjustment - see above	15,771	-
Revised Capital Financing Requirement	809,439	789,149
Capital Investment		
Property Plant & Equipment	84,774	100,377
Heritage Assets	-	2
Investment Properties	171	128
Intangible Assets	1,527	1,805
REFCUS	6,342	10,981
Sources of Finance		
Capital Receipts	(9,634)	(12,431)
Government Grants & Other Contributions	(28,295)	(53,991)
Major Repairs Reserve	(11,852)	(12,057)
Direct Revenue Contributions	(33,108)	(28,991)
Minimum Revenue Provision	(30,215)	(27,621)
Closing Capital Financing Requirement	789,149	767,351
Explanation of Movements in Year		
Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	-	-
Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(20,290)	(21,798)
Increase/(decrease) in Capital Financing Requirement	(20,290)	(21,798)

NOTES TO THE ACCOUNTS

35. **Capital Commitments**

The council has to plan its capital spending in advance of work proceeding. As at 31 March 2017 the council had allocated resources to a five year programme covering the period 2017/18 to 2021/22 that amount to £359.572m. The main areas to where these resources have been allocated are the council's housing investment programme (£247.718m), adaptations for disabled (£26.732m), the primary school capital programme (£22.963m), and structural maintenance of roads and bridges (£15.418m).

Included within the five year programme are amounts which are legally committed as at 31 March 2017 that amount to £161,554m.

36. **Leases**

Council as Lessee

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

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

31 March 2016 £'000		31 March 2017 £'000
1,340	Not later than 1 year	1,296
4,711	Later than 1 year and not later than 5 years	4,697
12,904	Later than 5 years	11,733
18,955		17,726

The council sub-lets some of these assets to third parties and expects to receive future minimum sublease payments of £0.051m.

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

2015/16 £'000		2016/17 £'000
	Minimum lease payments:	
	People	
175	- Adult Social Care	43
-	- Schools	-
30	- Childrens Services	11
-	- Public Health & Regulatory Services	-
	Performance	
769	- Resources	918
-	- Corporate Management	-
	Place	
680	- Neighbourhoods & Regeneration and Economy	216
-	- Housing Revenue Account (HRA)	-
1,654		1,188
(37)	Sublease payments receivable	(40)
1,617		1,148

Council as Lessor

The council does not lease out any of its assets under the terms of finance leases. The council leases out property under operating leases for economic development purposes to provide

NOTES TO THE ACCOUNTS

suitable affordable accommodation for local businesses. The future minimum lease payments receivable under non cancellable leases in future years are;

31 March 2016 £'000		31 March 2017 £'000
4,699	Not later than 1 year	4,848
12,337	Later than 1 year and not later than 5 years	12,116
160,392	Later than 5 years	157,018
177,428		173,982

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

37. Private Finance Initiatives and Similar Contracts

Private Finance Initiatives

Riverside Housing

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

The council has the right to use the specified assets for the duration of the project agreement and the right to expect the provision of housing management services. At the end of the concession period the specified assets will transfer back to the council in line with predetermined standards. Both parties have the right to terminate the contract should the contract no longer represent value for money. The council has a right to terminate the agreement in instances of contractor default, persistent breach and voluntary termination. The unitary charge for 2016/17 was £8.084m (£8.511m in 2015/16).

The contract is now into the housing management and life cycle works phase, as the initial capital investment works including demolitions have been completed. Over the remainder of the contract £16.3m will be spent on lifecycle works to maintain the homes at the level of decency as specified in the contract.

Rowley Campus

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

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

The unitary charge payments made during 2016/17 totalled £6.769m (2015/16 was £6.697m). The total capital cost of the scheme is in the region of £44.955m.

NOTES TO THE ACCOUNTS

Total Schools Solutions

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

The council has the right to use the 5 schools which were constructed under the contract (the last school being completed in 2004) for the length of the project agreement and has the right to expect the provision of a range of facilities management (FM) and lifecycle services. The schools will be handed back to the council on the contract expiry date (quarter 4 2029) in a condition which complies with the handback requirements as set out in the project agreement. The contract for the soft FM services (including general management, cleaning, ground maintenance, security, etc) is to be retendered every 5 years. The council can issue a voluntary termination giving a notice of between 6 and 12 months or can terminate upon contractor default. The contractor can also terminate upon default by the council within a period of 120 days following the default. The unitary charge for 2016/17 was £2.673m (2015/16 was £2.652m).

Portway Lifestyle Centre

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

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

The unitary charge for 2016/17 was £1.267m (2015/16 was £1.261m).

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

	Riverside Housing	Total School Solutions	BSF Rowley Campus	Portway	Total PFI Schemes	Service Concessions	Total Finance Lease Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016 - Current	(1,709)	(387)	(1,048)	(383)	(3,527)	(1,187)	(4,714)
- Long Term	(29,191)	(8,180)	(39,935)	(8,295)	(85,601)	(2,737)	(88,338)
Balance at 31 March 2017 - Current	(1,729)	(428)	(1,120)	(408)	(3,685)	(1,192)	(4,877)
- Long Term	(28,239)	(7,752)	(38,815)	(7,850)	(82,656)	(1,545)	(84,201)
Movement in Year	932	387	1,048	420	2,787	1,187	3,974
<u>Analysis of Movement in Year:</u>							
Write down of liability	932	387	1,048	420	2,787	1,187	3,974
	932	387	1,048	420	2,787	1,187	3,974

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:

	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000	Within 21 - 25 Years £'000
Riverside Housing PFI						
Liability Repayments	1,729	6,519	7,034	6,218	-	-
Interest Charges	3,230	11,881	13,400	8,561	-	-
Operating Costs	2,542	10,875	15,341	13,650	-	-
Lifecycle Costs	1,845	9,663	16,599	4,399	-	-
	9,346	38,938	52,374	32,828	-	-
Total School Solutions PFI						
Liability Repayments	428	2,209	4,336	3,098	-	-
Interest Charges	1,347	5,072	5,182	1,812	-	-
Operating Costs	822	3,371	4,406	2,437	-	-
Lifecycle Costs	102	419	547	342	-	-
	2,699	11,071	14,471	7,689	-	-
BSF Rowley Campus PFI						
Liability Repayments	1,120	4,256	7,682	12,553	14,324	-
Interest Charges	3,799	14,491	16,716	13,553	7,080	-
Operating Costs	1,689	6,754	8,443	8,443	6,819	-
Lifecycle Costs	148	2,011	2,746	2,531	1,984	-
	6,756	27,512	35,587	37,080	30,207	-
Portway PFI						
Liability Repayments	408	1,596	1,903	1,566	2,357	1,745
Interest Charges	481	1,779	1,794	1,346	818	98
Operating Costs	365	1,598	2,272	2,622	3,028	925
Lifecycle Costs	31	490	847	1,639	1,425	203
	1,285	5,463	6,816	7,173	7,628	2,971
Total Payments	20,086	82,984	109,248	84,770	37,835	2,971

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

	Council Dwellings (Riverside) £'000	Land & Buildings (Total Schools) £'000	Land & Buildings (Rowley Campus) £'000	Land & Buildings (Portway) £'000	Total £'000
Balance as at 1 April 2016	31,610	19,550	24,210	11,501	86,871
Additions	1,157	219	112	5	1,493
Revaluations	6,567	-	9,145	-	15,712
Re-classifications	(235)	-	-	-	(235)
In Year Depreciation	(493)	(430)	(672)	(266)	(1,861)
Depreciation Written Out	484	-	2,958	-	3,442
Balance as at 31 March 2017	39,090	19,339	35,753	11,240	105,422

Similar Contracts

Serco Waste Contract

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

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

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

Upon default by the council, Serco may terminate the contract by giving 30 days notice. The termination notice must be served within 30 days of the contractor becoming aware of the default. The council may terminate the contract where the contractor fails to rectify defaults notified to them by the council, or on the occurrence of persistent breach of the contract. The council made payments of £20.067m in 2016/17 to Serco Limited (£20.130m in 2015/16).

38. Impairment Losses and Reviews

During 2016/17 net impairment losses totalling £8.107m have been identified in relation to the council's non current assets. There has been no reversal of impairment losses recognised in previous years.

The council's valuers have carried out a number of impairment reviews to determine whether there have been any material changes in property values between 1 April 2016 and 31 March 2017. The valuers have concluded that there have been no circumstances in the local property market that would require additional impairment adjustments to be applied to the value of council dwellings, general land and buildings or investment properties.

39. Termination Benefits

The council terminated the contracts of a number of employees in 2016/17 to meet the ongoing challenges of the difficult economic climate and budget reductions.

In total 87 employees left the council's employment during the year incurring liabilities of £2.884m. In 2015/16 a provision of £1.175m was created for future approved planned leavers as at 31 March 2016, £0.893m of this provision was utilised in 2016/17 in relation to 6 employees. Remaining costs of £1.991m have been met from the council's available resources.

Outstanding costs relating to employees leaving in 2016/17 totals a further £0.963m, however this liability will be incurred during 2017/18. There is also agreement in place for a further 35 employees to leave the council during 2017/18 at an estimated cost of £3.141m. A provision has therefore been made for future and outstanding termination benefit costs of £4.105m, which are expected to be incurred in 2017/18.

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

NOTES TO THE ACCOUNTS

Band	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)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	6	-	32	52	38	52	492	361
£20,001 - £40,000	1	-	18	17	19	17	591	515
£40,001 - £60,000	-	-	10	7	10	7	561	373
£60,001 - £80,000	-	-	5	9	5	9	428	597
£80,001 - £100,000	-	-	3	10	3	10	283	917
£100,001 - £150,000	1	-	4	14	5	14	588	1,631
£150,001 - £200,000	-	-	3	2	3	2	515	351
£201,000 - £250,000	-	-	-	3	-	3	-	618
£250,001 - £300,000	-	-	1	-	1	-	279	-
£300,001 - £350,000	-	-	-	1	-	1	-	324
£350,001 - £400,000	-	-	-	-	-	-	-	-
£400,001 - £450,000	-	-	-	1	-	1	-	408
	8	-	76	116	84	116	3,737	6,095

40. Defined Benefit Pension Schemes

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

Teachers

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

In 2016/17 the council paid £11.069m (2015/16 £10.061m) to the DfE in respect of teachers' pension costs. This represents 16.48% of teacher's pensionable pay. Estimated contributions for 2017/18 are £11.179m 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 2016/17 these amounted to £3.248m (2015/16 £3.307m). 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 2016/17 the council paid £0.084m (2015/16 £0.085m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% of pensionable pay. Estimated contributions for 2017/18 are £0.085m based on a contribution rate of 14.3%.

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Other Employees

Other employees of the council contribute to the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. In 2016/17 the council paid an employer's pension contribution of £18.295m (2015/16 £17.938m) based on 13.1% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Estimated contributions for 2017/18 are £20.735m. The last review was completed at 31 March 2017. The revised contribution rate is 26.75% which is split between future service rate of 14.7% and deficit recovery rate of 12.05%. These will apply from 1 April 2017 and are set to meet the overall liabilities of the Fund.

In addition, the council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2016/17 these amounted to £1.514m (2014/15 £1.569m) representing 1% of pensionable pay. The capital cost of awarding discretionary additional benefits relating to the year 2016/17 was £2.238m (2015/16 £2.241m). These costs have been met from revenue.

Transactions Relating to Retirement Benefits

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

The following transactions have been made in year:

Comprehensive Income and Expenditure Statement	Local Government		Teachers Pension	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Cost of Services				
Current service costs	33,529	32,064	-	-
Past service costs	-	-	-	-
Settlements and curtailments	(1,540)	2,050	-	-
Administration expenses	442	527	-	-
Financing and Investment Income and Expenditure				
Net interest expense	20,299	20,975	1,533	1,341
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	52,730	55,616	1,533	1,341
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in net interest expense)	37,381	(223,605)	-	-
- Actuarial gains and losses arising on changes in demographic assumptions	-	(40,785)	-	(3,666)
- Actuarial gains and losses arising on changes in financial assumptions	(87,159)	503,850	1,955	4,203
- Experience (gain) / loss	-	(54,740)	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	2,952	240,336	3,488	1,878

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Movement in Reserves Statement	Local Government		Teachers Pension	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'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	52,730	55,616	1,533	1,341
Actual amount charged against the General Fund				
Balance for pensions in the year				
Employer's Contributions payable to scheme	36,234	41,094	-	-
Retirement benefits payable to pensioners	-	-	3,307	3,248

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2017 is a loss of £554.001m relating to the LGPS, and a loss of £17.129m in relation to the Teachers Pension Scheme.

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

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

The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2017 have been provided by the Funds' Actuary and are detailed below:

Reconciliation of present value of the scheme liabilities	Local Government		Teachers Pension	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Opening Balance at 1st April	1,668,065	1,626,335	51,092	51,273
Current Service Cost	33,529	32,064	-	-
Interest on pension liabilities	54,298	57,754	1,533	1,341
Contributions by scheme participants	8,822	8,994	-	-
Remeasurement (gain) / loss:				
- Actuarial gains and losses arising on changes in demographic assumptions	-	(40,785)	-	(3,666)
- Actuarial gains and losses arising on changes in financial assumptions	(87,159)	503,850	1,955	4,203
- Experience (gain) / loss	-	(54,740)	-	-
Benefits paid	(49,282)	(55,522)	(3,307)	(3,248)
Past service costs / Curtailment	1,367	2,050	-	-
Settlements	(3,305)	-	-	-
Closing Balance at 31st March	1,626,335	2,080,000	51,273	49,903

NOTES TO THE ACCOUNTS

Reconciliation of fair value of the scheme assets	Local Government	
	2015/16 £'000	2016/17 £'000
Opening Balance at 1st April	1,032,770	1,024,322
Interest Income	33,999	36,779
Remeasurement gain / (loss)	(37,381)	223,605
Administration expenses	(442)	(527)
Settlements	(398)	-
Employers contributions	36,234	41,094
Contributions by scheme participants	8,822	8,994
Benefits paid	(49,282)	(55,522)
Closing Balance at 31st March	1,024,322	1,278,745

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Present Value of Liabilities					
Local Government Pension Scheme (funded)	(1,508,258)	(1,371,430)	(1,647,900)	(1,608,078)	(2,063,623)
Local Government Pension Scheme (unfunded)	(21,886)	(19,187)	(20,165)	(18,257)	(16,377)
Teachers Pension Scheme (unfunded)	(51,472)	(48,315)	(51,092)	(51,273)	(49,903)
Total Present Value of Liabilities	(1,581,616)	(1,438,932)	(1,719,157)	(1,677,608)	(2,129,903)
Fair Value of assets in the local government pension scheme	910,667	900,057	1,032,770	1,024,322	1,278,745
Surplus / (Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(619,477)	(490,560)	(635,295)	(602,013)	(801,255)
Teachers Pension Scheme (TPS)	(51,472)	(48,315)	(51,092)	(51,273)	(49,903)
Total	(670,949)	(538,875)	(686,387)	(653,286)	(851,158)

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £2,130m has a substantial impact on the net worth of the council as recorded in the Balance Sheet in a negative overall balance of £851m, however statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

Asset Category	2015/16 £'000	2016/17 £'000
Equities	619,945	823,639
Bonds	127,516	156,777
Property	84,471	98,508
Alternatives	145,603	163,324
Cash	46,787	36,497
Total	1,024,322	1,278,745

Basis for Estimating Assets & Liabilities

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

NOTES TO THE ACCOUNTS

firm of actuaries, has assessed the liabilities of both schemes. The main assumptions used in their calculations have been:

	Local Government		Teachers Pension	
	2015/16	2016/17	2015/16	2016/17
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	23.0	21.8	23.0	21.8
Women	25.7	24.2	25.7	24.2
Longevity at 65 for future pensioners				
Men	25.3	23.9	25.3	23.9
Women	28.0	26.5	28.0	26.5
Rate of CPI Inflation	2.00%	2.70%	2.00%	2.20%
Rate of Increase In Salaries (LGPS)	3.75%	4.20%		
Rate of Increase In Pensions	2.00%	2.70%	2.00%	2.00%
Discount Rate	3.60%	2.70%	2.70%	2.00%

41. **Contingent Assets and Liabilities**

Contingent Liabilities

There are presently 9 civil litigation claims (7 in 2015/16) and 12 employment tribunal cases (5 in 2015/16).

Equal Pay

The council has in recent years received a number of claims for back pay arising from the Equal Pay Initiative. It is not certain that all valid claims have yet been received by the council or that precedents set by other authorities in the settlement of claims will be applicable. A provision of £0.135m for Equal Pay has been calculated based on an assessment of potential claims.

Municipal Mutual Insurance Co Ltd (MMI)

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

Contingent Assets

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

An accrual has not been made within the 2016/17 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

HOUSING REVENUE ACCOUNT

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

2015/16 £'000		2016/17 £'000
	Income:	
124,707	Dwelling Rents	122,527
1,509	Non-Dwelling Rents	1,312
3,044	Charges for Services & Facilities	3,159
5,713	PFI Grant	5,713
134,973	Total Income	132,711
	Expenditure:	
31,010	Repairs & Maintenance	30,400
23,552	Supervision & Management	26,441
1,140	Rent, Rates, Taxes & Other Charges	1,007
3,537	PFI Contract	3,430
14,006	Depreciation & Impairment of Non Current Assets	(90,063)
855	Increase in Bad Debt Provision	794
74,100	Total Expenditure	(27,991)
(60,873)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	(160,702)
568	HRA Services share of Corporate and Democratic Core	-
(60,305)	Net Cost of HRA Services	(160,702)
(949)	(Gain) or loss on sale of HRA Non Current Assets	222
805	(Gain) or loss on revaluation of HRA Non Current Assets	1,416
19	Loss on revaluation of Assets Held for Sale	-
3,029	PFI Interest payable and similar charges	2,951
1,133	Pensions Interest Costs	1,778
21,827	Interest payable and similar charges	21,966
(126)	Interest and investment income	(39)
(520)	Income & Expenditure in relation to Investment Properties	(391)
(35,087)	(Surplus) / Deficit for the year on HRA services	(132,799)

HOUSING REVENUE ACCOUNT

2015/16 £'000		2016/17 £'000
(34,677)	Balance on the HRA at the end of the previous reporting period	(34,721)
(35,087)	(Surplus)/deficit for the year on the Income and Expenditure Statement	(132,799)
35,255	Adjustments between accounting basis and funding basis under statute	134,565
168	Net increase/(decrease) before transfers to or from reserves	1,766
(212)	Transfers to/(from) earmarked reserves	18
(44)	(Increase)/decrease in year on the HRA	1,784
(34,721)	Balance on the HRA at the end of the current reporting period	(32,937)

2015/16 £'000		2016/17 £'000
	Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year	
(14,006)	Depreciation & impairment of Non Current Assets	90,063
949	Gain or loss on sale of HRA Non Current Assets	(222)
(805)	Gain or loss on revaluation of HRA Non Current Assets	(1,416)
(19)	Loss on revaluation of Assets Held for Sale	-
-	- Capital grants and contributions receivable	-
(822)	Pension Reserve Adjustments	(800)
216	Accumulated Compensated Absences Account	(222)
(14,487)		87,403
	Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year	
25	Amortisation of premiums, discounts & LOBOs	587
1,083	PFI Finance Lease Creditor	932
862	PFI Capital expenditure funded by the HRA	1,157
25,145	Capital expenditure funded by the HRA	22,010
11,852	Net transfer to / (from) Major Repairs Reserve	12,057
10,775	Minimum Revenue Provision	10,419
49,742		47,162
35,255	Net additional amount required by statute to be credited to the HRA Balance for the year	134,565

HOUSING REVENUE ACCOUNT

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

Total No. 2016	Dwelling Type	Pre 1945	1945 to 1964	Post 1964	Total No. 2017
	<u>1 Bedroom</u>				
3	Houses	-	1	2	3
6,247	Flats	221	1,520	4,494	6,235
1,378	Bungalows	386	319	673	1,378
	<u>2 Bedroom</u>				
3,186	Houses	1,672	884	607	3,163
4,895	Flats	131	2,416	2,337	4,884
125	Bungalows	3	51	69	123
	<u>3 Bedroom</u>				
12,175	Houses	7,059	3,046	1,916	12,021
597	Flats	49	318	226	593
12	Bungalows	1	1	9	11
	<u>4 Bedroom</u>				
612	Houses	422	143	46	611
2	Bungalows	-	-	2	2
	<u>5 Bedroom</u>				
10	Houses	8	2	-	10
	<u>6 Bedroom</u>				
2	Houses	-	1	1	2
	<u>8 Bedroom</u>				
1	Houses	-	-	1	1
29,245	Total Stock	9,952	8,702	10,383	29,037

The housing stock at 31 March 2017 includes 1,039 council dwellings (1,046 at 31 March 2016) 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

	Council Dwellings	Land & Building	Intangible	Equipment	Assets Not Held for Sale	Assets Held for Sale	Assets under Construction	Investment Properties	Total
	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
as at 1 April 2016	820,105	5,925	125	5,090	1,471	327	4,467	24,277	861,787
Additions	44,469	1	133	842	80	-	2,660	-	48,185
Revaluations - Revaluation Reserve	-	286	-	-	-	-	-	-	286
Revaluations - CI&ES	102,997	-	-	-	(103)	-	-	(1,092)	101,802
Disposals	(69)	-	-	-	-	(9,380)	-	(3,813)	(13,262)
Assets reclassified (to) / from Held for Sale	(9,494)	-	-	-	-	9,494	-	-	-
Other Movements	3,372	-	-	-	850	-	(3,243)	(274)	705
as at 31 March 2017	961,380	6,212	258	5,932	2,298	441	3,884	19,098	999,503
Depreciation & Impairment									
as at 1 April 2016	(30,775)	(364)	-	(4,036)	(1,379)	(327)	(31)	(2,406)	(39,318)
In Year Depreciation	(12,550)	(136)	(31)	(113)	(2)	-	-	-	(12,832)
Depreciation Written Out - Revaluation Reserve	12,248	90	-	-	-	-	-	-	12,338
Depreciation Written Out - Disposal	2	-	-	-	-	-	-	(324)	(322)
Other Movements	113	-	-	-	-	(113)	-	85	85
as at 31 March 2017	(30,962)	(410)	(31)	(4,149)	(1,381)	(440)	(31)	(2,645)	(40,049)
Balance Sheet Amount									
as at 1 April 2016	789,330	5,561	125	1,054	92	-	4,436	21,871	822,469
as at 31 March 2017	930,418	5,802	227	1,783	917	1	3,853	16,453	959,454

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

3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2016 after re-valuation was £2,270.441m, 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 £908,176m and included a regional social housing discount factor of 40%. The difference shows the economic cost to Government of providing council housing at sub market rents.

The closing balance sheet value as at 31 March 2017 was £908.176m which also includes a regional social housing discount factor of 40%.

HOUSING REVENUE ACCOUNT

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.

	2015/16 £'000	2016/17 £'000
Opening Balance as at 1st April	-	-
Depreciation on Dwellings to the MRR during year	11,852	12,057
Depreciation on other Non Current Assets	216	281
Amounts transferred to HRA	(216)	(281)
Capital expenditure on land, houses & other property within HRA	(11,852)	(12,057)
Closing Balance as at 31st March	-	-

5. Capital Expenditure

Capital expenditure on land, houses and other property within the HRA during 2016/17 is £48.186m. This expenditure has been financed as follows:

	2015/16 £'000	2016/17 £'000
Capital Expenditure	47,638	48,186
Sources of Funding:		
Prudential Borrowing	5,650	8,000
Grants	383	227
Major Repairs Reserve	11,852	12,057
Revenue Contribution	26,007	23,167
Usable Capital Receipts	3,746	4,735
Total Funding	47,638	48,186

6. Capital Receipts

Capital receipts received from the disposal of land, houses and other property within the HRA during 2016/17 is summarised below:

	2015/16 £'000	2016/17 £'000
Land & Buildings	2,168	733
Council Houses	9,767	12,221
Total Capital Receipts	11,935	12,954

7. Depreciation Charge

As required by the Code, the council has charged depreciation on all HRA properties, including non dwellings. In 2016/17 depreciation for council dwellings has been calculated on a straight line basis using different asset lives appropriate to each significant component. Depreciation for garages and neighbourhood offices have been calculated on a straight line basis, based on the assets useful lives.

HOUSING REVENUE ACCOUNT

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

	2015/16 £'000	2016/17 £'000
Dwellings	11,852	12,057
PFI Dwellings	487	493
Garages	90	101
Neighbourhood Offices	31	35
Equipment	81	113
Assets Not Held for Sale	13	2
Intangible	-	31
Total Depreciation	12,554	12,832

8. Revaluation and Impairment Losses

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment. During 2016/17 there were net revaluation losses of £1.253m charged directly to the HRA. There were no impairment losses charged directly to the HRA in 2016/17.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. Previous year losses of £103.055m were reversed during 2016/17 in relation to operational land and buildings.

9. Rent Arrears

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

	2015/16 £'000	2016/17 £'000
Current Tenants	2,993	3,019
Former Tenants	2,125	2,614
Total Arrears	5,118	5,633

10. Provisions & Reserves

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

	2015/16 £'000	2016/17 £'000
Provision b/fwd 1st April	2,463	2,732
Write Off / On Charged to Provision	(627)	(216)
Additional Provision	896	794
Provision c/fwd 31st March	2,732	3,310

HOUSING REVENUE ACCOUNT

In addition, earmarked reserves totalling £2.712m are held by the HRA for the specific purposes as detailed in the table below:

	Balance as at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance as at 31 March 2017 £'000
Welfare Reform Reserve	2,694	-	18	2,712
Total HRA	2,694	-	18	2,712

11. Government Subsidy

	2015/16 £'000	2016/17 £'000
PFI Credit Receivable	(5,713)	(5,713)
Total Government Subsidy Payable / (Receivable)	(5,713)	(5,713)

12. Housing Revenue Account Balance

	2015/16 £'000	2016/17 £'000
HRA Surplus as at 31st March	34,721	32,937
Less Earmarked Balances:		
- Working Balance	(7,100)	(7,400)
- Contingencies	(14,797)	(9,611)
- Capital Investment	(7,200)	(11,200)
- Carry Forward Commitments	(106)	(181)
Uncommitted HRA Resources	5,518	4,545

COLLECTION FUND

2015/16 Total £'000		2016/17		
		Council Tax £'000	NDR £'000	Total £'000
	Income			
94,047	- Council Tax Payers	99,484	-	99,484
103,014	- Business Rates Payers	-	104,346	104,346
(410)	- Transitional Protection Payment	-	(344)	(344)
870	Contribution towards previous year's estimated Collection Fund Deficit	-	3,340	3,340
197,521	Total Income	99,484	107,342	206,826
	Expenditure			
	Precepts:			
80,071	- Sandwell MBC	85,480	-	85,480
7,256	- West Midlands Police Crime Commissioner	7,799	-	7,799
3,741	- West Midlands Fire & Rescue Authority	3,917	-	3,917
	Non Domestic Rates:			
51,430	- Central Government	-	52,724	52,724
50,401	- Sandwell MBC	-	51,670	51,670
1,029	- West Midlands Fire & Rescue Authority	-	1,054	1,054
452	- Cost of Collection Allowances	-	453	453
	Provisions:			
4,723	- Bad Debts	1,699	2,857	4,556
428	- Appeals	-	(343)	(343)
1,278	Distribution of Estimated Collection Fund Surplus 2015/16	1,506	-	1,506
200,809	Total Expenditure	100,401	108,415	208,816
(3,288)	Surplus / (Deficit) in year	(917)	(1,073)	(1,990)
(2,914)	Opening Balance at 1 April	1,154	(7,356)	(6,202)
(6,202)	Closing Balance at 31 March	237	(8,429)	(8,192)

1. General

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

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

COLLECTION FUND

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

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

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

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

2. **Income from Non Domestic Rates**

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

The total amount collectable by the council in 2016/17 is calculated by applying the non domestic multiplier to the total rateable value as shown in the table below:

	2016/17 £
Total rateable value as at 31st March	257,165,360
Non domestic multiplier	0.484

The share of business rates payable were originally estimated as £52.724m to Central Government, £1.054m to WMF&RA and £51.670m to be retained by the council; these sums have been paid and charged to the Collection Fund in year.

The total income from business rate payers collected in 2016/17 was £104.346m. This includes transitional protection payments of £0.343m which, under the new regulations, should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to them to £53.068m.

With the introduction of the new scheme, a baseline level was set by Central Government for each authority, which identified the expected level of retained business rates and a top up or tariff amount to ensure that authorities received their baseline amount. For 2016/17 it was estimated that the council would receive additional top up grant to the General Fund of £45.002m which is included within the Comprehensive Income and Expenditure Statement on page 19.

COLLECTION FUND

3. **Council Tax**

The council calculated a council tax base of 69,914 for 2016/17 as compared to the 2015/16 base of 68,103. The tax base for 2016/17 has been calculated as follows:

	Band D Equivalents Number
Band A	21,122
Band B	24,050
Band C	14,748
Band D	6,105
Band E	3,089
Band F	684
Band G	90
Band H	26
	69,914

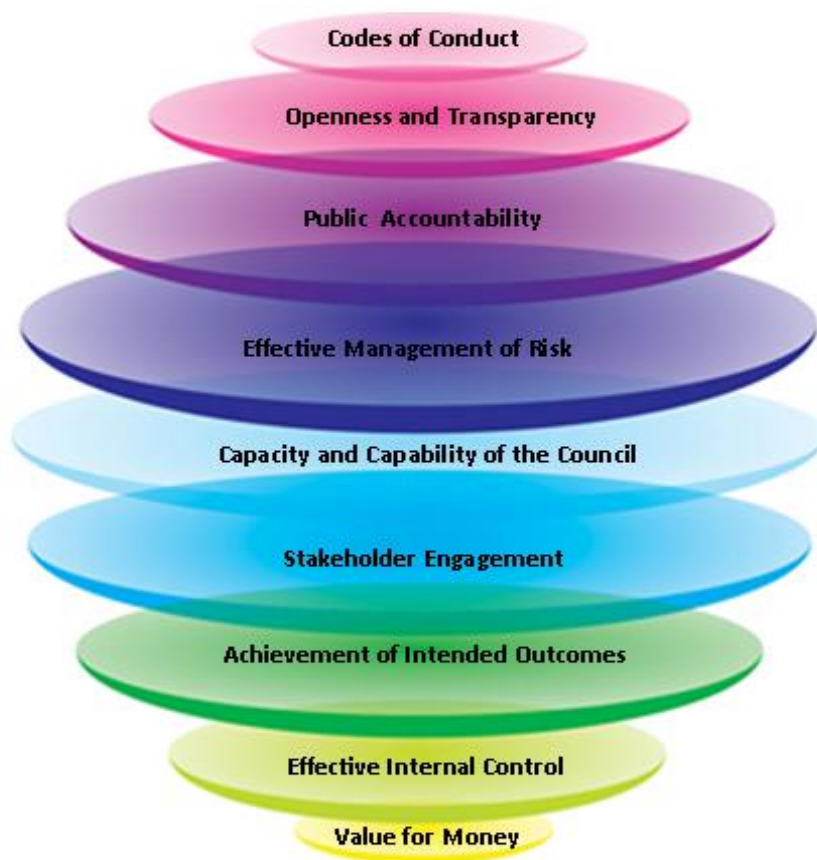
In 2016/17 the council set Band D Council Tax at £1,390.22. Council Tax Benefit is no longer received by the council; this has been replaced by local council tax reduction scheme which is administered by each authority.

4. **Collection Fund Provisions**

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

2015/16					2016/17			
Bad Debts		Appeals			Bad Debts		Appeals	
Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000		Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000
14,304	1,549	-	1,722	Balance as at 1 April	16,285	1,502	-	2,150
(529)	(2,260)	-	-	Write Offs in Year	(820)	(3,025)	-	-
2,510	2,213	-	428	Increase / (Decrease) to Provision in Year	1,699	2,857	-	(343)
16,285	1,502	-	2,150	Balance as at 31 March	17,164	1,334	-	1,807
14,322	736	-	1,054	SMBC's Proportion of Provisions:	15,118	654	-	886

Annual Governance Statement 2016/17



Scope of Responsibility

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

GOVERNANCE STATEMENT

The Governance Framework

The council has Great People, Great Place, Great Prospects and Great Performance as its key priorities, which are underpinned by the governance environment. This environment is consistent with the seven core principles of the CIPFA/ SOLACE framework. The key elements of the systems and processes that comprise the council's governance framework (as detailed in the Code of Corporate Governance) and where assurance against these is required are described below.

Core Principles of the CIPFA/SOLACE Framework	Governance Framework Providing Assurance	Assurances Received	Issues Identified
<ul style="list-style-type: none"> • Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong public financial management. • Implementing good practices in transparency, reporting, and audit to deliver effective accountability. 	<ul style="list-style-type: none"> • Annual review of the Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer) • Sandwell scorecard and business plans • Medium term financial plan • Corporate risk management strategy • Strategic risk register and assurance map • Scrutiny arrangement • Codes of conduct • Partnership framework • Standards committee • Audit committee • Internal audit plan • External audit plan • Independent external reviews (e.g. Ofsted, CQC) • Children's Services Commissioner • HR Strategy • Business planning and performance management framework • Learning and development plans • Communication strategy • Confidential reporting code (whistleblowing policy) • Counter fraud and corruption strategy • Customer services system • Information governance framework • Management Board and directors' assurance statements • Cabinet Members' assurance statements • Procurement and contract procedure rules and Financial Regulations • Committee management information systems 	<ul style="list-style-type: none"> • Statement of accounts • External audit- Report to those charged with governance (ISA 260) report • Annual Internal Audit report • Audit and Risk Assurance Committee annual report • Review of the effectiveness of internal audit • Annual report of the Standards Committee • Ofsted – monitoring visits • Quarterly progress reports from Children's Services Commissioner to DfE • LGA Peer review of SSCB • Ofsted Annual Report of HMCI of Education, Children's Services and Skills • Annual Local Government Ombudsman report • Annual fraud report • Director of Public Health annual report • Sandwell Safeguarding Children's Board annual report • Sandwell Safeguarding Adult's Board annual report • Scrutiny annual report • PSN certification • Investors in People • Employee engagement survey • Members' and Directors' Assurance statements • SIMALTO • Planning committee report • Corporate Parenting Board annual report • Licensing committee report • Clinical Commissioning Group annual report • Sandwell Leisure Trust annual performance report • Gowling WLG report- April 	<ul style="list-style-type: none"> • Children's Services • Children's Trust • Resilience of the Medium Term Financial Strategy • Land Sales and Other Matters • Compliance with Contract Procedure Rules and Allocation of Grants • Business Continuity

GOVERNANCE STATEMENT

	<ul style="list-style-type: none"> • Select Committee for Leisure Provision • Governance Board 	2016 <ul style="list-style-type: none"> • Queen’s Counsel opinion- Project Osprey 9 May 2016 	
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In reviewing the council’s priorities and its implications for its governance arrangements, the council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The key changes to the governance framework during 2016/17 include:

- Changes to the Cabinet and portfolio responsibilities, with an increase from eight to ten members.
- The scrutiny model adopted for 2016/17 built on the structure used in previous years and recognises the need for robust scrutiny arrangements to be in place given the political make-up of the council, and the need for challenge and oversight of executive decision making.
- There has been an increased turnover in senior management arrangements during the year and the appointment of a number of interim directors. A recruitment process has resulted in permanent appointments at director level.
- Cabinet approved that consent be given for the Draft West Midlands Combined Authority (Functions and Amendment) Order 2017 to be laid before Parliament.
- The continuation of the jobs promise and planned leavers register to prevent the need for redundancies and to assist in controlling the establishment list in a structured and supportive way.
- The appointment of the Children’s Services Commissioner and the associated governance arrangements in place with the Commissioner’s Monitoring Board, Trust Implementation Board and Trust Project Board.
- The agreement of the Memorandum of Understanding between the Children’s Services Commissioner, the council and the Secretary of State for the establishment of the Children’s Trust.
- Establishment of the Select Committee for Leisure Provision to consider the current and future leisure provision in Sandwell.
- Establishment of a Select Committee for Policy Review
- Establishment of a Modern Day Slavery Working Group.
- Establishment of a Governance Board to review governance arrangements and to monitor agreed arrangements in order to provide assurance to stakeholders that good governance exists as part of a ‘business as usual’ approach across all areas of the council.
- The completion of assurance statements by all Cabinet Members.

The Review of Effectiveness

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

- Internal Audit has reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the council is able to confirm that the arrangements conform to these requirements. The council is also able to confirm no key non-compliance with the Public Sector Internal Audit Standards.
- Internal Audit has concluded that based on the work undertaken during the year, on areas of key risk, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the council has adequate and effective governance, risk management and internal control processes. However, this opinion was accompanied by a strong statement highlighting the need for the council to address the issues identified during the year around the non-compliance with contract procedure rules within certain service areas, and the governance, including approval, allocation and the monitoring of the allocation of council grants. Key areas of weakness have been included within the governance issues noted below.
- The council’s external auditors KPMG LLP have audited the Statement of Accounts for 2016/17 and will provide an independent audit opinion of the financial statements. The external auditors will also provide a value for money conclusion on the council’s arrangements to secure economy, efficiency and effectiveness in its use of resources in August 2017.



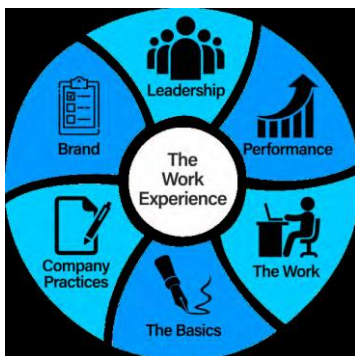
- The council is required to confirm whether its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The statement sets out five principles which define the core activities and behaviours that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

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



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- In October 2016, the council was advised of the Government's Statutory Direction (under section 479A of the Education Act 1996) to appoint a Children's Services Commissioner to improve children's social care services and also to set up a new arrangement in the form of a children's trust to deliver children's social care services for a period of time. The Statutory Direction sets out the requirement on the council to agree a Memorandum of Understanding (MoU) with the Commissioner (appointed by the Secretary of State). This included arrangements for establishing a Trust to deliver children's social care services and was signed by the council and the Commissioner in February 2017. A project is currently underway to progress this. The Sandwell Children's Social Care Trust was incorporated on 15 February as a company limited by guarantee, with a view to transferring social care functions to the Trust during 2017/18.
- To drive improvement within Children's Services, an improvement agenda has been established which focusses on the seven key priorities identified by the Commissioner. In the most recent quarterly report of the Children's Services Commissioner to the Minister for Vulnerable Children and Families, the Commissioner has noted the positive progress the council has made in improving children's services. In addition, the Director of Children and Families and the Director of Children's Services left the council in February and April 2017 respectively, and interim appointments have subsequently been made to both posts. The Commissioner has also reported positively on the progress made by the changes in senior leadership and the renewed commitment by elected members.



- In November 2016, the council conducted an employee engagement survey to understand how employees felt about their jobs and working for the council. The survey achieved a 61% response rate, which is above the average public sector benchmark of 60% and achieved an employee engagement index of 64% (average public sector benchmark is 61%).

We have been informed by the sources noted above, on the result and implications of the review of effectiveness of the governance framework, that the arrangements continue to be regarded as fit for purpose in accordance with the council's governance framework. The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2015/16 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas of weakness is included below. Where sufficient progress has not been made, the issues and outstanding actions have been included in the 2016/17 issues.

Progress of the Governance Issues from 2015/16

The table below describes the governance issues identified during 2015/16 (which were reported in the 2015/16 annual governance statement) and the progress that has been made against the implementation of actions to address these issues, during 2016/17.

Key Area for Improvement	Update on Position and Implication for the 2016/17 Annual Governance Statement
<p>Children’s Services</p> <p>The Ofsted inspection in 2015 provided an overall judgement that children’s services were inadequate. The Secretary of State appointed Eleanor Brazil as Commissioner for Children’s Services in Sandwell. The Commissioner provided a report to the Secretary of State and the council was in dialogue with the Department for Education (DfE) about the range of options for the future delivery of Children’s Social Care services.</p>	<p>Following the dialogue between the then Commissioner and the DfE, at its meeting on 19 October 2016, Cabinet was advised of the Government’s Statutory Direction (under section 479A of the Education Act 1996) to set up a new arrangement in the form of a children’s trust to deliver children’s social care services for a period of time.</p> <p>The Statutory Direction sets out the requirement on the council to agree a Memorandum of Understanding (MoU) with the Commissioner (appointed by the Secretary of State). This included arrangements for establishing a Trust to deliver children’s social care services.</p> <p>The MoU, based on TUPE, was agreed by the council, the Commissioner and the Secretary of State on 21 February 2017.</p> <p>A project is underway to progress the Trust. The Sandwell Children’s Social Care Trust was incorporated on 15 February 2017 as a company limited by guarantee, with a view to transferring social care functions to the Trust during 2017/18</p> <p>With regard to children’s services, an improvement agenda has been established which focusses on the seven key priorities identified by the Commissioner. In the most recent quarterly report of the Children’s Services Commissioner to the Minister for Vulnerable Children and Families, the Commissioner has noted the positive progress the council has made in improving children’s services.</p> <p>The Service Director of Children and Families and the Director of Children’s Services left the council in January and February 2017, and interim appointments have been made to both posts.</p> <p>Carry forward</p>
<p>Resilience of the Medium Term Financial Strategy (MTFS)</p> <p>In order to achieve a balanced budget over the four year settlement funding period, there is a significant reliance upon the Facing the Future programme to identify transformational change</p>	<p>The Government announced a provisional funding settlement for 2017/18 on 15 December 2016. The implications of this provisional settlement and other policy announcements were detailed in a pre-budget report to Council in January 2017. The final funding financial settlement was received on 20 February 2017 and was reflected in the updated MTFS which was approved by Council in March 2017.</p> <p>Carry forward</p>

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<p>projects which deliver the necessary savings through to 2019/20.</p>	
<p>Business Continuity Planning To ensure that the council has in place a framework for its business continuity planning arrangements, to ensure that it has the ability to maintain the delivery of critical services in the event of an emergency.</p>	<p>The Resilience Unit has a complete position of where service areas are with regards to their business continuity. In order to assist the services and monitor the planning process, the Resilience Unit have a position statement and use this document to actively approach Service Area Leads and to update Directors on progress on a six monthly basis. A most recent update report shows that there were number of service areas throughout the council which had not yet produced or finalised the business continuity plan.</p> <p>Carry forward</p>
<p>Land Sales and Other Matters The Gowling WLG report and QC advice identified a number of issues. These related to the council's risk, governance, internal control environment and member and officer conduct.</p>	<p>The council has introduced a new Land Sales and Building Protocol strengthening the steps that are to be carried out in all future land and building sales undertaken by the council. The protocol was approved by the Audit and Risk Assurance Audit Committee (previously the Audit Committee) on 18 August 2016, Cabinet on 21 September 2016 and the Council on 18 October 2016.</p> <p>The Audit and Risk Assurance Committee also considered the risk, governance and internal control matters arising from the report at each of the 2016 and 2017 meetings. The Committee also has responsibility to monitor progress in the implementation of all agreed recommendations through the consideration of a regular progress report/action plan.</p> <p>The matters relating to member conduct are on-going and will be dealt with separately by the Standards Committee.</p> <p>Carry forward</p>
<p>Combined Authority The West Midlands Combined Authority (WMCA) was formally and legally established in June 2016. Work continues towards implementing the devolution agreement.</p>	<p>Council, at its extraordinary meeting held on 14 June 2016, gave consent to the draft West Midlands Combined Authority (Election of Mayor) Order which provides for the election of a directly elected Mayor for the West Midlands metropolitan area.</p> <p>The Order was subsequently made by Parliament on 15 September 2016. Council also approved the draft Mayoral West Midlands Combined Authority Functions Scheme and its publication under section 112 of the Local Democracy, Economic Development and Construction Act 2009 (as amended).</p> <p>The Chief Executive was authorised to agree the final arrangements for public consultation on the proposals in the Mayoral WMCA Functions Scheme, on behalf of the council. It is this Scheme that provides the basis and underlying principles for the Draft West Midlands Combined Authority (Functions and Amendment) Order 2016.</p> <p>At the meeting on 6 December 2016, the views of the Council</p>

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	<p>were sought on the West Midlands Combined Authority (Functions and Amendment) Order 2016 and forwarded to the Cabinet to assist in the consideration of the matter at its meeting on 7 December 2016.</p> <p>The Cabinet subsequently deferred consideration of the matter pending the final Mayoral Order being made available for consideration by the Cabinet. At its meeting held 1 March 2017, Cabinet approved that consent be given for the Draft West Midlands Combined Authority (Functions and Amendment) Order 2017 to be laid before Parliament.</p> <p>Complete</p>
<p>Sandwell Leisure Trust (SLT) Sandwell Leisure Trust (SLT) is commissioned to operate leisure facilities through a Management and Funding Agreement, incorporating a rolling three year business plan, approved on an annual basis. In March 2016, following Cabinet approval, the council notified the Trust that it was unable to agree the plan for 2016/17 onwards.</p>	<p>In accordance with the resolution of the Cabinet at its meeting on 9 March 2016, the Leisure, Culture and Third Sector Scrutiny Board received at its meeting on 27 June 2016, the business plan that had been submitted to the council by the SLT October 2015. It was agreed that negotiations would continue between the council and SLT regarding the delivery of the Management and Funding Agreement in relation to the operation of leisure facilities and the provision of a sports development function in the borough. A new business plan for the period 2017/2020 was received and presented to Cabinet at its meeting on 8 February 2017, where it was approved.</p> <p>Complete</p>
<p>Health and Social Care Reforms The Care Act introduced a cap on care costs an individual would pay over their lifetime of £72,000 and was planned to come into effect from April 2016. Following the last general election, the Government decided to postpone the implementation.</p>	<p>The Government has made the decision to delay, until April 2020, the implementation of its policy to cap social care costs under the Care Act.</p> <p>Deferred as a result of the above.</p>

Significant Governance Issues and Action Plan for 2016/17

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

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Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
<p>Children’s Trust</p> <p>At its meeting on 19 October 2016, Cabinet was advised of the Governments Statutory Direction (under section 479A of the Education Act 1996) to set up a new arrangement in the form of a children’s trust to deliver children’s social care services for a period of time.</p> <p>The Statutory Direction set out the requirement on the council to agree a Memorandum of Understanding (MoU) with the Commissioner (appointed by the Secretary of State) and was signed in December 2016. This included arrangements for establishing a Trust to deliver children’s social care services.</p> <p>The MoU was presented to Cabinet on 7 December 2016. The Cabinet agreed that the key elements of the MoU between the Commissioner and the council, based on TUPE, be accepted as the basis for submission to the Secretary of State, which would allow the existing Statutory Direction to remain in place.</p> <p>A project is currently in progress to establish the Trust. The governance arrangements in place will provide assurance on the progress of the project.</p>	<p>Chief Executive</p> <p>Date to be agreed with the Department for Education</p>
<p>Children’s Services</p> <p>The council has continued to work with the Secretary of State appointed Children’s Services Commissioner to improve children’s social care services. The improvement agenda has focused on seven key priorities set by the Commissioner that require addressing as a matter of urgency before the wider improvement agenda can be progressed. In the latest update, the Commissioner reported that whilst the council had responded quickly to the deficits in the provision of ICT support to front-line staff, senior management in the service had not made sufficient progress on any of the other priorities, with the delay in setting an appropriate permanent establishment of social workers and managers compromising work on improving standards and the quality of work.</p>	<p>Director of Children’s Services</p> <p>March 2018</p>
<p>Resilience of the Medium Term Financial Strategy (MTFS)</p> <p>The Government announced a provisional funding settlement for 2017/18 on 15 December 2016. The implications of this provisional settlement and other policy announcements were detailed in a pre-budget report to Council in January 2017. The final funding financial settlement was received on 20 February 2017 and was reflected in the updated MTFS which was approved by Council in March 2017.</p> <p>The council has approved a balanced budget for 2017/18, but savings of £17m are needed for 2018/19 and 2019/20. A Cabinet Summit is scheduled for May/June 2017 to discuss future budgets and this will complement the work in progress as part of the Facing the Future programme.</p> <p>Cabinet members and officers will be developing a vision for the</p>	<p>Executive Director of Resources</p> <p>March 2018</p>

GOVERNANCE STATEMENT

<p>council for 2030. Following a consultation process, the wording of the vision has been refined and Cabinet and Council signed off the new vision on 28 June and 18 July 2017 respectively.</p> <p>A new Performance Management Framework that will replace the scorecard will be developed to measure progress against the vision and outcomes achieved. Alongside this, a revised format of the council business planning framework will be used for the 2018/19 business plans.</p>	
<p>Land Sales and Other Matters</p> <p>The progress and completion of issues raised from, and alongside the Gowling WLG report will continue to be considered by the Audit and Risk Assurance Committee in order for the Committee to gain assurance that the issues identified are being comprehensively and promptly addressed. Any member conduct matters will be dealt with through the Standards Committee.</p> <p>Membership of the Audit and Risk Assurance Committee has increased from six to seven and a further Independent Member is in the process of being appointed. Meetings will also continue to be webcast where appropriate to increase transparency and accessibility.</p>	<p>Chief Executive March 2018</p>
<p>Compliance with Contract Procedure Rules and Allocation of Grants</p> <p>Three limited assurance internal audit reports were issued on Grants within Neighbourhood Services, Grot Spot Funding and Off Contract Spend within Grounds Maintenance and Parks and Green Spaces. Since these reports were issued a comprehensive review of Neighbourhood Services taking into account the findings of the audit reports was completed by the Interim Director of Neighbourhood Services, and a report including a wide range of recommendations was presented to Cabinet on 22 February 2017. Included in the report were a number of actions to be taken in order to address the issues identified in the audit reports, focussing on the systems, processes and compliance with council policies and procedures alongside efficiencies and the performance of the directorate. The implementation of these recommendations will be monitored by Internal Audit and through the Audit and Risk Assurance Committee.</p>	<p>Director of Neighbourhoods March 2018</p>
<p>Business Continuity</p> <p>Progress continues to be made in implementing the framework for business continuity planning arrangements, which will enable the council to maintain delivery of critical services in the event of an emergency. There are still a number of service areas throughout the council which are yet to establish action plans with milestones developed to complete plans and to establish a strategy for undertaking testing of the plans and for their maintenance and on-going review.</p>	<p>Director of Neighbourhoods March 2018</p>

Certification

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



Councillor Steve Eling, Leader of the Council

Date: 17/08/2017

A handwritten signature in black ink, appearing to read 'S Eling', written over a light grey dotted background.



Jan Britton, Chief Executive

Date: 17/08/2017

A handwritten signature in black ink, appearing to read 'Jan Britton', written on a white background.

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 of time.

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

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

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

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

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

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

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

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

GLOSSARY

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

CSE – Child Sexual Exploitation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government Grants - These represent assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an

GLOSSARY

authority in return for past or future compliance with certain conditions relating to the activities of the council.

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

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

IAS – International Accounting Standards

IFRIC – International Financial Reporting Interpretations Committee

IFRS – International Financial Reporting Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

Operating Leases - Leases other than a finance lease.

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

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

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

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

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

PWLB - Public Work Loan Board

QC – Queen's Counsel, a senior barrister.

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

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

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

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

GLOSSARY

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

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

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

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

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