Solihull Metropolitan Borough Council
Statement of Accounts 2021/22

Contents

Narrative Report

This Narrative Report provides information on Solihull Metropolitan Borough Council (Solihull Council, SMBC) and the environment in which it operates, to set the Statement of Accounts into context. In addition to describing the borough of Solihull and its particular strengths and challenges, the Narrative Report summarises some of the key risks and opportunities for the Council and explains how the Council's approach to budgeting contributes to its financial resilience. The Narrative Report provides an overview of the Council's financial performance in 2021/22 to complement the key financial statements and highlights some of the Council's achievements against the 2021/22 priorities. It further outlines the main priorities of the Council Plan and sets out the key objectives for the year ahead.

Covid-19

The Covid-19 pandemic continued to affect many aspects of Council activity during 2021/22, entering a new phase of management with the lifting of remaining restrictions in February 2022. Government funding continued, albeit at lower levels than in 2020/21, with further funding for specific adult social care and public health activity, income losses from sales, fees and charges and general related pressures. Note 9 to the accounts includes £55 million of revenue grants and contributions relating to Covid-19 (including £27 million of business rates relief funding).

The Council has also administered the distribution of around £10 million in business grants and around £3 million in grants to social care providers on behalf of the government. These grants are not included as income and expenditure in the Statement of Accounts as the Council has acted merely as an agent of the government in their distribution; however, there is £1.2 million of grant income that has been received but not yet spent or returned to the government which is included in the Balance Sheet as part of Short-term Creditors and £0.2 million of grant income owed to the authority which is included in the Short-term Debtors figure.

The table below summarises the grants received and how they have been applied.

Funding source	Grant Income £000	Agency Expenditure £000	Spend in year [2] £000
Specific grants credited to Cost of Services	(19,892)	0	19,892
Non Ring-Fenced Government Grants - Other	(8,211)	0	8,211
Non Ring-Fenced Government Grants - Business rates relief	(27,289)	0	27,289
Grants where Council has acted as agent [1]	(13,670)	13,670	0
Total	**(69,062)**	**13,670**	**55,392**

[1] Transactions where the Council has acted as an agent on behalf of the government are not included in the Council's accounts.
[2] Spend in year includes contributions to specific reserves.

The government's decision to extend business rates relief for businesses within the retail, hospitality and leisure sector and other businesses such as nurseries has again had a significant effect on the Council's accounts for 2021/22. Although such measures have been fully funded by the government (with £27.289 million of section 31 grants received in the year for this purpose, as shown above and in Note 9), accounting requirements mean that the cost of these measures will not be realised until future years. As a result, the grants have been contributed to a reserve and will be released in line with the profile of the costs over the course of the Medium Term Financial Strategy (MTFS).

Organisational Overview and Operating Environment

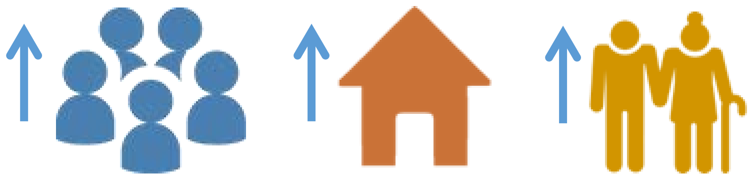
Solihull: population and place

The Council serves a broadly affluent borough, characterised by above-average levels of income, employment and home ownership. The living environment, with a mix of urban and rural communities, key strategic sites and transport infrastructure, and large amounts of green space, is one of Solihull's main strengths, as evidenced by high levels of resident satisfaction with the area (89% in the 2020 Place Survey[1]).

The population of the borough has increased at a much slower rate than nationally over recent years but is expected to grow by around 11% between 2020 and 2040 with significant growth in rural and semi-rural areas.[2] This growth will put considerable pressure on transport, housing, education and public service infrastructure and there is a widespread shortage of affordable homes and homes which are suitable for older people, especially the increasing numbers living alone. Challenges will include balancing these pressures with the need to take action to reduce carbon emissions.

Our community is becoming increasingly diverse, with an increasing proportion from a Black, Asian or other Minority Ethnic (BAME) group (11% in the 2011 census). Estimates suggest that one in five of the Solihull population will be from a BAME background by 2029 and we want to hear diverse community voices and reflect different needs in our service design.

The Office for National Statistics projections suggest that the relative ageing of Solihull's population will continue and by 2040 it is likely that those aged 65 and over will account for around 28% of the borough's population. People aged 75+ represent more than 15% of the population in 11 neighbourhoods and the growth in the number of residents aged 85 and over, who are expected to account for over 4% of the borough's population by 2040, represents a particular challenge in terms of health and social care.[3]



Population forecast to grow by 0.5% p.a. from 2020-2040

No. of households forecast to grow by 13% from 2020-2040

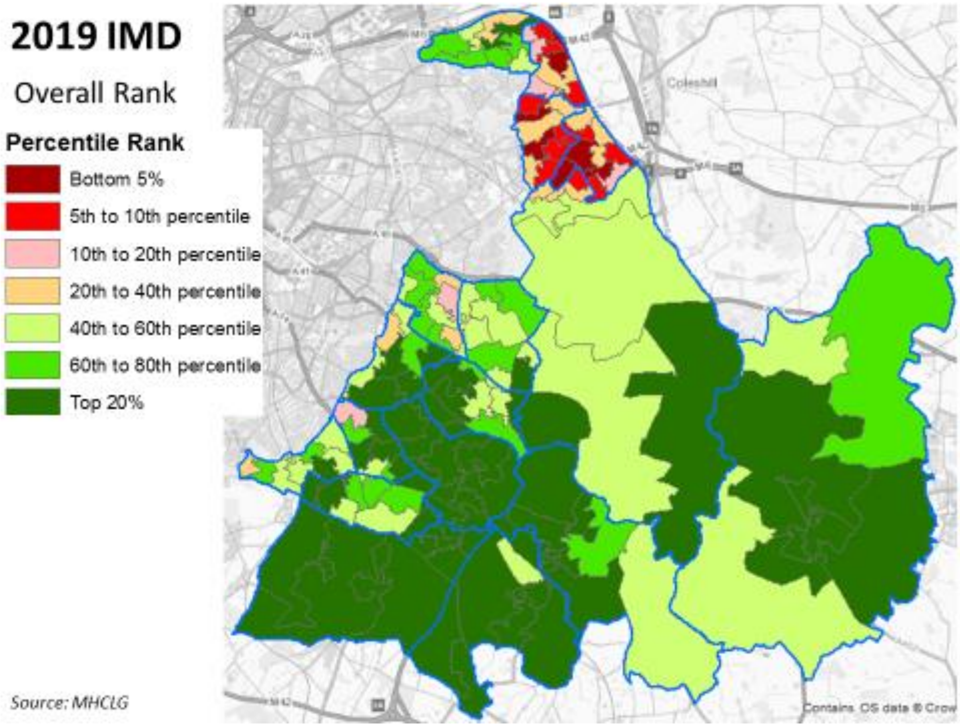
People aged 65+ with dementia forecast to grow by 39% by 2040

The borough has a thriving economy, with above average wages and relatively low numbers of residents claiming an out of work benefit. In addition to its location at the heart of the nation's road and rail network, it is home to some of the region's key economic assets, such as Birmingham International Airport and the National Exhibition Centre.

The borough's many advantages can give the impression that some of the social challenges are less and are easier to tackle than in other parts of the country. However, the borough has a persistent prosperity gap which has proved difficult to close. National deprivation statistics suggest that despite being the least deprived upper tier authority in the West Midlands, Solihull is relatively polarised, with more than one in ten residents living in neighbourhoods classed as among the most deprived 10% in the country and nearly one in three residents living in the least deprived 10% neighbourhoods.[4]

This polarisation is illustrated in the map of the borough overleaf, which is based on the indices of multiple deprivation (IMD) and shows the most deprived wards in red and the least deprived wards in green.

[1] Solihull Metropolitan Borough Council, *Solihull Place Survey 2020*
[2] Solihull Metropolitan Borough Council, *Solihull Population Estimates and Projections*
[3] Ibid
[4] Solihull Metropolitan Borough Council, *Deprivation in Solihull – The Index of Multiple Deprivation 2019*



The impacts of this are felt across a broad range of outcomes, particularly health, employment and educational attainment. Although life expectancy in the borough is above the national average, those in the borough's affluent neighbourhoods can expect to live more than 10 years longer than those in the more deprived wards. Furthermore, projections suggest that an increasing number of our residents will experience financial pressures as a result of the increase in the cost of living and low income growth among lower earners. Such inequalities were highlighted by the coronavirus pandemic, which has had a disproportionate impact on many who already face disadvantage. The Solihull Health & Well Being Board has developed a Health Inequalities Strategy and Action Plan, focused on improving the lives of those with the worst health outcomes.

Solihull: the council

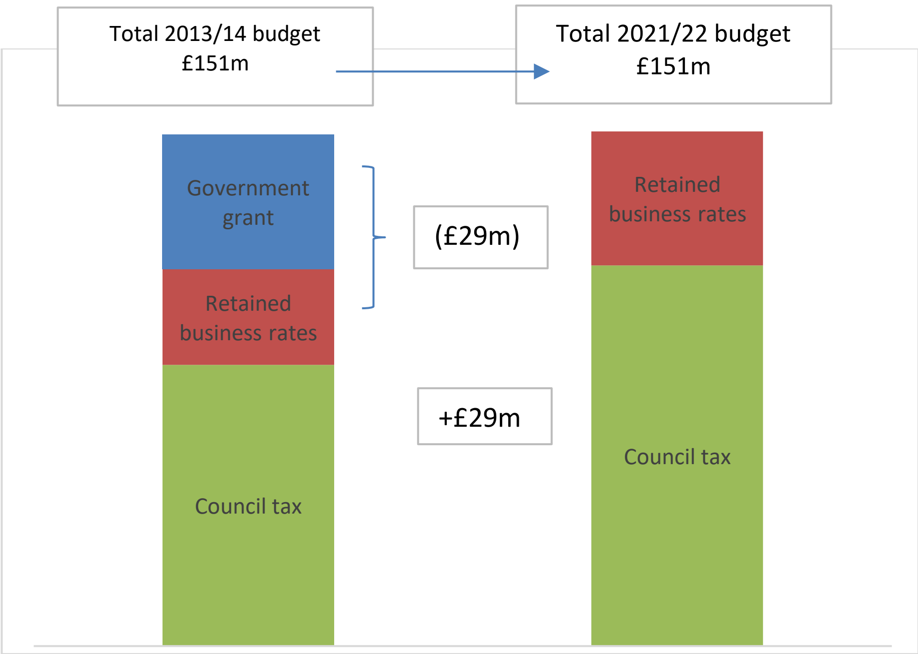
The Council Plan sets out the direction we want to go in as a Council (our vision and purpose), how we aim to travel that journey and what we want to see at the end of it. It covers those major steps that we need to take to achieve our vision. It does not cover the 'business as usual' of the Council, which, of course, also has a vital role in the success of our vision and purpose.

The Council's vision for Solihull is that it will be a place where everyone has an equal chance to be healthier, happier, safer and more prosperous through growth that creates opportunities for all. We are one of 36 metropolitan district councils, on the fringe of the West Midlands conurbation but with a distinct identity and strong rural roots, as characterised by the motto "Urbs in Rure". A unitary authority since 1986, the Council is led by a Conservative administration, which as at May 2022 holds 28 out of the 51 seats. The borough covers two parliamentary wards, Solihull and Meriden.

The Council employs around 3,900 full time equivalent staff, approximately half of whom work in the borough's schools (excluding academies), organised into five directorates – Adult Care and Support, Children's Services and Skills, Economy and Infrastructure, Public Health and Resources – under the management of the Corporate Leadership Team. The number of full-time equivalent staff has fallen by 12% over the past five years, and we recognise the pressure this has put on our committed workforce. Our Employee Wellbeing Strategy is key to ensuring our employees are healthy and engaged in order to enable business resilience and realise opportunities for organisational transformation in the wake of the pandemic. One of the Council's strengths is the positive working relationships between officers and elected members, which facilitates effective decision making and strong leadership. This is underpinned by our core values, which are to be ambitious, open, honest and keep our promises.

Each local authority operates a governance framework that brings together a set of legislative requirements, governance principles, corporate strategies and policies, systems, management processes, culture and values. The quality of these arrangements underpins the level of trust in public services and is fundamental to the Council’s statutory and democratic obligations. A framework of good governance allows the Council to be clear about how it discharges its responsibilities. Further information on the Council's governance arrangements across all its activities is provided in the Annual Governance Statement, which includes an action plan to address any governance issues which have been assessed as significant.

Our funding comes from two main sources, retained business rates and council tax. In 2013/14, the year in which business rates retention was first introduced, Solihull received 55% of its funding from council tax payers, 26% from government grant and 19% from retained business rates. In the years since, the level of government grant has fallen significantly and the proportion of funding which comes from council taxpayers has increased to 74%.



Since April 2017 Solihull has been involved in a pilot of 100% business rates retention with the other West Midlands metropolitan districts, as a result of which we no longer receive revenue support grant from government. At the outset of the pilot, the tariffs paid to central government and the top-ups received from central government through the business rates scheme were adjusted to ensure a cost-neutral starting position for the pilot authorities.

For the pilot period, the region will retain the 50% share of business rates previously attributable to central government, the growth on which is shared with the combined authority to provide a funding stream for its investment programme. The future of such business rates pilots beyond 2022/23 remains unclear.

We have a long-established culture of working in partnership across the public, private, community and voluntary sectors, with a shared commitment to the people of Solihull. Our key strategic and operational relationships include:

Solihull is a strong and active member of the West Midlands Combined Authority (WMCA), committing political and officer leadership, expertise and resources. The development of the Local Industrial Strategy, Inclusive Growth Strategy and the response to the climate emergency have been particularly significant areas of collaboration.

We play an important role in the leadership of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP), a partnership between business, local government and education.

Through the Birmingham and Solihull Sustainability and Transformation Partnership (STP) and the emerging Integrated Care System, we are working with health partners to set out the key priorities for Solihull and the health and care services that should be delegated to operate at 'Place' level.

The Council works at operational level with both the police and fire services across our local communities, for example through the Safer Solihull Partnership, which is working to address crime, disorder and substance misuse.

Solihull Community Housing (SCH) manages our council housing stock and works in partnership with us across a range of priorities including housing delivery, supporting those affected by homelessness and how we work together in localities. SCH is owned by the Council and led by a board of directors on which the Council is represented.

We work closely with the education sector, including private early years' providers, maintained schools, academies, free schools and colleges. In particular, the local authority is represented on the Solihull Schools' Strategic Accountability Board and through working committees relating to Early Years, Special Educational Needs and School Improvement.

The Voluntary and Community Sector (VCS) in Solihull consists of more than 700 separate organisations which contribute to the social fabric and wellbeing of our communities. We have developed a more focused commissioning approach with the VCS that maximises the resources available to deliver against our priorities.

The Council has interests in and relationships with other entities which are included in the Council's Group Accounts. The Coventry and Solihull Waste Disposal Company Ltd is included as a joint venture. Solihull Community Housing Ltd, which is our arm's length management organisation (ALMO) for our housing stock, and UK-Central (Solihull) Ltd (trading, and referenced throughout, as, the Urban Growth Company Ltd) are consolidated as wholly owned subsidiaries of the Council. Also consolidated as a wholly owned subsidiary is Mell Square Ltd, which was acquired by the Council in April 2021 to support the delivery of our vision for the future of Solihull town centre.

Operational Model and Performance

Business Operating Model

The Council Plan, which was updated in April 2022, sets out a strategic and operating model for the Council to 2025. Underpinning this operating model is a renewed focus on making best use of data to identify who is accessing our services, how and why. This includes customer mapping and segmenting the population into groups of key service users, with whom we work in different ways according to their needs.

As a local authority we provide a range of services, some of which are used by or available to every resident in the borough and others which are only used by a small number of people with specific needs. In designing our offer for the future, we divided our services into three categories (universal, targeted and specialist), each with a different focus and a different proposal.

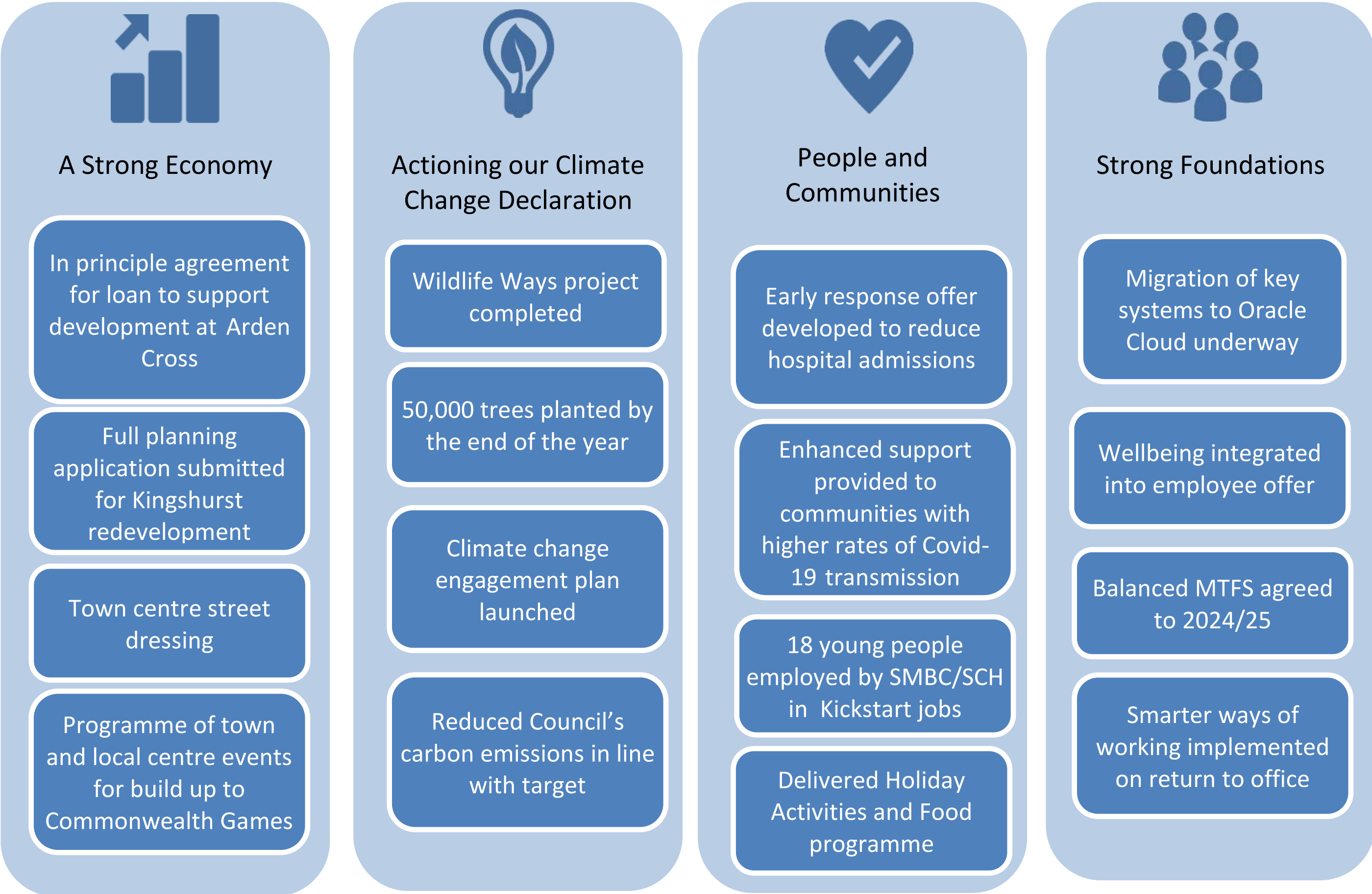
- Universal services are those offered to all of our residents and provide the foundation upon which successful, sustainable communities are built.
- Targeted services are there to help residents to get things back on track and try to ensure temporary difficulties do not escalate to become long-term issues.
- Specialist services are received by residents who need specialised support, such as adults with long-term health issues and children in need.

Enabling independence is a theme that runs throughout these offers. This means encouraging and supporting residents to do as much as possible for themselves, looking out for those around them and coming together with others to tackle local issues. We will also work creatively with partners to deploy our resources more effectively, each partner doing what they are best placed to do. Transparency, honesty and truth underpin this partnership approach.

Each of these categories is underpinned by support services which need to be equally efficient and focused, and the fundamentals that provide our strong foundation: connected and engaged communities and a vibrant voluntary and community sector; strong, effective local and regional partnerships; sound finance and management of assets; smarter ways of working; digital empowerment and analysis and insight.

Review of 2021/22

Although the response to the pandemic has been a dominant theme over the course of the year, we have maintained our focus on the priorities set out in the Council Plan. The illustration overleaf highlights some significant non-financial outcomes against the Council Plan priorities in the year.



A full summary of achievements in delivering our plan, and an outline of those areas we are continuing to work on, will be outlined in our Annual Report.

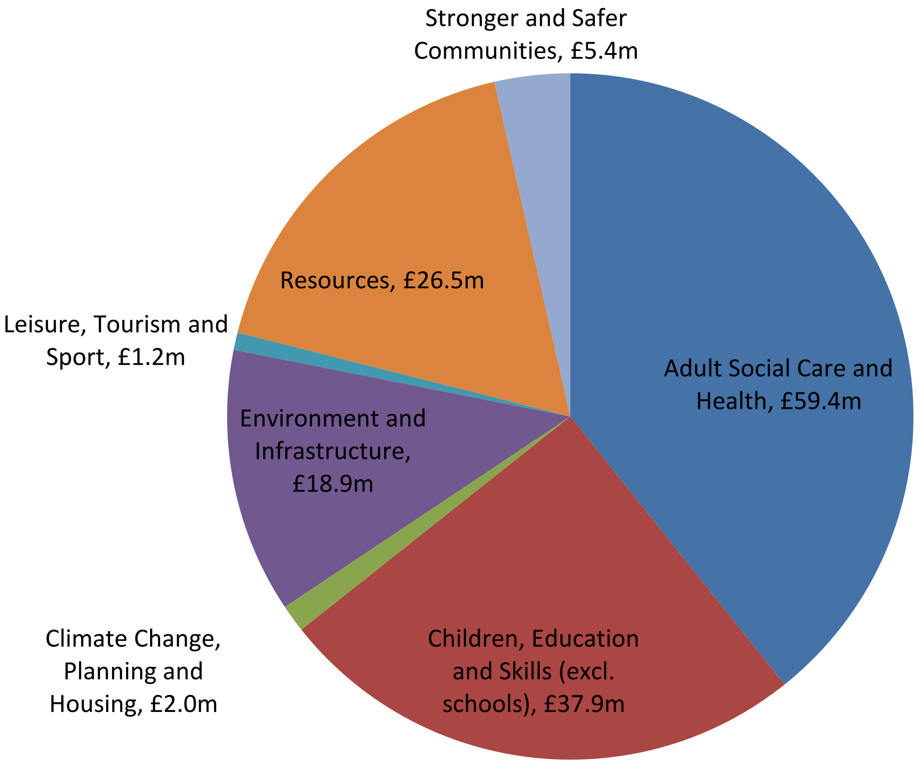
Financial performance - overview

The Council adopts a cash limited approach to its budget with Cabinet Members and Corporate Directors being responsible for ensuring services are delivered within budget, whilst allowing flexibility within the overall cash limit to transfer money from one budget head to another to meet changing demands. This process is supported by a series of delegations overseen by the Leader of the Council.

Our budget for 2021/22 was £151.372 million, an overall decrease in the net budget of (£7.705 million) compared to the 2020/21 budget of £159.077 million. The budget was approved on 25 February 2021, with net planned expenditure on services and corporate commitments increasing by £7.801 million over the 2020/21 base budget, of which £5.269 million related to service pressures, £1.102 million contribution to corporate pressures and £1.430 million to inflation. This was offset by a net reduction of (£5.005 million) relating to Covid-19 pressures and funding, including the use of Covid-19 grants contributed to reserves in 2020/21. In addition, the Council planned a net increase in the use of reserves, working balances and contingencies totalling (£9.652 million) and savings approved in previous years totalling (£0.849 million).

The budget of £151.372 million was funded from retained business rates of £39.373 million and council tax income of £111.999 million. Solihull increased its element of the council tax charge by 3.49% in 2021/22. This included a charge of 1.50% specifically to support adult social care which, when added to previous years' charges for adult social care, generated £11.319 million for the service (£1.6 million more than in 2020/21). Council tax income continues to be the most significant funding source for the authority, reflecting the proportion of higher-banded homes in the borough.

The chart overleaf shows our net spending (£151 million excluding levies, working balances and the Dedicated Schools Grant) across our cabinet portfolios in 2021/22.



Financial performance – revenue outturn
The outturn position on the General Fund and Dedicated Schools Grant (DSG) for the year was presented to Full Cabinet on 16 June 2022. The favourable variance on the General Fund was contributed to working balances pending Full Cabinet's approval of the requests outlined in the report to contribute £2.256 million to earmarked reserves and to fund future year commitments. The final position on the General Fund will see the Council balance to the financial position set out in the approved MTFS (2020/21: (£0.105 million) ahead).

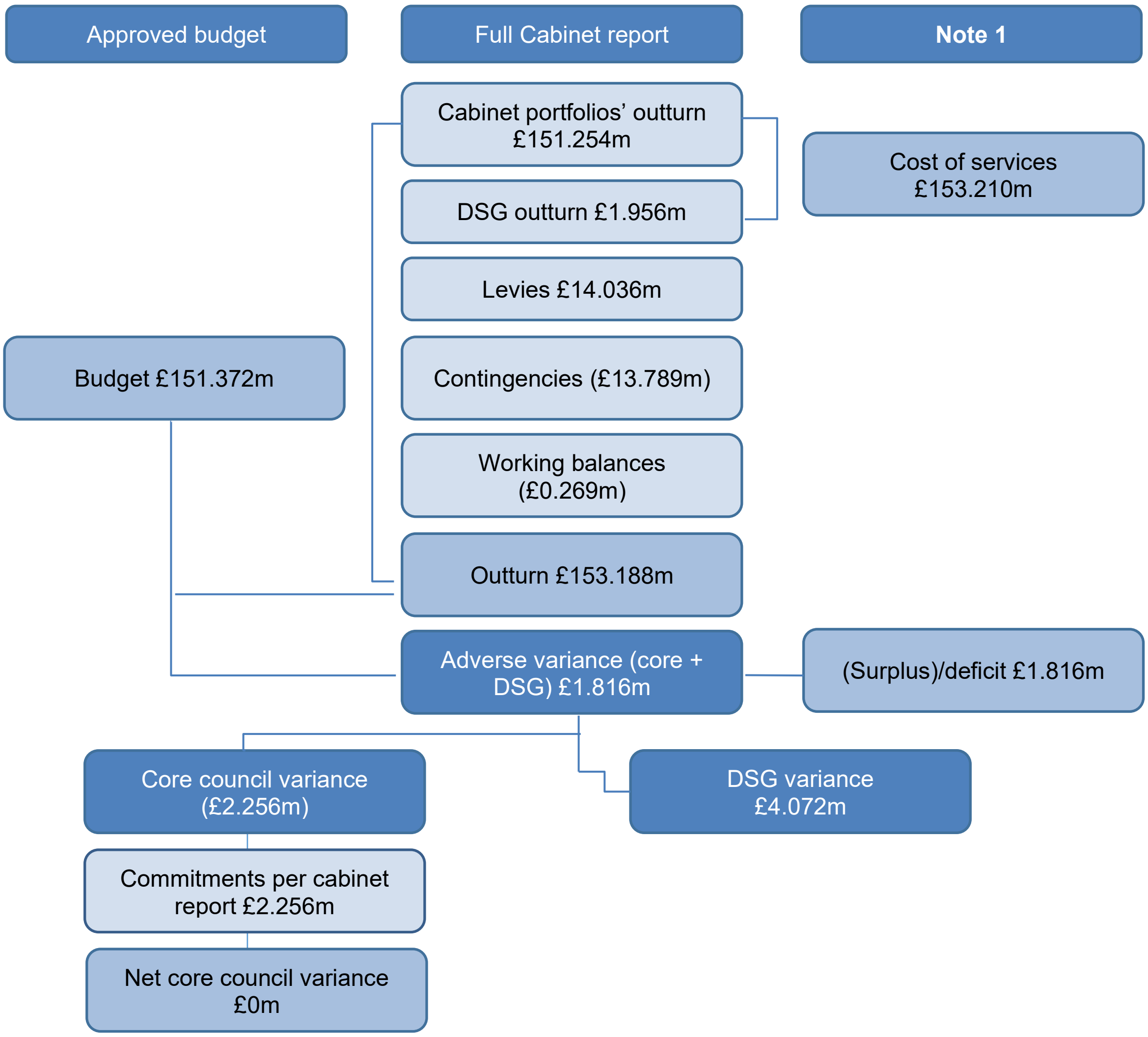
Across the cabinet portfolios, in-year pressures were managed through ongoing and one-off resources, including the use of reserves where appropriate.

In the Adult Social Care and Health portfolio, largely as a result of a reduction in block-contracted beds and additional funding from the NHS and central government, the year-end position allowed for a net contribution to the adult social care contingency. This will give the service more scope to manage forecast increases in demand and the anticipated impact of national policy changes in respect of government white papers on transformation in care and integration and the Health and Care Bill.

Significant demand pressures in the Children, Education and Skills portfolio - particularly in children's placements, home-to-school transport and special educational needs and disabilities services - were mitigated through the use of government grant and the Budget Strategy Reserve. Through the 2022/23 budget process additional ongoing funding has been allocated to the portfolio to address known underlying demand pressures on a permanent basis. Further to this, the implementation of an improvement plan for the service is underway.

The Council reported an adverse variance on the DSG of £13.213 million, including a cumulative deficit of £9.141 million carried forward from previous years. The key issue for the DSG continues to be the pressure on the High Needs Block, which is largely due to sustained increases in the number and cost of school placements, particularly in the independent sector. Members continue to receive regular updates on the DSG recovery plan which outlines the steps being taken to address the ongoing budget position. In line with regulations, the Statement of Accounts shows the balance of the accumulated deficit in the DSG adjustment account, an unusable reserve set up for this purpose.

Note 1 in the Statement of Accounts provides a breakdown of the total income and expenditure by cabinet portfolio. This note also shows the adjustments required in order to arrive at the figures in the Comprehensive Income and Expenditure Statement (CI&ES). The diagram below shows how the outturn figures in the Full Cabinet report compare to the approved budget, and the resulting net adverse variance of £1.816 million (2020/21: £8.872 million adverse variance), which is then further broken down to show the final position after the proposed contributions to specific reserves and future years' commitments. It also demonstrates how the figures in Note 1 are derived from the figures in the Full Cabinet report.



Financial performance - capital outturn
Capital spending is expenditure on non-current assets that have a life expectancy of more than one year and, therefore, have the potential to benefit not just current but future taxpayers within the borough. The assets are usually funded over a longer period than one year, either from borrowing, grants or from reserves built up over a period of time.

The total spending on the capital programme for 2021/22, including the Housing Revenue Account (HRA), was £93.568 million (2020/21: £59.337 million) compared with a revised budget of £107.969 million, giving a net favourable variance in-year of (£14.401 million) (2020/21: (£17.924 million)). Rephasing of £14.013 million will be added into the capital programme for 2022/23.

A summary of the Council's internal and external sources of funds available to meet its capital expenditure and other financial commitments including Private Finance Initiatives (PFI) / Public-Private Partnership (PPP) schemes is included in Note 18 - Capital Expenditure and Capital Financing.

The disposal of assets resulted in total gross capital receipts for the Council during the year of £5.642 million (2020/21: £4.323 million). These included HRA right to buy properties totalling £3.388 million (2020/21: £2.264 million).

Business Rates Retention Pilot
Since 2017 the Council has been working closely with its counterparts across the West Midlands through the combined authority to progress the funding needed to deliver the Council's vision for UK Central. 2021/22 marked the fifth year of the West Midlands business rates retention pilot, through which the combined authority has secured a share of business rates growth to support the investment programme. In addition, involvement in the pilot has generated windfall resources each year for the member authorities for investment in local priorities. In 2021/22, this windfall income for Solihull was £7.353 million, £0.614 million more than original forecasts. In June 2022, Full Cabinet approved the contribution of the full amount generated in 2021/22 to the budget strategy reserve, in line with the medium term financial strategy.

Academisation
During 2021/22, nine voluntary aided schools converted to academy status. As the school buildings were not previously on the Council's balance sheet and the land was leased to the diocese, there was no associated disposal or revaluation of land.

The Council is currently expecting six schools to convert to academy status during 2022/23. The subsequent transfer of school buildings is expected to result in a loss on disposal in the CI&ES and a corresponding reduction in asset values of £27.477 million in 2022/23, and the associated land will be revalued leading to a reduction in asset values of £6.108 million.

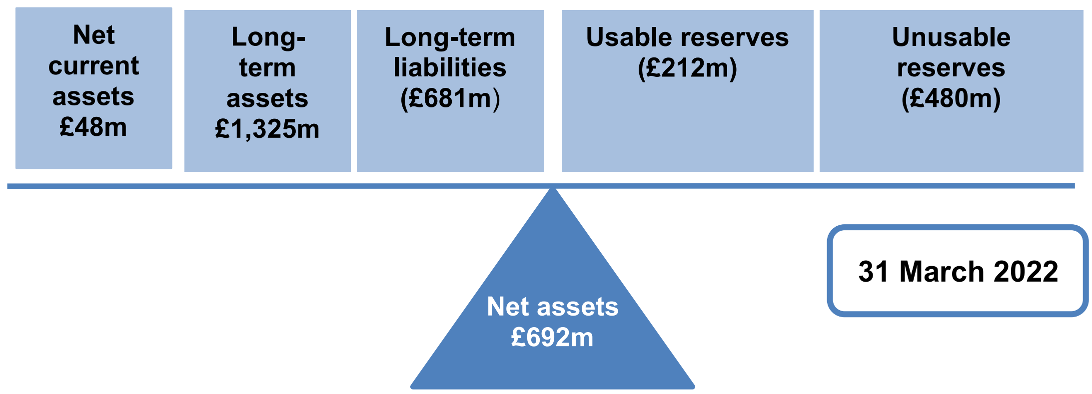
Pension liabilities
There is currently a net deficit attributable to the Council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary and includes an estimate of the potential impact of the Court of Appeal judgement regarding the McCloud and Sargeant cases relating to age discrimination within the judicial and fire pension schemes respectively. Steps have been taken to address this deficit within the medium and long-term financial strategy of the Council.

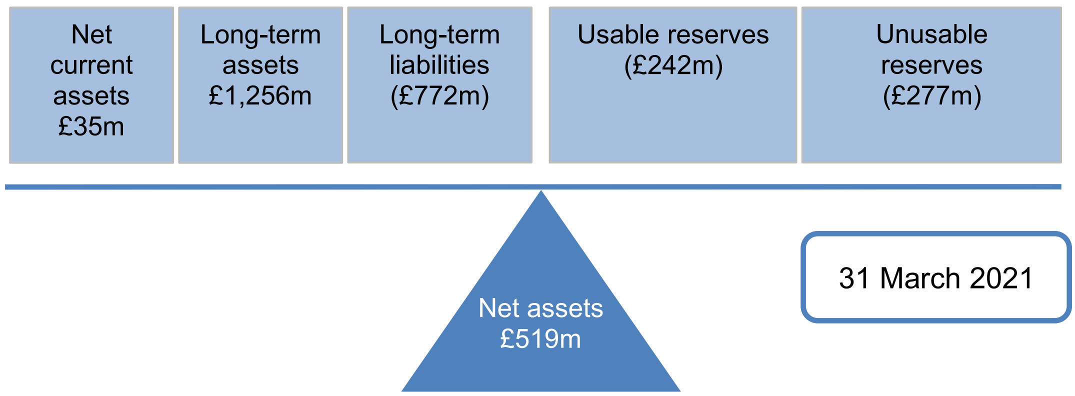
In April 2020 the Council made an upfront payment of £58.3 million in respect of pension contributions for the three years from 2020/21 to 2022/23 in order to save a net £3.9 million over those three financial years. The full payment was accounted for as a reduction in the Council's net pension liability in 2020/21. As a result of this upfront payment being made in 2020/21 cash balances have replenished during 2021/22 as regular pension contributions have not needed to be paid. This has resulted in been an increase in Short-Term Investments on the Balance Sheet as at 31 March 2022 compared to 31 March 2021.

Net assets
The Council's net assets have increased during the year, reflecting the following key movements:

- Increases in Property, Plant and Equipment of £28 million (as detailed in Note 16);
- Increases in Long-Term Debtors of £36 million, largely relating to loans in respect of Mell Square Ltd and Sherbourne Recycling Ltd;
- Increases in Short-Term Investments of £27 million, largely relating to additional funds from the unwinding of the pension prepayment and an increase in grants received in advance;
- Increases in Long-Term Borrowing of £39 million, largely relating to a loan taken out to meet capital expenditure requirements in respect of Mell Square and the refinancing of debt which matured in July 2021;
- A decrease in the Net Pensions Liability of £115 million, resulting from changes to the actuarial assumptions and the performance of Pension Fund assets.

The Council is in a robust financial position at the end of 2021/22 and continues to maintain a strong Balance Sheet, as shown in the diagram overleaf.





Cash flows
The Cash Flow Statement shows how the movement in resources has been reflected in cash flows. During 2021/22, net cash and cash equivalents increased by £1.326 million, from (£6.713 million) to (£5.387 million).

Strategy and Resource Allocation

Council Plan
In July 2020 we adopted a new Council Plan, setting out a direction of travel until 2025 and describing the major steps we need to take to achieve our ambitions. Our plan, which was reviewed and updated in spring 2022, focuses on recovery and reset and sets out a clear direction based on our nine 'key things to do', grouped into the categories of economy; climate change; people and communities; and enablers or foundations.

Our plan has a clear set of activities for each of our 'key things to do' and measurable outcomes. Children's services are our top priority for improvement in 2022/23, and we are working with health, police and other partners through the Local Safeguarding Children's Partnership to act on the recommendations of the Child Safeguarding Practice Review Panel. We will develop our early intervention and prevention offer to ensure that children and young people in the borough have the best start in life.

We recognise that we are facing an unsettled global situation and that how we do things will have to be flexible and evolve further over the next two years as circumstances change. The plan outlines how we will make use of our strong foundations of connected and engaged communities and a vibrant VCS, strong effective regional and local partnerships, sound finance and management of assets, smarter ways of working, digital empowerment and analysis and insight. It describes how we will continue to seek to deliver inclusive economic growth, work towards our zero-carbon ambitions and secure a positive legacy from the 2022 Commonwealth Games.

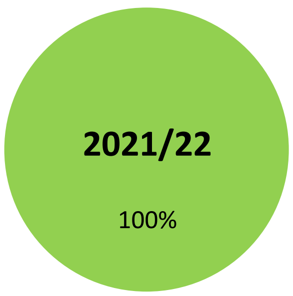
Our borough has great fundamentals, including our strategic location, a robust economy and high quality places to live, which will stand us in good stead in recovering from the impacts of the Covid-19 pandemic and rising to the underlying challenges: meeting the needs of our changing population, managing spending within constrained budgets and ensuring that growth generates opportunities for all.

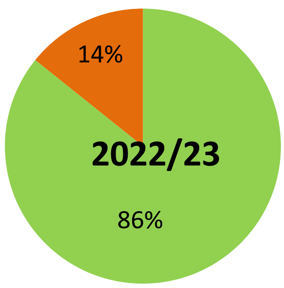
Medium Term Financial Strategy
The Council Plan is supported by our Medium Term Financial Strategy (MTFS), which covers the period to March 2025. The MTFS is reviewed and updated annually as part of the budget process, and the current MTFS reflects the principles of reset and recovery, moving away from the focus on budget savings which has been a constant in recent years to an emphasis on supporting those services under most financial pressure.

Our MTFS is approved by members before the start of each financial year but is kept under review throughout the year, with updates reported to members through the Budget Strategy Group, members' budget seminar, scrutiny and Full Cabinet. Where these updates result in changes to the financial planning assumptions in the first two years of the MTFS, we use a budget strategy reserve to smooth the impact into the third year. The focus of the annual budget setting process is on balancing the financial position in the third year of the MTFS, with budgets for the upcoming financial year having been approved two years previously.

Our budget process provides us with the time required to plan effectively and realistically for the management of service budget pressures and means that we are able to avoid hasty reactions to any unexpected financial shocks. Underpinned by our budget strategy reserve, our three-year budgeting approach is an important factor in the continued resilience of our financial position and has helped us to manage the impact of Covid-19.

A group of senior officers (the Aligning our Resources to our Priorities (ARTOP) Board) closely monitors the delivery of any budget savings and supports the management and mitigation of any anticipated shortfalls. The ARTOP Board categorises each saving as red, amber or green depending on their assessment of deliverability - the pie charts below show the proportions of savings in each year in each category, as at March 2022. There are no new corporate savings in 2023/24 or 2024/25, only the impact of the reversal of temporary savings from earlier years. The MTFS also focuses on recovery and reset following the Covid-19 pandemic.





Treasury management and borrowing strategy
The Council's Treasury Management Strategy sets out the Council's objectives in relation to the management of the Council's cash flow in order to ensure it is available when needed, and to manage borrowing and investments in support of the Council's longer term capital plans.

The Council is currently maintaining an under-borrowed position, which means that the capital financing requirement has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cashflow has been used as a temporary measure. This strategy is prudent as investment returns are relatively low and counterparty risk is relatively high.

Looking Ahead: Risks and Opportunities

Learning and recovery from Covid-19 is a theme that runs through the Council Plan. The Council seeks to encourage local economic recovery through our plans for our towns and local centres and to build resilience in preventative public health services and adult social care. In addition, the experience of the pandemic presents opportunities to build on the greater mutual understanding developed with the Voluntary, Community and Social Enterprise sector and to promote active travel and better connectivity between places.

As we emerge from the pandemic crisis period and enter a new phase of learning to live with Covid-19, rising inflation is posing a new challenge. Consumer price inflation rose to 9% in April 2022, a 40-year high and the highest level of inflation of the G7 group of industrialised nations. Key factors include the post-lockdown surge in oil and gas prices, exacerbated by the war in Ukraine, and continued disruption to global supply chains following the pandemic, while post-Brexit trade barriers and labour shortages in some sectors have had a particular impact on the UK. Combined with tax rises and changes to welfare payments this means that the whole population will experience rising costs in 2022. This will be especially damaging to lower income households, including those not in employment, many lone parents and families with children.

Rising inflation will also affect the prices paid by the Council for goods and services, and this will be a key consideration for the 2023/24 budget process.

The Levelling Up White Paper, published in February 2022, sets out a framework for addressing regional disparities and creating conditions where people living in all areas of the UK can prosper. The White Paper sets out to establish the West Midlands as a national trailblazer for the transfer of powers to the regions, with a commitment to detailed negotiations between the West Midlands Combined Authority and the government on a new, deeper devolution deal for the region. This could present significant opportunities for Solihull and the West Midlands.

Service pressures

Across the local government sector, rising demand, particularly in adults' and children's services, continues to be a challenge which councils need to manage within limited funding envelopes. In recognition of the national pressures facing adult social care, local authorities have been able to charge an adult social care precept on the council tax, which will generate around £13.6 million a year for Solihull by 2022/23. The government has also begun a wide-ranging review of the health and social care system, replacing Clinical Commissioning Groups with Integrated Care Systems and publishing the Adult Social Care Reform White Paper, which sets out a ten-year vision for adult social care.

The pandemic has also exacerbated the pressures facing children's social care across the country, as the number of children protection enquiries and looked after children increase each year. We know we need to make improvements in how we work with vulnerable children and young people, and this is currently the Council's top priority, with significant additional resources allocated to children's social care through the 2022/23 budget process. The Improving Outcomes for Children in Solihull Improvement Board, which is independently chaired and supported by the Department for Education, will drive through the necessary changes across all partner organisations in Solihull.

Economic Uncertainty

As outlined by the Office for Budget Responsibility in March 2022, global economic recovery from the impact of the pandemic has been affected by supply bottlenecks, rising inflation and the war in Ukraine. As a net energy importer, the UK is particularly exposed to volatility in the energy markets and the impact on inflation is expected to erode real incomes, cutting forecast GDP growth for 2022 from 6.0% in the October 2021 forecast to 3.8%. The OBR now expects real living standards to fall by 2.2% in 2022/23 and not recover to pre-pandemic levels until 2024/25.[5]

Solihull as a borough is relatively well placed to recover from the economic impacts of Covid-19, given the dynamism of the local economy, its well-balanced profile across manufacturing and service sectors and the highly qualified local workforce. That said, over a third of local businesses are in sectors particularly affected, with air transport and automotive manufacturing and supply chain particularly significant for the borough, and ongoing challenges in respect of trade with the EU continue to cause uncertainty.

Given the currently unsettled global and national situation it is difficult to forecast future demand for public services or the overall economic prosperity and employment prospects for the borough. We continue to monitor developments and will update our strategic and financial plans as necessary as and when the implications become clearer.

[5] Office for Budget Responsibility, *March 2022 Economic and Fiscal Outlook* (March 2022) https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/

Local government funding
The national focus on Brexit prior to the emergence of Covid-19 inevitably meant that other issues of vital importance to local government, such as the sustainable funding of adult social care and devolution to the regions, attracted little attention outside the sector.

A multi-year spending review, setting out the overall quantum of funding for central government departments (and by extension local government), and the outcome of the Fair Funding Review into local government finance, were both delayed following the 2019 general election and again as a result of the pandemic, with single-year finance settlements published for 2021/22 and 2022/23. Beyond April 2023, therefore, local authorities have little information on which to base their funding projections and the certainty sought by the local government sector seems a distant goal.

That said, we are confident in the robustness of the Council's finances. We have invested additional resources in services which are under financial pressure as a result of increasing demand, with further investment planned over the period of the MTFS, and our budget strategy reserve provides additional resilience.

Sustainable inclusive growth
The Council’s response is to focus on managing demand, reducing costs and maximising the income generated locally.

The High Speed 2 (HS2) Growth Strategy and UK Central investment programme provide an unprecedented opportunity to support the recovery of the borough’s towns and the revival of the visitor economy, ensuring that good opportunities will be available to all our residents. Inclusive economic growth will mean supporting residents to access new employment opportunities and ensuring the provision of appropriate and affordable housing, an issue for first time buyers in particular. We know that securing economic growth is not an end in itself, but is a means of achieving wellbeing, inclusion and shared prosperity.

To support our ambition the Council has published a strategic masterplan for Solihull, providing a framework for investment and development over a fifteen-year period. The acquisition of the Mell Square holding company in April 2021 will allow the Council to play an active role with partners in shaping the future of the town centre.

In future, many new jobs will require higher level skills and we recognise that some of our residents will require support to access these new employment opportunities. School attainment varies, with only 55% of those pupils attending secondary school in the north of the borough achieving grades 9 to 4 in GCSE English and Maths in 2019 (the latest available data), compared to 76% of pupils in the south of the borough. Employment rates for those with lower skills, ill health (particularly for those with a mental health issue), carers and lone parents are much lower than for the rest of the population.

Delivering a sustainable low-carbon future
We also want to manage economic growth to minimise the impact on the attractive living environment for the benefit of our residents and for our wildlife. Our Climate Change Prospectus articulates the Council's sustainable vision for the borough and sets out a coordinated approach to capitalising on new markets for green technology, goods and services. Our Net Zero Action Plan (NZAP) sets out how we will deliver a net zero borough by 2041, with Council activities being net zero by 2030.

Among the challenges we face is how to adapt our local transport system to cope with current and forecast demand, and how to increase the proportion of people who commute by public transport, walking or cycling. Maximising public transport connectivity is also essential in linking our major employment sites to where people live and delivering on our commitment to a low carbon future. The Covid-19 pandemic has also demonstrated that things can be done differently.

Outlook

Key service developments

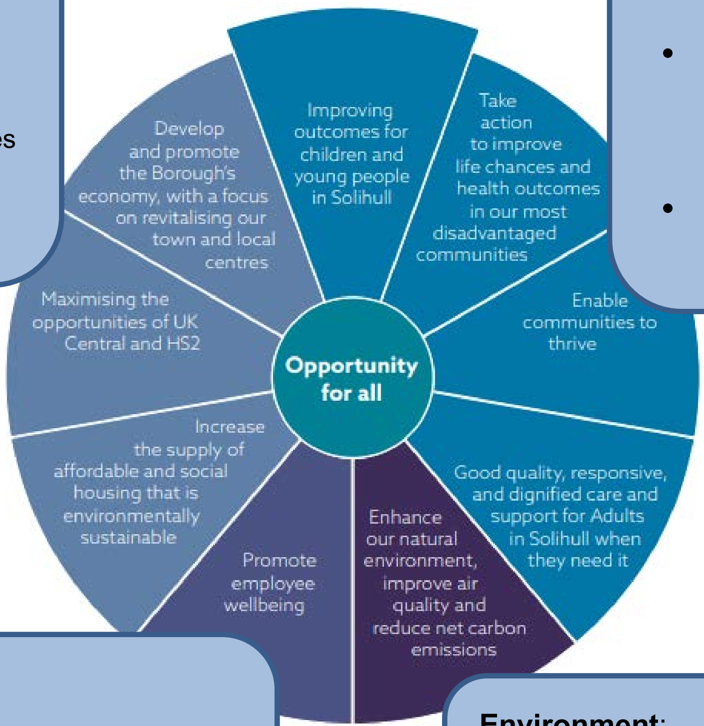
Our Council Plan outlines nine ‘key things to do’ and a set of outcomes that we are seeking to achieve by 2025. Our Council Plan seeks to deliver what people need to thrive – for example, good health, purpose, power and connection with others - through inclusive growth. The nine ‘key things to do’ are illustrated below, together with examples of planned deliverables for 2022/23.

Economy:

- Public realm improvements in Solihull town centre and support to other local centres
- Deliver Tourism Action Plan to maximise legacy of Commonwealth Games
- Continue Kingshurst development
- Adopt new Local Plan

People and Communities:

- Co-produce children’s social care offer with parents, carers and partners
- Reduce hospital admissions/ increase timely discharge through ‘home first’ support
- Launch ‘Being on the move’ programme



Strong Foundations:

- Develop wellbeing offer
- Work with WMCA on next devolution deal
- Roll out smarter ways of working at other council buildings
- Develop sustainable financial position for 2023/24 to 2025/26
- Complete migration to Oracle Cloud

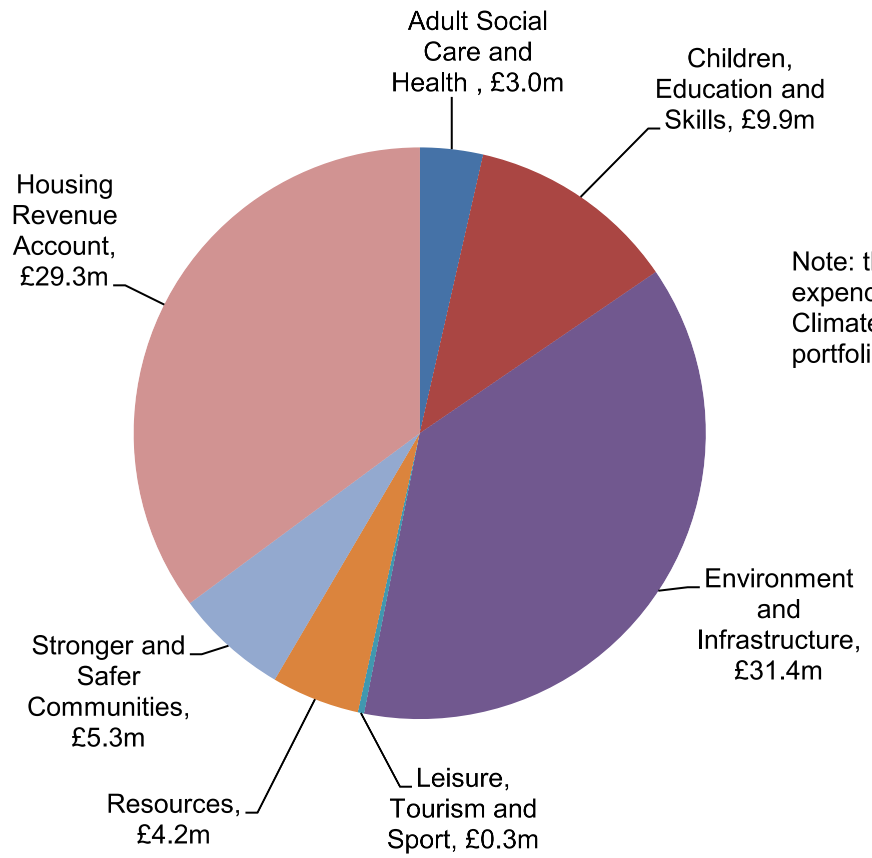
Environment:

- Plant additional 25,000 trees
- Commence implementation of Net Zero Action Delivery Plan
- Reduce council emissions to 7,599 tonnes

This activity will be supported by the financial resources set out in the MTFS, which are summarised in the table below.

	2022/23	2023/24	2024/25
	£000	£000	£000
Base budget	151,372	163,967	169,706
Funding commitments	17,763	7,427	6,079
Savings	(1,729)	1,450	0
Net Covid-19 pressures/funding	15,813	(6,709)	180
Government grants	(4,112)	(188)	0
Contributions to/ (from) reserves	(15,140)	3,759	5,923
Indicative budget	**163,967**	**169,706**	**181,888**

Capital programme
The capital programme represents the Council's plans for spending on non-current assets across the different service areas. Planned expenditure in the programme for 2022/23 totals £83 million (excluding rephasing approved by Full Cabinet in June 2022), divided between cabinet portfolios as shown in the chart below.



Note: there is no planned capital expenditure in the programme for the Climate Change, Planning and Housing portfolio

Significant items within the capital programme for 2022/23 include the schools improvement programme, highways improvements and ICT projects (including the migration of core council systems to Oracle Cloud), in addition to a programme of works totalling £29 million within the Housing Revenue Account.

Looking ahead, the total projected value of the capital programme between 2022/23 and 2024/25 is circa £243 million (before the addition of rephasing from 2021/22). This will be funded from the following internal and external sources: prudential borrowing (£111 million), external grants (£71 million), revenue (£55 million) and capital receipts and contributions (£6 million).

Adequacy of reserves
The Council holds working balances (both General Fund and HRA) to meet unforeseen spending requirements and to provide certainty for medium term financial planning. The level of working balances takes into account the strategic, operational and financial risks facing the Council and is reviewed each year as part of the budget process.

The Council also maintains a budget strategy reserve, specifically to meet budget risks in order that the Council can continue to focus on three-year budget planning. This reserve is considered to be particularly important to the Council given the uncertainty over central government funding post-2022. The accumulated deficit on the DSG is held in the DSG adjustment account, which is included in the unusable reserves shown at Note 14.

As at 31 March 2022, the balance on the budget strategy reserve was (£7.340 million), with the forecast balances to 2024/25 shown in the table below.

	2022/23	2023/24	2024/25
	£000	**£000**	**£000**
Forecast contribution (to)/from reserve	(3,191)	227	(850)
Forecast balance at year end	**(10,531)**	**(10,304)**	**(11,154)**

In addition, the individual cabinet portfolios maintain specific reserves which are earmarked for particular purposes, for example to fund future projects, smooth uneven funding or spending profiles or mitigate future risks. Transfers to and from earmarked reserves are detailed in Note 15, which shows a significant reduction in such reserves in 2022/23. This largely relates to funding received in 2020/21 in respect of Covid-19 pressures and contributed to reserves, which has subsequently been utilised in 2021/22. The level of earmarked reserves remains high relative to pre-pandemic years as some Covid-19-related funding remains in reserves, most significantly in relation to business rates reliefs, where the funding has been received in advance of the impact on the MTFS and will be released in future years.

We have also been prudent in our treatment of the windfall income which we have been receiving as a result of our involvement in the West Midlands business rates retention pilot. The first call on any such income would to make good the financial position of any of the members of the pilot, under the agreed principle of "no detriment", but to date this principle has yet to be invoked. The windfall income received in 2021/22 totalled £7.353 million which has been contributed to the windfall reserve. In June 2022, Full Cabinet approved the allocation of the full windfall amount relating to 2021/22 to the budget strategy reserve, in line with recommendations reported as part of the 2022/23 budget process.

Further information on the movements in the earmarked general fund balances, which includes the budget strategy reserve, the windfall contingency and a specific contingency for adult social care, is provided in Note 15.

Taken together, the level of the general fund earmarked and working balances contributes to the financial resilience of the Council and supports the MTFS. Our financial strategy continues to represent a robust foundation to support the delivery of the Council's priorities as we navigate this prolonged period of uncertainty and financial challenge.

[signed by Paul Johnson]

Paul Johnson CPFA
Chief Executive
26 September 2023

Statement of Responsibilities

The Council's Responsibilities:

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Approval by Governance Committee

The audited Statement of Accounts was approved by the Governance Committee on 26 September 2023.

[signed by Councillor Peter Hogarth]

Councillor Peter Hogarth MBE
Chair of Governance Committee

26 September 2023

The Chief Financial Officer's Responsibilities:

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Certification by the Chief Financial Officer:

I, the Chief Financial Officer of Solihull Metropolitan Borough Council, certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2022.

[signed by Paul Johnson]

Paul Johnson CPFA
Chief Executive

26 September 2023

Comprehensive Income and Expenditure Statement (CI&ES)

The Comprehensive Income and Expenditure Statement (CI&ES) shows the income, expenditure and net cost of services the Council provides, funding from general government grants and income from local taxpayers in the financial year. The CI&ES reconciles to the change in the year of the net worth of the Council as shown in the Balance Sheet.

The CI&ES is prepared in accordance with the Code, which differs from the legal rules used to calculate budgets and available balances. These differences are adjusted for in the Movement in Reserves Statement. It is the General Fund Working Balance increase or decrease shown in the Movement in Reserves Statement which shows the overall revenue position for the Council.

2020/21 Reclassified [1]				2021/22			Notes [2]
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	**Net Expenditure**	
£000	£000	£000		£000	£000	**£000**	
124,555	(65,440)	59,115	Adult Social Care and Health	133,006	(68,867)	**64,139**	5
203,722	(159,306)	44,416	Children, Education and Skills	208,339	(150,464)	**57,875**	5
4,812	(2,415)	2,397	Climate Change, Planning and Housing	3,128	(1,181)	**1,947**	
46,849	(14,696)	32,153	Environment and Infrastructure	50,849	(18,914)	**31,935**	
4,748	(981)	3,767	Leisure, Tourism and Sport	5,634	(1,945)	**3,689**	
109,711	(62,314)	47,397	Resources	88,579	(57,072)	**31,507**	5
48,521	(53,213)	(4,692)	Stronger and Safer Communities (includes HRA)	54,350	(61,911)	**(7,561)**	
542,918	(358,365)	184,553	**Cost of services**	543,885	(360,354)	**183,531**	5
		1,487	Parish precepts			**1,487**	
		8,544	Levies payable			**8,567**	
		1,202	Amounts payable into the housing capital receipts pool			**1,491**	
		(1,812)	(Gain)/loss on disposal of non-current assets			**(1,177)**	
		9,421	**Sub-total: Other operating expenditure**			**10,368**	
		16,896	Interest payable and similar charges			**16,979**	25
		6,538	Net interest on the net defined benefit liability			**8,756**	34
		(413)	Investment interest income			**(2,405)**	25
		(3,088)	Other investment income			**(4,649)**	25
		(1,020)	Income, expenditure and changes in fair value of investment properties			**(519)**	
		0	Impairment losses			**486**	
		18,913	**Sub-total: Financing and investment income & expenditure**			**18,648**	

2020/21 Reclassified [1]				2021/22			Notes [2]
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	**Net Expenditure**	
£000	£000	£000		£000	£000	**£000**	
		(109,910)	Council tax			**(115,778)**	C3
		17,577	Business rates			**(17,728)**	5, C3
		(85,521)	Non ring-fenced government grants			**(41,810)**	5, 9
		(25,968)	Recognised capital grants and contributions			**(25,397)**	9
		(203,822)	**Sub-total: Taxation and non-specific grant income & expenditure**			**(200,713)**	
		9,065	**(Surplus)/deficit on the provision of services**			**11,834**	
		(58,808)	(Surplus)/deficit on revaluation of property, plant & equipment			**(23,795)**	5, 16
		118	Impairment losses on non-current assets charged to the revaluation reserve			**0**	16
		378	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			**1,244**	25
		136,097	Remeasurement of the net defined benefit liability			**(162,799)**	34
		77,785	**Other comprehensive income and expenditure**			**(185,350)**	
		86,850	**Total comprehensive income and expenditure**			**(173,516)**	

[1] In May 2021, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2020/21 figures have been reclassified. Further details are provided in Note 2 – Prior Period Adjustments.
[2] The referenced notes form part of the financial statements.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the 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 council tax) and 'unusable reserves'. This statement shows how the movements in the Council's reserves are broken down between gains and losses shown in the CI&ES and the statutory adjustments required, resulting in the amounts chargeable to council tax or rents for the year. The (Increase)/ decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

2021/22 [1]	General Fund Working Balances	Earmarked Revenue Reserves (Note 15)	**Sub-total General Fund Balance**	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£000	£000	**£000**	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2021	**(6,269)**	**(171,802)**	**(178,071)**	**(16,115)**	**(19,802)**	**(4,681)**	**(23,398)**	**(242,067)**	**(276,537)**	**(518,604)**
Movement in reserves during 2021/22:										
Total Comprehensive Income and Expenditure (CI&ES)	14,898	0	**14,898**	(3,064)	0	0	0	**11,834**	(185,350)	**(173,516)**
Adjustments between accounting basis and funding basis under regulations (Note 13)	11,026	0	**11,026**	9,295	1,502	(451)	(2,922)	**18,450**	(18,450)	**0**
Transfers (to)/from earmarked reserves (Note 15)	(27,911)	27,911	**0**	0	0	0	0	**0**	0	**0**
(Increase)/decrease in 2021/22	**(1,987)**	**27,911**	**25,924**	**6,231**	**1,502**	**(451)**	**(2,922)**	**30,284**	**(203,800)**	**(173,516)**
Balance at 31 March 2022	**(8,256)**	**(143,891)**	**(152,147)**	**(9,884)**	**(18,300)**	**(5,132)**	**(26,320)**	**(211,783)**	**(480,337)**	**(692,120)**

[1] The referenced notes form part of the financial statements.

2020/21 [1]	General Fund Working Balances	Earmarked Revenue Reserves (Note 15)	**Sub-total General Fund Balance**	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	**Total Council Reserves**
	£000	£000	**£000**	£000	£000	£000	£000	£000	£000	**£000**
Balance at 31 March 2020	(6,738)	(74,966)	(81,704)	(15,866)	(20,729)	(4,284)	(20,735)	(143,318)	(462,136)	(605,454)
Movement in reserves during 2020/21:										
Total Comprehensive Income and Expenditure (CI&ES)	14,219	0	14,219	(5,154)	0	0	0	9,065	77,785	86,850
Adjustments between accounting basis & funding basis under regulations (Note 13)	(110,586)	0	(110,586)	4,905	927	(397)	(2,663)	(107,814)	107,814	0
Transfers (to)/from earmarked reserves (Note 15)	96,836	(96,836)	0	0	0	0	0	0	0	0
(Increase)/decrease in 2020/21	469	(96,836)	(96,367)	(249)	927	(397)	(2,663)	(98,749)	185,599	86,850
Balance at 31 March 2021	(6,269)	(171,802)	(178,071)	(16,115)	(19,802)	(4,681)	(23,398)	(242,067)	(276,537)	(518,604)

[1] The referenced notes form part of the financial statements.

Balance Sheet

The Balance Sheet shows the overall financial position of the Council at the year end, by detailing how much is owned by the Council and how much it owes. The net assets of the Council (what is owned less what is owed) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council and schools may use to provide services. The second category – unusable reserves – represents those that the Council is not able to use to provide services.

31 March 2021 [1]		31 March 2022	Notes [2]
£000		**£000**	
1,190,734	Property, Plant & Equipment	**1,218,501**	16,19
950	Heritage Assets	**950**	
17,450	Investment Property	**17,495**	20
6,108	Intangible Assets	**10,064**	21
39,679	Long-Term Investments	**40,427**	23
1,220	Long-Term Debtors	**37,208**	23
1,256,141	**Long-Term Assets**	**1,324,645**	
63,089	Short-Term Investments	**89,597**	23
1,499	Inventories	**1,566**	
58,805	Short-Term Debtors	**62,852**	28
3,137	Cash and Cash Equivalents	**12,827**	30
126,530	**Current Assets**	**166,842**	
(9,850)	Bank Overdraft	**(18,214)**	30
(7,342)	Short-Term Borrowing	**(3,755)**	23
(56,587)	Short-Term Creditors [1]	**(59,638)**	31
(5,080)	Short-Term Provisions	**(6,694)**	32
0	Capital Grants Receipts in Advance	**(12,706)**	9
(13,414)	Revenue Grants Receipts in Advance [1]	**(17,999)**	9
(92,273)	**Current Liabilities**	**(119,006)**	
(8,504)	Long-Term Provisions	**(4,910)**	32
(280,970)	Long-Term Borrowing	**(319,571)**	23
(422,754)	Net Pensions Liability	**(307,381)**	34
(45,452)	Other Long-Term Liabilities	**(43,488)**	23
(14,114)	Capital Grants Receipts in Advance [1]	**(5,011)**	9
(771,794)	**Long-Term Liabilities**	**(680,361)**	
518,604	**Net Assets**	**692,120**	
(242,067)	Usable Reserves	**(211,783)**	MIRS
(276,537)	Unusable Reserves	**(480,337)**	14
(518,604)	**Total Reserves**	**(692,120)**	

[1] The presentation of the 2020/21 figures has been updated to separate out Revenue Grants Receipts in Advance from within Short-term Creditors.
[2] The referenced notes form part of the financial statements.

Cash Flow Statement

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

2020/21		**2021/22**	**Notes [1]**
£000		**£000**	
9,065	Net (surplus)/deficit on the provision of services	**11,834**	CI&ES
(32,427)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	**(96,405)**	35
30,044	Adjustments for items in the net (surplus)/deficit on the provision of services that are investing/financing activities	**31,258**	36
6,682	**Net cash flows from operating activities**	**(53,313)**	
57,783	Purchase of property, plant and equipment, investment property and intangible assets	**49,617**	
684,452	Purchase of short-term and long-term investments	**654,622**	
2,296	Other payments for investing activities	**3,515**	
(4,281)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(5,669)**	
(36,583)	Capital grants received	**(28,604)**	
(722,030)	Proceeds from short-term and long-term investments	**(590,153)**	
(3,919)	Other receipts from investing activities	**(42)**	
(22,282)	**Net cash flows from investing activities**	**83,286**	
0	Cash receipts of short-term and long-term borrowing	**(40,000)**	
99	Other receipts from financing activities	**(64)**	
3,127	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	**3,437**	
5,114	Repayments of short-term and long-term borrowing	**5,328**	
8,340	**Net cash flows from financing activities**	**(31,299)**	
(7,260)	**Net (increase)/decrease in cash and cash equivalents**	**(1,326)**	
	Overall movement in cash and cash equivalents		
(13,973)	Cash and cash equivalents at the beginning of the reporting period	**(6,713)**	
7,260	Net increase/(decrease) in cash and cash equivalents	**1,326**	
(6,713)	**Cash and cash equivalents at the end of the reporting period**	**(5,387)**	30

[1] The referenced notes form part of the financial statements.

Disclosure notes – notes supporting the core financial statements

1. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to local tax payers how the funding available to the Council (i.e. council tax, business rates and government grants) for the year has been used in providing services, in comparison with those resources used by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's cabinet portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22	Cabinet Report June 2022	Total adjustments (Note1a)	Net expenditure chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis (Note1a)	**Net expenditure in the CI&ES**
	£000	£000	£000	£000	**£000**
Adult Social Care and Health	59,391	641	**60,032**	4,107	**64,139**
Children, Education and Skills	37,912	2,885	**40,797**	17,078	**57,875**
Children, Education and Skills - Dedicated Schools Grant (DSG)	1,956	(1,956)	**0**	0	**0**
Climate Change, Planning and Housing	1,972	404	**2,376**	(429)	**1,947**
Environment and Infrastructure	18,878	4,915	**23,793**	8,142	**31,935**
Leisure, Tourism and Sport	1,232	419	**1,651**	2,038	**3,689**
Resources	26,494	8,283	**34,777**	(3,270)	**31,507**
Stronger and Safer Communities (includes HRA)	5,375	(6,074)	**(699)**	(6,862)	**(7,561)**
Cost of services	**153,210**	**9,517**	**162,727**	**20,804**	**183,531**
Other income and expenditure	(151,394)	20,822	**(130,572)**	(41,125)	**(171,697)**
(Surplus)/deficit	**1,816**	**30,339**	**32,155**	**(20,321)**	**11,834**

The following table shows how the net deficit chargeable to the General Fund and HRA balances of £32.155 million is represented in the MIRS.

2021/22	Sub-total General Fund Balance	Housing Revenue Account (HRA)	**Total General Fund and HRA**
	£000	£000	**£000**
Opening General Fund and HRA Balances at 1 April 2021	(178,071)	(16,115)	**(194,186)**
Add (surplus)/deficit on the General Fund and HRA Balances in-year	25,924	6,231	**32,155**
Closing General Fund and HRA Balances at 31 March 2022	(152,147)	(9,884)	**(162,031)**

Prior year comparatives

2020/21 Reclassified [1]	Cabinet Report June 2021	Total adjustments (Note 1a)	Net expenditure chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis (Note 1a)	Net expenditure in the CI&ES
	£000	£000	£000	£000	£000
Adult Social Care and Health	53,963	(3,050)	50,913	8,202	59,115
Children, Education and Skills	37,762	(5,418)	32,344	12,072	44,416
Children, Education and Skills - Dedicated Schools Grant (DSG)	1,326	(1,326)	0	0	0
Climate Change, Planning and Housing	644	2,191	2,835	(438)	2,397
Environment and Infrastructure	21,391	4,360	25,751	6,402	32,153
Leisure, Tourism and Sport	1,636	643	2,279	1,488	3,767
Resources	29,296	(7,831)	21,465	25,932	47,397
Stronger and Safer Communities (includes HRA)	4,801	(5,947)	(1,146)	(3,546)	(4,692)
Cost of services	150,819	(16,378)	134,441	50,112	184,553
Other income and expenditure	(141,947)	(89,110)	(231,057)	55,569	(175,488)
(Surplus)/deficit	8,872	(105,488)	(96,616)	105,681	9,065

[1] In May 2021, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2020/21 figures have been Reclassified.

The following table shows how the net deficit chargeable to the General Fund and HRA balances of £96.616 million is represented in the MIRS.

2020/21	Sub-total General Fund Balance	Housing Revenue Account (HRA)	Total General Fund and HRA
	£000	£000	£000
Opening General Fund and HRA Balances at 1 April 2020	(81,704)	(15,866)	(97,570)
Add (surplus)/deficit on the General Fund and HRA Balances in-year	(96,367)	(249)	(96,616)
Closing General Fund and HRA Balances at 31 March 2021	(178,071)	(16,115)	(194,186)

1a. Note to the EFA

2021/22	General Fund Working Balance	Earmarked Revenue Reserves (Note 15)	Housing Revenue Account (HRA)	Move DSG balance to Children, Education and Skills	Items reported at Cabinet level, but which sit below the Net cost of services	**Total adjustments to arrive at amount charged to the general fund and HRA**	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	**Total adjustments between the funding and accounting basis**
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Note	(i)	(ii)	(iii)	(iv)	(v)		(vi)	(vii)	(viii)	
Adult Social Care and Health	0	(4,214)	0	0	4,855	**641**	216	3,891	0	**4,107**
Children, Education and Skills	0	5,645	0	1,956	(4,716)	**2,885**	7,313	10,327	(562)	**17,078**
Children, Education and Skills - DSG	0	0	0	(1,956)	0	**(1,956)**	0	0	0	**0**
Climate Change, Planning and Housing	0	(2,898)	0	0	3,302	**404**	(1,378)	949	0	**(429)**
Environment and Infrastructure	0	996	0	0	3,919	**4,915**	6,590	1,552	0	**8,142**
Leisure, Tourism and Sport	0	224	0	0	195	**419**	1,688	350	0	**2,038**
Resources	0	904	0	0	7,379	**8,283**	(3,665)	656	(261)	**(3,270)**
Stronger and Safer Communities (includes HRA)	0	152	6,231	0	(12,457)	**(6,074)**	(8,361)	1,545	(46)	**(6,862)**
Net cost of services	**0**	**809**	**6,231**	**0**	**2,477**	**9,517**	**2,403**	**19,270**	**(869)**	**20,804**
Other income and expenditure	(3,803)	27,102	0	0	(2,477)	**20,822**	(20,941)	8,756	(28,940)	**(41,125)**
Total	**(3,803)**	**27,911**	**6,231**	**0**	**0**	**30,339**	**(18,538)**	**28,026**	**(29,809)**	**(20,321)**

2020/21 Reclassified [1]	General Fund Working Balance	Earmarked Revenue Reserves (Note 15)	Housing Revenue Account (HRA)	Move DSG balance to Children, Education and Skills	Items reported at Cabinet level, but which sit below the Net Cost of Services	**Total adjustments to arrive at the amount charged to the General Fund and HRA**	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	**Total adjustments between the funding and accounting basis**
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Note	(i)	(ii)	(iii)	(iv)	(v)		(vi)	(vii)	(viii)	
Adult Social Care and Health	0	(2,539)	0	0	(511)	**(3,050)**	6,700	1,502	0	**8,202**
Children, Education and Skills	0	(4,486)	0	1,326	(2,258)	**(5,418)**	7,650	4,102	320	**12,072**
Children, Education and Skills - DSG	0	0	0	(1,326)	0	**(1,326)**	0	0	0	**0**
Climate Change, Planning and Housing	0	832	0	0	1,359	**2,191**	(800)	362	0	**(438)**
Environment and Infrastructure	0	(54)	0	0	4,414	**4,360**	5,793	609	0	**6,402**
Leisure, Tourism and Sport	0	(1,515)	0	0	2,158	**643**	1,350	138	0	**1,488**
Resources	0	(2,310)	0	0	(5,521)	**(7,831)**	16,351	9,518	63	**25,932**
Stronger and Safer Communities (includes HRA)	0	(852)	(249)	0	(4,846)	**(5,947)**	(4,094)	595	(47)	**(3,546)**
Net cost of services	0	(10,924)	(249)	0	(5,205)	**(16,378)**	32,950	16,826	336	**50,112**
Other income and expenditure	(8,403)	(85,912)	0	0	5,205	**(89,110)**	(24,320)	41	79,848	**55,569**
Total	(8,403)	(96,836)	(249)	0	0	**(105,488)**	8,630	16,867	80,184	**105,681**

[1] In May 2021, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2020/21 figures have been reclassified.

i. The use of Council working balances is included within the Other income and expenditure figures reported to Cabinet so is therefore required to be removed in the EFA to arrive at the (surplus) or deficit on the General Fund and HRA Balances.
ii. For management purposes, contributions (to)/ from earmarked revenue reserves are included in the figures reported to Cabinet so are therefore required to be removed in the EFA to arrive at the (surplus)/deficit on the General Fund and HRA Balances.
iii. For management purposes, the net contribution to the HRA is reported to the Council within the Stronger and Safer Communities cabinet portfolio. This is therefore required to be removed in the EFA to arrive at the (surplus)/ deficit on the General Fund and HRA Balances.
iv. In the figure reported to the Cabinet, the amount funded by the DSG within the Children, Education & Skills cabinet is shown separately. However, as this is within the same cabinet, it is included in one line in the CI&ES.
v. A number of items that are reported to the Cabinet (including interest payable, investment income and some non ring-fenced grants) are reported in the CI&ES as part of the Other income and expenditure sections and are therefore reallocated within the EFA.
vi. Adjustments are made within this column to add in depreciation, impairments and revaluation gains and losses. Capital disposals are also adjusted for with a transfer of the income on the disposal and the amounts written off. Minimum Revenue Provision is removed because it is not chargeable under generally accepted accounting practices so is not included in the CI&ES. Adjustments are also made to recognise capital grant income.
vii. This is the removal of pension contributions charged under statute and the replacement with the amounts chargeable under IAS 19.
viii. This column includes timing differences between the accounting treatment in the CI&ES and that required under statute in relation to premiums, discounts and financial instruments; the accumulated absences account; the dedicated schools grant adjustment account and business rates and council tax income.

2. Prior Period Adjustments and Reclassification

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

Prior Period Reclassification of Service Expenditure and Income

The following prior period adjustment is considered to be a change in accounting policy.

Expenditure and income in the Net Cost of Services section in the CI&ES is based on the Council's cabinet structure. In May 2021, a new Cabinet structure was introduced and therefore, in order to provide meaningful comparative information, the 2020/21 CI&ES figures have been reclassified to reflect the new structure. This note shows how the net expenditure, gross expenditure and income have been reclassified. Note 1 - the Expenditure and Funding Analysis, Note 6 – Expenditure and Income analysed by type, and the Group Statements have also been updated in line with the new Cabinet structure.

Cabinet Portfolio per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Cabinets	As reclassified 2020/21	Updated Cabinet Portfolio
Gross Expenditure	£000	£000	£000	
Adult Social Care and Health	122,679	1,876	124,555	Adult Social Care and Health
Children, Education and Skills	205,646	(1,924)	203,722	Children, Education and Skills
Climate Change, Planning and Housing	4,725	87	4,812	Climate Change, Planning and Housing
Environment and Highways	38,437	8,412	46,849	Environment and Infrastructure
Growth and Infrastructure Delivery	9,995	(9,995)	0	No longer in use
Leisure, Tourism and Sport	3,277	1,471	4,748	Leisure, Tourism and Sport
Resources	109,711	0	109,711	Resources
Stronger and Safer Communities (includes HRA)	48,448	73	48,521	Stronger and Safer Communities (includes HRA)
Cost of services	**542,918**	**0**	**542,918**	

Cabinet Portfolio per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Cabinets	As reclassified 2020/21	Updated Cabinet Portfolio
Gross Income	£000	£000	£000	
Adult Social Care and Health	(63,887)	(1,553)	(65,440)	Adult Social Care and Health
Children, Education and Skills	(160,907)	1,601	(159,306)	Children, Education and Skills
Climate Change, Planning and Housing	(2,336)	(79)	(2,415)	Climate Change, Planning and Housing
Environment and Highways	(6,177)	(8,519)	(14,696)	Environment and Infrastructure
Growth and Infrastructure Delivery	(9,483)	9,483	0	No longer in use
Leisure, Tourism and Sport	(129)	(852)	(981)	Leisure, Tourism and Sport
Resources	(62,314)	0	(62,314)	Resources
Stronger and Safer Communities (includes HRA)	(53,132)	(81)	(53,213)	Stronger and Safer Communities (includes HRA)
Cost of services	**(358,365)**	**0**	**(358,365)**	

Cabinet Portfolio per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Cabinets	As reclassified 2020/21	Updated Cabinet Portfolio
Net Expenditure	**£000**	**£000**	**£000**	
Adult Social Care and Health	58,792	323	59,115	Adult Social Care and Health
Children, Education and Skills	44,739	(323)	44,416	Children, Education and Skills
Climate Change, Planning and Housing	2,389	8	2,397	Climate Change, Planning and Housing
Environment and Highways	32,260	(107)	32,153	Environment and Infrastructure
Growth and Infrastructure Delivery	512	(512)	0	No longer in use
Leisure, Tourism and Sport	3,148	619	3,767	Leisure, Tourism and Sport
Resources	47,397	0	47,397	Resources
Stronger and Safer Communities (includes HRA)	(4,684)	(8)	(4,692)	Stronger and Safer Communities (includes HRA)
Cost of services	**184,553**	**0**	**184,553**	

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 44 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are highlighted below.

Accounting for Local Authority Maintained Schools
The accounting policies for Property, Plant & Equipment, including Recognition of School Assets, have been applied to school assets and the list of maintained schools held on/off the Council's balance sheet at 31 March 2022 is shown in the following table:

	On Balance Sheet	Off Balance Sheet
Maintained Schools:		
Community	33	0
Voluntary Controlled	1	0
Voluntary Aided*	0	6
Total Maintained Schools	**34**	**6**
Academies	0	36
Total Schools	**34**	**42**

* Note that although the school buildings are not on the Council's Balance Sheet, playgrounds and playing fields are. This is because we still own the land and the lease has been transferred from the diocese to the academy chain.

It is considered that arrangements can be examined under IAS 16 Property, Plant & Equipment as adopted by the Code. The definition of an asset included in the Code is 'a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow'. The clarification on how this should be interpreted requires a judgement to be made as to whether the assets of a school are controlled by the Council or by another entity. If the asset is considered to be controlled by the Council, it is included in the Council's balance sheet.

On this basis, the land and buildings of community schools, which are controlled and run by the Council, are included on the Council's balance sheet. The Council has one voluntary controlled school, Meriden Church of England Primary, which is funded by the Council rather than through the Local Education Authority Coordinated Voluntary Aided Programme (LCVAP). As only two of the school's foundation governors are representatives of the Church of England, the school's non-current assets are deemed not to be under the control of the Church and are therefore recognised on the Council's balance sheet.

Voluntary aided (VA) schools, which in Solihull are predominantly faith schools, are run by governing bodies controlled by other entities and the land and buildings, which are not owned by the Council, are therefore not included on the Council's balance sheet (other than playing fields, which are in the Council's ownership and are included on the Council's balance sheet).

Grants receivable – Covid-19
The Council received significant amounts of funding during the year for distribution or use to support the Covid-19 lockdown and recovery. For each grant the authority had to determine whether the income and expenditure should be accounted for as agent or principal transactions. The Council reviewed the guidance available to establish whether the authority was acting merely to distribute grant monies to other bodies and had no control over the amount of grant allocated to the recipient, or whether it had control over the distribution or amounts. On that basis the authority concluded that it was acting as an agent on behalf of central government in respect of funding including business support grants and grants to adult social care providers, and therefore the associated transactions have been excluded from the Council's accounts.

Group Boundaries and Subsidiary Accounts
The Council has long standing interests in other entities which are included in the Council's Group Accounts. Solihull Community Housing Ltd and the Urban Growth Company Ltd are consolidated as wholly owned subsidiaries of the Council, whilst the Coventry & Solihull Waste Disposal Company Ltd is included as a joint venture. The accounting policy for "Interests in Companies and Other Entities" has been applied.

In respect of the Coventry and Solihull Waste Disposal Company Ltd and in accordance with directives received from the government exercising powers under the Environmental Protection Act 1990, Solihull Council, in conjunction with Coventry City Council, set up a wholly owned company for the disposal of waste arising from the two councils. The company was in the ownership of Coventry City Council from formation in 1975 until the assets were vested into the limited company in 1994.

Solihull Council has 1/3 ownership of the 99 £1 Ordinary Shares with Coventry City Council owning the remaining 2/3. This has been classified as a Joint Venture as Solihull Council has an interest in Net Assets and not particular Assets or Liabilities. There is a contractual arrangement which gives joint control to these two shareholders who will therefore benefit from any surpluses made and will contribute to any liabilities or losses the company cannot meet. Further information can be found in Note 23a.

During the year, the Council acquired a 100% shareholding in Mell Square Ltd as a wholly owned subsidiary and as such, it will be treated the same as Solihull Community Housing Ltd and the Urban Growth Company Ltd. The Council has accounted for the acquisition under IFRS 3 Business Combinations and various notes in these accounts reference the acquisition and group consolidation. Mell Square Ltd has a financial year that runs to 31 December. Any transactions taking place between 31 December and 31 March, the Council's financial year end, are not considered to be material and therefore are not consolidated. In the event the transactions are material, an adjustment will be made.

Also during the year, the Council, along with 7 other local authority partners, established Sherbourne Recycling Ltd. The Council's shareholding is 14.63% and in undertaking a group boundary assessment has deemed that this will be held at fair value as an investment in the Council accounts and therefore is not required to be consolidated in the Council's group accounts.

Reliance is placed on qualified financial professionals at these subsidiary and joint venture companies to provide accounts that meet accounting standards and are audited by appropriate professionals for consolidation into the Council's group accounts. The Council ensures that any accounting policy or standards adopted by these subsidiary companies are aligned to the Council's accounting policies set out in Note 44.

Infrastructure Assets
Note 42 - Events after the Reporting Date references that there is a national issue regarding the accounting treatment for Infrastructure Assets. The Council has applied its existing policies as outlined in Note 44 which outlines a 40 year useful expected life of all Infrastructure Assets as agreed with appropriately qualified officers. In addition, the authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Leases and Right of Use Assets
As per Note 43 – Accounting Standards that have been Issued but not yet Adopted, IFRS 16 – Leases, has been deferred to 1 April 2024. As such, the Council has not adopted this revision to the accounting policy. However, the standard was required to be adopted by private limited companies (adopting IFRS policies) for any accounting period after 1 April 2019.

Mell Square Ltd and the Coventry and Solihull Waste Disposal Company Ltd prepare their accounts under FRS 102 and have therefore not needed to adopt the changes to IFRS 16 Leases. As a result, any operating leases are still accounted for as expenditure in the Comprehensive Income and Expenditure Statement.

Solihull Community Housing Ltd and the Urban Growth Company Ltd are early adopters of IFRS16, however, as the Council has not yet needed to adopt this Standard, these will not be consolidated in the group accounts.

Private Finance Initiative (PFI) and Similar Contracts
The Council is deemed to control the services provided under the Strategic Environment contract and the Building Schools for the Future (BSF) contracts. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the associated assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet. The exception is when a PFI school transfers to academy status, the building asset is disposed of and the land subject to revaluation. The unitary charge payment liability for the academy schools remains with the Council.

Property, Plant and Equipment
The Council's policy for valuing its Property, Plant and Equipment assets is to revalue them sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end and at least once every five years. In most years, this is achieved through a five-year rolling revaluation programme however, due to recent economic conditions, this year, as in 2020/21, it was decided that a number of other asset groups within Other Land and Buildings should also be revalued in order to ensure that the carry amount is in line with the current value. This included all valuations that were carried out during 2020/21 that were issued on the basis of "material estimation uncertainty." None of the valuations carried out during 2021/22 were reported as being subject to "material valuation uncertainty".

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 could be materially different from the assumptions and estimates.

The item in the Council and Group Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	The valuation 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, life expectancy rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the West Midlands Pension Fund to provide the Council with expert advice about the assumptions to be applied. The Pension Fund appointed a new actuary, Hymans Robertson, to provide actuarial services from 1 January 2022. During 2021/22 the updating of assumptions by the actuary has led to a decrease in the net pension liability of (£115.373 million). This has been calculated by the Council's actuary in line with the government Actuary's Department impact analysis. One of the main reasons for the significant decrease in the liability is a number of changes to the financial assumptions made by the actuary. These include an increase in the discount rate applied to the value of expected future pension payments, which has increased by more than the increase in the CPI assumption. The net pension liability has also decreased as a result of the updated membership data as at 31 March 2022. Further details on the net pension liability are given in Note 34 - Defined Benefit Pension Schemes.	Any change in the assumed value of the Fund or changes to the assumptions made could impact on the level of the net pension liability. A sensitivity analysis is provided in Note 34 – Defined Benefit Pension Schemes and shows that a decrease in the discount rate of only 0.1% results in an increase to the liability of £20.783 million.

Disclosure notes – notes supporting the Comprehensive Income and Expenditure Statement

5. Material Items of Income and Expenditure

The Council wishes to highlight the following items of income and expenditure which are considered to be material, either by virtue of their value or where it is considered that an explanation of the item would aid the understanding of the Council's accounts.

Cost of Services
Gross expenditure and income have not moved significantly since 2020/21. In 2020/21, £23.141 million of Covid-19 specific grants were credited to Cost of Services and in 2021/22 this value has reduced slightly to £19.892 million. These grants have been applied in full, alongside other general Covid-19 funding included within Non ring-fenced government grants, and the associated spend is therefore included within gross expenditure.

Whilst gross expenditure and gross income have not materially changed in totality, there have been some significant fluctuations within particular service lines which are outlined below:

Adult Social Care and Health (Cost of Services)
This line includes a number of revaluation losses on buildings which reflect the economic market conditions, including the impact of the Covid-19 pandemic.

Alongside this, there has been an increase in the cost of Spot Care for Older People in the borough – this is in relation to an increase in the number of Hospital Discharges seen during the year alongside a contractual change to move from Block to Spot Care.

Children, Education and Skills (Cost of Services)
This line includes an in-year increase in spend on looked after children and home to school transport consistent with the Council's Medium Term Financial Strategy. This is linked to the Covid-19 pandemic as children could not be moved out of existing high cost placements during various lockdowns, which increased costs.

Resources (Cost of Services)
A large proportion of the reduction in gross expenditure between 2020/21 and 2021/22 is as a result of significantly fewer revaluation losses on buildings during 2021/22. In addition to this, there was a significant reduction in the IAS19 pension costs which were charged to Resources, mainly as a result of the transfer of a number of voluntary aided schools to academy status. Both of these items are required to be reversed out in the MIRS so do not impact on the Council's General Fund position.

Business Rates
In 2021/22, as in the previous year, the government extended retail and nurseries relief in recognition of the ongoing impact of the coronavirus pandemic. In addition, towards the end of the financial year the government confirmed the details of a new Covid-19 Additional Relief Fund, a locally-administered relief to support businesses ineligible for other Covid-19 business rates support.

The impact of these reliefs is to reduce the amount of business rates collected in the year, resulting in a deficit on the collection fund. However, local authorities received section 31 grant totalling £27.289 million (included in the CIES and shown in Note 9) to fund the cost of these reliefs which has been contributed to reserves in order to meet the cost of the resulting deficit in future years' budgets. This grant has reduced from £56.000 million received in 2020/21.

Non ring-fenced government grants (related to Covid-19)
The Council has received fewer non ring-fenced government grants relating to Covid-19 during 2021/22. This is due to the gradual easing of restrictions over the course of the financial year. Of the £41.810 million of non ring-fenced funding received this year, £35.500 million relates to Covid-19 compared to £78.469 million in 2020/21.

The most significant reduction relates to the business rates relief grants referenced above. A breakdown of these grants is given in Note 9.

(Surplus)/ deficit on revaluation of property, plant & equipment
The Council has an agreed revaluation programme and a number of asset categories within property, plant and equipment were revalued in line with this. However, in addition to the usual programme of revaluations, it was decided that a number of other asset categories should also be revalued, to reflect the impact of current market conditions. There has been a net surplus of (£23.795 million) as a result of revaluations, in addition to net revaluation gains included in the Net Cost of Services of (£0.214 million).

Re-measurement of the net defined benefit liability
This line recognises the change in valuations as calculated by the Pension Fund actuary. This year, there has been some changes in the assumptions applied which have significantly decreased the value of the net pension liability. Further information on the impact of these changes can be found within Note 34.

Pension Contributions for 2020/21 – 2022/23
In April 2020 the Council made an upfront payment of £58.3 million in respect of pension contributions for the three years from 2020/21 – 2022/23 in order to save a net £3.9 million. The full payment was accounted for as a reduction in the Council's net pension liability in 2020/21 however, accounting regulations require that the amount due in relation to 2021/22 of £21 million is recognised as a cost to the General Fund this year. This cost is therefore adjusted for in the Movement in Reserves Statement and detailed in Note 13. This payment means that until 2022/23, when all payments will have been recognised, there will be a difference between the net pension liability and the pensions reserve, equal to the amount that has been paid in relation to future years.

6. Expenditure and Income analysed by Type

The Council's expenditure and income is analysed by type in the following table. In line with the Code and the Council's accounting policy on schools, the CI&ES and the following analysis includes the income and expenditure of the Council's maintained schools as if it were the expenditure of the Council.

2020/21 £000		2021/22 £000
	Expenditure	
175,588	Employee benefits expenses [1]	**196,307**
22,080	Employee benefits expenses for Voluntary Aided schools [2]	**7,363**
247,997	Other service expenses	**271,187**
63,740	Depreciation, amortisation, impairment and revaluation losses	**39,402**
16,896	Interest payable	**16,979**
10,031	Precepts and levies	**10,054**
1,202	Payments to Housing Capital Receipts Pool	**1,491**
37,729	Housing benefits	**35,247**
2,322	Revenue expenditure funded from capital under statute (REFCUS)	**3,621**
577,585	**Total expenditure**	**581,651**
	Income	
(62,586)	Fees, charges & other service income [Note 6a]	**(79,543)**
(42,377)	HRA rental Income [Note 6a]	**(42,878)**
(1,020)	Income from investment properties including fair value adjustments	**(519)**
(1,812)	Gain on disposal of non-current assets	**(1,177)**
(3,501)	Interest and investment income	**(7,054)**
(92,333)	Income from council tax and business rates [3]	**(133,506)**
(364,891)	Grants, contributions and donations [4]	**(305,140)**
(568,520)	**Total income**	**(569,817)**
9,065	**(Surplus)/ deficit on provision of services**	**11,834**

[1] A large part of the increase in employee benefits is as a result of an increase in IAS19 post-employment benefit charges, explained in note 34.
[2] The decrease in employee benefits expenses for Voluntary Aided schools is as a result of the transfer of 9 schools to academy status during 2021/22.
[3] Further information is provided in Note 5 and Note C3 to the Collection Fund.
[4] Further information is provided in Note 9.

a. Revenue from external customers
The following table provides a breakdown by cabinet portfolio of the total fees, charges and other service income and HRA rental income figures shown in the table above.

		2021/22		
2020/21 Reclassified [1]		Income from Service recipients	Other Income	**Total fees, charges, other service income & HRA rental income**
£000		£000	£000	**£000**
(23,027)	Adult Social Care and Health	(29,505)	(183)	**(29,688)**
(10,700)	Children, Education and Skills	(14,304)	(390)	**(14,694)**
(1,971)	Climate Change, Planning and Housing	(2,209)	0	**(2,209)**
(4,635)	Environment and Infrastructure	(6,538)	0	**(6,538)**
(301)	Leisure, Tourism and Sport	(1,012)	0	**(1,012)**
(14,426)	Resources	(17,353)	0	**(17,353)**
(49,903)	Stronger and Safer Communities (includes HRA)	(50,927)	0	**(50,927)**
(104,963)	**Total**	**(121,848)**	**(573)**	**(122,421)**

[1] In May 2021, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2020/21 figures have been reclassified.

7. Officers' Remuneration

This note contains the following three disclosures relating to officers' remuneration:

a. Remuneration of senior officers;
b. Remuneration of officers receiving more than £50,000;
c. Exit packages.

Under section 38(1) of the Localism Act 2011, local authorities are required to produce a Pay Policy Statement for each financial year. There are two pay policy statements which are relevant to this financial year's accounts, and these were approved by Full Council on 2 February 2021 and 8 February 2022. These can be accessed via the Council's website.

A one year pay award was agreed in February 2022 for the 2021/22 financial year, awarding a 1.5% pay increase to senior officers and 1.75% to other officers. The 2022 pay policy was approved prior to the agreement of the pay award - the tables below include the salary figures after the pay award has been applied. The notes that follow should be read in conjunction with the pay policy statements if more information or context is required.

a. Remuneration of senior officers

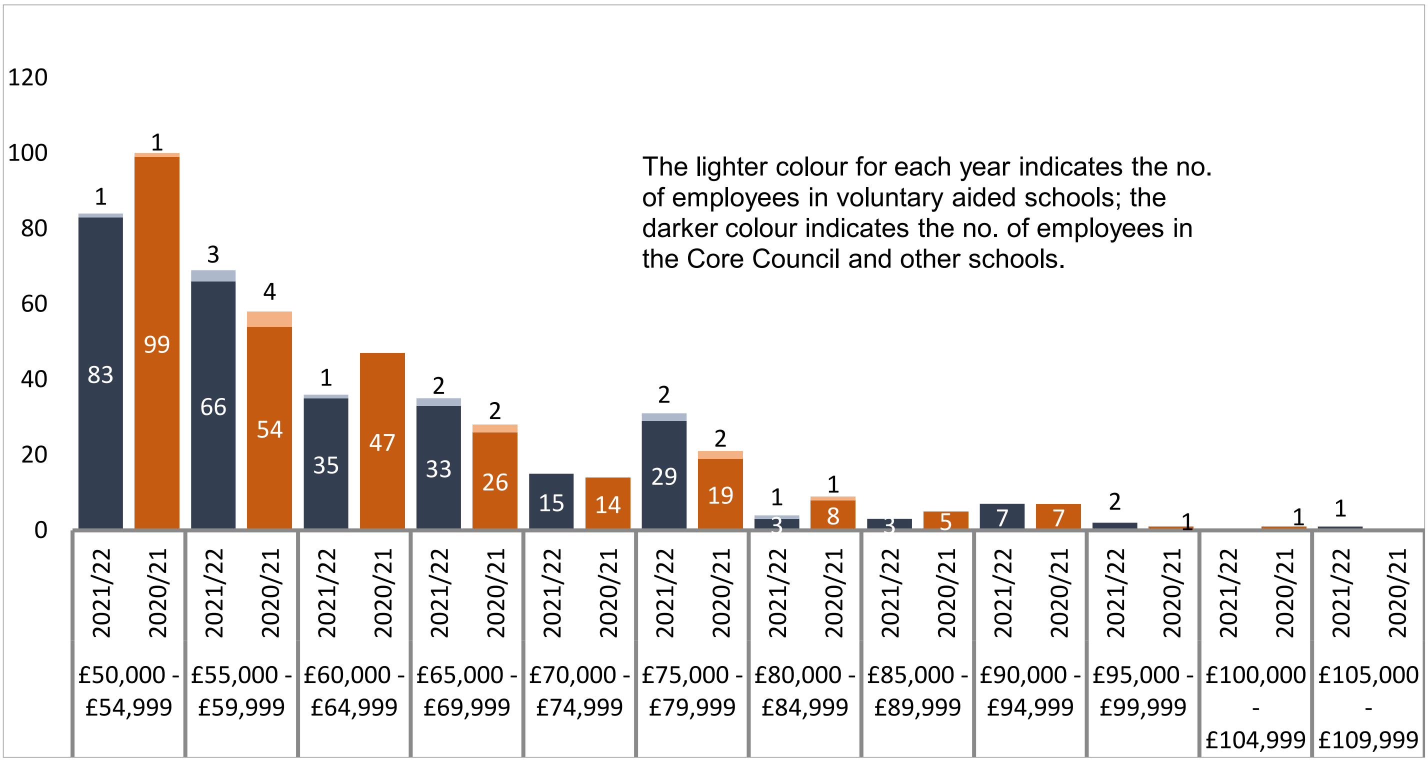
Senior officers' remuneration is subject to the same Performance and Development Review Framework as all Council employees (excluding schools). The remuneration paid to the Council's senior officers is as follows:

Post		Salary, Fees and Allowances	Expenses Allowances	Employer's Pension Contributions	**Total Remuneration**
		£	**£**	**£**	**£**
Chief Executive - Nick Page [1]	**2021/22**	**165,611**	**14,240**	**34,678**	**214,529**
	2020/21	163,164	1,991	33,774	198,929
Director of Adult Care and Support	**2021/22**	**130,556**	**0**	**27,024**	**157,580**
	2020/21	128,626	0	26,626	155,252
Director of Children's Services (left 31 October 2021)	**2021/22**	**74,400**	**0**	**15,400**	**89,800**
	2020/21	128,626	0	26,626	155,252
Acting Director of Children's Services (started 17 July 2021)	**2021/22**	**85,910**	**0**	**17,783**	**103,693**
	2020/21	0	0	0	0
Director of Economy and Infrastructure	**2021/22**	**130,556**	**0**	**27,024**	**157,580**
	2020/21	128,626	0	26,626	155,252
Director of Public Health	**2021/22**	**124,528**	**0**	**25,777**	**150,305**
	2020/21	119,719	0	24,782	144,501
Director of Resources and Deputy Chief Executive	**2021/22**	**140,570**	**0**	**29,098**	**169,668**
	2020/21	138,493	0	28,668	167,161

[1] In addition to the normal duties, the Chief Executive was paid remuneration for returning officer duties for the 2021 Police and Crime Commissioner Election and the Combined Authority Mayoral Election and for the 2019 General Parliamentary Elections, amounting to £14,240. This amount is included within Expenses Allowances.

b. Remuneration of officers receiving more than £50,000

The number of Council employees (including teachers but excluding senior officers included within Note 7a) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown in the following chart:



There are 7 officers included in the 2021/22 figures and 3 in the 2020/21 figures who were in receipt of termination packages (none of which were at VA schools). This includes all officers earning over £100,000 in both years.

c. Exit packages

Below is the Council's disclosure of the number and cost of exit packages agreed in the year. The costs are amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Exit package cost	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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£000	**£000**
£0 - £20,000	11	**10**	4	**13**	15	**23**	55	**209**
£20,001 - £60,000	4	**3**	2	**2**	6	**5**	217	**170**
£60,001 - £100,000	0	**1**	3	**4**	3	**5**	216	**421**
Total	15	**14**	9	**19**	24	**33**	488	**800**

During 2021/22 the Council agreed a number of voluntary and compulsory redundancies. These were primarily as a result of operational changes, legislative changes, service transformation or in order to realise savings to meet the Council's Medium Term Financial Strategy (MTFS). The following narrative gives some information on the main areas of change during 2021/22.

Children's Services & Skills (total cost £0.196 million)
The majority of these costs relate to the restructuring of a number of services as part of the Reshaping Education Management of Change process.

Economy and Infrastructure (total cost £0.081 million)
Included within this cost is the impact of a review of the management structure for Customer Services, Libraries and Arts which resulted in the deletion of a post during 2021/22. The changes to the structure were cost neutral and supported greater integration between these services which were historically separate.

Resources (total cost £0.350 million)
A small number of posts were deleted during 2021/22 within the Catering Service in order to achieve operational efficiency.

Solihull Schools (total cost £0.152 million)
In 2021/22 there were a number of redundancies at schools within the borough.

8. Members' Allowances

The total of Members' allowances paid in the year was £0.690 million (£0.689 million in 2020/21). The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

9. Grants Received

a. Grant Income

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement:

2020/21		2021/22
£000		**£000**
	Credited to Taxation and Non-specific Grant Income	
	Non ring-fenced government grants	
(56,000)	Covid-19 Business Rates Relief Grant	**(27,289)**
(10,771)	Covid-19 Support Grant	**(5,569)**
(4,742)	Section 31 Business Rates Grants	**(4,857)**
0	Covid-19 Local Council Tax Support Grant	**(2,121)**
(2,310)	New Homes Bonus	**(1,453)**
(4,289)	Covid-19 Sales, Fees and Charges Support Grant	**(521)**
(7,409)	Covid-19 Tax Income Guarantee Grant	**0**
(85,521)		**(41,810)**
	Capital grants and contributions	
(8,502)	West Midlands Combined Authority	**(5,013)**
(3,593)	Basic Need Grant (Schools Capital)	**(4,271)**
(5,435)	Local Transport Plan	**(3,956)**
0	Department for Transport	**(2,708)**
(1,921)	Condition Grant	**(2,082)**
(790)	Community Infrastructure Levy	**(1,346)**
(1,234)	Better Care Fund (Note 11)	**(1,244)**
(330)	Section 106 contributions	**(812)**
(4,163)	Other Capital Grants, Contributions and Donations	**(3,965)**
(25,968)		**(25,397)**
	Credited to Services: Non-Covid-19 grants and contributions	
(113,737)	Dedicated Schools Grant (DSG) [1] (Note 10)	**(105,832)**
(36,657)	Housing Benefit Subsidy	**(34,063)**
(14,252)	Better Care Fund [2] (Note 11)	**(16,013)**
(11,374)	Public Health Grant	**(11,505)**
(9,100)	West Midlands Combined Authority [3]	**(8,683)**
(6,993)	PFI credits	**(6,974)**
(6,206)	Pupil Premium	**(5,653)**
(4,784)	Social Care Grant	**(5,374)**
(3,315)	Asylum Seekers	**(3,744)**
(2,117)	Revenue expenditure funded by capital under statute (REFCUS)	**(3,328)**
(2,403)	Universal Infant Free School Meals	**(1,690)**
0	WMIDS ADCS - Regional Improvement Alliance	**(1,500)**
(1,306)	Homelessness Prevention	**(873)**
0	Holiday Activities and Food Grant	**(845)**
(769)	Independent Living Fund	**(769)**
(927)	PE and Sports Grant	**(769)**
(700)	Housing Benefit and Localised Council Tax Support Administration	**(753)**

2020/21		2021/22
£000		**£000**
(3,208)	Teachers' Pension Employer Contribution Grant [4]	**(164)**
(1,031)	Teachers' Pay Grant [4]	**(58)**
(1,150)	Sixth Form Funding [5]	**0**
(10,232)	Other Non-Covid-19 revenue grants, contributions and donations [6]	**(9,451)**
(230,261)	Sub-total	**(218,041)**
	Credited to Services: Covid-19 grants and contributions [7]	
(2,455)	Additional Restrictions Support Grant	**(5,672)**
(3,142)	NHS Covid-19 contribution	**(1,792)**
(435)	Workforce recruitment and retention fund	**(1,677)**
(5,440)	Contain Outbreak Management Fund	**(1,437)**
0	Household support fund	**(1,408)**
0	Targeted Community Testing	**(1,297)**
(1,115)	Infection Control Fund	**(1,236)**
(1,712)	Job Retention Scheme	**(468)**
(1,572)	Council tax hardship fund	**0**
(1,473)	Covid-19 Test and Trace Service Support Grant	**0**
(1,245)	Local Authority Discretionary Grant Fund	**0**
(4,552)	Other Covid-19 grants and contributions	**(4,905)**
(23,141)	Sub-total	**(19,892)**
(253,402)	**Sub-total: Credited to Services**	**(237,933)**
(364,891)	**Total**	**(305,140)**

[1] The DSG credited to services is the amount receivable prior to the application of the brought forward deficit, plus the £0.290 million adjustment for Early Years Funding shown in Note 10.
[2] The Better Care Fund grant credited to services includes funding from the Improved Better Care Fund (iBCF). Further detail is provided in Note 11.
[3] The funding received from the West Midlands Combined Authority includes grant claimed on behalf of the Urban Growth Company Ltd.
[4] The two Teachers' Pay and Pensions grants have now been largely rolled into other education grant funding.
[5] The Sixth Form Funding related to a school which is now an academy so this grant is no longer receivable.
[6] Other Revenue grants, contributions and donations includes the Youth Endowment Fund grant of £74,202 (2020/21: £39,798).
[7] The Council has also acted as an agent on behalf of central government in respect of a number of Covid-19 grant funding streams, including business grants of £9.8 million and grants to social care providers of £2.9 million. In line with the Code, this grant income and associated expenditure is not included in the Council's accounts.

b. Revenue Grants Receipts in Advance
The Council has received a number of revenue grants and contributions that have yet to be recognised as income as they have conditions attached to them that have not yet been met, which may require the monies or property to be returned to the donor. The balances as at 31 March are as follows:

31 March 2021		**31 March 2022**
£000		**£000**
0	Council Tax Rebate Scheme	**(9,930)**
(5,027)	PFI	**(4,822)**
(3,795)	Additional Restrictions Support Grant	**0**
(2,324)	Local Restrictions Support Grant	**0**
0	Covid-19 Additional Relief Fund	**(1,905)**
(2,268)	Other revenue grants	**(1,342)**
(13,414)	**Total**	**(17,999)**

c. Capital Grants Receipts in Advance
The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that have not yet been met, which may require the monies or property to be returned to the donor. The balances as at 31 March are as follows:

31 March 2021 [1]		**31 March 2022**
£000		**£000**
0	Department for Business, Energy and Industrial Strategy	**(5,960)**
0	Various Section 106 Contributions	**(4,101)**
0	Department for Transport	**(1,312)**
0	Devolved Formula Capital	**(291)**
0	Other Grants and Contributions	**(1,042)**
0	**Total Short-Term Capital Grants**	**(12,706)**
(8,253)	Various Section 106 Contributions	**(4,759)**
(1,309)	Public Sector Decarbonisation Grant	**(33)**
(4,020)	West Midlands Combined Authority	**0**
(274)	Devolved Formula Capital	**0**
(258)	Other Grants and Contributions	**(219)**
(14,114)	**Total Long-Term Capital Grants**	**(5,011)**
(14,114)	**Total**	**(17,717)**

[1] The 2020/21 Statement of Accounts showed all Capital Grants as Long-Term Receipts in Advance. In 2021/22 a number of Capital Grants are expected to be applied during 2022/23 so have been categorised as Short-Term.

10. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA): the Dedicated Schools Grant (DSG). An element of DSG is recouped by the ESFA to fund academy schools in the Council's 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 and Early Years (England) (No 2) Regulations 2018. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

A plan for recovering the DSG deficit and bringing the in-year High Needs Block position back into balance by year three was approved by Cabinet in February 2020, with an update reported to members in November 2020 and December 2021. In line with the School and Early Years Finance (England) Regulations 2020 the accumulated deficit as at 31 March 2022 of £13.213 million shown in the following table is held in the DSG adjustment account, an unusable reserve shown at Note 14.

The DSG was deployed in accordance with statutory requirements, as shown in the table below.

2020/21				**2021/22**
Total		Individual Schools Budget (ISB)	Central Expenditure	**Total**
£000		£000	£000	**£000**
(212,336)	Final DSG before academy & high needs recoupment	0	0	**(230,037)**
98,970	Academy figure & high needs figure recouped	0	0	**123,915**
(113,366)	Total DSG after academy & high needs	0	0	**(106,122)**
(113,366)	**Agreed initial budgeted distribution**	**(63,140)**	**(42,982)**	**(106,122)**
(371)	In-year adjustments - Early Years Funding	0	290	**290**
(113,737)	**Final budgeted distribution**	**(63,140)**	**(42,692)**	**(105,832)**
44,561	Actual central expenditure	0	46,764	**46,764**
72,383	Actual ISB deployed to schools	63,140	0	**63,140**
3,207	**In-year carry forward**	**0**	**4,072**	**4,072**
5,934	DSG unusable reserve brought forward	0	0	**9,141**
3,207	Addition to DSG unusable reserve in-year	0	0	**4,072**
9,141	**Total DSG unusable reserve carried forward**	**0**	**0**	**13,213**
(9,141)	**Net DSG position at the year end**	**0**	**0**	**(13,213)**

11. Pooled Budgets

The Council has established partnership agreements with Birmingham and Solihull Clinical Commissioning Group (CCG), using powers under Section 75 of the Health and Social Care Act 2012 to create single 'pooled budgets' within an integrated service. Known as Section 75 Agreements, they are intended to provide a more joined up service for users.

The commissioning arrangements have determined the accounting treatment of expenditure and income under the pooled budget arrangements. The Council is deemed to be acting as principal for those services where the Council is lead commissioner and is therefore acting on its own behalf, and so all expenditure and income in respect of those services has been included in the Council's accounts. For services commissioned jointly with the CCG, our share of the income and expenditure arising from these operations is included within the Council's accounts.

The tables that follow also show the contribution made by the CCG where the CCG acted as lead commissioner – in these cases, as the CCG acted as principal for these services, none of the associated income or expenditure is included in the Council's accounts.

a. Better Care Fund

The Better Care Fund (BCF) came into operation in April 2015, under the directives of the Care Act 2014. The Act requires Clinical Commissioning Groups (CCGs) and councils to establish joint funding and commissioning arrangements for the provision of integrated health and social care services in their region. These are in addition to the existing pooled budgets shown in section (b). The BCF is made up of CCG funding as well as local government grants, including the Improved Better Care Fund (iBCF), which is a direct grant which must be pooled into the local BCF plan.

The following table shows spend in the year against different activity funded by SMBC, the CCG and jointly. The Council's contribution to the pooled budget was funded by income from the Better Care Fund, Improved Better Care Fund and Disabled Facilities Grants.

2020/21 restated [1]					2021/22			
SMBC	CCG	Joint	Total		SMBC	CCG	Joint	**Total**
£000	£000	£000	£000		£000	£000	£000	**£000**
2,270	1,616	0	3,886	Reablement in a person's own home	2,330	2,392	0	**4,722**
3,811	0	0	3,811	Residential Placements	3,740	0	0	**3,740**
2,339	0	0	2,339	Personalised Budgeting and Commissioning	3,146	51	0	**3,197**
913	1,339	386	2,638	Bed based intermediate Care Services	1,264	1,490	0	**2,754**
0	69	1,242	1,311	Assistive Technologies and Equipment	46	0	2,139	**2,185**
2,124	0	0	2,124	Home Care or Domiciliary Care	2,125	0	0	**2,125**
0	0	0	0	Enablers for Integration	114	1,792	0	**1,906**
0	720	0	720	Integrated Care Planning and Navigation	419	703	0	**1,122**
1,078	337	0	1,415	Prevention / Early Intervention	681	346	0	**1,027**
0	1,019	0	1,019	Admission Prevention	0	995	0	**995**

2020/21 restated [1]					2021/22			
SMBC	CCG	Joint	Total		SMBC	CCG	Joint	**Total**
£000	£000	£000	£000		£000	£000	£000	**£000**
726	0	0	726	Housing Related Schemes	765	0	0	**765**
0	695	0	695	Personalised Care at Home	0	678	0	**678**
0	544	0	544	Community Based Schemes	0	531	0	**531**
411	11	0	422	Carers Services	433	0	0	**433**
473	1,497	0	1,970	High Impact Change Model for Managing Transfer of Care	0	386	0	**386**
107	0	0	107	Care Act Implementation Related Duties	0	0	0	**0**
14,252	7,847	1,628	23,727	sub-total Revenue [2]	15,063	9,364	2,139	**26,566**
1,234	0	0	1,234	Assistive Technologies and Equipment	1,244	0	0	**1,244**
1,234	0	0	1,234	sub-total Capital [3]	1,244	0	0	**1,244**
15,486	7,847	1,628	24,961	Total	16,307	9,364	2,139	**27,810**

[1] The presentation of this table has been revised to show expenditure against the themes used in year-end reporting for the Better Care Fund and the 2020/21 figures have been restated accordingly.
[2] The Council's expenditure was funded from revenue grants received through the Better Care Fund and Improved Better Care Fund which are included within the Council's CI&ES (credited to gross income – Adult Social Care and Health). In addition the Council has carried forward £0.950 million to apply to the Better Care Fund in 2022/23.
[3] Funded from Disabled Facilities Grant totalling £2.485 million. The unspent allocation has been carried forward as a receipt in advance to be used in 2022/23.

b. Joint Equipment Store

The pooled budget that funds the Joint Equipment Store is hosted and managed by the Council, under the governance of a Joint Commissioning Board. The Council acts as principal in this arrangement and therefore all income and expenditure are included in the Council's accounts.

2020/21					2021/22			
SMBC	CCG	Other income	Total		SMBC	CCG	Other income	**Total**
£000	£000	£000	£000		£000	£000	£000	£000
1,751	0	0	1,751	Transforming Community Services	2,568	0	0	**2,568**
(128)	(1,623)	0	(1,751)	Funding	(429)	(2,139)	0	**(2,568)**
1,623	(1,623)	0	0	Total	**2,139**	**(2,139)**	**0**	**0**

c. Contributions to Voluntary Organisations

The CCG pays the Council the following sums annually, for contracted services provided by voluntary organisations and paid for by the Council. The Council maintains responsibility and control over these services and therefore is acting as principal in these arrangements.

			2020/21					**2021/22**
SMBC	CCG	Other income	Total		SMBC	CCG	Other income	**Total**
£000	£000	£000	£000		£000	£000	£000	£000
134	0	0	134	Alzheimer's Society	134	0	0	**134**
71	0	0	71	Independent Advocacy	71	0	0	**71**
0	(205)	0	(205)	Funding	0	(205)	0	**(205)**
205	(205)	0	0	Total	**205**	**(205)**	**0**	**0**

12. External Audit Costs

The Council has incurred the following fees in relation to external audit and other services provided by the Council's external auditors, Grant Thornton UK LLP:

2020/21		**2021/22**
£000		**£000**
103	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	**158**
17	Additional variation fee agreed relating to the prior year	**54**
0	Public Sector Audit Appointments rebate	**(20)**
0	Government funding towards audit fees	**(53)**
27	Fees payable in respect of other services provided by Grant Thornton UK LLP during the year, including the certification of grant claims and returns	**28**
147	**Total**	**167**

Disclosure notes – notes supporting the Movement in Reserves Statement

13. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. This note also shows the unusable reserves which are primarily affected by each adjustment.

2021/22	General Fund Working Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves	Applicable Unusable Reserve
	Usable Reserves						
	£000	£000	£000	£000	£000	£000	
Adjustments to revenue resources:							
Reversal of retirement benefits charged to CI&ES	(49,378)	0	0	0	0	49,378	Pensions Reserve
Employer's pensions contributions and direct payments to pensioners payable for the current year	21,352	0	0	0	0	(21,352)	
Financial instruments	15	47	0	0	0	(62)	Financial Instruments Adjustment Account
Council tax and business rates	33,012	0	0	0	0	(33,012)	Collection Fund Adjustment Account
Staff leave entitlement	807	0	0	0	0	(807)	Accumulated Absences Account
Dedicated schools grant deficit (Note 10)	(4,072)	0	0	0	0	4,072	Dedicated Schools Grant Adjustment Account
Reversal of charges for depreciation and impairment of non-current assets	(27,101)	(12,515)	0	0	0	39,616	Capital Adjustment Account
Reversal of revaluation gains/(losses) on property, plant and equipment	213	1	0	0	0	(214)	
Reversal of capital grants and contributions applied	16,650	357	0	0	0	(17,007)	
Capital Grants and contributions unapplied credited to the CIE&S statement	11,718	0	0	0	(11,718)	0	
Reversal of other entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure	(4,026)	(4,042)	0	0	0	8,068	
Total adjustments to revenue resources	**(810)**	**(16,152)**	**0**	**0**	**(11,718)**	**28,680**	

2021/22	Usable Reserves						
	General Fund Working Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves	Applicable Unusable Reserve
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
Adjustments between revenue and capital resources:							
Transfer of non-current asset sale proceeds from revenue	557	5,112	(5,669)	0	0	0	Not Applicable
Administrative costs of non-current asset disposals	(69)	0	69	0	0	0	
Payments to the government housing receipts pool	(1,491)	0	1,491	0	0	0	
Charge to Major Repairs Reserve in lieu of depreciation, including additional voluntary transfer	0	12,531	0	(12,531)	0	0	
Provision for the repayment of debt	11,961	509	0	0	0	(12,470)	Capital Adjustment Account
Capital expenditure financed from revenue balances	878	7,295	0	0	0	(8,173)	
Total adjustments between revenue and capital resources	**11,836**	**25,447**	**(4,109)**	**(12,531)**	**0**	**(20,643)**	
Adjustments to capital resources:							
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	0	0	5,611	0	0	(5,611)	Capital Adjustment Account
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	12,080	0	(12,080)	
Application of capital grants to finance capital expenditure	0	0	0	0	8,796	(8,796)	
Total adjustments to capital resources	**0**	**0**	**5,611**	**12,080**	**8,796**	**(26,487)**	
Total adjustments	**11,026**	**9,295**	**1,502**	**(451)**	**(2,922)**	**(18,450)**	

2020/21	Usable Reserves					Movement in Unusable Reserves	Applicable Unusable Reserve
	General Fund Working Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account		
	£000	£000	£000	£000	£000	£000	
Adjustments to revenue resources:							
Reversal of retirement benefits charged to CI&ES	(38,015)	0	0	0	0	38,015	Pensions Reserve
Employer's pensions contributions and direct payments to pensioners payable for the current year	21,149	0	0	0	0	(21,149)	
Financial instruments	15	46	0	0	0	(61)	Financial Instruments Adjustment Account
Council tax and business rates	(70,708)	0	0	0	0	70,708	Collection Fund Adjustment Account
Staff leave entitlement	(396)	0	0	0	0	396	Accumulated Absences Account
Dedicated schools grant deficit (Note 10)	(9,141)	0	0	0	0	9,141	Dedicated Schools Grant Adjustment Account
Reversal of charges for depreciation and impairment of non-current assets	(26,489)	(11,366)	0	0	0	37,855	Capital Adjustment Account
Reversal of revaluation gains/(losses) on property, plant and equipment	(25,768)	(117)	0	0	0	25,885	
Reversal of capital grants and contributions applied	17,536	341	0	0	0	(17,877)	
Capital Grants and contributions unapplied credited to the CIE&S statement	10,208	0	0		(10,208)	0	
Reversal of other entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure	(2,671)	(1,419)	0	0	0	4,090	
Total adjustments to revenue resources	(124,280)	(12,515)	0	0	(10,208)	147,003	

2020/21	Usable Reserves General Fund Working Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves	Applicable Unusable Reserve
		£000	£000	£000	£000	£000	£000
Adjustments between revenue and capital resources:							
Transfer of non-current asset sale proceeds from revenue	1,703	2,577	(4,280)	0	0	0	Not Applicable
Administrative costs of non-current asset disposals	(43)	0	43	0	0	0	
Payments to the government housing receipts pool	(1,202)	0	1,202	0	0	0	
Charge to Major Repairs Reserve in lieu of depreciation, including additional voluntary transfer	0	12,202	0	(12,202)	0	0	
Provision for the repayment of debt	11,111	1,139	0	0	0	(12,250)	Capital Adjustment Account
Capital expenditure financed from revenue balances	2,125	1,502	0	0	0	(3,627)	
Total adjustments between revenue and capital resources	13,694	17,420	(3,035)	(12,202)	0	(15,877)	
Adjustments to capital resources:							
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	0	0	3,962	0	0	(3,962)	Capital Adjustment Account
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	11,805	0	(11,805)	
Application of capital grants to finance capital expenditure	0	0	0	0	7,545	(7,545)	
Total adjustments to capital resources	0	0	3,962	11,805	7,545	(23,312)	
Total adjustments	(110,586)	4,905	927	(397)	(2,663)	107,814	

Purpose of the Usable Reserves

General Fund Working Balance
These funds are available to meet the future running costs for the Council for non-housing services.

Housing Revenue Account
These reserves hold funds that are available to meet future costs relating to the Council's housing stock.

Capital Receipts Reserve
This reserve holds all of the Council's receipts generated from the disposal of non-current assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt. (A fixed proportion of housing capital receipts must be paid over to the government and the Council can utilise its retained portion to either spend on replacement housing or repay prior debt, as detailed in the accounting policy on disposals within Property, Plant and Equipment.)

Major Repairs Reserve
This reserve is to meet the capital investment requirements of the Council's housing programme.

Capital Grants Unapplied Account
This reserve is used to hold capital grants without conditions or where conditions have been satisfied, but the grant has yet to be used to finance capital expenditure.

14. Unusable Reserves

The Council's unusable reserves are summarised in the following table. An explanation of the material unusable reserves is given overleaf.

2021/22	Opening balance	Other comprehensive income and expenditure	Adjustments to capital resources	Adjustments to revenue resources	Adjustments between revenue and capital resources	Closing balance
	£000	£000	£000	£000	£000	**£000**
Accumulated Absences Account	3,057	0	0	(807)	0	**2,250**
Capital Adjustment Account	(499,123)	0	(26,487)	20,624	(20,643)	**(525,629)**
Collection Fund Adjustment Account [1]	64,277	0	0	(33,012)	0	**31,265**
Dedicated Schools Grant Adjustment Account	9,141	0	0	4,072	0	**13,213**
Financial Instruments Adjustment Account	2,650	0	0	(62)	0	**2,588**
Financial Instruments Revaluation Reserve	(34,526)	1,244	0	0	0	**(33,282)**
Pensions Reserve	461,154	(162,799)	0	28,026	0	**326,381**
Revaluation Reserve	(283,167)	(23,795)	0	9,839	0	**(297,123)**
Total Unusable Reserves	**(276,537)**	**(185,350)**	**(26,487)**	**28,680**	**(20,643)**	**(480,337)**

[1] The reduction in the Collection Fund Adjustment account is mainly due to the reduction in business rates reliefs awarded to the retail, hospitality and leisure industry, which the Council has received funding in the form of section 31 grants rather than business rates.

2020/21	Opening balance	Other comprehensive income and expenditure	Adjustments to capital resources	Adjustments to revenue resources	Adjustments between revenue and capital resources	Closing balance
	£000	£000	£000	£000	£000	**£000**
Accumulated Absences Account	2,661	0	0	396	0	3,057
Capital Adjustment Account	(501,276)	0	(23,312)	41,342	(15,877)	(499,123)
Collection Fund Adjustment Account	(6,431)	0	0	70,708	0	64,277
Dedicated Schools Grant Adjustment Account	0	0	0	9,141	0	9,141
Financial Instruments Adjustment Account	2,711	0	0	(61)	0	2,650
Financial Instruments Revaluation Reserve	(34,904)	378	0	0	0	(34,526)
Pensions Reserve	308,191	136,097	0	16,866	0	461,154
Revaluation Reserve	(233,088)	(58,690)	0	8,611	0	(283,167)
Total Unusable Reserves	(462,136)	77,785	(23,312)	147,003	(15,877)	(276,537)

Purpose of Main Unusable Reserves

Capital Adjustment Account

The Capital Adjustment 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 Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as financing for the costs of acquisition, construction and enhancement.

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.

Collection Fund Adjustment Account

The Council's share of council tax and business rates income is reflected in the CI&ES on an agency basis in line with the Code. However, the amounts to be reflected in the General Fund are determined by regulation. The Collection Fund Adjustment Account therefore manages the differences arising from the recognition of council tax and business rates income in the CI&ES as it falls due, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

DSG Adjustment Account

The Council accounts for the full year's spend on DSG within the Children, Education and Skills line in the CI&ES, however from 1 April 2021 statutory arrangements require the cost of the accumulated deficit on the DSG to be shown in the DSG Adjustment Account. This ensures that the cost of the DSG deficit is not funded by General Reserves, in line with the regulations.

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that have been elected as Fair Value through Other Comprehensive Income.

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 CI&ES 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 pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them, but the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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 with accumulated gains are:

- 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.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

15. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund expenditure in 2020/21 and 2021/22.

1 April 2020	Transfers (to)/ from 2020/21	31 March 2021		1 April 2021	Transfers (to)/ from 2021/22	**31 March 2022**
£000	£000	£000		£000	£000	**£000**
(200)	(53,885)	(54,085)	Business Rates Timing Reserve [1]	(54,085)	21,508	**(32,577)**
(5,294)	(13,809)	(19,103)	Grants Unapplied without Conditions – Covid-19	(19,103)	5,682	**(13,421)**
(11,355)	(1,679)	(13,034)	Schools	(13,034)	352	**(12,682)**
(4,520)	(292)	(4,812)	Treasury Management	(4,812)	(1,292)	**(6,104)**
(4,834)	(2)	(4,836)	Future Capital Spending	(4,836)	21	**(4,815)**
(3,987)	(527)	(4,514)	Insurance	(4,514)	(282)	**(4,796)**
(599)	(1,125)	(1,724)	Grants Unapplied without Conditions – non Covid-19	(1,724)	(1,823)	**(3,547)**
0	0	0	Integrated Care Systems Fairer Futures Fund	0	(3,172)	**(3,172)**
(1,831)	(613)	(2,444)	Leisure	(2,444)	58	**(2,386)**
(1,489)	(357)	(1,846)	Severance	(1,846)	(413)	**(2,259)**
(2,126)	(39)	(2,165)	Resources Directorate	(2,165)	(77)	**(2,242)**
(882)	(776)	(1,658)	Public Health	(1,658)	(259)	**(1,917)**
(701)	(437)	(1,138)	Tenant Works	(1,138)	(714)	**(1,852)**
(1,758)	(16)	(1,774)	Commuted Sums - Highways	(1,774)	(59)	**(1,833)**
0	(1,611)	(1,611)	Exploitation & Safeguarding	(1,611)	99	**(1,512)**
(222)	(197)	(419)	Property Investment Board Portfolio	(419)	(750)	**(1,169)**
0	(1,640)	(1,640)	Children's Services Operational Reserve	(1,640)	513	**(1,127)**
(652)	(224)	(876)	School Catering	(876)	(31)	**(907)**
(569)	(233)	(802)	Highways Section 106 Agreements	(802)	(71)	**(873)**
(71)	13	(58)	Homelessness	(58)	(716)	**(774)**
(531)	(114)	(645)	Commuted Sums – Parks and Open Spaces	(645)	0	**(645)**
0	(560)	(560)	Dry-mixed recycling contract: pre sub-regional MRF	(560)	0	**(560)**
(1,000)	208	(792)	Pensions	(792)	301	**(491)**
0	(805)	(805)	Early Years	(805)	574	**(231)**
(15,136)	(404)	(14,732)	Other	(14,732)	(691)	**(15,423)**

1 April 2020	Transfers (to)/ from 2020/21	31 March 2021		1 April 2021	Transfers (to)/ from 2021/22	**31 March 2022**
£000	£000	£000		£000	£000	**£000**
(57,757)	(78,316)	(136,073)	**Sub-total Revenue Reserves**	**(136,073)**	**18,758**	**(117,315)**
(5,200)	(3,464)	(8,664)	Adult Social Care Investment	(8,664)	(1,270)	**(9,934)**
(10,640)	(6,563)	(17,203)	Business Rates Windfall [2]	(17,203)	8,108	**(9,095)**
(1,162)	(8,493)	(9,655)	Budget Strategy	(9,655)	2,315	**(7,340)**
(207)	0	(207)	Public Health	(207)	0	**(207)**
(17,209)	(18,520)	(35,729)	**Sub-total Earmarked Balances**	**(35,729)**	**9,153**	**(26,576)**
(74,966)	(96,836)	(171,802)	**Total Earmarked Revenue Reserves**	**(171,802)**	**27,911**	**(143,891)**

[1] The balance on the Business Rates Timing Reserve as at 31 March 2022 includes a contribution of £27.289 million in relation to the Section 31 business rates relief grant received in 2021/22, and the use of £53.333 million of the previous year’s Section 31 business rates relief grant to fund the 2020/21 deficit.
[2] The use of the Business Rates Windfall in 2021/22 includes budgeted contributions to the Budget Strategy Reserve and Business Rates Volatility Reserve totalling £11.892 million and budgeted contributions to portfolio pressures of £2.250 million, offset by £6.386 million of windfall income received in 2020/21.

Disclosure notes – notes supporting the Balance Sheet

16. Movements on Balances for Property, Plant and Equipment

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Infrastructure Assets	**Total Property Plant and Equipment**	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	**£000**	£000
Net Book Value at 31 March 2021	**466,192**	**548,476**	**8,053**	**13,951**	**20,456**	**133,606**	**1,190,734**	**747**
Additions	21,311	10,636	1,910	820	8,365	4,778	**47,820**	0
Revaluations recognised in the revaluation reserve	4,389	19,415	0	(9)	0	0	**23,795**	0
Revaluations recognised in the provision of services	0	214	0	0	0	0	**214**	0
Disposals[1]	(4,042)	(444)	(6)	0	0	0	**(4,492)**	0
Reclassifications	3,596	838	0	0	(13,456)	7,883	**(1,139)**	0
Depreciation	(11,878)	(18,312)	(3,372)	0	0	(4,869)	**(38,431)**	(747)
Impairment losses recognised in the revaluation reserve	0	0	0	0	0	0	**0**	0
Impairment losses recognised in the provision of services	0	0	0	0	0	0	**0**	0
Net Book Value at 31 March 2022	**479,568**	**560,823**	**6,585**	**14,762**	**15,365**	**141,398**	**1,218,501**	**0**

The Net Book Value at 31 March 2022 is analysed as follows:

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	**Total Property Plant and Equipment (excluding infrastructure assets)**	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	**£000**	£000
Gross Carrying Value at 31 March 2022[2]	479,568	565,769	13,427	14,762	15,365	**1,088,891**	0
Accumulated Depreciation[2]	0	(4,946)	(6,842)	0	0	**(11,788)**	0

[1] The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

[2] In accordance with the temporary relief offered by the update to the Code on infrastructure, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Infrastructure Assets	Total Property Plant and Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	**£000**	£000
Net Book Value at 31 March 2020	450,164	530,147	9,163	13,733	6,983	133,107	1,143,297	1,672
Additions	14,252	17,783	2,526	227	14,159	5,030	53,977	0
Other adjustments	0	0	0	0	0	0	0	0
Revaluations recognised in the revaluation reserve	13,405	45,412	0	(9)	0	0	58,808	0
Revaluations recognised in the provision of services	0	(25,885)	0	0	0	0	(25,885)	0
Disposals	(1,441)	(826)	0	0	0	0	(2,267)	0
Reclassifications	626	(272)	6	0	(686)	201	(125)	0
Depreciation	(10,814)	(17,179)	(3,642)	0	0	(4,732)	(36,367)	(925)
Impairment losses recognised in the revaluation reserve	0	(118)	0	0	0	0	(118)	0
Impairment losses recognised in the provision of services	0	(586)	0	0	0	0	(586)	0
Net Book Value at 31 March 2021	466,192	548,476	8,053	13,951	20,456	133,606	1,190,734	747

The Net Book Value at 31 March 2021 is analysed as follows:

2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	**Total Property Plant and Equipment (excluding infrastructure assets)**	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	**£000**	£000
Gross Carrying Value at 31 March 2021[1]	466,192	557,103	22,590	13,951	20,456	1,080,292	5,153
Accumulated Depreciation[1]	0	(8,627)	(14,537)	0	0	(23,164)	(4,406)

[1] The figures for 2020/21 are provided for comparative purposes and, as per footnote 2 to the 2021/22 table above, infrastructure assets are not included due to the temporary relief offered by the update to the Code. The total gross carrying value and accumulated depreciation figures at 31 March 2021 are therefore different to the published 2020/21 figures.

17. Capital Commitments

As at 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 with future years' expenditure to exceed £25 million (including commitments relating to the HRA totalling £3.118 million). Similar commitments at 31 March 2021 were £15.837 million (including the HRA: £9.067 million). The major commitments are:

- New Strategic Environment Contract Authority financed vehicles and equipment: £10.472 million
- Sherbourne Recycling Ltd Loan: £4.979 million
- High Rise Block Programme: £2.344 million
- Fillongley Road Bridge: £2.190 million
- Roundabout-over-trace: £1.733 million
- Acquisitions (HRA): £0.326 million
- Heating (HRA): £0.215 million

18. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movements in the CFR are analysed in the second part of this note.

2020/21		**2021/22**
£000		**£000**
436,957	Opening Capital Financing Requirement	**439,193**
	Capital Investment	
53,977	Property, Plant & Equipment	**47,820**
3,064	Intangible assets	**4,108**
2,296	Revenue expenditure funded by capital under statute (REFCUS)	**3,514**
0	Loans	**36,134**
0	Share Acquisition	**1,992**
59,337	**Total Capital Investment**	**93,568**
	Sources of Finance	
(3,962)	Capital receipts	**(5,611)**
(25,423)	Government grants and other contributions	**(25,802)**
(27,715)	Sums set aside from revenue	**(32,759)**
(57,101)	**Total Sources of Finance**	**(64,172)**
439,193	**Closing Capital Financing Requirement**	**468,589**
	Explanation of Movements in-year	
(2,409)	Decrease in underlying need to borrow (supported by government financial assistance)	**(2,399)**
7,771	Increase in underlying need to borrow (not supported by government financial assistance)	**35,233**
(1,881)	Reductions in assets under PFI/PPP contracts	**(2,116)**
(1,245)	Assets acquired/ (disposed of) under finance leases	**(1,322)**
2,236	**Increase in Capital Financing Requirement**	**29,396**

19. Revaluations

The Council carries out a rolling revaluation programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years, with the exception of HRA assets which are revalued every year. In addition to the usual programme of revaluations, it was decided this year that a number of the other asset categories should also be revalued in order to keep pace with expected material changes in current value. All valuations that were carried out during 2020/21 and were issued on the basis of material uncertainty have also been revalued during 2021/22.

All valuations were carried out internally by the Council's Strategic Land and Property Team and the valuations were certified by a Royal Institution of Chartered Surveyors (RICS) qualified surveyor. The effective date of the revaluations carried out during 2021/22 was 31 December 2021, except for HRA assets which were valued as at 31 March 2022. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. The aftermath of the Covid-19 pandemic has been considered at the valuation date as part of the valuations and the impact has been reported accordingly. None of the valuations are reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

The significant assumptions applied in estimating the current values of Property, Plant and Equipment are:

- Land and Buildings have been valued on an existing use value basis except for the Council's housing stock and where the assets are specialised.
- Specialised land and buildings have been valued using the depreciated replacement cost method using a modern equivalent asset basis.
- Council Dwellings have been valued on an existing use value – social housing.
- Assets under construction and community assets are valued at historic cost.
- Infrastructure and Vehicles, Plant and Equipment are valued at depreciated historic cost.

Further details can be found in the Property, Plant and Equipment accounting policy xix.

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets:

2021/22	Valued at Historic Cost	Valued at Current/ Fair Value		Total
		2020/21	2021/22	
	£000	£000	£000	£000
Council Dwellings	0	0	479,568	**479,568**
Other Land and Buildings	883	1,347	558,593	**560,823**
Vehicles, Plant and Equipment	6,585	0	0	**6,585**
Infrastructure Assets	141,398	0	0	**141,398**
Community Assets	14,762	0	0	**14,762**
Assets Under Construction	15,365	0	0	**15,365**
Total Property, Plant and Equipment	**178,993**	**1,347**	**1,038,161**	**1,218,501**

2020/21	Valued at Historic Cost	Valued at Current/ Fair Value				Total
		2017/18	2018/19	2019/20	2020/21	
	£000	£000	£000	£000	£000	**£000**
Council Dwellings	0	0	0	0	466,192	466,192
Other Land and Buildings	6,195	26,554	2,260	0	513,467	548,476
Vehicles, Plant and Equipment	8,053	0	0	0	0	8,053
Infrastructure Assets	133,606	0	0	0	0	133,606
Community Assets	13,951	0	0	0	0	13,951
Assets Under Construction	20,456	0	0	0	0	20,456
Total Property Plant & Equipment	182,261	26,554	2,260	0	979,659	1,190,734

20. Investment Property

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 but does fund repairs and maintenance with a view to maximising income and proceeds of disposal.

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

2020/21		2021/22
£000		**£000**
16,749	**Balance at 1 April**	**17,450**
701	Net gains/losses from fair value adjustments	**45**
17,450	**Balance at 31 March**	**17,495**

Fair value reviews are conducted on all investment properties on an annual basis by our internal valuers – these valuations are as at 31 December 2021, except for HRA investment properties which are as at 31 March 2022. Fair values are calculated by multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of assets has been ranked into three level groups. All of the Council's investment properties have been assessed as level two and are valued annually. There has been no change in the valuation techniques used during the year for investment properties. In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

21. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Council currently has no internally generated software. 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. A useful life of 5 year is assigned to the major software suites used by the Council.

2020/21		2021/22
£000		**£000**
3,848	**Balance at 1 April**	**6,108**
3,064	Purchases	**4,108**
98	Reclassifications	**1,033**
(902)	Amortisation for the year	**(1,185)**
6,108	**Balance at 31 March**	**10,064**
	Comprising:	
7,446	Gross carrying amounts	**12,447**
(1,338)	Accumulated Amortisation	**(2,383)**
6,108		**10,064**

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.185m charged to revenue in 2021/22 was included in the Resources; Stronger and Safer Communities; Children, Education and Skills; and Climate Change, Planning and Housing Cabinet lines in the CI&ES.

22. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Debtors and creditor figures included within the following summary, and in Note 23 which follows, include only those balances which the Council considers to be due or receivable under a contractual arrangement, and therefore will differ to the figures in the Balance Sheet.

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

a. Financial Assets

To meet Code requirements, financial assets are classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CI&ES is the amount receivable as per the loan agreement;
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CI&ES when the asset is disposed of; and
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CI&ES as they occur.

	Long-Term		Short-Term	
	31 March 2021	**31 March 2022**	31 March 2021	**31 March 2022**
	£000	**£000**	£000	**£000**
Financial assets held at amortised cost:				
Investments	0	**0**	63,089	**89,597**
Debtors and other receivables [1]	1,220	**37,208**	32,678	**39,763**
Cash and Cash Equivalents	0	**0**	3,137	**12,827**
FVOCI - designated equity instruments	39,679	**40,427**	0	**0**
Total financial assets	40,899	**77,635**	98,904	**142,187**

[1]The increase in Long-Terms Debtors is due to two loan commitments incurred during 2021/22. These relate to Mell Square Ltd (£32.731 million) and Sherbourne Recycling Ltd (£3.403 million). Further information is in Note 23a.

b. Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

	Long-Term		Short-Term	
	31 March 2021	**31 March 2022**	31 March 2021	**31 March 2022**
	£000	**£000**	£000	**£000**
Financial Liabilities at amortised cost:				
Borrowing	(280,970)	**(319,571)**	(17,192)	**(21,969)**
PFI and finance lease liabilities	(45,452)	**(43,488)**	(3,437)	**(1,965)**
Creditors and other payables	0	**0**	(25,465)	**(24,087)**
Total financial liabilities	(326,422)	**(363,059)**	(46,094)	**(48,021)**

c. Equity Instruments designated at fair value through other comprehensive income

Designation to Fair Value through Other Comprehensive Income (FVOCI)
The Council has shareholdings in Birmingham Airport Holdings Ltd, The Coventry and Solihull Waste Disposal Company Ltd, Mell Square Ltd and Sherbourne Recycling Ltd. Under IFRS 9 Financial Instruments, investments in equity must be classified as fair value through profit and loss, unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. These shareholdings are equity instruments and as such, the default valuation method is any gains and losses on changes in fair value would be recognised through profit and loss.

The shareholdings are strategic investments and not held for trading, therefore the Council has opted to designate them as Fair Value through Other Comprehensive Income. This means that there is no impact on the revenue budget and the decision to designate to Fair Value through Other Comprehensive Income is irrevocable. Any change in fair value is posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in the Financial Instruments Revaluation Reserve.

23. Fair values of Assets and Liabilities

a. Financial Assets measured at Fair Value

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

	Input Level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2021	31 March 2022
			£000	£000
Birmingham Airport Holdings Ltd	Level 3	Earning based valuation		
- Ordinary Shares			9,870	**10,105**
- Preference Shares			1,176	**1,176**
The Coventry and Solihull Waste Disposal Company Ltd	Level 3	Earning based valuation		
- Ordinary Shares			28,633	**29,000**
Mell Square Ltd	Level 3	Earning based valuation		
- Ordinary Shares			0	**0**
Sherbourne Recycling Ltd	Level 3	Historic Cost		
- Ordinary Shares			0	**146**
Total			39,679	**40,427**

The fair value of all held investment is derived on an open market value basis. The definition of fair value in our valuation is set out in IFRS 13, being "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The valuation has been based on techniques that are not based on observable current market transactions or available market data. The following sections outline specific information about each valuation.

Birmingham Airport Holdings Ltd (BAH)
The main ordinary shareholders of BAH are the seven West Midlands metropolitan councils. Together they own 49% of BAH's 324 million ordinary shares of 1p each, with Solihull Council holding 3.75% of total shares issued. These shares are not quoted on any Stock Exchange.

Airport Group International Ltd (AGIL), a company owned by Ontario Teachers' Pension Plan, owns 48.25% of the ordinary shares. The remaining shares (2.75%) are held by the Employees' Share Trust. The Shareholders' Agreement provides for the metropolitan councils to cast their 49% vote at company Main Board and General Meetings in one block. The vote of 75% of ordinary shareholders is required for certain major decisions of the company.

The metropolitan councils together own all £15.384 million of BAH's 6.31% preference shares (Solihull Council owns £1.176 million) which are cumulative and redeemable.

At the end of 2020/21, the valuation reduced from £11.557 million to £11.046 million. At this time last year, the entire aviation industry was largely grounded and there was no certainty of when flights may resume. The valuation of an Airport as at 31 March 2022 will need to be based on a number of assumptions but has resulted in an increase in the fair value of the Council's shareholding from £11.046 million to £11.281 million, which is reflected in the Council's Balance Sheet.

If there was a 5% change in the key assumptions, the impact on the valuation would be £0.564 million.

The fair value has been prepared using previously audited Annual Reports, in-year management information and forward-looking forecast information. It is also based on an estimated fair value of the shares held by Solihull Council by estimating the open market value of BAHL in a transaction between a willing buyer and willing seller.

The valuation seeks to forecast passenger numbers multiplied by an average income per passenger based on past information. For 2021/22, management accounts for the first 11 months of the year were used to estimate the full year income and expenditure, to arrive at a forecast annual position. As the pandemic eased during 2021/22 and foreign travel returned, airports began reporting increased financial performance.

According to the International Air Transport Association (IATA), the short-term outlook for international travel is slightly more optimistic than as at November 2021. The IATA expects the number of passengers in intra-European market to recover by 86% during 2022, owing to progressive relaxation or abolition of travel restrictions in many markets. Following this, Birmingham Airport estimates 9.9 million passengers for the 2022/23 financial year, which is equivalent to 82% of passengers in 2019/20 – equivalent to the recovery rate estimated by the IATA.

The IATA also forecasts that the number of passengers will reach 4.0 billion in 2024 (counting multi-sector connecting trips as one passenger), exceeding pre-Covid-19 levels (103% of 2019 passenger numbers). The slight increase in the valuation is reflective of the cautious increase in international activity.

In arriving at this valuation, the key variables are:

- Passenger numbers ("down by up to 20%" since pre-pandemic, improved from "down by 90%" at this time last year)
- Charges to passengers (forecast to follow inflation)
- Airline sustainability (unquantifiable)
- Travel restrictions (eased during 2021/22)

The biggest uncertainty at this stage remains the speed at which the industry will recover from the period of reduced travel and how the travel industry will recover from a financial perspective – however the outlook above is considerably more positive than that from 12 months ago with a substantial recovery having taken place during the year as restrictions have eased.

BAH was incorporated on 4 February 1997 and commenced trading on 26 March 1997. The BAH Group accounts incorporate Birmingham International Airport Ltd, Euro Hub (Birmingham) Ltd, Birmingham Airport Developments Ltd, First Castle Developments Ltd, Birmingham Airport (Finance) plc and BHX Fire and Rescue Ltd. The principal activity of the Group is the operation and management of Birmingham International Airport and the provision of facilities and services associated with those operations. During this year dividends of £0.074 million (2020/21: £0.074 million) and ground rent of £0.067 million (2020/21: £0.066 million) were receivable.

A copy of BAH's accounts is available from:

The Company Secretary
Birmingham Airport Holdings Ltd
Diamond House, Birmingham Airport
Birmingham
B26 3QJ

The Coventry and Solihull Waste Disposal Company Ltd
In accordance with directives received from the government exercising powers under the Environmental Protection Act 1990, Solihull Council, in conjunction with Coventry City Council, set up a wholly owned company for the disposal of waste arising from the two councils. The company was in the ownership of Coventry City Council from formation in 1975 until the assets were vested into the limited company in 1994.

Solihull Council has 1/3 ownership of the 99 £1 Ordinary Shares with Coventry City Council owning the remaining 2/3. These two shareholders benefit from any surpluses made and will contribute to any liabilities or losses the company cannot meet. These shares are not quoted on any Stock Exchange. During this year dividend income of £4.575 million (2020/21: £3.010 million) was receivable.

The desktop valuation undertaken in April 2022 resulted in an increase in the fair value of the Council's shareholding from £28.633 million to £29.000 million, which is reflected in the Council's Balance Sheet. This has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts and an assessment of future trading prospects.

A copy of the Company's accounts is available from:

The Company Secretary
The Coventry and Solihull Waste Disposal Company Ltd
The Waste to Energy Plant
Bar Road
Coventry
CV3 4AN

Mell Square Ltd
On 9 April 2021, Solihull Council acquired full ownership of Mell Square Ltd costing the Council £34.577 million in total. The acquisition includes the ground lease interests and freeholds of a number of key commercial town centre properties. The move is aimed at allowing the Council to continue to play an active role with partners in shaping the future of the town centre and deliver on a key aspect of its bold new Town Centre Masterplan.

The acquisition sees the Council add to its land holdings in the area, taking control of the entire Mell Square site as well as the company, which operates the popular shopping location. On acquisition, the Council acquired a full shareholding costing £1.846 million and has loaned £32.731 million to the company. This loan is subject to an Expected Credit Loss of £0.176 million.

As mentioned above, the company holds a number of freehold and leasehold interests of a number of key commercial town centre properties. As these are long-term leases, they have been calculated using a discounted cash flow approach to arrive at a fair value included in their Balance Sheet.

All other elements of the Balance Sheet are calculated at fair value and therefore the Council includes the Net Assets/(Liabilities) position of the Company as the fair value for this investment. As at 31 December 2021, Mell Square Ltd had a Net Liabilities balance and so the Council is including the investment at a fair value of £0.

The main reason for this position is a reduction in the fair value of investment property in the Company as a result of reduced lease-holdings across the site. Whilst this is reflective of a loss since acquisition, the company is held for strategic development opportunities within the town centre and not held for any commercial reasons.

A copy of Mell Square Ltd's accounts is available from:

The Company Secretary
Mell Square Ltd
Council House
Manor Square
Solihull
B91 9QS

Sherbourne Recycling Ltd
On 1 April 2021, the Council entered into a number of key legal agreements including, but not limited, to the Shareholders' Agreement and Loan Facility Agreement in relation to Sherbourne Recycling Ltd. This is a cross-authority owned Materials Recycling facility designed to process each council's kerbside collected

recyclate. As one of 8 local authority shareholders, the Council made an equity investment of £0.146 million for a 14.6% share in Sherbourne Recycling Ltd (SRL).

The Council, along with its partners, commenced loan payments during 2021/22 and Solihull Council has so far loaned £3.403 million to fund the construction work that has commenced.

Whilst the site, and company, is not yet operational as a facility, the balance sheet as at 31 March 2022 shows a net assets figure, meaning that it is still a going concern.

As at 31 March, the fair value of the Council's investment in SRL has remained at £0.146 million.

A copy of SRL's accounts is available from:

Financial Controller
Sherbourne Recycling Ltd
Council House
Earl Street
Coventry
CV1 5RR

b. Transfers between levels of the Fair Value Hierarchy

The fair value hierarchy is defined within Note 44 - Statement of Accounting Policies ((x) Fair Value Measurement).There were no transfers between input levels during the year.

c. Changes in Valuation Technique

There have been no changes in the valuation technique used during the year for the financial instruments.

d. Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

		2020/21				2021/22
Unquoted Shares	Other	Total		Unquoted Shares	Other	**Total**
£000	£000	£000		£000	£000	**£000**
40,260	0	40,260	Opening balance at 1 April	39,679	0	**39,679**
0	0	0	Transfers into Level 3	0	0	**0**
0	0	0	Transfers out of Level 3	0	0	**0**
(378)	0	(378)	Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	(1,244)	0	**(1,244)**
0	0	0	Additions	1,992	0	**1,992**
(203)	0	(203)	Disposals	0	0	**0**
39,679	0	39,679	**Closing Balance at 31 March**	**40,427**	**0**	**40,427**

e. The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (as detailed within Note 23a), all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried on the Balance Sheet at amortised cost. 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 Loan Board (PWLB), prevailing rates for new PWLB borrowing have been applied to provide the fair value (Level 2). As an alternative, an assessment has been made to the fair value measurement applying the premature repayment rate, highlighting the impact of the alternative valuation;

- For non-PWLB loans payable, prevailing market rates, based on wider market discussions, have been applied to provide the fair value (level 2);
- For PFI liabilities and similar contracts, due to limited market comparable instruments, prevailing PWLB rates have been applied as a reasonable proxy, to provide the fair value (level 2). A review of market rates for public sector bodies found the price differential to PWLB rates to be negligible (as most commercial markets will attempt to match PWLB terms when dealing with the public sector), therefore PWLB rates have been used as these rates are published and readily available;
- 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 carrying amount or the billed amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of the financial assets are as follows:

31 March 2021			**31 March 2022**	
Balance sheet value	Fair value		**Balance sheet value**	**Fair value**
£000	£000		**£000**	**£000**
		Long-Term Financial Assets		
39,679	39,679	Financial assets measured at fair value	**40,427**	**40,427**
1,220	1,220	Long-term debtors [1]	**37,208**	**37,208**
40,899	40,899	**Sub-total long-term financial assets**	**77,635**	**77,635**
		Short-Term Financial Assets		
3,137	3,137	Cash and cash equivalents	**12,827**	**12,827**
63,015	63,015	Money market loans (< 1 year)	**89,536**	**89,536**
74	74	Insurance liability fund	**61**	**61**
32,678	32,678	Short-term debtors	**39,763**	**39,763**
98,904	98,904	**Sub-total short-term financial assets**	**142,187**	**142,187**
139,803	139,803	**Total financial assets**	**219,822**	**219,822**

[1]The increase in Long-Terms Debtors is due to two loan commitments incurred during 2021/22. These relate to Mell Square Ltd (£32.731 million) and Sherbourne Recycling Ltd (£3.403 million). Further information can be found in Note 23a.

The fair values of the financial liabilities are as follows:

31 March 2021			**31 March 2022**	
Balance sheet value	Fair value		**Balance sheet value**	**Fair value**
£000	£000		**£000**	**£000**
		Long-Term borrowing		
(250,948)	(341,989)	Borrowing - PWLB [1]	**(290,568)**	**(348,545)**
(4,390)	(5,003)	Borrowing - Dudley MBC debt [2]	**(3,444)**	**(3,734)**
(356)	(405)	Borrowing - Walsall MBC debt	**(288)**	**(312)**
(25,276)	(36,674)	Borrowing - other long-term loans [3]	**(25,271)**	**(33,683)**
(280,970)	(384,071)	**Sub-total long-term borrowing**	**(319,571)**	**(386,274)**
		Other long-term liabilities		
(41,923)	(68,022)	PFI liabilities and similar contracts	**(39,988)**	**(59,502)**
(3,529)	(3,529)	Finance lease liabilities	**(3,500)**	**(3,500)**

31 March 2021			31 March 2022	
Balance sheet value	Fair value		**Balance sheet value**	**Fair value**
£000	£000		**£000**	**£000**
(45,452)	(71,551)	**Sub-total other long-term liabilities**	**(43,488)**	**(63,002)**
(326,422)	(455,622)	**Sub-total long-term financial liabilities**	**(363,059)**	**(449,276)**
		Short-Term borrowing		
(6,309)	(6,309)	PWLB	**(2,636)**	**(2,636)**
(860)	(860)	Dudley MBC debt [2]	**(946)**	**(946)**
(66)	(66)	Walsall MBC debt	**(69)**	**(69)**
(107)	(107)	Other short-term loans [3]	**(104)**	**(104)**
(7,342)	(7,342)	**Sub-total short-term borrowing**	**(3,755)**	**(3,755)**
		Other short-term liabilities		
(9,850)	(9,850)	Bank overdraft	**(18,214)**	**(18,214)**
(3,437)	(3,437)	PFI and finance lease liabilities	**(1,965)**	**(1,965)**
(25,465)	(25,465)	Short-term creditors [4]	**(24,087)**	**(24,087)**
(38,752)	(38,752)	**Sub-total other short-term liabilities**	**(44,266)**	**(44,266)**
(46,094)	(46,094)	**Sub-total short-term financial liabilities**	**(48,021)**	**(48,021)**
(372,516)	(501,716)	**Total financial liabilities**	**(411,080)**	**(497,297)**

1 The Council has used a transfer value for the fair value of the PWLB financial liabilities. We have also calculated an exit price fair value of £427.223 million, which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

2 Dudley MBC debt relates to the residual debt liabilities of the former West Midlands County Council; all borrowing within this fund matures by 2026.

3 Other loans are a mixture of fixed and variable rate market and LOBO (Lender Option, Borrower Option) loans. The LOBO loans have no automatic clauses within them, and should any options be triggered by the counterparty then the Council would have the option to repay the loan and refinance the debt via alternative sources. These loans were taken out to take the opportunity of advantageous borrowing rates over that offered by the PWLB at that time, and also to mitigate refinancing risk.

4 Short-term creditors in the above table include only those balances which the Council considers are due under a contractual arrangement, as per the Code, and will therefore differ to the figures in the Balance Sheet.

24. Nature and Extent of Risks Arising from Financial Instruments

a. Key Risks

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

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

b. 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 in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice (TM Code) and investment guidance issued through the above Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the TM Code;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving, annually in advance, prudential and treasury indicators for the following three years limiting:
    - the Council's overall borrowing;
    - its maximum and minimum exposures to fixed and variable rates;
    - its maximum and minimum exposures to the maturity structure of its debt;
    - its maximum annual exposures to investments maturing beyond a year;
- by approving an Annual Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

These are required to be reported and approved at or before the Council's annual council tax setting meeting or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported bi-annually to Members.

These policies are implemented by a central treasury management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the TM Code and are reviewed regularly.

c. Credit Risk

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

The risk from deposits with banks and financial institutions is minimised through the Annual Investment Strategy, which requires that deposits are not made unless they meet the minimum requirements of the Council's investment criteria, which are aligned with the Fitch, Moody's and Standard & Poor's credit rating services. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution.

A summary of the credit quality of the Council's Treasury Management investments at 31 March 2022 is shown as follows:

31 March 2021	Current rating (Fitch or equivalent)	**31 March 2022**
£000		**£000**
3,000	AAA	**8,003**
0	AA+	**0**
0	AA	**0**
63,013	AA-	**89,536**
107	A+	**4,798**
106	N/A	**87**
66,226	**Total**	**102,424**

Allowances for impairment losses have been calculated for investments held at 31 March 2022, applying the expected credit losses model. The expected credit loss model results in a notional loss of £0.025m. Given the low value of this calculation, no adjustment has been made to the carrying value of these instruments in the Council's accounts.

The risk of credit exposure from the Council's customers arises from the possibility that debts raised by the Council are not collected. At 31 March 2022, £23.294 million of trade debtors were held on the Accounts Receivable system awaiting payment (£17.127 million at 31 March 2021). These are analysed by age as shown in the following table:

31 March 2021		**31 March 2022**
£000		**£000**
12,144	Less than three months	**18,339**
1,118	Three to six months	**1,617**
1,519	Six months to one year	**1,145**
2,346	More than one year	**2,193**
17,127	**Total trade debtors**	**23,294**

The Council has an impairment allowance of £2.006 million in place to mitigate against this risk (£2.022 million as at 31 March 2021).

d. Liquidity Risk

The Council manages its liquidity position through the risk management procedures detailed in Note 24b (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 system as required by the TM Code. 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 whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a Council whose actions are unlawful). 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.

e. 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, the 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 treasury 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's approved treasury and investment strategies address the main risks and the treasury management 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 that the spread of longer-term investments provides stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of the Council's borrowing liabilities at original cost is as follows:

31 March 2021		**31 March 2022**
£000		**£000**
4,367	Less than 1 year	**380**
380	Between 1 and 2 years	**394**
1,227	Between 2 and 5 years	**5,273**
6,369	Between 5 and 10 years	**6,457**
14,248	Between 10 and 20 years	**26,179**
44,687	Between 20 and 30 years	**46,898**
144,670	Between 30 and 40 years	**142,566**
64,366	Between 40 and 50 years	**87,800**
280,314	**Total**	**315,947**

The figures included in the above table are based on the principal amounts borrowed and will differ from the total borrowing in the Balance Sheet because of the requirement to include accrued interest within current liabilities in the Balance Sheet.

f. Market Risk (Interest Rate Risk)

The Council is exposed to interest rate movements on its borrowings and investments. Of the £315.947 million debt held as at 31 March 2022, £15.000 million was at variable interest rates and £300.947 million was at fixed interest rates. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest 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 CI&ES would rise;
- borrowings at fixed rates – the fair value of the borrowing liability would fall;
- investments at variable rates – the interest income credited to the CI&ES would rise;
- investments at fixed rates – the fair value of the assets would fall.

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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

If all interest rates had been 1% higher during 2021/22 (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	**150**
Increase in interest receivable on variable rate investments	**(73)**
Impact on (Surplus)/ Deficit on the Provision of Services in CI&ES	**77**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the (Surplus)/ Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**58,731**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

These assumptions are based on the same methodology as used in Note 23 - Fair values of Assets and Liabilities.

g. Price Risk

The shares held in Birmingham Airport Holdings Ltd, The Coventry and Solihull Waste Disposal Company Ltd, Mell Square Ltd and Sherbourne Recycling Ltd are classified as 'financial assets measured at fair value', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income & Expenditure.

h. 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.

25. Income, Expense, Gains and Losses Recognised in the Comprehensive Income & Expenditure Statement

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

2020/21			2021/22	
(Surplus)/ Deficit on the Provision of Services	Other CI&ES		**(Surplus)/ Deficit on the Provision of Services**	**Other CI&ES**
£000	£000		**£000**	**£000**
0	378	Net (gain)/ loss on investments in equity instruments designated at FVOCI	**0**	**1,244**
(413)	0	Interest income on financial assets measured at amortised cost	**(2,405)**	**0**
(3,088)	0	Interest income on financial assets measured at FVOCI	**(4,649)**	**0**
16,896	0	Interest expense	**16,979**	**0**
13,395	378	**Net (gain)/loss for the year**	**9,925**	**1,244**

26. Leases

a. Council as Lessee

Finance Leases

The Council acquired the Bluebell Centre, two car parks and one of its libraries under finance leases. The assets acquired under these leases that are above our de minimis level for capital spending are carried in the Balance Sheet at the following net amounts:

31 March 2021		**31 March 2022**
£000		**£000**
9,621	Property Plant and Equipment - Land and Buildings	**10,181**
1,428	Investment Property	**1,428**
11,049	**Total**	**11,609**

The Council is committed to making minimum payments under the Bluebell Centre lease. These minimum payments are made up of the settlement of the long-term liability for the interest in the asset acquired by the Council and finance costs that will be payable over the remainder of the lease term. The minimum lease payments, as cash amounts and present values, are made up of the following amounts:

31 March 2021			**31 March 2022**	
Cash Amount	Net Present Value		**Cash Amount**	**Net Present Value**
£000	£000		**£000**	**£000**
		Finance lease liabilities:		
27	27	Current	**29**	**29**
3,529	983	Non-current	**3,500**	**1,011**
5,125	2,566	Finance costs payable in future years	**4,934**	**2,512**
8,681	3,576	Total future minimum lease payments	**8,463**	**3,552**

The minimum lease payments and finance lease liabilities, in cash terms, will be payable over the following periods:

31 March 2021			**31 March 2022**	
Minimum Lease Payments	Finance Lease Liabilities		**Minimum Lease Payments**	**Finance Lease Liabilities**
£000	£000		**£000**	**£000**
217	27	Not later than one year	**217**	**29**
868	124	Later than one year and not later than five years	**868**	**130**
7,596	3,405	Later than five years	**7,378**	**3,370**
8,681	3,556		**8,463**	**3,529**

The minimum lease payments and finance lease liabilities, stated as present values, will be payable over the following periods:

31 March 2021			31 March 2022	
Minimum Lease Payments	Finance Lease Liabilities		**Minimum Lease Payments**	**Finance Lease Liabilities**
£000	£000		**£000**	**£000**
217	27	Not later than one year	**217**	**29**
757	107	Later than one year and not later than five years	**757**	**113**
2,602	876	Later than five years	**2,578**	**898**
3,576	1,010		**3,552**	**1,040**

Operating Leases

The Council has entered into lease agreements for land and property, motor vehicles and ICT equipment. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2021		**31 March 2022**
£000		**£000**
628	Not later than one year	**649**
871	Later than one year and not later than five years	**1,070**
1,017	Later than five years	**925**
2,516		**2,644**

The minimum lease payment expenditure charged to the CI&ES during the year in relation to these leases was £0.815 million (2020/21: £0.979 million).

b. Council as Lessor

Finance Leases
The Council has leased out the following property on finance leases as at 31 March 2022. There is a peppercorn rent payable to the Council under the terms of the finance leases.

	Remaining lease term
Ulverley Junior & Infant School	123 years
Yew Tree Primary	123 years
Smith's Wood Academy	120 years
Damson Wood Nursery & Infant School	120 years
Streetsbrook Infant & Nursery School	120 years
Lyndon Academy	119 years
Northern House Academy	118 years
Smith's Wood Community Primary School	118 years
Marston Green Infant School	117 years
Balsall Common Primary	116 years
Hockley Heath Primary	116 years
Heart of England Academy	115 years
Alderbrook Academy	115 years
Langley Academy	115 years
Light Hall Academy	115 years

	Remaining lease term
Lode Heath Academy	115 years
Hall Meadow Land	114 years
Arden Academy	114 years
Tudor Grange Academy	114 years
Park Hall Academy	113 years

Operating Leases
The Council leases out property for a variety of purposes. These include for the provision of community services, such as sports facilities and community centres, for economic development purposes to provide suitable accommodation for local businesses and for income generation purposes.

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

31 March 2021 restated [1]		**31 March 2022**
£000		**£000**
(2,771)	Not later than one year	**(2,865)**
(9,980)	Later than one year and not later than five years	**(10,345)**
(79,685)	Later than five years	**(81,890)**
(92,436)		**(95,100)**

[1] Since the publication of the 2020/21 accounts, the omission of a lease with significant future commitments has come to light. This is included within the 2021/22 values so the 2020/21 values have been restated to include this lease, to allow for meaningful comparison. No other notes are impacted by this change.

The minimum lease payments receivable shown above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews and rents linked to percentage of future revenue.

In 2021/22 contingent rents of £2.923 million were receivable by the Council (£2.592 million in 2020/21).

27. Private Finance Initiatives (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. The Council is deemed to control the services that are provided under its schemes and ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge.

a. Building Schools for the Future (BSF) PFI

In 2021/22 the Council made contractual payments of £9.008 million (2020/21: £9.057 million) under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Northern House Academy, Park Hall Academy and Smith’s Wood Academy. In future years the actual payments will vary in line with inflation. The contract expires in 2035/36. There have been no changes to the arrangement during 2021/22.

The payments due to the PFI contractor are as follows:

		Repayment of liability	Interest	Service Charge	Total
		£000	£000	£000	£000
Payments due to be made:					
Within 1 year	2022/23	1,936	3,509	3,652	**9,097**
Within 2 - 5 years	2023/24 - 2026/27	9,587	12,318	15,415	**37,320**
Within 6 - 10 years	2027/28 - 2031/32	16,104	9,094	23,735	**48,933**
Within 11 - 15 years	2032/33 - 2036/37	14,297	1,252	18,332	**33,881**
		41,924	**26,173**	**61,134**	**129,231**

The liability outstanding to the PFI contractor for capital expenditure is as follows:

	31 March 2020	Net payments during the year	31 March 2021	Net payments during the year	**31 March 2022**
	£000	£000	£000	£000	**£000**
Northern House Academy	(5,970)	245	(5,725)	275	**(5,450)**
Park Hall Academy School	(19,746)	809	(18,937)	910	**(18,027)**
Smith's Wood Academy	(20,205)	828	(19,377)	930	**(18,447)**
Total	(45,921)	1,882	(44,039)	2,115	**(41,924)**

b. PFI Estimates and Judgements

The financial models used to interpret PFI agreements are very complex in nature and require estimates and judgements to be made that impact on the accounting entries.

The total value of the payments due to the PFI Contractor over the remaining 14 years of the contract is £129.231 million. The BSF PFI unitary payments includes costs for utilities.

c. Similar contract: Strategic Environment Services Contract

In 2008/09, the Council engaged Enterprise Management Services Ltd (subsequently acquired by Amey PLC) to provide Strategic Environment Services in a 7 year contract, which was extendable by up to 21 years. A 7 year extension from 2015/16 up until 3 April 2022 was subsequently approved. In 2021/22 the Council made contractual payments of £11.362m (2020/21: £11.099m) to cover the provision of Waste Collection and Recycling, Street Cleansing and Ground Maintenance. Note 42 includes information about the new Strategic Environment Contract commencing 4 April 2022.

	Repayment of liability	Interest	Service Charge	Total
	£000	£000	£000	£000
Payments due to be made:				
Within 1 year	0	0	99	**99**
Total	**0**	**0**	**99**	**99**

There is no remaining liability outstanding to pay for capital expenditure, as shown below:

	31 March 2020	Net payments/ (adjustment) in-year	31 March 2021	Payments in-year	31 March 2022
	£000	£000	£000	£000	**£000**
Vehicles, Plant and Equipment	(2,514)	1,220	(1,294)	1,294	**0**

28. Short-Term Debtors (less than one year)

31 March 2021		31 March 2022
£000		**£000**
23,566	Amounts receivable from trade customers	**24,679**
9,112	Amounts receivable from related parties	**15,084**
1,903	Payments in advance from trade customers	**2,978**
2,603	Payments in advance from related parties	**2,646**
37,184	**Total Trade Debtors**	**45,387**
18,187	Amounts receivable from central government	**13,709**
2,942	Other debtors (council tax and business rates)	**3,635**
492	Other debtors (precepting bodies)	**121**
58,805	**Total Short-Term Debtors**	**62,852**

29. Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and business rates) in Note 28 above can be analysed by age as follows:

31 March 2021		31 March 2022
£000		**£000**
2,491	Less than one year	**2,884**
451	Over one year[1]	**751**
2,942		**3,635**

[1] All debtors for local taxation more than three years old in 2021/22 have been fully impaired. In 2020/21 all debtors for local taxation more than two years old had been fully impaired.

30. Cash and Cash Equivalents (including Bank Overdraft)

The balance of Cash and Cash Equivalents (including Bank Overdraft) is made up of the following elements:

31 March 2021		**31 March 2022**
£000		**£000**
30	Cash floats held by the Council	**26**
3,107	Cash equivalents and cash at bank	**12,801**
3,137	**Cash and cash equivalents**	**12,827**
(9,850)	Bank overdraft	**(18,214)**
(6,713)	**Total**	**(5,387)**

31. Short-Term Creditors (less than one year)

31 March 2021[1]		**31 March 2022**
£000		**£000**
(21,617)	Amounts payable to trade customers	**(22,782)**
(3,848)	Amounts payable to related parties	**(1,305)**
(2,759)	Receipts in advance from trade customers	**(3,367)**
(170)	Receipts in advance from related parties	**(143)**
(28,394)	**Total Trade Creditors**	**(27,597)**
(13,000)	Amounts payable to central government	**(9,964)**
(6,912)	Other receipts in advance (council tax and business rates)	**(15,785)**
(8,281)	Other creditors	**(6,292)**
(56,587)	**Total Short-Term Creditors**	**(59,638)**

[1] Receipts in Advance from Central Government as at 31 March 21 are now shown separately in the Balance Sheet and more detail is found in Note 9.

32. Provisions

	Business Rates Appeals	Other Provisions	**Total**
	£000	£000	**£000**
Short-term provisions			
Balance at 1 April 2021	(4,016)	(1,064)	(5,080)
Provisions made in 2021/22	(1,072)	(751)	(1,823)
Amounts used in 2021/22	(847)	1,056	209
Balance at 31 March 2022	**(5,935)**	**(759)**	**(6,694)**
Long-term provisions			
Balance at 1 April 2021	(8,177)	(327)	(8,504)
Provisions made in 2021/22	0	(769)	(769)
Amounts used in 2021/22	4,058	305	4,363
Balance at 31 March 2022	**(4,119)**	**(791)**	**(4,910)**
Total provisions as at 31 March 2022	**(10,054)**	**(1,550)**	**(11,604)**

The main provision relates to business rates appeals as follows:

Business Rates Appeals
As a member of the West Midlands 100% Business Rates Retention Pilot, the Council assumes 99% of the liability for refunding any business rate payers who successfully appeal against the rateable value of their properties on the rating list. The provision is in place to meet this liability, based on the best estimate of the expenditure that will be required to settle the successful appeals. This best estimate has been based on the appeals which had been lodged against the 2010 ratings list and checks and challenges lodged against the 2017 list.

33. Pension Schemes accounted for as Defined Contribution Schemes

The Council currently participates in three post-employment defined benefit pension schemes, two of which are treated for the purposes of the Statement of Accounts as defined contribution schemes:

The Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a defined benefit multi-employer pension scheme. The scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by councils. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 11,885 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme, the Council's own contributions equate to approximately 0.13% (2020/21: 0.16%).

In 2021/22 £7.798 million was payable to the Teachers' Pensions Scheme in respect of teachers' pension costs, which represents 23.68% of teachers' pensionable pay for the period 1 April 2021 to 31 March 2022 (2020/21 £9.381 million and 23.68%). £0.657 million of the contributions remained payable at the year-end. The contributions due to be paid in 2022/23 are estimated to be £8.032 million.

In addition to the Teachers' Pension Scheme, the Council makes pension payments for teachers relating to added years it has awarded, together with related increases. These discretionary payments form a separate, unfunded scheme and in 2021/22 these payments amounted to £0.937 million (2020/21: £0.988 million).

The National Health Service (NHS) Pension Scheme

A number of adult social care and public health employees are covered by the provisions of the NHS Pensions Scheme, which was established on 5 July 1948. Details of the benefits payable under these provisions can be obtained from the NHS Pensions Business Services Authority. The scheme is an unfunded defined benefit final salary scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The scheme is not run in a way that would enable NHS bodies to identify their share of their underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. As a proportion of the total contributions into the NHS Pension Scheme, the Council's own contributions equate to approximately 0.05%.

The employer rate has remained at 20.68% in 2021/22, although as in 2020/21 3.8% of these contributions were funded by the Department of Health and Social Care. £0.261 million was payable in 2021/22 to the NHS Pensions Scheme in respect of NHS pension costs, which represents 16.88% of the pensionable pay of the staff in the scheme (2020/21: £0.292 million). £0.024 million of the contributions remained payable at the year-end.

The contributions due to be paid by the Council in 2022/23 are estimated to be £0.426 million. The Council is not responsible for any retirement top-up payments outside of the NHS scheme.

34. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Local Government Pension Scheme

The Council participates in one defined benefit post-employment scheme, the Local Government Pension Scheme administered locally by The West Midlands Metropolitan Authorities Pension Fund (WMMAPF). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme is administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. For 2021/22 there has been a change in the actuary used by the WMMAPF which has resulted in a change to the presentation of the tables within this note, no prior year values were amended as a result of this change.

In addition, the Council makes pension payments for staff (including teachers) relating to added years it has awarded.

Risks Associated with the scheme

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:

- Investment risk. The fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The fund’s liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Life Expectancy risk. In the event that the members live longer than assumed a deficit will emerge in the fund. There are also other demographic risks.

These risks are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amount payable to the Pension Fund, as detailed in the Employee Benefits accounting policy.

Transactions relating to post-employment benefits

The Council recognises the cost of post-employment benefits in Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund in the MIRS. The transactions detailed below have been made in the CI&ES and the General Fund Balance via the MIRS during the year:

2020/21 £000		2021/22 £000
	Cost of Services:	
	Service cost comprising:	
31,210	Current service cost	**47,865**
89	Past service costs	**146**
(250)	(Gain)/loss from settlements	**(7,828)**
428	Administration costs	**439**
	Financing and Investment Income and Expenditure:	
6,538	Net interest expense	**8,756**
38,015	**Sub-total post-employment benefit charged to (Surplus)/ Deficit on the Provision of Services**	49,378
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
(104,773)	Return on assets excluding amounts included in net interest	**(54,905)**
(10,126)	Other experience	**(24,028)**
(12,251)	Actuarial (gains)/losses arising on changes in demographic assumptions	**(10,062)**
263,247	Actuarial (gains)/losses arising on changes in financial assumptions	**(73,804)**
136,097	**Sub-total post-employment benefits charged to Other Comprehensive Income and Expenditure**	(162,799)
174,112	**Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	(113,421)
2020/21		**2021/22**
£000		**£000**
(38,015)	Reversal of net charges made to the (surplus)/ deficit on the provision of services for post-employment benefits in accordance with the Code	**(49,378)**
	Actual amount charged against the General Fund Balance for pensions in the year:	
21,149	Employer's contributions payable to scheme for current year	**21,352**
(16,866)	**Total Post Employment Benefit charged to the Movement in Reserves Statement**	(28,026)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

2020/21 £000		2021/22 £000
(1,165,309)	Present value of funded obligations	**(1,118,308)**
(16,340)	Present value of unfunded obligations [1]	**(15,447)**
758,895	Fair value of Fund Assets	**826,374**
(422,754)	**Net liability arising from defined benefit obligation**	(307,381)

[1] The unfunded obligations comprise £3.661 million (£3.817 million in 2020/21) in respect of LGPS unfunded pensions and £11.786 million (£12.523 million in 2020/21) in respect of Teachers' unfunded pensions.

Reconciliation of the present value of the defined benefit obligation

2020/21		2021/22
£000		£000
-	Opening balance of funded obligations [1]	(1,165,309)
-	Opening balance of unfunded obligations [1]	(16,340)
(908,796)	**Opening balance at 1 April**	(1,181,649)
(31,210)	Current service cost	(47,865)
0	Administration expenses	(439)
(21,112)	Interest cost	(23,642)
(263,247)	Change in financial assumptions	73,804
12,251	Change in demographic assumptions	10,062
10,126	Other experience	2,808
380	Effect of settlements	12,552
24,457	Estimated benefits paid net of transfers in	25,243
(89)	Past service costs, including curtailments	(146)
(5,599)	Contributions by scheme participants and other employers	(5,679)
1,190	Unfunded pension payments	1,196
(1,181,649)	**Closing balance at 31 March**	(1,133,755)
(1,165,309)	Closing balance of funded obligations	(1,118,308)
(16,340)	Closing balance of unfunded obligations	(15,447)
(1,181,649)	**Closing balance at 31 March**	(1,133,755)

[1] Split between funded and unfunded obligations is not available for 1 April 2021 due to limited information from the previous actuary.

Reconciliation of the fair value of the Fund assets

2020/21		2021/22
£000		£000
600,605	**Opening balance at 1 April**	758,895
14,574	Interest income	14,886
104,773	Return on assets excluding amounts included in net interest	54,905
0	Other experience	21,220
(428)	Administration expenses	0
21,149	Contributions by employer including unfunded for current year	756
38,400	Contributions by employer including unfunded for future years	0
5,599	Contributions by scheme participants and other employers	5,679
(988)	Unfunded benefits paid	(1,196)
988	Contributions in respect of unfunded benefits	1,196
(25,647)	Estimated benefits paid net of transfers in	(25,243)
(130)	Effect of settlements	(4,724)
758,895	**Closing balance at 31 March**	826,374

An approximate allowance for the transfer of staff to academies during the year has been made and the adjustment is shown within the effect of settlements lines above.

The actual return on scheme assets in the year was a surplus of £69.791 million (2020/21: surplus of £119.347 million).

Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme and the Teachers' Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, and by future changes to the scheme regulations.

Analysis of the scheme assets at the reporting date

31 March 2021			31 March 2022	
Percentage share	Fair value of assets		**Percentage share**	**Fair value of assets**
%	£000		**%**	**£000**
60	457,088	Equity instruments	61	**501,152**
8	63,165	Government bonds	6	**51,149**
6	48,134	Other bonds	6	**48,072**
8	56,946	Property	7	**59,270**
5	37,104	Cash/ liquidity	4	**32,452**
13	96,458	Other assets	16	**134,279**
100	758,895	Total	100	**826,374**

Basis for estimating assets and liabilities
The principal assumptions used by the actuary are shown in the following table:

31 March 2022		
	At 31 March 2021	At 31 March 2022
Life expectancy assumptions from age 65		
Retiring today:		
Men	21.6 years	**21.1 years**
Women	23.9 years	**23.9 years**
Retiring in 20 years:		
Men	23.4 years	**22.0 years**
Women	25.8 years	**25.4 years**
Financial assumptions		
Discount rate	2.00%	**2.70%**
Pension increases	2.85%	**3.20%**
Salary increases	3.85%	**4.20%**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The following sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption analysed changes, while all the other assumptions remain constant.

The assumptions in life expectancy, for example, assume that it increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		
Change in Assumption	Impact	Impact
	£000	%
Life expectancy assumptions (increase by 1 year)	**(45,350)**	**(4.0)**
Pension increase rate (increase by 0.1%)	**(18,060)**	**(2.0)**
Long-term salary increase (increase by 0.1%)	**(2,549)**	**0.0**
Discount rate (decrease by 0.1%)	**(20,783)**	**(2.0)**

Impact on the Council's Cashflows

Contributions are set every three years as a result of the actuarial valuation of the West Midlands Pension Fund required by the Regulations. The latest actuarial valuation of the Fund was carried out as at 31 March 2022 and set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The 2019 revaluation set contributions for the period 1 April 2020 to 31 March 2023 which resulted in an upfront payment being paid in April 2020 to cover the employer’s contribution over the three-year period. The Pension Fund performs an annual reconciliation of this, so the Council will be required to pay any additional contributions as a result of a higher than forecast payroll following the year-end.

The weighted average duration of the defined benefit obligation for scheme members as at 31 March 2022 is 21 years (as at 31 March 2021: 21 years).

Disclosure notes – notes supporting the Cash Flow Statement

35. Adjustments to the Net (Surplus)/ Deficit on the Provision of Services for non-cash movements

2020/21		2021/22
£000		£000
(37,855)	Depreciation and impairment	**(39,616)**
(25,885)	Revaluations	**214**
21,534	Net movement in pension liability [1]	**(47,426)**
(2,470)	Carrying amount of non-current assets sold or derecognised	**(4,492)**
21,894	Increase/(decrease) in debtors from operating activities	**(527)**
(6,405)	(Increase)/decrease in creditors from operating activities	**(7,035)**
(3,240)	Other non-cash items charged to the net (surplus)/ deficit on the provision of services	**2,477**
(32,427)	**Total**	**(96,405)**

[1] The movement in the pension liability includes the advance payment to the West Midlands Pension Fund of £58.3m. For further details, please see note 5.

36. Adjustments for items included in the Net (Surplus)/ Deficit on the Provision of Services that are investing and financing activities

2020/21		2021/22
£000		£000
4,281	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**5,669**
28,085	Capital grants credited to the (surplus)/ deficit on the provision of services	**28,725**
(2,322)	Any other items for which the cash effects are investing or financing cash flows	**(3,136)**
30,044	**Total**	**31,258**

37. Operating Activities

The cash flows from operating activities include the following items:

2020/21		2021/22
£000		£000
(491)	Interest received	**(2,377)**
16,784	Interest paid	**16,670**
(2,505)	Dividends received	**(4,005)**
13,788	**Included within cash flows from operating activities**	**10,288**

38. Reconciliation of Liabilities arising from Financing Activities

The movements in financial liabilities are made up as follows:

2021/22				
	Opening balance 1 April	Financing cash flows	Other non-cash changes	**Closing balance 31 March**
	£000	£000	£000	**£000**
Long-term borrowings	(280,970)	(40,000)	1,399	**(319,571)**
Short-term borrowings	(7,342)	5,328	(1,741)	**(3,755)**
Lease liabilities	(3,555)	26	0	**(3,529)**
PFI liabilities and similar contracts	(45,334)	3,410	0	**(41,924)**
Other liabilities	(123)	(63)	(323)	**(509)**
Total liabilities from financing activities	**(337,324)**	**(31,299)**	**(665)**	**(369,288)**

2020/21				
	Opening balance 1 April	Financing cash flows	Other non-cash changes	**Closing balance 31 March**
	£000	£000	£000	**£000**
Long-term borrowings	(286,267)	0	5,297	(280,970)
Short-term borrowings	(3,134)	1,195	(5,403)	(7,342)
Lease liabilities	(3,581)	26	0	(3,555)
PFI liabilities and similar contracts	(48,435)	3,101	0	(45,334)
Other liabilities	(40,929)	4,018	1,596	(35,315)
Total liabilities from financing activities	(382,346)	8,340	1,490	(372,516)

39. Related Parties

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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

31 March 2021					31 March 2022				
Dividends	Other Income	Expenditure	Net (Debtors)/ Creditors		**Dividends**	**Other Income**	**Expenditure**	**Net (Debtors)/ Creditors**	**Note**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**	
0	(9)	1,115	16	Members	0	(120)	1,461	**(209)**	
				Other Public Bodies (subject to common control by central government)					
0	(209)	1,594	(4,335)	West Midlands Combined Authority	0	(159)	971	**(5,933)**	
				Entities Controlled or Significantly Influenced by the Council					
(3,010)	0	2,617	(2,446)	Coventry and Solihull Waste Disposal Company Ltd (CSWDC)	(4,575)	0	2,819	**(2,833)**	23
0	(3,550)	39,780	812	Solihull Community Housing Ltd	0	(3,135)	44,569	**78**	
	(337)	9,087	(1,687)	Urban Growth Company Ltd	0	(174)	5,132	**(745)**	
0	0	0	0	Mell Square Ltd	0	(2,860)	32,731	**(39,370)**	23
				Other Entities in which the Council has an Interest					
0	0	0	0	Sherbourne Recycling Ltd	0	0	3,403	**(3,403)**	23
0	0	3	35	West Midlands Growth Company (WMGC)	0	0	44	**0**	
(3,010)	(4,105)	54,196	(7,605)	**Total**	**(4,575)**	**(6,448)**	**91,130**	**(52,415)**	

UK Government
The UK Government is not included within the table above but has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants (see Note 9) and prescribes the terms of many of the transactions that the Council has with other parties (i.e. council tax, housing benefits).

Members
Members of the Council have direct control over the Council's financial and operating policies. Transactions were made across nine organisations in which members had an interest (six in 2020/21). Contracts were entered into in full compliance with the Council's standing orders.

Officers
There were no significant transactions between the Council and any organisation in which the Council's Directors and Heads of Service have an interest.

Other Public Bodies (subject to common control by central government)
The Council has a pooled budget arrangement with Birmingham and Solihull Clinical Commissioning Group (CCG) for the provision of adult social services and health services across the borough. More details are provided in Note 11.

The Council receives grant income from the West Midlands Combined Authority (WMCA) both in its own right and also as accountable body for grant claims from the WMCA relating to the Urban Growth Company Ltd's (UGC) costs. All money owed to the UGC by the Council in respect of such grant funding has been paid during 2021/22. However, a net debtor of £0.745 million (2019/20: £1.687 million) in respect of the grant claim made to the WMCA on behalf of the UGC is included within the net debtor as at 31 March 2022. The transactions above exclude the annual levy paid by the Council to Transport for West Midlands, the transport arm of the WMCA, which was £8.476 million in 2021/22 (2020/21: £8.454 million).

Entities Controlled or Significantly Influenced by the Council
These include voluntary organisations where elected member(s) of the authority sit on the board and are therefore considered to have oversight of the organisations.

Other organisations under this heading are those that in which the Council has a financial interest, or which are wholly owned subsidiaries.

Other Entities in which the Council has an Interest
In addition to holding shares in the airport, the Council is represented on the board by an elected member and also has representation on the West Midlands Shareholders Airport Committee, which has specific powers and functions relating to the Birmingham Airport Holdings Company. As such, it is considered that transactions with the airport are of interest to residents and other readers of the accounts.

Together with the WMCA and the six other West Midland districts, the Council is a part owner of the West Midlands Growth Company (WMGC), which was set up in April 2017 to support the delivery of the WMCA's Strategic Economic Plan. The Council has representation on the board (currently the director of Economy and Infrastructure is a director of the company) and it is included in this note in order to give a full picture of our relationship with the combined authority.

40. Contingent Liabilities

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council, or
- a present obligation that arises from past events but is not recognised because:
  a) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
  b) the amount of the obligation cannot be measured with sufficient reliability.

The following contingent liabilities have been identified for 2021/22:

a. Grant Funded Projects

The Council has undertaken the Accountable Body role for a range of grant funded projects. These projects have been funded from a variety of grant regimes including European Union sources and the West Midlands Combined Authority. There is a potential liability to the Council from non-delivery of outputs, ineligible expenditure, or disposal of assets. To minimise the impact of these possible liabilities, the Council has introduced various controls and mechanisms such as service level agreements, asset registers and detailed expenditure verification and monitoring. In a situation where a Council liability is agreed, it will be disclosed, and an appropriate provision made in the relevant year's accounts.

b. HRA Water Rates

Until 31 March 2018 Solihull Community Housing Ltd received an annual commission from Severn Trent Water Ltd to act as agent in collecting water rates from housing tenants. A test case with a London borough deemed that in their case the Council was a supplier of water, not a collecting agent. If this outcome was applied to the relationship with Severn Trent, the Council could be liable to repay the annual commission backdated over a number of years.

Legal advice suggests the relationship with Severn Trent is one of agent and not resale. Therefore, the risk of being liable for a repayment is considered low.

c. Birmingham Airport Holdings Ltd

On 1 June 2021, the Shareholders of Birmingham Airport Holdings Ltd (BAHL), agreed a £65 million loan facility to support BAHL operations. The Council's share of this facility was £3.7 million. To date, none of the £65 million facility has been drawn down, and the Airport's base case forecast does not assume that any of the loan will be required.

d. Business Rates Appeals

The provision for business rates appeals represents an amount expected to be required to fund successful appeals that have been lodged with the Valuation Office Agency as at 31 March 2022. Businesses within the borough are still able to lodge appeals in the future against their rateable value which, if successful, could reduce their bills retrospectively and result in further refunds of business rates above the rates included in the provision. The Council is unable to provide a reliable estimate of the liability that would need to be met as a result of appeals that have not yet been made, therefore no provision has been made in the accounts for this.

41. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. The following contingent asset has been identified for 2021/22:

a. Brown Bin Legal Case

The Council has issued legal proceedings in the High Court against a previous kerbside bin provider claiming damages occurring from a supply of defective wheeled bins. In the event that the matter is not settled the case is scheduled to go to trial in November 2022. The receipt of any income in respect of this claim is contingent upon the Council reaching a settlement prior to the court case or being successful at trial during 2022/23. The legal opinion of the Council is that the prospects for the case are good, however as this contingent asset relates to an on-going legal dispute, any amounts or significant detail cannot be included in this note.

42. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Chief Executive (Chief Financial Officer) on 26 September 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and the notes have been adjusted, where material, to reflect the impact of this information.

The following events occurred between 31 March 2022 and 26 September 2023 but are considered to be non-adjusting events:

Strategic Environment Contract
The Council's Strategic Environment Contract with Amey LG Ltd expired on 3 April 2022 and on 4 April 2022, the Council began a new 10 year Contract with Veolia ES (UK) Limited and their partner Idverde Ltd to deliver services including, but not limited to; kerbside waste and recycling collections, street cleansing, litter picking, maintenance of parks and open spaces and the management and operation of Bickenhill Household Waste Recycling Centre.

The contract informed from final tender submission costs is forecast to cost £15.184 million in the first year which has one-off costs of £1.513 million for mobilisation and creates a variable items reserve although there are agreed contract commencement adjustments being worked through at the time that this note was produced which will revise the projected costs amount. From year 2 onwards, the contract is currently forecast to cost £13.635 million although this is subject to agreed contract commencement and annual indexation adjustments.

Infrastructure Assets
Accounting for infrastructure assets has recently been subject to heightened scrutiny and audit focus. The issue raised is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. As a result, an Update to the Code and Specifications for Future Codes for Infrastructure Assets was issued in November 2022 by CIPFA/LASAAC, which includes from 1 April 2021 to 31 March 2025 a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets. In addition, statutory provisions have been issued which will allow local authorities to follow an accounting treatment which supports the assumption that derecognition of the carrying amount is zero.

43. Accounting Standards that have been Issued but not yet Adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2022 for 2021/22).

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases
CIPFA/LASAAC has deferred the implementation of IFRS 16 Leases in the public sector until the 2024/25 financial year, with an effective date of 1 April 2024. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases). As a result, the Council has not been required to carry out detailed calculations to ascertain the impact.

For the following standards, there are not expected to be any material impacts on the 2022/23 accounts.

Property, Plant and Equipment: proceeds before intended use (IAS16) – a minor clarification in the intention of the Standard and does not affect valuations of PPE.

Social Benefits (IPSAS 42) – social benefit is defined as cash transfers paid directly to specific individuals/households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits income support and unemployment benefits.

44. Statement of Accounting Policies

These are the specific principles, bases, conventions, rules and practices adopted by the Council in preparing and presenting the financial statements.

i. General Principles
The Statement of Accounts summarises the Council’s transactions for the financial year 2021/22 and its position at the year end of 31 March 2022. The Council is required under the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

The Statement of Accounts has been prepared on a 'going concern' basis. The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. International Reporting Standard IAS 8 requires entities to disclose the expected impact of new standards that have been issued but not yet adopted and these have been included within the Disclosure Notes to the Accounts.

ii. Accruals of Expenditure and Income
Activity is accounted for in the financial year that it takes place, not when money is paid or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Revenue from council tax and business rates is recognised when the amount of revenue can be measured reliably, and it is probable the revenue will be received by 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;
- Dividends are deemed to be receivable when the Council's right to receive payment has been established;

- 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.

There is a de minimis level of £10,000 in place, reviewed annually, for all accruals of income and expenditure. Accruals are not required to be made for individual transactions under this value, with the exception of the following:

- Any grant where applying the de minimis level would affect the claim;
- Accruals which are calculated using system automated reports;
- For a group of similar transactions where there would be a material impact upon the management or financial accounts of not processing the accrual, for example trading services.

iii. Business Improvement District (BID)
BID projects are projects for the benefit of a particular area that are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers in the BID area. There are two key participants in the Solihull BID – the Council as the billing authority for the area and Solihull BID as the BID Body. The Council acts as the agent and so neither the proceeds of the levy nor the payment to the BID Company are shown in the Council's accounts.

iv. Cash and Cash Equivalents
Cash and cash equivalents are represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

v. 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;
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to fund these charges, however, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (Minimum Revenue Provision (MRP)).

The Council's MRP policy ensures a prudent charge is made to the General Fund in the MIRS for the Council's Capital Financing Requirement (CFR). For pre-2008 CFR the MRP charge will be on a 2% straight line basis, with post-2008 CFR being charged using an asset life method, ensuring that charges made are in line with the life of the asset supported by the capital expenditure.

Charges for depreciation, revaluation and impairment losses and amortisations are therefore reversed in the MIRS (within Adjustments between accounting basis and funding basis under regulations). These are effectively replaced by the Minimum Revenue Provision charged to the General Fund Balance.

vi. Community Infrastructure Levy
The Council has elected to charge a Community Infrastructure Levy (CIL) on new builds (chargeable developments for the Council) with appropriate planning consent. The income from the levy, with the exception of amounts (up to a maximum of 5%) applied to meet administrative expenses in accordance with the CIL Regulations, is used to fund projects to support the area's infrastructure (i.e. transport, schools and digital). A proportion of the income received (25% for parishes with an agreed neighbourhood plan and 15% for parishes without one) is ring-fenced to fund neighbourhood projects. For areas where there is a parish/town council this income is paid over to them to administer directly; for areas without a parish/town council the funding is held within a ward allocation by SMBC, and local interest are invited to bid for funding for neighbourhood projects.

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the CI&ES in accordance with the accounting policy for Government Grants and Contributions.

vii. Employee Benefits

Benefits Payable during Employment:

Short-term employee benefits such as wages and salaries, paid annual and sick leave and expenses are paid monthly on an accruals basis and charged to the relevant service line of the CI&ES. An accrual is made for the cost of holiday and flexi leave entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to the relevant service line in the CI&ES but then reversed out through the MIRS to the Accumulated Absences Account.

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 and are charged on an accruals basis to the relevant service line in the CI&ES. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance 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. Therefore, in the MIRS, allocations are required to and from the Pensions Reserve to remove the accounting entries for pension enhancement termination benefits and replace them with accounting entries for the cash payable to the pension fund and pensioner in the year.

Post-Employment Benefits:

Employees of the Council are members of one of three separate pension schemes:

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the Teachers' and the NHS pension schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The costs of these schemes are charged respectively to the Children, Education and Skills and Adult, Social Care and Health lines in the CI&ES.

The Local Government Scheme is accounted for as a defined benefit scheme as follows:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) 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 projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using the Single Equivalent Discount Rate, derived from the annualised Merrill Lynch AA rated corporate bond yield curve;
- The assets of WMMAPF attributable to the Council are included in the Balance Sheet at their fair value.

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CI&ES to the services for which the employees worked;
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to Resources in the Cost of Services in the CI&ES;

- net interest expense – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- gains or losses from settlements – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Resources line in the Cost of Services in the CI&ES.

Remeasurements comprising:

- return on assets excluding amount included in net interest - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return charged to the Pensions reserve as Other Comprehensive Income and Expenditure in the CI&ES;
- 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 in the CI&ES.

In relation to retirement benefits, statutory provisions require the General Fund balance 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 MIRS, this means that there are allocations to and from the Pensions Reserve to remove the accounting entries for retirement benefits and replace them with accounting entries for the cash payable to the pension fund and pensioner. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:
Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events after the Balance Sheet Date
These are events that have happened after the Balance Sheet date and before the date that the Statement of Accounts was authorised for issue. An adjusting event is one that existed at the Balance Sheet date and has a material impact on the accounts. The accounts are adjusted where this type of event has taken place. A non-adjusting event is one that is indicative of conditions that arose after the Balance Sheet date. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.

ix. Material Items and Prior Period Adjustments
Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. A material error is one that could influence the decisions or assessments of users made on the basis of the financial statements. Prior period adjustments are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect. When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the CI&ES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

x. Fair Value Measurement
The Council measures some of its non-financial assets, such as investment properties and surplus assets, and some of its financial instruments i.e. some of its equity share holdings, at fair value at each reporting date. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosure notes.

A definition of fair value is the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions. A fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The concept of highest and best use applies only when determining the fair value of non-financial assets, i.e. surplus assets or investment property. They do not apply to financial assets or to financial liabilities on the basis that financial assets or financial liabilities do not have alternative uses.

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

IFRS 13 includes a "Fair Value Hierarchy" that classifies valuations according to the nature of available inputs. In summary, the three levels of hierarchy are as follows:

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

Criteria for the various levels are listed in the following table.

Criteria	Level
• Comparable evidence that is identical to the asset that is being measured in terms of physical location, condition, orientation, levels of natural light, view, access and visibility, tenure and covenant, construction type and cost, size and layout, facilities, lease options, obsolescence	1
• Comparable evidence available within an active market of similar assets • Comparable evidence for similar assets or liabilities in markets that are not active • Non-value comparable evidence (i.e. yields) for similar asset types available • Comparable evidence corroborated by observable market evidence • Implied and non-implied covenants within the lease negating the need for comparable evidence • Transparency of market data • Minimal principal adjustment of comparable evidence, non-significant adjustment • Comparable analysis	2
• No comparable evidence available • Unobservable inputs • Comparable evidence requires significant adjustment from the principal market	3

For investment properties where Level 1 inputs are not available, the Council's qualified internal valuation team uses appropriate valuation techniques for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Three widely used valuation techniques are:

(i) market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (i.e. a business);

(ii) cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost);

(iii) income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

There has been no change in the valuation techniques used during the year for investment properties.

For all investment properties where a fair value review is conducted, fair values are based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of property has been ranked into three groups based upon the criteria above. All investment property fair value measurements have been assessed at level two and financial instruments have been assessed at level two or level three.

It is considered rare for local authority valuations to transfer between the three levels of the hierarchy. No such transfers have taken place in 2021/22.

xi. Financial Instruments

<u>Financial Assets:</u>
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

<u>Financial Assets Measured at Amortised Cost</u>
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

<u>Financial Assets Measured at Fair Value through Profit of Loss</u>
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus/ Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy for Fair Value Measurement. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CI&ES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)
The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). The Council has made an irrevocable election to designate equity instruments as FVOCI on the basis that they are held for non-contractual benefits, and not held for trading but for strategic purposes. These assets are initially measured and carried at fair value. The value is based on the principle that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus/ Deficit on the Provision of Services.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Liabilities:
Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CI&ES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&ES is the amount payable for the year according to the loan agreement.

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

xii. Grants, Contributions and Donations
Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments;
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. 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 creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or to Taxation and Non-Specific Grant Income (for non-ring-fenced revenue grants and all capital grants) in the CI&ES.

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

Where revenue grants without conditions are credited to the CI&ES but have not yet been spent, if they have been earmarked for a specific purpose, they are appropriated out of the General Fund Balance to earmarked reserves in the MIRS.

The Council has pooled budget arrangements in place with the Birmingham and Solihull Clinical Commissioning Group (CCG), primarily in respect of the Better Care Fund. The Council has agreed the following funding and management arrangements in respect of these pooled budgets:

- for services commissioned by the Council or jointly with the CCG, the Council is acting as principal as it retains significant control over the funding and its distribution. The funding is received by the Council and the relevant income and expenditure is shown in the Council's accounts;
- for services commissioned by the CCG, the CCG receives the funding, and no income or expenditure is included in the Council's accounts.

xiii. Heritage Assets

Heritage assets are assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. They are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations and can include historical buildings, historic motor vehicles, civic regalia, museum and gallery collections, statues and works of art.

Heritage assets (other than operational heritage assets) shall normally be included in the Balance Sheet at their current value, where this is above the £20,000 de minimis level for assets. Where it is not practical to obtain a valuation at a reasonable cost, heritage assets are valued at cost. Where applicable the insurance valuation will be used for heritage asset valuation. Where the Council has no information on the value of a heritage asset and historical cost information cannot be obtained the asset can be excluded from the balance sheet.

Heritage assets are deemed to have indefinite lives and are not subject to depreciation, but the carrying amounts are reviewed where there is evidence of impairment such as physical damage. Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment.

The Council does not have or require an active policy for the acquisition, preservation, management and disposal of heritage assets due to the insignificant number of material heritage assets. The material heritage assets are contained within public buildings and parks and therefore public access is permitted.

xiv. Intangible Assets

Expenditure on assets that do not have physical substance (i.e. software licenses) but are identifiable and controlled by the Council, is capitalised when it brings benefits to the Council for a period of more than one financial year. The balance is amortised to revenue on a systematic basis over the economic life of the assets.

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 CI&ES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – 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 section in the CI&ES.

xv. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and joint ventures and is required to prepare group accounts. Subsidiaries are fully consolidated and joint ventures are consolidated on an equity basis within the Council's Group Accounts.

In the Council's own single-entity accounts, interests in companies and other entities are recorded as investments at fair value. These are subject to a full revaluation every 5 years; annual desktop valuation exercises are undertaken in the interim periods.

xvi. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long-Term contracts are defined as "contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods." The Council makes a disclosure in the notes to the core financial statements in respect of any capital contracts meeting this definition. Long-term contracts are accounted for on the basis of charging the Surplus/ Deficit on the Provision of Services with the consideration allocated to the performance obligations that have been satisfied, based on the goods or services transferred to the service recipient during the financial year.

xvii. Investment Property

Investment property is that which is used solely to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods. Investment property is measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, an investment property shall be measured at highest and best use. The fair value of investment property held under a lease is the lease interest.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. These are classified as recurring fair value measurements. There are three categories of investment property (Garden Extension Licences, Gas Governor Stations and Electricity Sub stations) that individually as sites are de minimis in value and are considered annually but are only valued on a non-recurring basis if the value is considered to have materially changed year on year.

Gains and losses on revaluation and disposal are posted to the Financing and Investment section in the CI&ES. However, regulations do not allow revaluation and disposal gains and losses to have an impact on the General Fund balance. The gains and losses are therefore reversed via the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve. Rental income received in relation to investment properties is credited to the Financing and Investment Income line in the CI&ES and result in a gain for the General Fund Balance.

xviii. 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.

(a) The Council as Lessee

<u>Finance Leases</u>

Property, plant and equipment held under finance leases with an original fair value over the capital de minimis level of £20,000 is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Any 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. Subsequent rent increases (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;
- a finance charge (debited to the Financing and Investment Income and Expenditure section in the CI&ES).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

<u>Operating Leases</u>

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

(b) The Council as Lessor

<u>Finance Leases</u>

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, in line with the Council's policy on disposals.

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 MIRS.

<u>Operating Leases</u>

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CI&ES on a straight-line basis over the life of the lease.

xix. 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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

School assets are carried on the balance sheet in accordance with the legal status of ownership or intended legal status and any other arrangements in place regarding the use of these schools. In line with the guidance provided in LAAP bulletin 101 'Accounting for Non-Current Assets Used by LA Maintained Schools', school assets that are controlled by the Governing Body will be recognised on the Council's Balance Sheet. Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CI&ES, unless the donation has been made conditionally, in which case, until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CI&ES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS. The Council has set a de minimis level of £20,000. This means that any expenditure below this level that otherwise meets the definition of capital expenditure as outlined above can be charged to a revenue budget.

Valuation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end and. At a minimum, a valuation is carried out every five years. All valuations are undertaken by the Council's in-house valuation team and are carried out in line with current RICS guidance.

The effective date for valuations carried out in 2021/22 was 31 December 2021, except for HRA assets which were valued at 31 March 2022.

The valuation basis used for the various property types is shown in the following table:

Service Area	Operational / Non-Operational	Basis of Valuation
HRA		
Housing Stock, Hostels, Service Tenancies	Operational	Existing Use Value - Social Housing
Offices, Community Centres, additional properties not allocated to a beacon	Operational	Existing Use Value (EUV)
Leased Properties	Non-Operational	Fair Value
Education		
Schools		
School Buildings	Operational	Depreciated Replacement Cost (DRC)
School Playing Fields	Operational	EUV
Non School Assets		
Pupil Referral Units, Youth Centres, Nurseries	Operational	Combination of DRC and EUV
Environment & Highways		
Multi Storey Car Parks	Operational	DRC
Surface Car Parks	Operational	EUV
Other		
Leisure Centres, Cemeteries/crematoria, Libraries	Operational	DRC
Day Centres and Residential Care Homes	Operational	Combination of DRC and EUV
Council Offices	Operational	EUV
Parks Buildings	Operational	Combination of DRC and EUV
Investment property, industrial units, shops	Non-Operational	Fair Value

Other assets are carried in the Balance Sheet using the following measurement bases:
- Assets under construction and community assets are valued at historic cost.
- Infrastructure and Vehicles, Plant and Equipment are valued at depreciated historic cost.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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

Revaluation gains are 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before this date have been consolidated into the Capital Adjustment Account.

Where decreases in value are identified, they are accounted for in the following ways:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down 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 carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

<u>Depreciation</u>
Depreciation is provided for on all non-current assets with a finite useful life. The length of this life is determined at the point of acquisition or revaluation according to the following policy:

- Assets acquired in the first nine months of the financial year are depreciated on the basis of a full year's charge; assets acquired in the final three months are not depreciated until the following financial year.
- Assets that are not fully constructed are not depreciated until the year after they are brought into use.

Depreciation is calculated using the straight-line method, which charges an equal annual amount to the CI&ES, so that the asset's value is fully written down over its estimated remaining useful life. The council applies the following useful lives:

- Council Dwellings: 25 - 70 years
- Other Land and Buildings: 25 - 99 years
- Vehicles, Plant, Furniture & Equipment: 3 - 20 years
- Infrastructure Assets: 40 years

As the Council's policy is to use building and equipment to the end of their useful life, it is the policy not to adopt residual values. Any IT equipment is recycled to schools or the voluntary sector. Any other equipment with a residual value would be insignificant. For these reasons residual values will not be adopted for the calculation of depreciation. The residual values of assets carried at historical cost (i.e. community and infrastructure assets) will not be material.

Component Accounting

Where the non-land element of an asset is deemed material (valued at over £2 million), has major components whose cost is significant to the total cost of the asset and which have markedly different useful lives, components are separately identified and depreciated. The objective is to ensure that the financial value of the assets is fairly reflected in the Balance Sheet and that the CI&ES appropriately reflects the consumption of economic benefits inherent in those assets

A significant component is defined as one that has a significant value/cost when compared to the total cost of the asset as a whole but has a significantly shorter useful life and will require replacement at least on one occasion during the life of the asset.

Any assets identified as requiring depreciation under component accounting policies are not depreciated under this methodology until the following financial year.

Impairments

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

Where impairment losses are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down 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 carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, 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.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. For Infrastructure Assets, it is assumed that the carrying value of the asset that is being replaced is nil and has already been fully depreciated.

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 credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the MIRS.

xx. 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. For instance, the Council makes provisions for insurance risks not covered by the Council's policies where the potential costs have been estimated.

Provisions are charged as an expense to the appropriate service line in the 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.

Contingent Liabilities and Contingent Assets

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.

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 liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts. Where practicable an estimate of the financial effect and an indication of the uncertainties relating to the timing will be disclosed. However, if disclosure of some or all of the information required could be expected to prejudice seriously the position of the Council in a dispute with other parties, then the general nature of the dispute and recognition of the fact that information has been withheld, together with the reason, will be disclosed.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the CI&ES. The reserve is then appropriated back into the General Fund Balance in the MIRS 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.

xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CI&ES in the year. Where the Council has met the cost of this expenditure from existing capital resources or by borrowing, so that there is no impact on the level of council tax, the cost is subsequently reversed out from the CI&ES to the Capital Adjustment Account, in the MIRS.

xxiii. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. community, voluntary aided and voluntary controlled schools) lies with the Council. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council, rather than requiring consolidation in the Group Accounts. Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

xxiv. Service Concession Arrangements - Private Finance Initiatives (PFI), Public-Private Partnership (PPP) 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. In accordance with the latest recommended practice in the Code, based on IFRIC 12 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 exception is when a PFI school transfers to academy status, in which case the building asset is disposed of and the land subject to revaluation with the Balance Sheet subsequently amended. The unitary charge payment liability for the academy schools remains with the Council.

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

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

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

- fair value of the services received during the year – debited to the relevant service in the CI&ES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- lifecycle replacement costs – a proportion of the amount payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xxv. Value Added Tax (VAT)

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

Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2021/22 and are included on the following pages.

Consolidated Group Entities

Solihull Community Housing Ltd (SCH)

Solihull Community Housing Ltd, an arm's length company set up to manage the Council's housing stock, was formed on 1 April 2004 as a wholly owned subsidiary of the Council. Its accounts have been consolidated into the Group Accounts on a line by line basis.

The Coventry and Solihull Waste Disposal Company Ltd

The Council's interest in The Coventry and Solihull Waste Disposal Company Ltd, whose business is the disposal of waste, is set out in Note 23a. The Council's interest in the joint venture has been consolidated into the Group Accounts under the equity method.

The Urban Growth Company Ltd (UGC)

The Urban Growth Company Ltd was set up in 2016 as an arm's length company to deliver projects within the UK Central programme. As a subsidiary, the accounts of the Company have been consolidated into the Group Accounts on a line by line basis.

Mell Square Ltd

Mell Square Ltd was acquired in April 2021 to allow the Council to continue to play an active role with partners in shaping the future of the town centre and deliver on a key aspect of its bold new Town Centre Masterplan.

Mell Square Ltd’s year end is 31 December and its accounts as at that date have been consolidated into the Group Accounts on a line by line basis.

Unconsolidated Group Entities

Sherbourne Recycling Ltd

The Council's interest in Sherbourne Recycling Ltd, whose business is the sorting of mixed recyclables, is set out in Note 23a.

Group Comprehensive Income and Expenditure Statement (CI&ES)

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

2020/21 Reclassified [1]				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes [2]
£000	£000	£000		£000	£000	£000	
124,555	(65,440)	59,115	Adult Social Care and Health	133,006	(68,867)	**64,139**	5
203,722	(159,306)	44,416	Children, Education and Skills	208,339	(150,464)	**57,875**	5
4,812	(2,415)	2,397	Climate Change, Planning and Housing	3,128	(1,181)	**1,947**	
47,670	(15,517)	32,153	Environment and Infrastructure [3]	52,043	(18,973)	**33,070**	
4,748	(981)	3,767	Leisure, Tourism and Sport	5,634	(1,945)	**3,689**	
109,711	(62,314)	47,397	Resources [3]	90,055	(56,427)	**33,628**	5
51,661	(54,813)	(3,152)	Stronger and Safer Communities (includes HRA) [3]	60,274	(61,716)	**(1,442)**	
546,879	(360,786)	186,093	**Cost of Services [2]**	**552,479**	**(359,573)**	**192,906**	**5**
		1,487	Parish precepts			**1,487**	
		8,544	Levies payable			**8,567**	
		1,202	Amounts payable into the housing capital receipts pool			**1,491**	
		(1,812)	(Gain)/ loss on disposal of non-current assets			**(1,177)**	
		9,421	**Sub-total: Other Operating Expenditure**			**10,368**	
		16,933	Interest payable and similar charges			**17,261**	24
		6,805	Net interest on the net defined benefit liability			**9,222**	G10
		(413)	Investment interest income			**(2,405)**	24
		(79)	Other investment income			**(74)**	24
		(1,020)	Income, expenditure and changes in the fair value of investment properties			**4,884**	
		0	Impairment Losses			**486**	
		22,226	**Sub-total: Financing and Investment Income & Expenditure**			**29,374**	

2020/21 Reclassified [1]				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes [2]
£000	£000	£000		£000	£000	£000	
		(109,910)	Council tax			**(115,778)**	C3
		17,577	Business rates			**(17,728)**	5, C3
		(85,521)	Non ring-fenced government grants			**(41,810)**	5, 9
		(25,968)	Recognised capital grants and contributions			**(25,397)**	9
		(203,822)	**Sub-total: Taxation and non-specific grant income**			**(200,713)**	
		13,918	**(Surplus) / deficit on the provision of services**			**31,935**	
		(5,287)	Joint venture accounted for on an equity basis			**(3,866)**	G3
		10	Taxation of group entities			**908**	G3
		986	Share of taxation of joint venture			**951**	G3
		9,627	**Group (surplus) / deficit**			**29,928**	
		(58,808)	(Surplus)/ deficit on revaluation of property, plant & equipment			**(23,795)**	5,16
		118	Impairment losses on non-current assets charged to the revaluation reserve			**0**	16
		511	(Surplus)/ deficit from investments in equity instruments designated at fair value through other comprehensive income			**(235)**	25
		144,242	Remeasurement of the net defined benefit liability			**(173,850)**	G10
		(3)	Any other (gains)/losses			**0**	
		86,060	**Other comprehensive income and expenditure**			**(197,880)**	
		95,687	**Total comprehensive income and expenditure**			**(167,952)**	

[1] In May 2021, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2020/21 figures have been reclassified.
[2] The referenced notes form part of the financial statements.
[3] Group adjustments relating to SCH are included in the Safer and Stronger Communities line, those relating to the UGC are in the Environment and Infrastructure line and those relating to Mell Square are in the Resources Line.

Group Movement in Reserves Statement (MIRS)

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

2021/22 [1]	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Council Usable Reserves	Total Council Unusable Reserves	Group Adjustment to Council Unusable Reserves [2]	Total Group Unusable Reserves	Total Group Usable and Unusable Reserves	Group Income and Expenditure Reserve	Total Reserves (including Group)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	**(178,071)**	**(16,115)**	**(19,802)**	**(4,681)**	**(23,398)**	**(242,067)**	**(276,537)**	**28,633**	**(247,904)**	**(489,971)**	**(530)**	**(490,501)**
Total comprehensive income and expenditure	**32,992**	(3,064)	0	0	0	**29,928**	(185,350)	0	**(185,350)**	**(155,422)**	(12,530)	**(167,952)**
Adjustments between group accounts and council accounts [3]	**(18,094)**	0	0	0	0	**(18,094)**	0	367	**367**	**(17,727)**	17,727	**0**
Net (increase)/ decrease before transfers	**14,898**	(3,064)	0	0	0	**11,834**	(185,350)	367	**(184,983)**	**(173,149)**	5,197	**(167,952)**
Adjustments between accounting basis and funding basis under regulations (Note 12)	**11,026**	9,295	1,502	(451)	(2,922)	**18,450**	(18,450)	0	**(18,450)**	**0**	0	**0**
(Increase)/ decrease in 2021/22	**25,924**	6,231	1,502	(451)	(2,922)	**30,284**	(203,800)	367	**(203,433)**	**(173,149)**	5,197	**(167,952)**
Balance at 31 March 2022	**(152,147)**	**(9,884)**	**(18,300)**	**(5,132)**	**(26,320)**	**(211,783)**	(480,337)	29,000	**(451,337)**	**(663,120)**	**4,667**	**(658,453)**

[1] The referenced notes form part of the financial statements.

[2] The MIRS above adjusts the Council Unusable Reserves for the investments in the Coventry and Solihull Waste Disposal Company and Mell Square Ltd. A breakdown of the Reserves can be found in Note G6.

[3] An analysis of the adjustments between group and accounts and council accounts is provided in note G8.

2020/21 [1]	**General Fund Balance**	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Council Usable Reserves**	Total Council Unusable Reserves	Group Adjustment to Council Unusable Reserves [2]	Total Group Unusable Reserves	**Total Group Usable and Unusable Reserves**	Group Income and Expenditure Reserve	**Total Reserves (Including Group)**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2020	(81,704)	(15,866)	(20,729)	(4,284)	(20,735)	(143,318)	(462,136)	28,500	(433,636)	(576,954)	(9,234)	(586,188)
Total comprehensive income and expenditure	14,781	(5,154)	0	0	0	9,627	77,785	0	77,785	87,412	8,275	95,687
Adjustments between group accounts and council accounts	(562)	0	0	0	0	(562)	0	133	133	(429)	429	0
Net (increase)/ decrease before transfers	14,219	(5,154)	0	0	0	9,065	77,785	133	77,918	86,983	8,704	95,687
Adjustments between accounting basis and funding basis under regulations (Note 12)	(110,586)	4,905	927	(397)	(2,663)	(107,814)	107,814	0	107,814	0	0	0
(Increase)/ decrease in 2020/21	(96,367)	(249)	927	(397)	(2,663)	(98,749)	185,599	133	185,732	86,983	8,704	95,687
Balance at 31 March 2021	(178,071)	(16,115)	(19,802)	(4,681)	(23,398)	(242,067)	(276,537)	28,633	(247,904)	(489,971)	(530)	(490,501)

[1] The referenced notes form part of the financial statements.
[2] The MIRS above adjusts the Council Unusable Reserves for the investment in the Coventry and Solihull Waste Disposal Company. A breakdown of the Reserves can be found in Note G6.

Group Balance Sheet

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

31 March 2021 [1]		31 March 2022	Notes [2]
£000		**£000**	
1,194,116	Property, Plant and Equipment	**1,220,766**	16 19
950	Heritage Assets	**950**	19
17,450	Investment Property	**46,218**	19, 20
6,108	Intangible Assets	**10,064**	21
11,046	Long-term Investments	**11,427**	23
11,815	Investments in Joint Ventures	**10,157**	
772	Long-term Debtors	**4,066**	
1,242,257	**Long-term Assets**	**1,303,648**	
63,089	Short-term Investments	**89,597**	
1,593	Inventories	**1,670**	
55,781	Short-term Debtors	**62,290**	28
17,719	Cash and Cash Equivalents	**26,792**	30
138,182	**Current Assets**	**180,349**	
(9,850)	Bank Overdraft	**(18,214)**	30
(7,342)	Short-term Borrowing	**(3,755)**	23
(59,781)	Short-term Creditors [1]	**(71,728)**	31
(5,080)	Short-term Provisions	**(6,694)**	32
0	Capital Grants Receipts in Advance	**(12,706)**	9
(13,414)	Revenue Grants Receipts in Advance [1]	**(17,999)**	9
(95,467)	**Current Liabilities**	**(131,096)**	
(8,504)	Long-term Provisions	**(4,910)**	32
(280,970)	Long-term Borrowing	**(319,571)**	23
(444,638)	Net Pensions Liability	**(321,468)**	G10
(46,245)	Other Long-term Liabilities	**(43,488)**	23
(14,114)	Capital Grants Receipts in Advance	**(5,011)**	9
(794,471)	**Long-term Liabilities**	**(694,448)**	
490,501	**Net Assets**	**658,453**	
(242,067)	Usable Reserves	**(211,783)**	MIRS
(247,904)	Unusable Reserves	**(451,337)**	G6
(530)	Group Income & Expenditure Reserve	**4,667**	G7
(490,501)	**Total Reserves**	**(658,453)**	

[1] The presentation of the 2020/21 figures has been updated to separate out Revenue Grants Receipts in Advance from within Short-term Creditors.
[2] The referenced notes form part of the financial statements.

Group Cash Flow Statement

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

2020/21		2021/22	Notes [1]
£000		£000	
9,627	Net group (surplus)/ deficit	**29,928**	Group CI&ES
(34,953)	Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	**(112,818)**	G4
30,044	Adjustments for items in the net (surplus)/ deficit on the provision of services that are investing/financing activities	**31,258**	35
4,718	**Net cash flows from operating activities**	**(51,632)**	
57,783	Purchase of property, plant and equipment, investment property and intangible assets	**49,698**	
684,452	Purchase of short-term and long-term investments	**654,622**	
3,020	Other payments for Investing Activities	**3,515**	
(4,281)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(5,669)**	
(36,583)	Capital grants received	**(28,604)**	
(722,030)	Proceeds from short-term and long-term Investments	**(590,153)**	
(3,936)	Other receipts from Investing Activities	**(42)**	
(21,575)	**Net cash flows from Investing Activities**	**83,367**	
0	Cash receipts of short- and long-term borrowing	**(40,000)**	
99	Other receipts from financing activities	**(15,122)**	
3,127	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	**3,437**	
5,501	Repayments of short and long-term borrowing	**19,241**	
8,727	**Net cash flows from Financing Activities**	**(32,444)**	
(8,130)	**Net (increase) / decrease in cash and cash equivalents**	**(709)**	
	Overall Movement in cash and cash equivalents		
(261)	Cash and cash equivalents at the beginning of the reporting period	**7,869**	
8,130	Net increase/ (decrease) in cash and cash equivalents	**709**	
7,869	**Cash and cash equivalents at the end of the reporting period [2]**	**8,578**	

[1] The referenced notes form part of the financial statements.
[2] At 31 March 2022, the Council's net cash and cash equivalents totalled (£5.387 million). Solihull Community Housing Ltd held cash and cash equivalents of £11.479 million, the Urban Growth Company Ltd held £2.257 million and Mell Square Ltd held £0.229 million, resulting in a total cash and cash equivalent figure of £8.578 million.

Disclosure notes – notes supporting the Council's Group Accounts

Group disclosure notes are only included where there are material differences to the single entity disclosure notes. For all other disclosures, please see the main disclosure notes to the accounts.

G1. Group Segmental Analysis

The following table uses the segmental analysis given in the Single Entity Expenditure and Funding Analysis (Note1) as the starting point and shows the cabinet portfolio to which the Group adjustments have been applied, to give the net expenditure in the Group CI&ES.

2020/21 Reclassified [1]				2021/22		
Net expenditure in the CI&ES	Group Adjustments	Net expenditure in the Group CI&ES		Net expenditure in the CI&ES	Group Adjustments	Net expenditure in the Group CI&ES
£000	£000	£000		£000	£000	£000
59,115	0	59,115	Adult Social Care and Health	64,139	0	**64,139**
44,416	0	44,416	Children, Education and Skills	57,875	0	**57,875**
2,397	0	2,397	Climate Change, Planning and Housing	1,947	0	**1,947**
32,153	0	32,153	Environment and Infrastructure	31,935	1,135	**33,070**
3,767	0	3,767	Leisure, Tourism and Sport	3,689	0	**3,689**
47,397	0	47,397	Resources	31,507	2,121	**33,628**
(4,692)	1,540	(3,152)	Stronger and Safer Communities (includes HRA) [2]	(7,561)	6,119	**(1,442)**
184,553	1,540	186,093	**Net cost of services**	**183,531**	**9,375**	**192,906**
(175,488)	(978)	(176,466)	Other income and expenditure	(171,697)	8,719	**(162,978)**
9,065	562	9,627	**Group (surplus) / deficit**	**11,834**	**18,094**	**29,928**

[1] In May 2021, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2020/21 figures have been reclassified.
[2] Group adjustments relating to SCH are included in the Stronger and Safer Communities line, those relating to the UGC are included in the Environment and Infrastructure line and those relating to Mell Square are included in the Resources line.

G2. Group Prior Period Adjustment

The restatement of the 2020/21 Group CIES is explained in Note 2 to the single entity accounts.

G3. Expenditure & Income Analysed by Type

2020/21		2021/22
£000		£000
	Expenditure	
175,932	Employee benefits expenses	**196,773**
22,080	Employee benefits expenses for voluntary aided schools	**7,363**
251,928	Other service expenses	**279,340**
63,693	Depreciation, amortisation, impairment and revaluation losses	**39,843**
16,933	Interest payable	**17,261**
10,031	Precepts & levies	**10,054**
0	Expenditure on investment properties including fair value adjustments	**4,884**
1,202	Payments to the housing capital receipts pool	**1,491**
37,729	Housing benefits	**35,247**
2,322	REFCUS	**3,621**
986	Share of taxation of joint venture	**951**
10	Taxation of group entities	**908**
582,846	**Total expenditure**	**597,736**
	Income	
(65,007)	Fees, charges and other service income (Note G3a)	**(78,762)**
(42,377)	HRA rental Income (Note G3a)	**(42,878)**
(1,020)	Income from investment properties including fair value adjustments	**0**
(1,812)	Gain on disposal of non-current assets	**(1,177)**
(492)	Interest and investment income	**(2,479)**
(92,333)	Income from council tax and business rates	**(133,506)**
(364,891)	Government grants and contributions	**(305,140)**
(5,287)	(Surplus) or deficit on joint venture	**(3,866)**
(573,219)	**Total Income**	**(567,808)**
9,627	**Group (surplus)/ deficit**	**29,928**

G3a. Revenue from external customers
The following table reconciles the revenue received by the Council from external customers (Note 6a) to the total fees, charges, other service income and HRA rental income received by the Group.

2020/21		2021/22
£000		£000
(104,963)	Total Council revenue from external customers (Note 6a)	**(122,421)**
0	Less revenue from Group entities	**9,311**
0	Mell Square income (excluding income from the Council)	**(5,799)**
(1,600)	SCH income (excluding income from the Council)	**(59)**
(821)	UGC Income (excluding income from the Council)	**(2,672)**
(107,384)	**Total fees, charges and other service income**	**(121,640)**

G4. Cash Flow Statement - Adjustments to Net Group (Surplus) or Deficit on the Provision of Services for non-cash movements

2020/21		2021/22
£000		**£000**
(37,808)	Depreciation and amortisation	**(40,057)**
(25,885)	Impairments and revaluations	**(5,256)**
19,781	Net movement in pension liability	**(50,681)**
(2,470)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(4,492)**
23,566	Increase/(decrease) in debtors	**(4,955)**
(10,121)	(Increase)/decrease in creditors	**(10,912)**
(2,016)	Other non-cash items charged to the net (surplus)/ deficit on the provision of services	**3,535**
(34,953)	**Total**	**(112,818)**

G5. Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2020/21		2021/22
£000		**£000**
(491)	Interest received	**(3,775)**
16,834	Interest paid	**16,670**
(5)	Dividends received	**(5)**
16,338	**Included within cash flow from Operating Activities**	**12,890**

G6. Unusable Reserves

The Group unusable reserves are summarised in the following table:

31 March 2021		31 March 2022
£000		**£000**
3,057	Accumulated Absences Account	**2,250**
(499,123)	Capital Adjustment Account	**(525,629)**
64,277	Collection Fund Adjustment Account	**31,266**
9,141	Dedicated Schools Grant Adjustment Account	**13,212**
2,650	Financial Instruments Adjustment Account	**2,588**
(5,893)	Financial Instruments Revaluation Reserve [1]	**(4,282)**
461,154	Pensions Reserve	**326,381**
(283,167)	Revaluation Reserve	**(297,123)**
(247,904)	**Total Unusable Reserves**	**(451,337)**

[1] The single entity accounts include a valuation of £29.000 million for The Coventry and Solihull Waste Disposal Company Ltd, as detailed in Note 23 – Fair Value of Assets and Liabilities and is classified as a Long-Term Investment on the Balance Sheet. However, due to our interest in this company being a joint venture, we are required to remove the valuation from the Group balance sheet and the Financial Instruments Revaluation Reserve in the table above reflects the removal of that valuation. The Council's interest in the joint venture has been consolidated into the Group balance sheet under the equity method and is shown in the Investments in Joint Ventures line.

G7. Group Income & Expenditure Reserve

The elements of the Group Income and Expenditure reserve balance are detailed in the following table:

31 March 2021		31 March 2022
£000		**£000**
11,632	Solihull Community Housing Ltd	**6,853**
(347)	Urban Growth Company Ltd	**1,136**
(11,815)	The Coventry and Solihull Waste Disposal Company Ltd	**(10,157)**
0	Mell Square Ltd	**6,835**
(530)	**Total Group Income & Expenditure Reserve**	**4,667**

G8. Adjustments between Group Accounts and Council Accounts

The adjustments made between group accounts and the Council's accounts in the Group MIRS are detailed in the table below:

2021/22 [1]	General Fund Balance	**Total Council Usable Reserves**	Total Council Unusable Reserves	Adjustment for Council Unusable Reserves	Total Group Unusable Reserves	**Total Group Reserves**	Council Share of Group Reserves	**Total Reserves (Including Group)**
	£000	£000	£000	£000	£000	£000	£000	£000
Dividends receivable from joint ventures	(4,575)	**(4,575)**	0	0	0	**(4,575)**	4,575	**0**
(Surplus)/deficit from shares in group entities	0	**0**	0	367	367	**367**	(367)	**0**
Equity adjustments for joint ventures	2,915	**2,915**	0	0	0	**2,915**	(2,915)	**0**
Income, expenditure and changes in fair value of investment properties	(5,403)	**(5,403)**	0	0	0	**(5,403)**	5,403	**0**
Net Income/(expenditure) with subsidiaries	(9,375)	**(9,375)**	0	0	0	**(9,375)**	9,375	**0**
Other income/(expenditure) of subsidiaries	(1,656)	**(1,656)**	0	0	0	**(1,656)**	1,656	**0**
Total adjustment between group accounts and council accounts	**(18,094)**	**(18,094)**	**0**	**367**	**367**	**(17,727)**	**17,727**	**0**

[1] Prior year figures have not been produced for this note, as the total adjustments between group and council accounts in 2020/21 total £0.562 million, so are not considered to be material.

G9. Subsidiaries

Solihull Community Housing Ltd (SCH)
SCH has operated as an arm's length company managing the Council's housing stock since 1 April 2004.

SCH has recognised one contingent liability during the last financial year in relation to HRA water rates. This is already disclosed as a contingent liability for the Council, as any loss would be funded from the Council's HRA. As at 31 March 2022 SCH, as a separate entity, had no outstanding capital commitments. (2020/21: no capital commitments).

The Urban Growth Company (UGC)
UGC was created as an arm's length company during 2016 to deliver the elements of the UKC Programme.

UGC has not disclosed any contingent liabilities during the last financial year. As at 31 March 2022 UGC, as a separate entity, had no outstanding capital commitments (2020/21: no capital commitments).

Mell Square Ltd
Mell Square was acquired during 2021/22 to allowing the Council to continue to play an active role with partners in shaping the future of the town centre and deliver on a key aspect of its bold new Town Centre Masterplan.

Mell Square has not disclosed any contingent liabilities during the last financial year. As at 31 March 2022 Mell Square, as a separate entity, had no outstanding capital commitments

G10. Joint Ventures

The Coventry and Solihull Waste Disposal Company Ltd
The Council (as reporting authority) has not incurred any contingent liabilities in relation to its interest in Joint Ventures. CSWDC has declared no contingent liabilities which apply to the Council (as reporting authority).

The Council (as reporting authority) does not have any capital commitments in relation to its interest in CSWDC. The company has declared capital commitments of £1.248 million as at 31 March 2022 (2020/21: £2.021 million).

G11. Defined Benefit Pension Schemes

Details of the Council's involvement in the Local Government Pension Scheme, Teachers' Pension Scheme and NHS Pension Scheme are provided in Notes 33 and 34 to the Council's single entity accounts.

Solihull Community Housing Ltd (SCH)
Employees of SCH are entitled to membership of the Local Government Pension Scheme, the details of which are included within Note 34. The most recent valuation of Fund assets and the present value of the defined benefit obligation was carried out as at 31 March 2022.

Group Comprehensive Income and Expenditure Statement
The following amounts represent the consolidation of items within the profit and loss account of Solihull Community Housing Ltd into the Group Comprehensive Income and Expenditure Statement:

2020/21		2021/22
£000		**£000**
	Cost of Services:	
	Service cost comprising:	
33,861	Current service cost	**51,939**
89	Past service costs	**146**
(250)	(Gain)/loss from settlements	**(7,828)**
474	Administration costs	**439**
	Financing and Investment Income and Expenditure:	
6,805	Net interest expense	**9,222**
40,979	**Sub-total post-employment benefit charged to (Surplus)/ Deficit on the Provision of Services**	**53,918**
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
(115,768)	Return on assets excluding amounts included in net interest	**(60,110)**
(10,126)	Other experience	**(23,816)**
(12,251)	Actuarial (gains)/losses arising on changes in demographic assumptions	**(10,624)**
282,387	Actuarial (gains)/losses arising on changes in financial assumptions	**(79,300)**
144,242	**Sub-total post-employment benefits charged to Other Comprehensive Income and Expenditure**	**(173,850)**
185,221	**Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**(119,932)**

Pensions Assets and Liabilities Recognised in the Balance Sheet
The following amounts include the balances of Solihull Community Housing Ltd and reflect the full group position:

2020/21		2021/22
£000		**£000**
(1,264,621)	Present value of funded obligations	**(1,216,534)**
(16,340)	Present value of unfunded obligations [1]	**(15,447)**
836,323	Fair value of Fund Assets	**910,513**
(444,638)	**Net liability arising from defined benefit obligation**	**(321,468)**

Reconciliation of the present value of the defined benefit obligation

2020/21 £000		**2021/22 £000**
-	**Opening balance of funded obligations [1]**	**(1,264,621)**
-	Opening balance of unfunded obligations [1]	**(16,340)**
(985,760)	**Opening balance at 1 April**	**(1,280,961)**
(33,861)	Current service cost	**(51,939)**
0	Administration expenses	**(439)**
(22,906)	Interest cost	**(25,654)**
(282,387)	Change in financial assumptions	**79,300**
12,251	Change in demographic assumptions	**10,624**
10,126	Other experience	**2,596**
380	Effect of settlements	**12,552**
26,183	Estimated benefits paid net of transfers in	**27,102**
(89)	Past service costs, including curtailments	**(146)**
(6,088)	Contributions by Scheme participants and other employers	**(6,212)**
1,190	Unfunded pension payments	**1,196**
(1,280,961)	**Closing balance at 31 March**	**(1,231,981)**
(1,264,621)	Closing balance of funded obligations	**(1,216,534)**
(16,340)	Closing balance of unfunded obligations	**(15,447)**
(1,280,961)	**Closing balance at 31 March**	**(1,231,981)**

[1] Split between funded and unfunded obligations is not available for 1 April 2021 due to limited information from the previous actuary

Reconciliation of the fair value of the Fund assets

2020/21 £000		**2021/22 £000**
665,583	**Opening balance at 1 April**	**836,323**
16,101	Interest income	**16,433**
115,768	Return on assets excluding amounts included in net interest	**60,110**
0	Other experience	**21,220**
(474)	Administration expenses	**0**
22,360	Contributions by employer including unfunded for current year	**2,041**
38,400	Contributions by employer including unfunded for future years	**0**
6,088	Contributions by Scheme participants and other employers	**6,212**
(988)	Unfunded benefits paid	**(1,196)**
988	Contributions in respect of unfunded benefits	**1,196**
(27,373)	Estimated benefits paid net of transfers in	**(27,102)**
(130)	Settlement prices received / (paid)	**(4,724)**
836,323	**Closing balance at 31 March**	**910,513**

Analysis of the scheme assets at the reporting date

31 March 2021			31 March 2022	
Percentage share	Fair value of assets		**Percentage share**	**Fair value of assets**
%	£000		**%**	**£000**
60	502,703	Equity instruments	61	**552,178**
9	73,850	Government bonds	6	**56,357**
6	48,134	Other bonds	6	**52,967**
7	62,540	Property	7	**65,305**
6	48,010	Cash/ liquidity	4	**35,756**
12	101,086	Other assets	16	**147,951**
100	836,323	**Total Assets**	**100**	**910,513**

The sensitivity of the overall pension liability to changes

Impact on the Defined Benefit Obligation in the Scheme		
Change in Assumption	Impact	Impact
	£000	%
Life expectancy assumptions (increase by 1 year)	**(49,279)**	**(4.1)**
Pension increase and deferred revaluation (increase by 0.1%)	**(17,359)**	**(1.4)**
Long-term salary increase (increase by 0.1%)	**(2,070)**	**(0.2)**
Discount rate (increase by 0.1%)	**(19,590)**	**(1.6)**

Supplementary Statements

Housing Revenue Account

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

HRA Income and Expenditure Statement

2020/21		**2021/22**
£000		**£000**
	Expenditure	
8,754	Repairs and maintenance	**8,754**
11,821	Supervision and management	**12,972**
1,314	Rents, rates, taxes and other charges	**1,404**
11,366	Depreciation and amortisation	**12,515**
117	Revaluation (gain)/losses of non-current assets	**(1)**
70	Debt management costs	**67**
32	Movement in the impairment allowance for bad debts	**298**
33,474	**Total Expenditure**	**36,009**
	Income	
(41,214)	Dwelling rents	**(41,725)**
(1,162)	Non-dwelling rents	**(1,153)**
(2,042)	Charges for services and facilities	**(2,102)**
0	Contributions towards expenditure	**0**
(44,418)	**Total Income**	**(44,980)**
(10,944)	**Net income from HRA services as included in the CI&ES**	**(8,971)**
122	HRA services' share of corporate and democratic core	**153**
(10,822)	**Net income for HRA services**	**(8,818)**
	HRA share of the operating income and expenditure included in the CI&ES:	
(1,137)	(Gain)/loss on sale of HRA non-current assets	**(1,071)**
7,236	Interest payable and similar charges	**7,224**
(69)	Interest and investment income	**(28)**
(21)	Income, expenditure and changes in fair value of investment properties	**(14)**
(341)	Capital grants and contributions receivable	**(357)**
(5,154)	**Surplus for the year on HRA services**	**(3,064)**

Movement on the HRA Statement

2020/21		**2021/22**
£000		**£000**
(15,866)	Balance on the HRA at 1 April	**(16,115)**
(5,154)	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	**(3,064)**
4,905	Adjustments between accounting basis and funding basis under statute (Note 13)	**9,295**
(249)	**(Increase)/decrease in-year on the HRA**	**6,231**
(16,115)	**Balance on the HRA at 31 March**	**(9,884)**

Disclosure notes – notes supporting the Housing Revenue Account

H1. Housing Stock

On 31 March 2022 the Council held 9,845 dwellings. There was a net decrease of 14 dwellings during the year (54 sales, 11 acquisitions and 29 new build dwellings) compared to a decrease of 9 dwellings in 2020/21.

31 March 2021		**31 March 2022**
3,165	Houses	**3,165**
4,865	Flats	**4,851**
1,762	Bungalows	**1,762**
67	Maisonettes	**67**
9,859	**Total**	**9,845**

H2. Balance Sheet Value

The values of HRA land, dwellings and other property are detailed as follows:

31 March 2021		**31 March 2022**
£000		**£000**
447,205	Dwellings	**460,078**
18,987	Garages	**19,490**
466,192	**Sub-total Council Dwellings**	**479,568**
3,388	Other Land and Buildings	**2,394**
1,746	Vehicles, Plant and Equipment	**1,286**
2,516	Assets Under Construction	**66**
1,988	Investment Property	**1,988**
307	Intangible Assets	**378**
476,137	**Total Balance Sheet value**	**485,680**

H3. Vacant Possession Value of Dwellings

As at 1 April 2022 the vacant possession value of dwellings within the Council's HRA was £1.131 billion, valued in accordance with the Guidance on Stock Valuation for Resource Accounting (£1.099 billion as at 1 April 2021). The difference between this figure and the £460.078 million valuation in the Balance Sheet shows the economic cost of providing council housing at less than market rents.

H4. Capital Financing

31 March 2021		31 March 2022
£000		**£000**
	Expenditure on Capital during the year	
14,240	Council Dwellings	**21,311**
1,270	Vehicles, Plant and Equipment	**25**
101	Intangible Assets	**166**
2,378	Assets Under Construction	**66**
17,989	**Total**	**21,568**
	Funded by:	
(3,319)	Usable Capital Receipts	**(2,156)**
(422)	Prudential Borrowing	**(350)**
(1,040)	Capital Grants and Contributions	**(589)**
(1,403)	Revenue and Reserve Contributions	**(6,393)**
(11,805)	Major Repairs Reserve	**(12,080)**
(17,989)	**Total**	**(21,568)**

H5. Capital Receipts

31 March 2021		31 March 2022
£000		**£000**
(2,307)	Sale of Council dwellings	**(3,466)**
1,202	Less pooling contributions	**1,491**
(1,105)	Gross capital receipts before administration costs	**(1,975)**
43	Administration costs	**69**
(1,062)	**Total**	**(1,906)**

H6. HRA Depreciation and Amortisation

31 March 2021		31 March 2022
£000		**£000**
8,217	Dwellings	**8,714**
2,597	Garages	**3,164**
45	Other Land and Buildings	**57**
391	Equipment	**485**
116	Intangible Assets (amortisation)	**95**
11,366	**Total depreciation and amortisation**	**12,515**

H7. Rent Arrears

Rent arrears are the amount of rent owed to the Council.

At 31 March 2021		At 31 March 2022
2,090	Total Rent Arrears (£000)	**2,174**
4.75	% of total income due in-year	**4.83**

H8. Other HRA Arrears

Other arrears owed to the Council include leaseholder planned maintenance costs, housing benefit overpayments, court costs and repairs.

31 March 2021		**31 March 2022**
1,534	Total Other Arrears (£000)	**1,404**
3.48	% of total income due in-year	**3.12**

H9. Housing Debt Impairment Allowance

The Council puts aside money to allow for the possibility that a proportion of the outstanding rent arrears (Note H7) and other HRA arrears (Note H8) will not be paid. That money is known as the Housing Debt Impairment Allowance in accordance with the Code. The movement during the years is shown below:

31 March 2021		**31 March 2022**
£000		**£000**
(3,130)	Balance at 1 April	**(2,845)**
(39)	Arrears reinstated	**(6)**
(30)	Contribution to impairment allowance	**(298)**
354	Net write offs	**416**
(2,845)	**Balance at 31 March**	**(2,733)**

Collection Fund

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

Collection Fund Income and Expenditure Statement

		2020/21				**2021/22**
Council Tax	Business Rates	Total		**Council Tax**	**Business Rates**	**Total**
£000	£000	£000		**£000**	**£000**	**£000**
			Amounts required by statute to be credited to the Collection Fund			
(128,511)	(59,490)	(188,001)	Income receivable (net of exemptions and reliefs)	(135,503)	(89,751)	**(225,254)**
0	2,435	2,435	Transitional protection payments	0	659	**659**
			Contributions towards previous year's estimated Collection Fund deficit			
0	0	0	Solihull MBC	(717)	(55,880)	**(56,597)**
0	0	0	West Midlands Fire & Rescue Authority	(31)	(564)	**(595)**
0	0	0	West Midlands Police & Crime Commissioner	(81)	0	**(81)**
(128,511)	(57,055)	(185,566)	**Total amounts required by statute to be credited to the Collection Fund**	**(136,332)**	**(145,536)**	**(281,868)**
			Amounts required by statute to be debited to the Collection Fund			
			Precepts, demands and shares			
110,933	118,635	229,568	Solihull MBC	114,203	115,373	**229,576**
12,609	0	12,609	West Midlands Police & Crime Commissioner	13,704	0	**13,704**
4,794	1,199	5,993	West Midlands Fire & Rescue Authority	4,866	1,166	**6,032**
			Charges to the Collection Fund			
1,362	1,129	2,491	Increase/(reduction) in allowance for impairment of debts	897	(121)	**776**
0	345	345	Increase/(reduction) in business rates appeals provision	0	(2,161)	**(2,161)**
0	251	251	Charge for allowable collection costs for business rates	0	248	**248**
			Contributions towards previous year's estimated Collection Fund surplus			
751	5,075	5,826	Solihull MBC	0	0	**0**

		2020/21				2021/22
Council Tax	Business Rates	Total		**Council Tax**	**Business Rates**	**Total**
£000	£000	£000		**£000**	**£000**	**£000**
34	51	85	West Midlands Fire & Rescue Authority	0	0	**0**
84	0	84	West Midlands Police & Crime Commissioner	0	0	**0**
130,567	126,685	257,252	**Total amounts required by statute to be debited to the Collection Fund**	**133,670**	**114,505**	**248,175**
2,056	69,630	71,686	**Movement on the Collection Fund balance**	(2,662)	(31,031)	**(33,693)**
(512)	(6,048)	(6,560)	Opening balance at 1 April	1,544	63,582	**65,126**
1,544	63,582	65,126	**Closing Balance at 31 March**	**(1,118)**	**32,551**	**31,433**

[1] Note C3 to the Collection Fund gives a further analysis of the movement on the Collection Fund balance.

Disclosure notes – notes supporting the Collection Fund

C1. Council Tax

At the beginning of the year, the Council calculates the level of council tax required to pay for its services. The amount of tax paid by local residents is based on the value of their property adjusted for any discounts or exemptions that apply. There are eight property valuation bands: A to H.

The council tax base, which represents the number of domestic properties in the borough expressed as equivalent to Band D properties, can be broken down as follows for 2021/22:

Dwellings as Band D equivalents 2020/21	Band	Number of dwellings on Valuation List	Dwellings for council tax purposes	Multiplier	Dwellings as Band D equivalents 2021/22
5,667	**A**	14,491	8,322	6/9	**5,548**
6,638	**B**	12,279	8,401	7/9	**6,534**
16,515	**C**	22,814	18,461	8/9	**16,411**
14,891	**D**	17,041	14,820	9/9	**14,820**
13,266	**E**	11,931	10,807	11/9	**13,208**
12,127	**F**	8,953	8,362	13/9	**12,078**
8,655	**G**	5,567	5,251	15/9	**8,752**
741	**H**	423	385	18/9	**769**
78,500	Total Band D equivalents (tax base)				**78,120**
(934)	Adjustment for collection rate of 98.81%				**(930)**
77,566	**Net tax base (Band D equivalents)**				**77,190**

The level of council tax paid by a Band D property is calculated by dividing the total amount that the Council needs to raise from council tax by the tax base and assuming a 98.81% collection rate. This is converted to the amount payable by properties in other bands by applying the multiplier given in the table above. In 2021/22, the average Band D council tax including police, fire and parish precepts was £1,720.09 (2020/21: £1,654.53).

The actual gross income in 2021/22 was £135.503 million, which in council tax base terms would be 78,777. The effect of this higher than anticipated tax base, combined with a lower than anticipated impairment allowance, was a council tax surplus in the year of £1.833 million (2020/21: £1.187 million deficit), as shown in the following table:

2020/21		**2021/22**
£000		**£000**
129,881	Anticipated gross income from council tax *(from multiplying the gross tax base by the average council tax)*	**134,373**
(128,511)	Actual gross income	**(135,503)**
1,370	**(Surplus)/deficit for the year before allowance for impairment**	**(1,130)**
(1,545)	Anticipated allowance for impairment *(from multiplying the adjustment for collection rate by the average council tax)*	**(1,600)**
1,362	Actual allowance for impairment of debts	**897**
(183)	**(Surplus)/deficit for the year in relation to the allowance for impairment**	**(703)**
1,187	**(Surplus)/deficit for the year**	**(1,833)**

C2. Business Rates

Local businesses pay business rates to the Council. The Council belongs to a 100% business rates retention pilot, with the other members of the West Midlands Combined Authority (WMCA), and as a result retains 99% of the business rates it collects, with 1% being paid to the West Midlands Fire and Rescue Authority and a share of growth since April 2016 payable to the WMCA to support its investment programme. The Council is also required to pay a tariff to the government out of its share in order for there to be equalisation of business rates income across the country.

The government determines the level of business rates payable, which was set at 51.2 pence per pound of rateable value in 2021/22 (2020/21: 51.2 pence). There is also a small business rate multiplier which was set at 49.9 pence per pound of rateable value in 2021/22 (2020/21: 49.9 pence). The Valuation Office Agency sets the rateable value of each property and periodically undertakes a national revaluation exercise, the most recent of which resulted in a valuation list which took effect from April 2017. As at 31 March 2022, the total rateable value for properties in Solihull was £264.600 million (31 March 2021: £265.322 million).

2020/21		2021/22
£000		**£000**
(132,396)	Gross business rates income *(from multiplying the total rateable value as at 31 March by the small business rate multiplier)*	**(132,035)**
6,741	less reduction in income due to rateable value changes throughout year	**3,709**
(125,655)	Gross business rates income	**(128,326)**
10,165	less mandatory, discretionary and unoccupied property reliefs	**12,376**
56,000	less Covid-19 business rates reliefs	**26,199**
(59,490)	**Net business rates income receivable**	**(89,751)**

C3. Analysis of the movement on Collection Fund balance

2020/21		2021/22		
Total		Council Tax	Business Rates	**Total**
£000		£000	£000	**£000**
(6,560)	Balance at 1 April	1,544	63,582	**65,126**
5,995	Declared surplus/(deficit) distributed in-year	(829)	(56,444)	**(57,273)**
	In-year (surplus)/deficit for year:			
64,882	Solihull MBC	(1,575)	25,159	**23,584**
689	West Midlands Fire & Rescue Authority	(67)	254	**187**
120	West Midlands Police & Crime Commissioner	(191)	0	**(191)**
65,126	**Balance at 31 March**	**(1,118)**	**32,551**	**31,433**

Council tax income credited to the CIES of £115.778 million comprises the Council's precept of £114.203 million plus the Council's share of the in-year surplus of £1.575 million shown in the table above.

Business rates income credited to the CIES of £17.728 million comprises the Council's share of net business rates income of £115.373 million less the Council's share of the in-year deficit of £25.159 million shown in the table above, the share of growth paid to the West Midlands Combined Authority of £0.925 million and the tariff payment paid to the government of £71.561 million.

In 2021/22, as in the previous year, the government extended retail and nurseries relief in recognition of the ongoing impact of the coronavirus pandemic. In addition, towards the end of the financial year the government confirmed the details of a new Covid Additional Relief Fund, a locally-administered relief to support businesses ineligible for other Covid-19 business rates support. The impact of these reliefs is to reduce the amount of business rates collected in the year, resulting in a deficit on the collection fund.

The government fully funded the costs of these reliefs by providing local authorities with additional section 31 grant (included in the CIES and shown in Note 9). This grant has been contributed to reserves in order to meet the cost of the resulting deficit in future years' budgets.

Collection fund accounting regulations were amended in the light of the pandemic to require local authorities to spread the cost of any exceptional deficit incurred in 2020/21 over the three years from 2021/22 to 2023/24.The government also introduced the tax income guarantee grant in 2020/21, which was contributed to reserves and will be released to fund 75% of eligible losses over the three years.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Solihull Metropolitan Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Executive's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Executive with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Executive and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Executive and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Executive. The Chief Executive 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, including the use of accounting estimates, assumptions and judgements, the risk of fraudulent expenditure recognition and the risk of improper revenue recognition. We determined that the principal risks were in relation to large and unusual journals which were designed to change financial performance, for example, moving amounts between the Balance Sheet and Comprehensive Income and Expenditure Statement. We determined that the principal risks were in relation to:
  - manual and spreadsheet journals which are only reviewed retrospectively and journal lines of less than £250,000 which are not reviewed at all.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Executive has in place to prevent and detect fraud;
  - journal entry testing, with a focus on manual and spreadsheet journals which are only reviewed retrospectively, journal lines of less than £250,000 which are not reviewed at all, large and unusual journals which were designed to change financial performance and journals posted by infrequent users;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditors':

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on 9 January 2023 we identified a significant weakness in the Authority’s arrangements for improving economy, efficiency and effectiveness. This was in relation to a Joint Targeted Area Inspection in January 2022 which found that there were weaknesses in the Authority’s Children’s Services. This resulted in the Department for Education (DfE) issuing an Improvement Notice in February 2022 which required the Authority to deliver sustainable improvements to the services. A subsequent review by the DfE found that insufficient progress had been made to address these weaknesses and, as a result, they issued a Statutory Direction to the Authority in November 2022. The DfE also appointed a Commissioner to support improvement. We recommended that the Authority comply with the requirements of the DfE’s Statutory Direction, engage with the Commissioner, make the investments required to embed the agreed improvement plan and regularly monitor and report against the progress being made.

Responsibilities of the Authority

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

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Solihull Metropolitan Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[signed by Grant Patterson]

Grant Patterson
Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham
2 October 2023

Glossary and Contact Details

Academy
A school which chooses to opt out of the local authority's control and maintain their own funding.

Accounting Standards
International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) are the accounting standards that councils are required to follow when producing their financial statements.

Accruals
An accounting principle that recognises income and expenditure as they are earned or incurred, not as money is received or paid.

Agent Transactions
Transactions where the Council is acting as an intermediary between two other bodies are known as agent transactions and are not included in the Council's accounts. For example, if the Council distributes grant from central government to third parties without any control over the distribution, then it is considered to be acting as an agent on behalf of the government. Where the Council does have control over the distribution or amounts of the grant it would be deemed to be acting as principal and the transactions would be recorded in the Council's accounts (see also Principal Transactions).

Actuarial Assumptions
Predictions made for factors that will affect the financial position of the pension scheme.

Amortisation
The measure of the consumption of an intangible asset over its useful life.

Asset
An item that is owned by and can be used by the Council. A current asset is held for a short period of time, for example cash in the bank, inventories and debtors. In contrast, a non-current asset such as a piece of land, a building or a vehicle is used by the Council over a longer period of time (i.e. more than one year).

Budget
A budget is a plan of approved spending during a financial year (see also Financial Year).

Business Rates
Business rates or non-domestic rates collected by councils are a way in which those who occupy, or own non-domestic property contribute to the cost of providing local services.

Capital Adjustment Account
This account includes money we have set aside to finance spending on non-current assets.

Capital Programme
The plan of approved spending on non-current assets.

Capital Receipts
Money received from selling non-current assets, and from grant and loan repayments.

Carrying Value
A measure of asset value calculated as the original cost of an asset less accumulated depreciation and impairments.

CIPFA
The Chartered Institute of Public Finance and Accountancy, the institute that governs accounting in the public sector.

Collection Fund
A statutory account which billing authorities maintain for the collection and distribution of amounts due in respect of council tax and business rates.

Contingent Assets
A potential asset that may arise but is dependent on future events that are not under the Council's control.

Contingent Liabilities
A potential liability that may occur, depending on the outcome of an uncertain future event.

Community Assets
Assets held by the Council, for example parks and historic buildings, which have no determinable useful life and may have restrictions on their disposal.

Core Council
This term refers to those of the Council's services which are funded from business rates and council tax income, i.e. excluding the HRA and services funded from the DSG.

Council Tax
A tax paid by residents of the borough to the Council, based on the value of their property, to be spent on local services.

Creditors
People or organisations that the Council owes money to at the end of the financial year.

Debtors
People or organisations who owe the Council money at the end of the financial year.

Dedicated Schools Grant (DSG)
Schools are funded separately from other Council services through the DSG, which is received directly from the government and paid over to schools.

Deficit
This occurs when spending exceeds income (opposite of surplus).

Depreciation
The measure of the wear and tear, consumption or other reduction in the useful economic life of a non-current asset.

Earmarked Reserves
Money set aside for a specific purpose in a future year.

Expected Credit Loss
This is a provision for a potential under-recovery of expected future cash receipts.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Year
The Council's financial year runs from 1 April to the following 31 March.

General Fund
The account that summarises the revenue cost of providing services by the Council.

Impairment Allowance
The Council sets aside an amount in an impairment allowance for debts it believes may not be repaid.

Impairment of Asset
An asset has been impaired when it is judged to have lost value other than through normal use.

Infrastructure assets
Assets held by the Council such as highways and footpaths.

Intangible Assets
An item which does not have physical substance (for example, software licenses) but can be identified and used by the Council over a number of years.

Inventories
Items of stock owned by the Council which have not been used by the end of the financial year.

Investment Properties
Interest in land and/or buildings which are held for their investment potential rather than for operational purposes.

Housing Revenue Account (HRA)
A statutory account that contains all expenditure and income relating to the provision of council housing for rent. The HRA is a ring-fenced account outside the General Fund.

Lease
A finance lease is an agreement to pay for an asset, for example a vehicle, in regular instalments where the person paying the lease (the lessee) is deemed to own the asset. In contrast, an operating lease occurs when the lessee is not considered to own the asset.

Levy
A payment made by the Council for another local service, for example, local transport and the Environment Agency.

Liability
Money the Council will have to pay to other people or organisations in the future.

LOBO
Lender's Option Borrower's Option. A form of loan, where the lender can change certain conditions of the loan, such as the dates and the interest rate. If this occurs the borrower, then has the option of either continuing with the loan or redeeming it in full without a penalty.

Long-term Borrowing
Debts which are not due within the forthcoming financial year.

Major Repairs Reserve
A reserve to pay for large scale repairs to Council housing.

Materiality
An item is material if its inclusion in the financial statements would influence or change the judgment of a reasonable person. If the information would have no impact on the decision-maker, it is deemed not material.

Net Asset Value
The value of the Council's assets less its liabilities.

Net Book Value (NBV)
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or fair value, less the cumulative amount provided for depreciation.

Net Spending
The amount spent on a service after taking into account income that a service has received.

Non-current Assets
An asset which is not easily converted into cash or expected to become cash within the next year.

Non-operational Assets
This is an asset held by the Council over a number of years but not actively used by a service within the Council. An example of this would be investment properties (see also Operational Assets).

Operational Assets
This is an asset held by the Council over a number of years and actively used in the provision of services, such as office buildings or vehicles (see also Non-operational Assets).

Outturn
The final position in terms of expenditure incurred or income receivable for a financial year.

Payments in Advance
Payments made in the current financial year for goods and services to be received in the following financial year.

Precept
Council tax income collected by the Council on behalf of other local bodies, for example the Police and Crime Commissioner and Fire and Rescue Authority.

Principal Transactions
Principal transactions are those where the Council is acting in its own right and not on behalf of another body (see also Agent Transactions).

Prior Period Adjustments
Changes made to the previous year's accounts to show things that were not known about until after that year's accounts were produced.

Private Finance Initiative (PFI)
Government initiative under which the Council buys the service of a private sector supplier to design, build, finance and operate a public facility.

Provisions
Money set aside for a debt that is likely to arise in the future, for example insurance claims.

Receipts in Advance
Money received before the end of the financial year, which relates to the following financial year.

Reserves
Amounts put aside by the Council to provide for known future expenditure, e.g. replacement of an asset.

Revaluation Reserve
When the value of an asset owned by the Council changes, the increase or decrease in value is transferred to this reserve.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Spending on assets that have a lasting value but are not owned by the Council, e.g. disabled facilities grant expenditure.

Revenue Spending
Spending on the day-to-day running of services. This includes, for example, salaries or running expenses for the Council's buildings and equipment.

Revenue Support Grant (RSG)
The main government grant which helps support local authority services. It is anticipated that RSG will be phased out as part of a national review of local government funding. Allocations of RSG up to 2021/22 have been incorporated into the funding the Council has received through business rates under the West Midlands business rates retention pilot.

Ring-fenced
Amounts which are ring-fenced are only able to be spent on specific areas.

Specific Grants
Grants from the government or other bodies which are to pay for a particular council service or project.

Surplus
What is left of income after expenses have been taken away (opposite of deficit).

Third Party
A person or entity who is not involved in an interaction or relationship with the Council.

Usable Capital Receipts Reserve
Money received from the sale of non-current assets not yet used for new capital spending.

Useful Life
The period over which the Council expects to derive benefits from the use of a non-current asset and over which, typically, it will be depreciated.

Variance
The difference between the budgeted and actual costs or income for an activity. A favourable variance means that the actual performance was better than budgeted (i.e. income was greater or expenditure lower) and an adverse variance means that the actual performance was worse than budgeted.

Contact Details and Other Sources of Information

Enquiries or comments about this publication should be made to:

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Solihull
B91 3QB
Telephone: 0121 704 6855

Other sources of information about Solihull MBC and its finances include:

Council Tax Leaflet 2022/23
Medium Term Financial Strategy 2022/23 - 2024/25

Paper copies are available on request. Electronic versions can be accessed from the Solihull Council website.

More detailed statistical information about Solihull and all other local councils is contained in a wide range of publications produced by CIPFA. Some of these publications are available in the Core Library, Solihull, or alternatively from CIPFA itself:
Chartered Institute of Public Finance and Accountancy
77 Mansell Street
London
E1 8AN

Further information about the finances of the Fire and Rescue Authority, Police and Crime Commissioner and West Midlands Combined Authority can be obtained from the following addresses:

The Chief Finance Officer
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The Treasurer of the Authority
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99 Vauxhall Road
Nechells
Birmingham
B7 4HW

Director of Finance
West Midlands Combined Authority
16 Summer Lane
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B19 3SD