Solihull Metropolitan Borough Council
Statement of Accounts 2022/23

Contents

Narrative Report

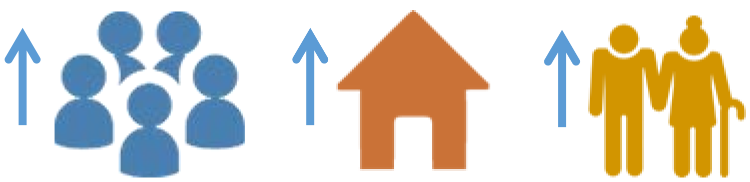
This Narrative Report provides information on Solihull Metropolitan Borough Council (Solihull Council, SMBC) and the environment in which it operates, to set the Statement of Accounts into context. In addition to describing the borough of Solihull and its particular strengths and challenges, the Narrative 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 the year to complement the key financial statements and highlights some of the Council's achievements against the year’s priorities. It further outlines the main priorities of the Council Plan and sets out the key objectives for the year ahead.

Organisational Overview and External 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, and is reflected in high levels of resident satisfaction with the area (84% in the 2022 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.

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 10 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 12% from 2023-2043

People aged 65+ with dementia forecast to grow by 38% by 2035

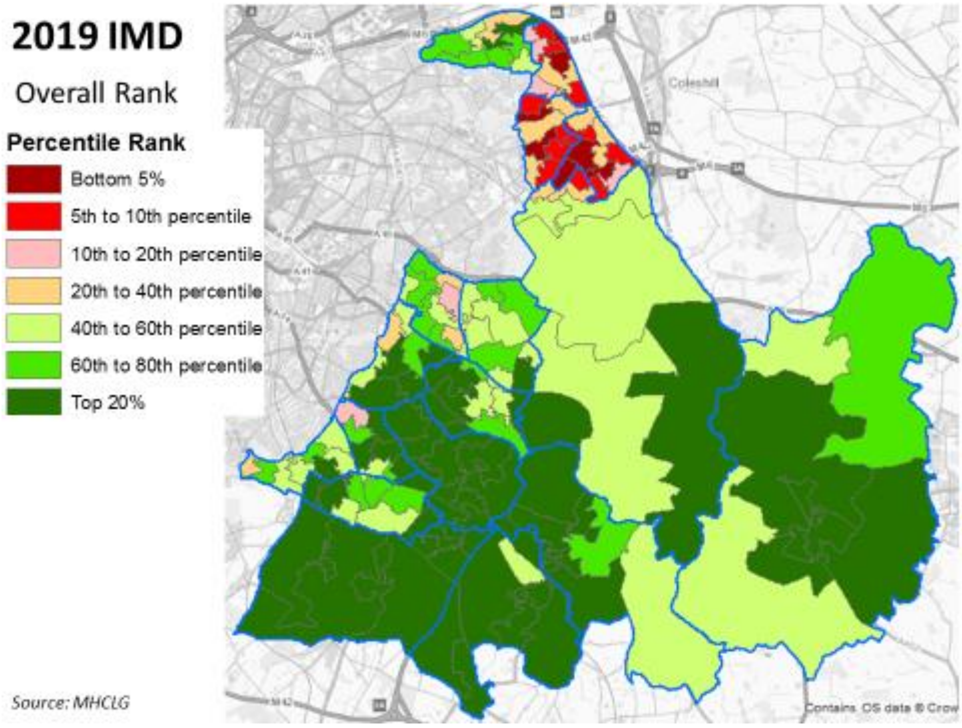
The borough has a thriving economy, with above average wages and relatively low numbers of residents claiming an out of work benefit. In addition to its location at the heart of the nation's road and rail network, it is home to some of the region's key economic assets, such as Birmingham International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

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

[1] Solihull Metropolitan Borough Council, *Solihull Place Survey 2022*
[2] Solihull Metropolitan Borough Council, *Solihull Population Estimates and Projections*
[3] Ibid

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.



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.

However, on the whole Solihull households are relatively well-placed to weather the impact of this crisis. On average, full-time wages and disposable income are higher in Solihull than nationally and fewer people are unemployed or receiving benefits such as universal credit or pension credits. The Council is monitoring the impact of cost-of-living pressures locally, through a range of different metrics, and working closely with partners in the public and voluntary and community sectors to provide support to those who need it.

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. We have in excess of 1200 statutory duties (things we must do) and many more statutory powers over which we have discretion in how we exercise them. 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.

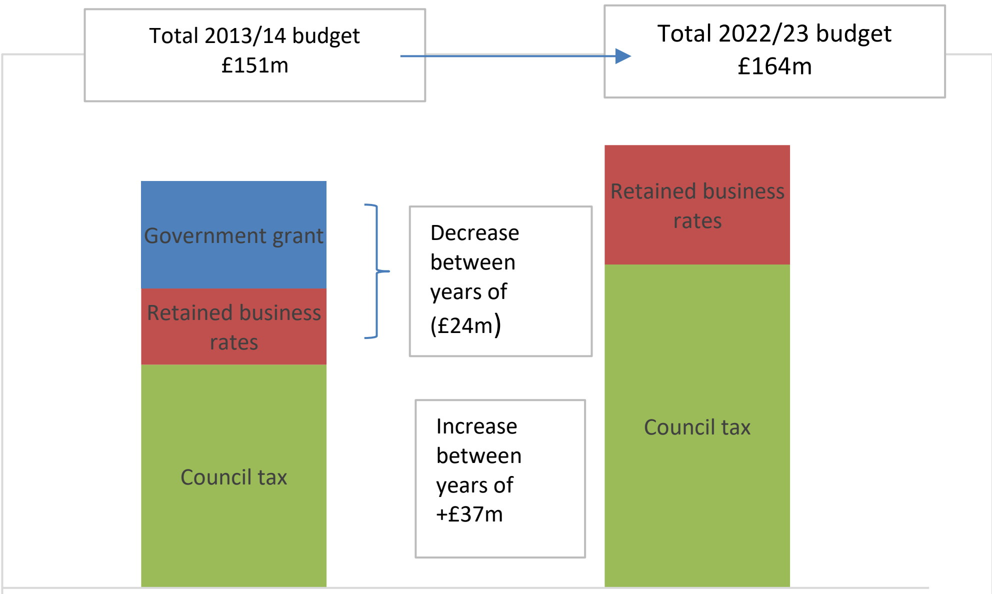
We are one of 36 metropolitan district councils, on the fringe of the West Midlands conurbation but with a distinct identity and strong rural roots, as characterised by the motto "Urbs in Rure". A unitary authority since 1986, the Council is led by a Conservative administration, which as at May 2023 holds 29 out of the 51 seats. The borough covers two parliamentary wards, Solihull and Meriden.

[4] Solihull Metropolitan Borough Council, *Deprivation in Solihull – The Index of Multiple Deprivation 2019*

The Council employs around 3,900 full time equivalent staff, almost half of whom work in the borough's schools (excluding academies), organised into five directorates – Adult Care and Support, Children and Education, Economy and Infrastructure, Public Health and Resources – under the management of the Corporate Leadership Team. 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 support has fallen significantly and the proportion of funding which comes from council taxpayers has increased to 73%.



Since April 2017 Solihull has been involved in a pilot of 100% business rates retention with the other 6 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 West Midlands Combined Authority (WMCA) to provide a funding stream for its investment programme. A new trailblazer devolution deal for the West Midlands, which includes the continuation of 100% business rates retention arrangements for a ten-year period, was announced in March 2023. The WMCA and its constituent authorities are working with government to finalise the detail of this and other aspects of the devolution deal.

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 and expertise. The development of the Trailblazer Devolution Deal, the UK Shared Prosperity Fund Delivery Plan and the Plan for Growth 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 Integrated Care System, we are working with health partners to set out the key priorities for Solihull and the health and care services that are delegated to operate at 'Place' level. Our vision is for Birmingham and Solihull to be the healthiest place to live and work, driving equity in life chances and health outcomes for everyone.

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 local authority, the integrated care board and the police force work together with other local agencies to safeguard and promote the welfare of all children in the local area. The partners are committed to coordinating their safeguarding services for maximum impact and implementing local and national learning from serious incidents and independent scrutiny.

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. Our relationship with VCS groups continues to be especially important throughout the cost of living crisis.

The Urban Growth Company (UGC) was established by the Council to realise the full economic potential of the HS2 Interchange and other related infrastructure at The UK Central Hub. The UGC coordinates, leads and delivers infrastructure investment at The Hub to create a globally renowned point of connection and a major engine for growth on an international scale.

The Solihull Safeguarding Adults Board is a statutory body, providing strategic leadership for all adult safeguarding work across the Borough. The Board aims to prevent and reduce the risk of harm to adults from abuse and neglect. The Board has a jointly funded Independent Chair, providing consistency and direction.

Solihull hosts the team which supports the network of Directors of Children's Services across the West Midlands region, co-ordinating a number of service improvement workstreams, a series of annual events and a range of ongoing professional networks across children's services.

Solihull Community Housing Ltd and UK-Central (Solihull) Ltd (trading, and referenced throughout, as, the Urban Growth Company Ltd) are consolidated in our accounts as wholly owned subsidiaries, as 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. Our Group Accounts also include the Coventry and Solihull Waste Disposal Company Ltd, as a joint venture. The Council also jointly owns a share of Sherbourne Recycling Ltd with other Local Authority partners but these are not consolidated into the Group Accounts as our shareholding is minor.

Operational Model and Performance

Council services
The strategic direction for the authority is set by the Council Plan, which was last fundamentally reset in July 2020 and is updated annually. The Council Plan is based on an analysis of the borough's strengths, challenges and opportunities, and is influenced by local priorities, input from public and stakeholder consultation, government policies, performance information and external inspections and challenge. The 2023 update will outline our priorities and a set of outcomes that we are seeking to achieve by 2025.

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 'nip things in the bud' and help get things back on track to try to ensure temporary difficulties do not escalate to cause long-term problems.
- Specialist services are received by residents who need specialised support, such as adults with long-term physical and mental health conditions and children with Special Educational Needs and Disabilities, or those needing support and intervention aimed at safeguarding children and young people and vulnerable adults.

Every time we interact with people, we will consider the thing that we need to do at that point to stop issues from arising or their needs from escalating.

The Council also:

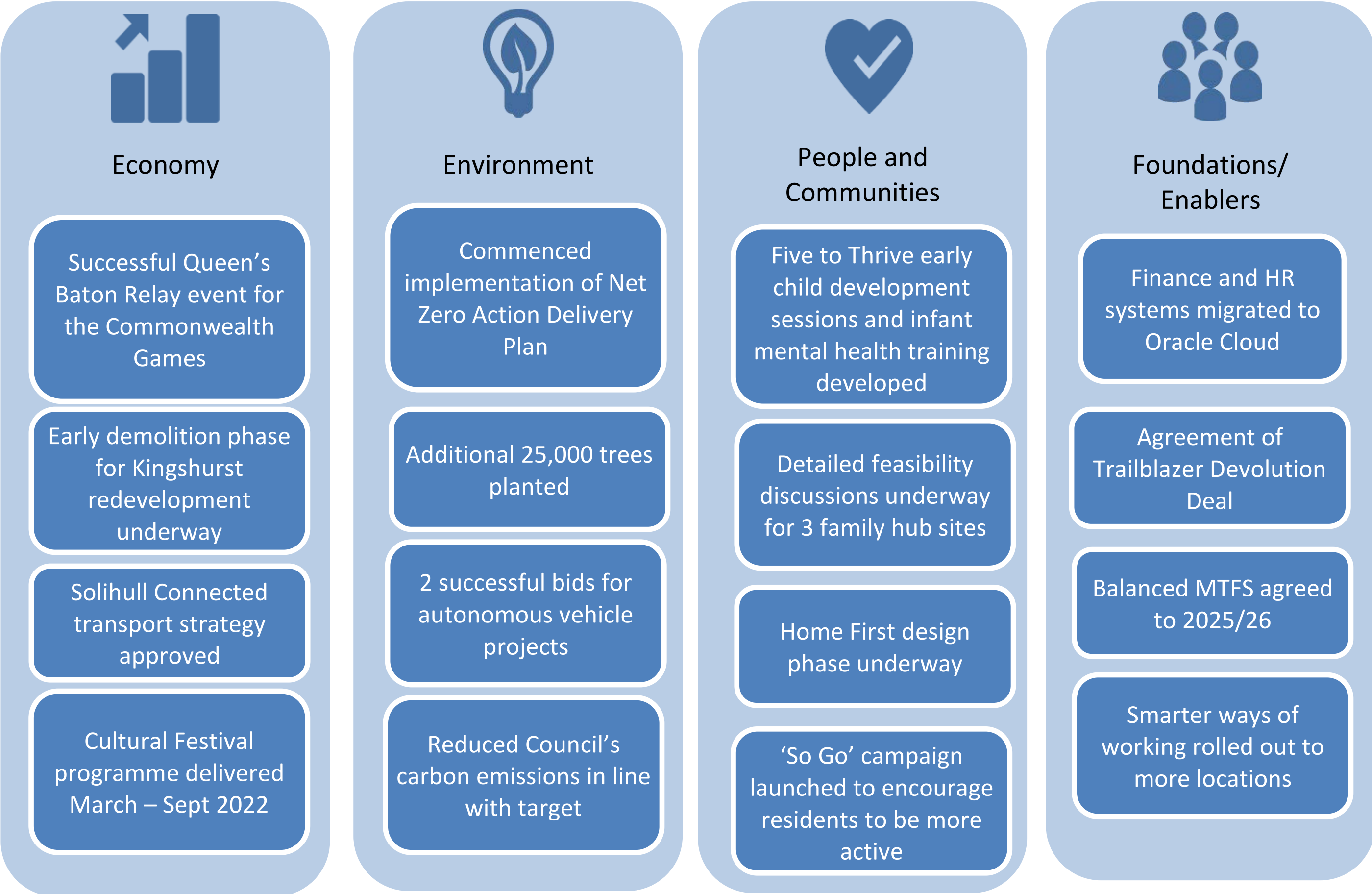
- Provides support and services for children to get the 'right start' in life to give them the best possible chance of success as adults.
- Invests in local physical assets, boosting voluntary, community and social enterprise capacity as well as enabling communities, faith groups, parish councils to grow community-led activity so that there are 'Places to go, things to do and people to talk and listen to'.
- Promotes Health and Wellbeing to allow people to maximise their independence, choice, control, and live healthier lives to help them to live and age well.
- Influences the wider determinants of health and wellbeing. For example, through quality education, housing and physical environments, support to help residents to access good work and adequate income.

Getting our prevention offer right is crucial to meeting residents' needs in an affordable way by, wherever possible, stopping issues from arising or escalating. Everyone that works for the Council has a role to play in this. To enable everyone who works for the Council to understand what we mean by prevention and how they can contribute to it, we have developed a common way of describing what we mean by prevention and are developing a strategy.

In November 2022, Sir Alan Wood was appointed Children's Services Commissioner, following a statutory direction to the Council to improve its services for children and families. The Council fully accepted the findings of the Commissioner's report, published in March 2023, which included among its recommendations the need to implement a new model of early help. We have carried out a comprehensive assessment of early help needs and are designing a service to address these needs. Implementation of the service design is underway and will be completed during 2023/24.

Review of the year

Although the response to pressures and challenges in children's services 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 below 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.

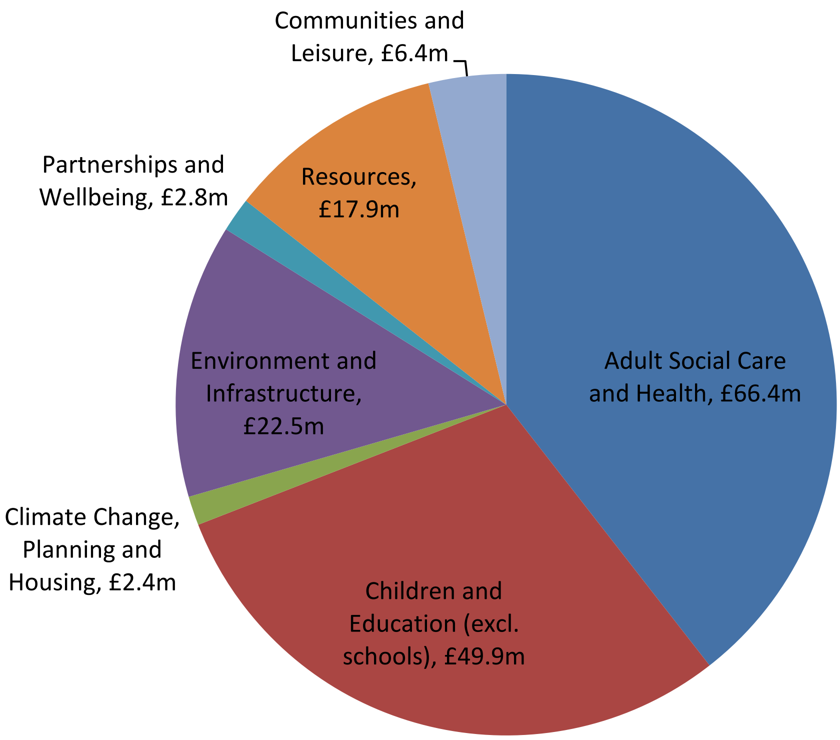
Financial performance - overview

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 2022/23 was £163.967 million, an overall increase in the net budget of £12.595 million compared to the 2021/22 budget of £151.372 million. The budget was approved on 24 February 2022, with net planned expenditure on services and corporate commitments increasing by £12.651 million over the 2021/22 base budget, of which £11.061 million related to corporate and service pressures, (£4.112 million) related to government grant and £5.702 million to inflation. A net increase of £15.813 million relating to Covid-19 pressures and funding, largely due to the reversal of one-off funding received in 2021/22, was offset by a net increase in the use of reserves, working balances and contingencies totalling (£14.140 million) and savings approved in previous years totalling (£1.729 million).

The budget of £163.967 million was funded from retained business rates of £44.181 million and council tax income of £119.786 million. Solihull increased its element of the council tax charge by 3.89% in 2022/23. This included a charge of 1.90% specifically to support adult social care which, when added to previous years' charges for adult social care, generated £13.646 million for the service (£2.300 million more than in 2021/22). 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 budget for expenditure on council services, excluding levies, working balances and corporate reserves and the Dedicated Schools Grant, totalled £170.093 million. The chart below shows our net spending (£168.288 million excluding levies, working balances and the Dedicated Schools Grant) by cabinet portfolio against this adjusted budget in the year.



Financial performance – revenue outturn

The outturn position on the General Fund and Dedicated Schools Grant (DSG) for the year will be presented to Full Cabinet on 15 June 2023. The favourable variance on the General Fund outturn of £1.805 million was contributed to working balances pending Full Cabinet's approval of the requests outlined in the report to contribute the full amount to earmarked reserves and to fund future year commitments. The final position on the General Fund will therefore see the Council balance to the financial position set out in the approved MTFS (2021/22: nil variance).

The Council reported an in-year adverse variance on the DSG of £3.144 million which, added to a cumulative deficit of £13.213 million carried forward from previous years, results in a total DSG adverse variance of £16.357 million. The government has extended the statutory override which allows the Council to carry forward the DSG deficit for a further three years to 2025/26. If it is not extended beyond that date, then the Council would be required to fund the deficit from its own unearmarked reserves from 2026/27.

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. The Council is working with the Delivering Better Value (DBV) in Special Educational Needs and Disability Services Programme under the Department for Education (DfE) in collaboration with the Chartered Institute of Public Finance Accounting (CIPFA) and partners Newton Europe to determine strategies to resolve the financial position in the High Needs Block. A £1 million grant has been approved by DfE, for improving outcomes for children and young people, through improving inclusion, and improving the financial position.

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

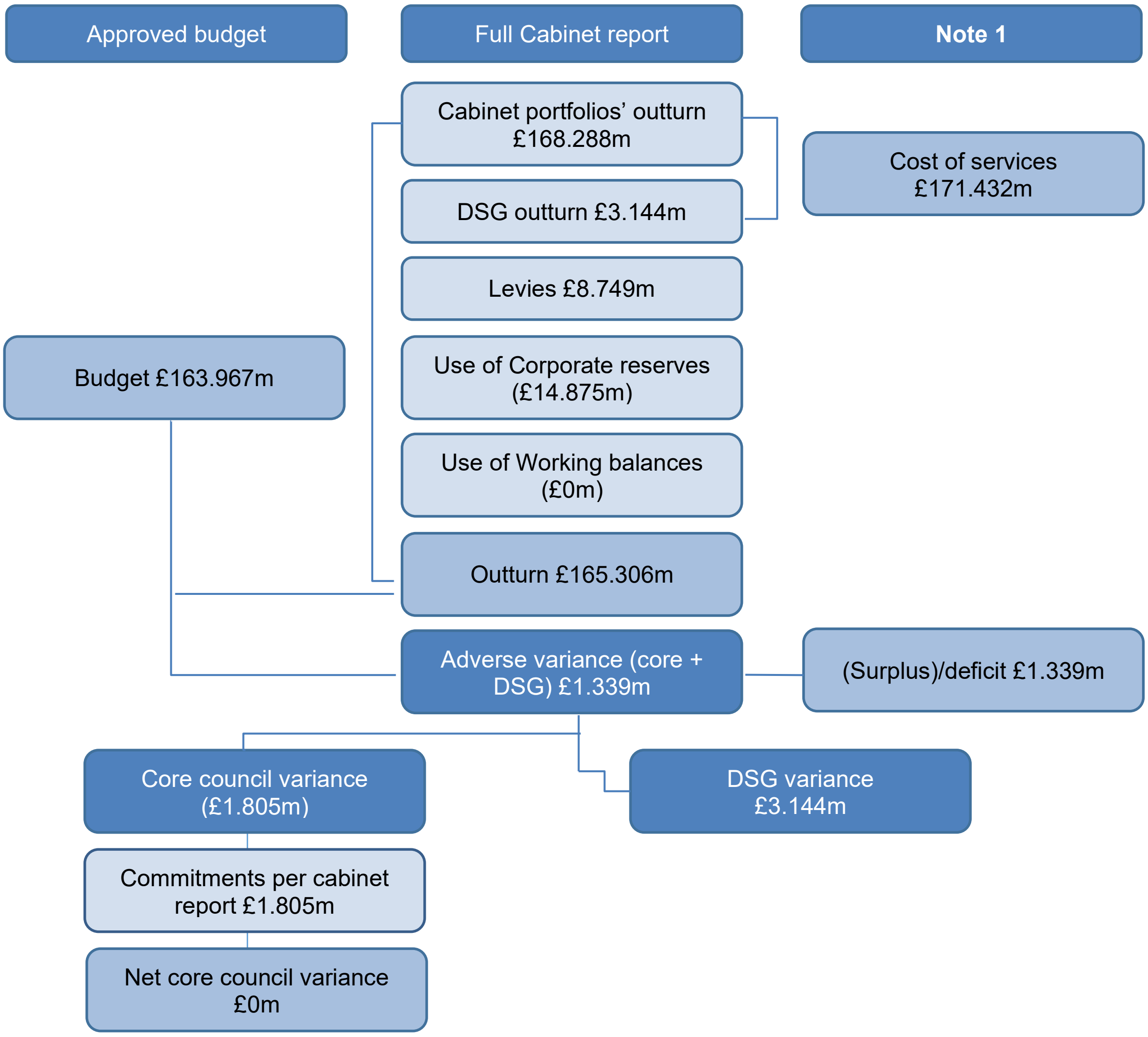
For the Adult Social Care directorate the additional cost of spot-contracted care packages was offset by lower expenditure on block-contracted beds and staffing underspends. The Adult Social Care position was balanced through the use of £0.028 million of directorate reserves. The Public Health directorate reported a favourable variance of £0.305 million, part of which was carried forward and part contributed to reserves.

Significant demand pressures in the Children and Education portfolio - particularly in children's placements, home-to-school transport, social care staffing and special educational needs and disabilities services - were mitigated through the use of the children’s services risk reserve, one-off funding from the Integrated Care Board and a contribution from the budget strategy reserve, resulting in a net favourable variance at year end of £0.074 million carried forward to meet future commitments. Through the 2023/24 budget process significant ongoing investment was allocated to the portfolio to support the improvement plan for the service.

The position across the portfolios within the Economy and Infrastructure Directorate was balanced with net contributions to risk and other earmarked reserves. The directorate reported pressures in respect of car parking income and energy costs, with recruitment delays contributing to staffing underspends.

The Resources portfolio reported a net favourable variance of £0.880 million after carry forward requests and contributions to reserves. This was related to Regulatory Services and Bereavement and Registration Services and offset the overall Economy and Infrastructure position. The Resources directorate achieved a net nil position through the realignment of some budgets and the use of reserves.

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 £1.339 million (2021/22: £1.816 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 2022/23, including the Housing Revenue Account (HRA), was £71.111 million (2021/22: £93.658 million) compared with a revised budget of £82.584 million, giving a net favourable variance in-year of (£11.473 million) (2021/22: (£14.401 million)). After taking into account overspends funded by the service areas, rephasing of £13.861 million will be added into the capital programme for 2023/24.

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 £5.439 million (2021/22: £5.642 million). These included HRA right to buy properties totalling £4.084 million (2021/22: £3.388 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. 2022/23 marked the sixth 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 2022/23, this windfall income for Solihull was £10.615 million, which Full Cabinet will be asked to contribute to the budget strategy reserve, in line with the medium term financial strategy. It was agreed as part of the 2023/24 budget process that any windfall income received in 2023/24 or future years would be treated as core business rates income and built into the MTFS in the year it arose.

Academisation
During 2022/23, five schools converted to academy status. The school buildings have been disposed of resulting in a loss on disposal in the CI&ES of £26.638 million. The associated land has been revalued resulting in a reduction in value of £5.700 million.

The Council is currently expecting five schools to convert to academy status following the Balance Sheet date of 31 March 2023. The subsequent transfer of school buildings is expected to result in a loss on disposal in the CI&ES of £30.565 million in 2023/24, and the associated land will be revalued resulting in a revaluation loss of £14.162 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 steps have been taken to address this deficit within the medium and long-term financial strategy of the Council.

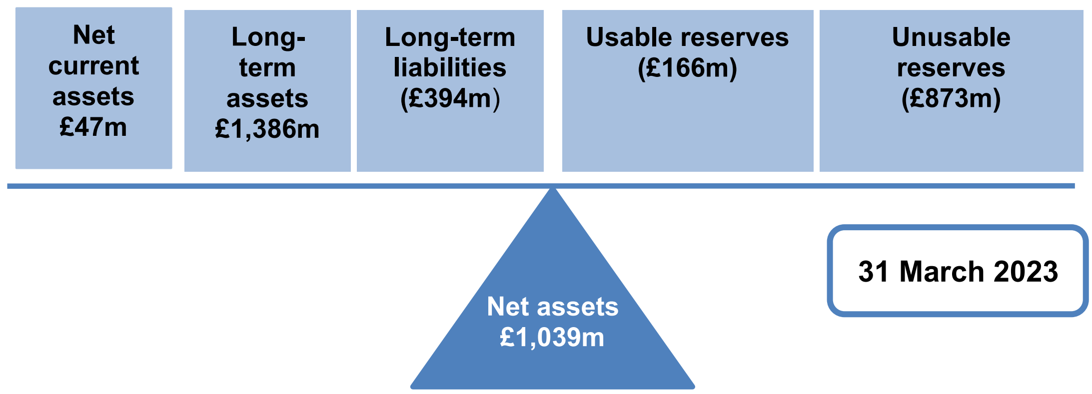
In April 2020 the Council made an upfront payment of £58.300 million in respect of pension contributions for the three years from 2020/21 to 2022/23 in order to save a net £3.900 million over those three financial years.

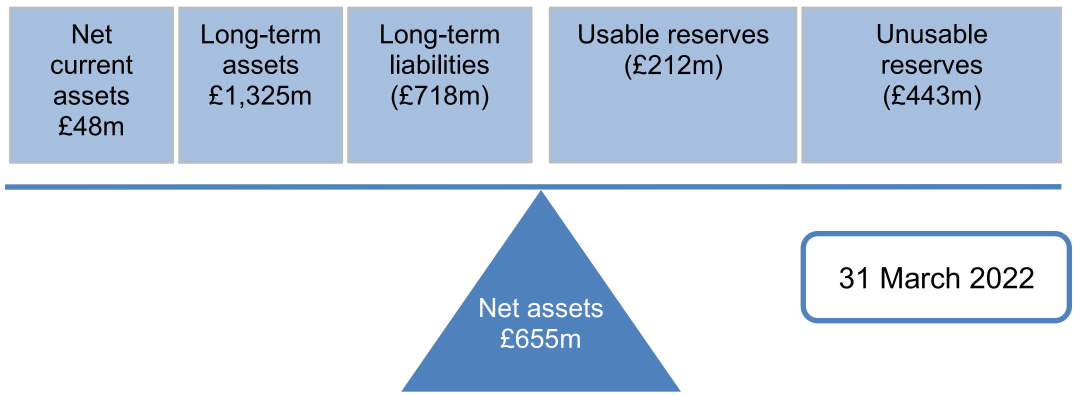
An upfront payment of £67.100 million for the three years from 2023/24 to 2025/26 was made in April 2023. The full payment will be accounted for as a reduction in the Council’s net pension liability in 2023/24 and this will lead to a reduction in cash balances over the short term, until levels are replenished as regular pension contributions are not paid. The majority of short-term investments held at the balance sheet date matured in April to facilitate this pension payment.

Net assets
The Council’s net assets have increased significantly during the year, largely due to a reduction in the Net Pensions Liability of £330.843 million, resulting from changes to the actuarial assumptions and the performance of Pension Fund assets. Other key movements in net assets include:

- Increases in Property, Plant and Equipment of £38.657 million (as detailed in Note 16);
- Increases in Long-Term Investments of £17.395 million, relating to the revaluation of the Council’s shareholdings (as detailed in note 23);
- Increases in Short-Term Creditors of (£10.012) million;
- A decrease in Revenue Grants Receipts in Advance of £11.473 million.

The Council is in a robust financial position at the end of the year 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 2022/23, net cash and cash equivalents decreased by £5.368 million, from (£5.387 million) to (£10.755 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 is updated annually, sets out a clear direction based on our priorities.

Our plan has a clear set of activities for each of our priorities and measurable outcomes grouped into the categories of economy, climate change, people and communities and strong foundations. Children’s services remain our top priority for the coming year, and we are working with health, police and other partners on our improvement journey.

The plan reflects the shifting context that we operate in, including changes to our population, developments in the partnership landscape and the lasting impact of Covid-19 on the services we provide. Our borough has great fundamentals, including our strategic location, a robust economy and high-quality places to live, which will support us in meeting the needs of our changing population, managing spending within constrained budgets, tackling the underlying causes of inequality 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. The budget strategy reserve, which mitigates risks around some of the key assumptions underpinning the MTFS and contributes to the financial resilience of the Council, supports the Council to manage changes to the financial planning assumptions which affect years one and two of the MTFS.

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 MTFS includes £5.610 million of new savings identified for 2023/24, with further savings in future years and a target of £1.920 million to be delivered through strategic and structural options by 2025/26.

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. As outlined in the Treasury Management Strategy, security and liquidity are the primary investment policy objectives for the Council and therefore we will only invest with highly creditworthy counterparties and only when appropriate given economic and market conditions. Our current investment portfolio is concentrated in short term or liquid investments, mainly held with the UK government and other local authorities.

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 both borrowing rates and counterparty risk are relatively high.

Looking Ahead: Risks and Opportunities

Inflation remains high. As highlighted in last year's Statement of Accounts, the impact of inflation was a significant challenge for the 2023/24 budget process, resulting in additional funding allocated to budgets for contracts, staffing and utilities. In addition, inflation on construction costs is affecting our ability to deliver major capital projects.

We are also keenly aware of the effect of the cost-of-living pressures on our residents, particularly those in lower income households, and the impact this is having on demand for our services. The Council is working with partners to support residents and we have developed an action plan with 4 themes:

- *People* – Support people to manage income, reduce costs and access financial support. For example, the Here2Help pages of the Council website provide information and contact details for getting help with food, fuel and financial advice.
- *Collaborate* – Work with the wider Public Sector, Voluntary Community and Social Enterprise (VCSE) sectors and our communities to develop a shared response.
- *Business* – Work with businesses to protect jobs and support employees.
- *Places* – Support energy efficiency measures in homes and businesses.

Medium term economic forecasts suggest that inflation will start to level off and then reduce over the period covered by the updated MTFS, relieving some of the pressure on the authority and on residents, but this remains a risk.[5]

[5] Office for Budget Responsibility, *March 2023 Economic and Fiscal Outlook* (March 2023) https://obr.uk/economic-and-fiscal-outlooks/

Building on the ambitions set up in the 2022 Levelling Up White Paper, the government announced in March 2023 the agreement of trailblazer devolution deals with the West Midlands and Greater Manchester Combined Authorities. In addition to securing enhanced funding and flexibility in areas such as skills, regeneration and housing, the deal will mean the West Midlands authorities can retain business rates income for ten years, in an extension of the existing pilot arrangements, and allow the creation of new Levelling Up Zones, including one for East Birmingham and North Solihull. The deal presents 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 continue to be able to charge an adult social care precept on the council tax, which will generate around £16.2 million for Solihull in 2023/24. A number of national policy and statutory developments underway or anticipated will have implications for the social care sector. The Autumn Statement in November 2022 confirmed a two-year delay to the introduction of social care charging reform but also provided new funding for authorities to increase the rate paid for care. The Health and Care Act includes new requirements in terms of how the NHS and local government will come together to plan and deliver health and care services and will reintroduce inspections for adult social care services.

Solihull's children's services are facing unprecedented pressures. Ofsted's recent inspection of children's services, published in January 2023, categorised services for children and families in Solihull as inadequate and identified serious failings which the Council must address with pace. Following this report, the Children's Commissioner recommended the appointment of a local partner to support the Council to make the improvements required.

Children's services remain the Council's top priority for improvement in 2023/24. The Council is fully committed to making the necessary changes and we have updated our improvement plan in order to ensure it addresses all the areas highlighted by the Children's Commissioner and Ofsted. We have a new leadership team in place for the directorate and have recruited more social workers to meet the sustained increase in demand for our services.

Economic Uncertainty
As outlined by the Office for Budget Responsibility (OBR) in March 2023, the economy continues to face significant structural challenges, with high gas prices, low business investment, increased labour market inactivity and a continued slowdown in productivity growth contributing to weak underlying momentum. [6] The OBR forecasts suggest that inflation has peaked and will fall rapidly by the end of 2023, returning to target levels in 2028. GDP is expected to fall by 0.2% over 2023 but is then expected to grow by 1.8% in 2024 and 2.5% in 2025 as interest rates begin to fall and energy price falls take inflation below the 2% target.

The impact of Brexit complicates the picture, with the OBR forecasting a lasting impact on both the volume of trade with the EU and the number of trading relationships between UK and EU firms.

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.

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.

The local government finance settlement for 2023/24 included some helpful indications of funding for 2024/25 and also confirmed that there would be no review of business rates retention or funding methodologies in the current Parliament, providing some assurance over the assumptions in the MTFS. However, the longer term outlook for local government finance remains uncertain, although the Council is keen to maximise the opportunities presented by the new trailblazer devolution deal for the region.

[6] Office for Budget Responsibility, *March 2023 Economic and Fiscal Outlook* (March 2023) https://obr.uk/economic-and-fiscal-outlooks/

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.

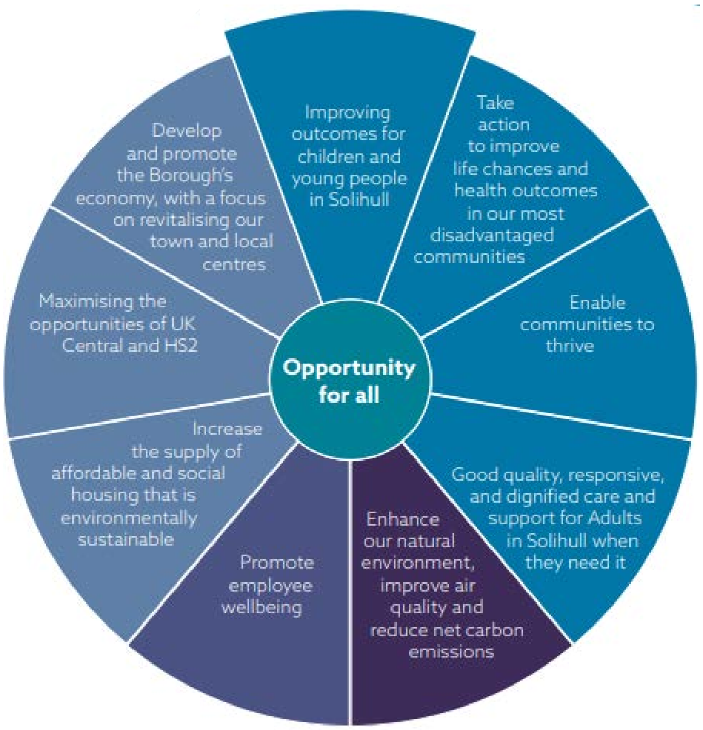
In future, many new jobs will require higher level skills and we recognise that some of our residents will require support to access these new employment opportunities. School attainment varies, with only 59% of those pupils attending secondary school in the north of the borough achieving grades 9 to 4 in GCSE English and Maths in 2022 (compared to 78% 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.

Outlook

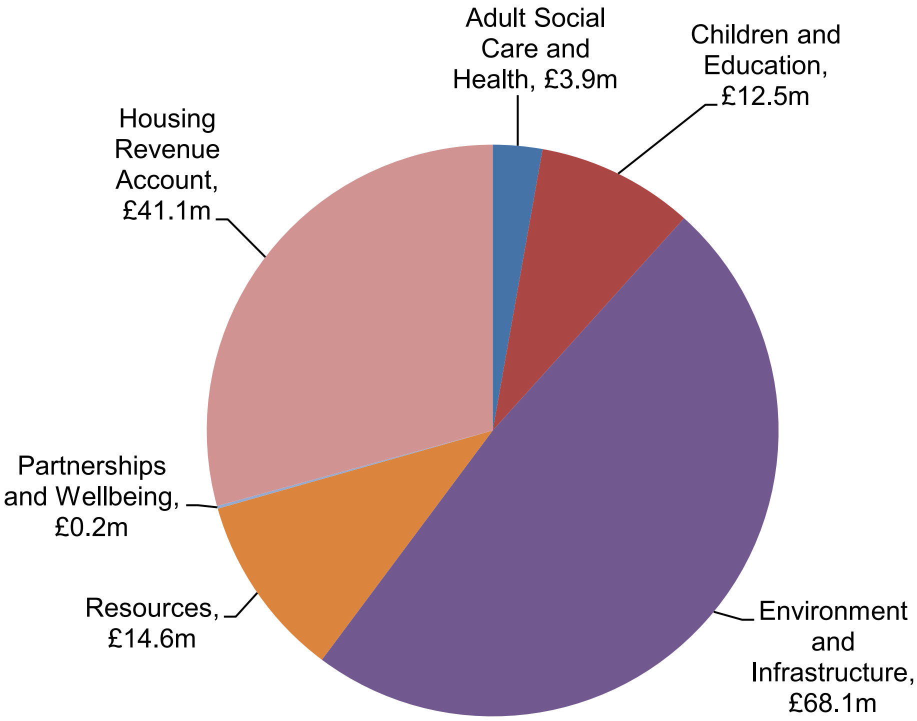
Key service developments
Our Council Plan outlines our priorities and a set of outcomes that we are seeking to achieve by 2025. Our Council Plan seeks to deliver what people need to thrive – for example, good health, purpose, power and connection with others - through inclusive growth. The priorities in the current plan are illustrated below, pending any changes approved by members in the annual update (scheduled for July 2023).



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

	2023/24	2024/25	2025/26
	£000	£000	£000
Base budget	163,967	199,250	208,050
Funding commitments	28,295	13,017	2,711
Savings	(4,148)	2,901	(788)
Government grants	(3,384)	(1,490)	3,250
Contributions to/ (from) reserves	14,520	(5,628)	2,019
Indicative budget	**199,250**	**208,050**	**215,242**

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 2023/24 totals £140.345 million (excluding rephasing to be approved by Full Cabinet in June 2023), 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 or Communities and Leisure portfolios

Significant items within the capital programme for 2023/24 include the schools improvement programme, highways improvements and the development of Family Hub centres, in addition to a programme of works totalling £41.057 million within the Housing Revenue Account, which includes work on building safety, maintenance and carbon emissions reductions.

Looking ahead, the total projected value of the capital programme between 2023/24 and 2025/26 is circa £301 million (before the addition of rephasing from 2022/23). This will be funded from the following internal and external sources: external grants (£135 million), prudential borrowing (£102 million), revenue (£53 million) and capital receipts and contributions (£11 million).

Adequacy of reserves
Under the Local Government Act 2003, the Council's Section 151 Officer must report to members on the adequacy of the Council's financial reserves as part of the budget process each year. This assessment of our reserves is informed in part by the financial resilience index – a comparative analytical tool – published annually by CIPFA , which evaluates the Council's position on a range of measures associated with financial risk. The index includes a number of measures related to reserves and these suggest the Council has adequate levels of reserves which it is using at a sustainable pace.

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 after 2024/25. The accumulated deficit on the DSG is held in the DSG adjustment account, which is included in the unusable reserves shown at Note 14.

The forecast balances on the budget strategy reserve to 2025/26 are shown in the table below.

	2023/24	2024/25	2025/26
	£000	£000	£000
Forecast opening balance	(1,108)	(8,322)	(8,104)
Forecast contribution (to)/from reserve	(7,214)	218	0
Forecast balance at year end	**(8,322)**	**(8,104)**	**(8,104)**

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 and the earmarked general fund balances are detailed 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.

[Andrew Felton]

Andrew Felton CPFA
Director of Resources
28 February 2024

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 Director of Resources;
- 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 28 February 2024

[Cllr Peter Hogarth]

Councillor Peter Hogarth MBE
Chair of Governance Committee

The Director of Resources' Responsibilities:

The Director of Resources 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 Director of Resources has:

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

The Director of Resources 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 Director of Resources:

I, the Director of Resources 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 2023.

[Andrew Felton]

Andrew Felton CPFA
Director of Resources

28 February 2024

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.

2021/22 Reclassified [1]				2022/23			Notes [2]
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	**Net Expenditure**	
£000	£000	£000		£000	£000	**£000**	
127,696	(66,415)	61,281	Adult Social Care and Health	133,699	(68,242)	**65,457**	
208,339	(150,464)	57,875	Children and Education	231,278	(164,528)	**66,750**	
3,084	(2,529)	555	Climate Change, Planning and Housing	3,487	(2,536)	**951**	
55,245	(52,082)	3,163	Communities and Leisure (includes HRA)	60,115	(57,740)	**2,375**	
50,892	(17,566)	33,326	Environment and Infrastructure	56,678	(19,979)	**36,699**	
6,742	(9,540)	(2,798)	Partnerships and Wellbeing	7,270	(4,111)	**3,159**	
91,887	(61,758)	30,129	Resources	94,548	(59,579)	**34,969**	
543,885	(360,354)	183,531	**Cost of services**	587,075	(376,715)	**210,360**	5
		1,487	Parish precepts			**1,517**	
		8,567	Levies payable			**8,750**	
		1,491	Amounts payable into the housing capital receipts pool			**0**	
		(1,177)	(Gain)/loss on disposal of non-current assets			**25,359**	5
		10,368	**Sub-total: Other operating expenditure**			**35,626**	
		16,979	Interest payable and similar charges			**15,526**	
		8,756	Net interest on the net defined benefit liability			**9,894**	
		(2,405)	Investment interest income			**(2,835)**	
		(4,649)	Other investment income			**(4,174)**	
		(519)	Income, expenditure and changes in fair value of investment properties			**969**	
		486	Impairment losses			**1,857**	

2021/22 Reclassified [1]				2022/23			Notes [2]
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	**Net Expenditure**	
£000	£000	£000		£000	£000	**£000**	
		18,648	**Sub-total: Financing and investment income & expenditure**			**21,237**	
		(115,778)	Council tax income			**(121,377)**	C4
		(17,728)	Business rates income & expenditure			**(43,499)**	5, C4
		(41,810)	Non ring-fenced government grants			**(18,455)**	9
		(25,397)	Recognised capital grants and contributions			**(21,280)**	9
		(200,713)	**Sub-total: Taxation and non-specific grant income & expenditure**			**(204,611)**	
		11,834	**(Surplus)/deficit on the provision of services**			**62,612**	
		(23,795)	(Surplus)/deficit on revaluation of non-current assets			**(56,404)**	5, 16
		0	Impairment losses on non-current assets charged to the revaluation reserve			**712**	16
		1,244	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			**(17,395)**	25
		(162,799)	Remeasurement of the net defined benefit liability			**(337,010)**	5, 34
		(185,350)	**Other comprehensive income and expenditure**			**(410,097)**	
		(173,516)	**Total comprehensive income and expenditure**			**(347,485)**	

[1] In May 2022, the Council's cabinet structure was changed and therefore, in order to provide meaningful comparative information, the 2021/22 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.

2022/23 [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 2022	**(8,256)**	**(143,891)**	**(152,147)**	**(9,884)**	**(18,300)**	**(5,132)**	**(26,320)**	**(211,783)**	**(480,337)**	**(692,120)**
Movement in reserves during 2022/23:										
Total Comprehensive Income and Expenditure (CI&ES)	65,988	0	**65,988**	(3,376)	0	0	0	**62,612**	(410,097)	**(347,485)**
Adjustments between accounting basis and funding basis under regulations (Note 13)	(20,940)	0	**(20,940)**	3,615	1,553	2,587	(4,096)	**(17,281)**	17,281	**0**
Transfers (to)/from earmarked reserves (Note 15)	(44,598)	44,598	**0**	0	0	0	0	**0**	0	**0**
(Increase)/decrease in 2022/23	**450**	**44,598**	**45,048**	**239**	**1,553**	**2,587**	**(4,096)**	**45,331**	**(392,816)**	**(347,485)**
Balance at 31 March 2023	**(7,806)**	**(99,293)**	**(107,099)**	**(9,645)**	**(16,747)**	**(2,545)**	**(30,416)**	**(166,452)**	**(873,153)**	**(1,039,605)**

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

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 & 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.

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 2022		31 March 2023	Notes[1]
£000		**£000**	
1,218,501	Property, Plant & Equipment	**1,257,158**	16,19
950	Heritage Assets	**950**	
17,495	Investment Property	**15,940**	20
10,064	Intangible Assets	**11,414**	21
40,427	Long-Term Investments	**57,822**	23
37,208	Long-Term Debtors	**42,803**	23
1,324,645	**Long-Term Assets**	**1,386,087**	
89,597	Short-Term Investments	**83,457**	23
1,566	Inventories	**1,523**	
62,852	Short-Term Debtors	**65,873**	28
12,827	Cash and Cash Equivalents	**6,659**	30
166,842	**Current Assets**	**157,512**	
(18,214)	Bank Overdraft	**(17,414)**	30
(3,755)	Short-Term Borrowing	**(3,868)**	23
(59,638)	Short-Term Creditors	**(69,650)**	31
(6,694)	Short-Term Provisions	**(4,386)**	32
(12,706)	Capital Grants Receipts in Advance	**(9,032)**	9
(17,999)	Revenue Grants Receipts in Advance	**(6,526)**	9
(119,006)	**Current Liabilities**	**(110,876)**	
0	Long-Term Creditors	**(1,236)**	23
(4,910)	Long-Term Provisions	**(2,712)**	32
(319,571)	Long-Term Borrowing	**(318,060)**	23
(307,381)	Net Pensions Liability	**(22,369)**	34
(43,488)	Other Long-Term Liabilities	**(41,496)**	23
(5,011)	Capital Grants Receipts in Advance	**(7,245)**	9
(680,361)	**Long-Term Liabilities**	**(393,118)**	
692,120	**Net Assets**	**1,039,605**	
(211,783)	Usable Reserves	**(166,452)**	MIRS
(480,337)	Unusable Reserves	**(873,153)**	14
(692,120)	**Total Reserves**	**(1,039,605)**	

[1] 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.

2021/22		**2022/23**	**Notes [1]**
£000		**£000**	
11,834	Net (surplus)/deficit on the provision of services	**62,612**	CI&ES
(96,405)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	**(121,345)**	35
31,258	Adjustments for items in the net (surplus)/deficit on the provision of services that are investing/financing activities	**26,920**	36
(53,313)	**Net cash flows from operating activities**	**(31,813)**	
49,617	Purchase of property, plant and equipment, investment property and intangible assets	**61,985**	
654,622	Purchase of short-term and long-term investments	**573,794**	
3,515	Other payments for investing activities	**7,409**	
(5,669)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(5,312)**	
(28,604)	Capital grants received	**(27,943)**	
(590,153)	Proceeds from short-term and long-term investments	**(576,201)**	
(42)	Other receipts from investing activities	**(192)**	
83,286	**Net cash flows from investing activities**	**33,540**	
(40,000)	Cash receipts of short-term and long-term borrowing	**0**	
(64)	Other receipts from financing activities	**94**	
3,437	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	**1,964**	
5,328	Repayments of short-term and long-term borrowing	**1,583**	
(31,299)	**Net cash flows from financing activities**	**3,641**	
(1,326)	**Net (increase)/decrease in cash and cash equivalents**	**5,368**	
	Overall movement in cash and cash equivalents		
(6,713)	Cash and cash equivalents at the beginning of the reporting period	**(5,387)**	
1,326	Net increase/(decrease) in cash and cash equivalents	**(5,368)**	
(5,387)	**Cash and cash equivalents at the end of the reporting period**	**(10,755)**	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.

2022/23	Cabinet Report June 2023	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	66,392	(4,572)	**61,820**	3,637	**65,457**
Children and Education	49,795	(52)	**49,743**	17,007	**66,750**
Children and Education - Dedicated Schools Grant (DSG)	3,144	(3,144)	**0**	0	**0**
Climate Change, Planning and Housing	2,388	(1,403)	**985**	(34)	**951**
Communities and Leisure (includes HRA)	6,464	(4,364)	**2,100**	275	**2,375**
Environment and Infrastructure	22,513	7,452	**29,965**	6,734	**36,699**
Partnerships and Wellbeing	2,821	(215)	**2,606**	553	**3,159**
Resources	17,915	9,889	**27,804**	7,165	**34,969**
Cost of services	**171,432**	**3,591**	**175,023**	**35,337**	**210,360**
Other income and expenditure	(170,093)	40,357	**(129,736)**	(18,012)	**(147,748)**
(Surplus)/deficit	**1,339**	**43,948**	**45,287**	**17,325**	**62,612**

The following table shows how the net deficit chargeable to the General Fund and HRA balances of £45.287 million is represented in the MIRS.

2022/23	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 2022	(152,147)	(9,884)	**(162,031)**
Add (surplus)/deficit on the General Fund and HRA Balances in-year	45,048	239	**45,287**
Closing General Fund and HRA Balances at 31 March 2023	**(107,099)**	**(9,645)**	**(116,744)**

Prior year comparatives

2021/22 Reclassified [1]	Cabinet Report June 2022	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	56,739	797	57,536	3,745	61,281
Children and Education	37,912	2,885	40,797	17,078	57,875
Children and Education - Dedicated Schools Grant (DSG)	1,956	(1,956)	0	0	0
Climate Change, Planning and Housing	1,972	(988)	984	(429)	555
Communities and Leisure (includes HRA)	8,076	504	8,580	(5,417)	3,163
Environment and Infrastructure	18,878	6,307	25,185	8,141	33,326
Partnerships and Wellbeing	3,194	(6,529)	(3,335)	537	(2,798)
Resources	24,483	8,497	32,980	(2,851)	30,129
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

[1] In May 2022, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2021/22 figures have been reclassified.

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)

1a. Note to the EFA

2022/23	General Fund Working Balance	Earmarked Revenue Reserves (Note 15)	Housing Revenue Account (HRA)	Move DSG balance to Children and Education	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	(2,492)	0	0	(2,080)	**(4,572)**	206	3,431	0	**3,637**
Children and Education	26	6,035	0	3,144	(9,257)	**(52)**	6,452	10,181	374	**17,007**
Children and Education - Dedicated Schools Grant (DSG)	0	0	0	(3,144)	0	**(3,144)**	0	0	0	**0**
Climate Change, Planning and Housing	79	(2,511)	0	0	1,029	**(1,403)**	(931)	897	0	**(34)**
Communities and Leisure (includes HRA)	312	509	239	0	(5,424)	**(4,364)**	(1,145)	1,467	(47)	**275**
Environment and Infrastructure	652	2,355	0	0	4,445	**7,452**	5,269	1,465	0	**6,734**
Partnerships and Wellbeing	0	(215)	0	0	0	**(215)**	64	489	0	**553**
Resources	1,186	2,132	0	0	6,571	**9,889**	1,545	5,174	446	**7,165**
Net cost of services	**2,255**	**5,813**	**239**	**0**	**(4,716)**	**3,591**	**11,460**	**23,104**	**773**	**35,337**
Other income and expenditure	(3,144)	38,785	0	0	4,716	**40,357**	7,677	9,894	(35,583)	**(18,012)**
Total	**(889)**	**44,598**	**239**	**0**	**0**	**43,948**	**19,137**	**32,998**	**(34,810)**	**17,325**

2021/22 Reclassified [1]	General Fund Working Balance	Earmarked Revenue Reserves (Note 15)	Housing Revenue Account (HRA)	Move DSG balance to Children and Education	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	(4,058)	0	0	4,855	797	216	3,529	0	3,745
Children and Education	0	5,645	0	1,956	(4,716)	2,885	7,313	10,327	(562)	17,078
Children and Education - Dedicated Schools Grant (DSG)	0	0	0	(1,956)	0	(1,956)	0	0	0	0
Climate Change, Planning and Housing	0	(2,330)	0	0	1,342	(988)	(1,378)	949	0	(429)
Communities and Leisure (includes HRA)	0	135	6,231	0	(5,862)	504	(6,941)	1,570	(46)	(5,417)
Environment and Infrastructure	0	428	0	0	5,879	6,307	6,590	1,551	0	8,141
Partnerships and Wellbeing	0	(97)	0	0	(6,432)	(6,529)	102	435	0	537
Resources	0	1,086	0	0	7,411	8,497	(3,499)	909	(261)	(2,851)
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)

[1] In May 2022, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2021/22 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 Communities and Leisure 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 and Education 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.

There are no prior period adjustments in 2022/23.

Prior Period Reclassification of Service Expenditure and Income

Expenditure and income in the Net Cost of Services section in the CI&ES is based on the Council's Cabinet structure. In May 2022, a new Cabinet structure was introduced and therefore, in order to provide meaningful comparative information, the 2021/22 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 2021/22 statement of accounts	As reported in the CI&ES 2021/22	Movement between Cabinets	As reclassified 2021/22	Updated Cabinet Portfolio
Gross Expenditure	£000	£000	£000	
Adult Social Care and Health	133,006	(5,310)	127,696	Adult Social Care and Health
Children, Education and Skills	208,339	0	208,339	Children and Education
Climate Change, Planning and Housing	3,128	(44)	3,084	Climate Change, Planning and Housing
Stronger and Safer Communities (includes HRA)	54,350	895	55,245	Communities and Leisure (includes HRA)
Environment and Infrastructure	50,849	43	50,892	Environment and Infrastructure
New Cabinet Portfolio 2022/23	0	6,742	6,742	Partnerships and Wellbeing
Resources	88,579	3,308	91,887	Resources
Leisure, Tourism and Sport	5,634	(5,634)	0	No longer in use
Cost of services	**543,885**	**0**	**543,885**	

Cabinet Portfolio per 2021/22 statement of accounts	As reported in the CI&ES 2021/22	Movement between Cabinets	As reclassified 2021/22	Updated Cabinet Portfolio
Gross Income	£000	£000	£000	
Adult Social Care and Health	(68,867)	2,452	(66,415)	Adult Social Care and Health
Children, Education and Skills	(150,464)	0	(150,464)	Children and Education
Climate Change, Planning and Housing	(1,181)	(1,348)	(2,529)	Climate Change, Planning and Housing
Stronger and Safer Communities (includes HRA)	(61,911)	9,829	(52,082)	Communities and Leisure (includes HRA)
Environment and Infrastructure	(18,914)	1,348	(17,566)	Environment and Infrastructure
New Cabinet Portfolio 2022/23	0	(9,540)	(9,540)	Partnerships and Wellbeing
Resources	(57,072)	(4,686)	(61,758)	Resources
Leisure, Tourism and Sport	(1,945)	1,945	0	No longer in use
Cost of services	**(360,354)**	**0**	**(360,354)**	

Cabinet Portfolio per 2021/22 statement of accounts	As reported in the CI&ES 2021/22	Movement between Cabinets	As reclassified 2021/22	Updated Cabinet Portfolio
Net Expenditure	**£000**	**£000**	**£000**	
Adult Social Care and Health	64,139	(2,858)	61,281	Adult Social Care and Health
Children, Education and Skills	57,875	0	57,875	Children and Education
Climate Change, Planning and Housing	1,947	(1,392)	555	Climate Change, Planning and Housing
Stronger and Safer Communities (includes HRA)	(7,561)	10,724	3,163	Communities and Leisure (includes HRA)
Environment and Infrastructure	31,935	1,391	33,326	Environment and Infrastructure
New Cabinet Portfolio 2022/23	0	(2,798)	(2,798)	Partnerships and Wellbeing
Resources	31,507	(1,378)	30,129	Resources
Leisure, Tourism and Sport	3,689	(3,689)	0	No longer in use
Cost of services	**183,531**	**0**	**183,531**	

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 2023 is shown in the following table:

	On Balance Sheet	Off Balance Sheet
Maintained Schools:		
Community	30	0
Voluntary Controlled	1	0
Voluntary Aided[1]	0	6
Total Maintained Schools	**31**	**6**
Academies	0	41
Total Schools	**31**	**47**

[1] Note that although the school buildings are not on the Council’s Balance Sheet, playgrounds and playing fields are. This is because the Council still owns 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 carried forward some minor amounts of funding during the year for distribution or use to support the Covid-19 recovery. For each grant the authority has again 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.

Grants receivable – Energy Support
The Council also received significant amounts of funding during the year for distribution to residents to support with the increasing cost of energy bills. The Council reviewed the guidance and concluded that as it had no control over the amount of grant allocated to the recipient, that the Council was acting as an agent for this grant and on that basis the associated transactions have also 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, Mell Square 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.

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. 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.

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 2023 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 expert advice about the assumptions to be applied. During 2022/23 the updating of assumptions by the actuary has led to a decrease in the net pension liability of (£330.843 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, the most significant of which is the increase in the discount rate from 2.70% to 4.75%. 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 £14.201 million. As conditions as at 31st March 2023 are volatile, it is difficult to predict the impact of any long-term changes that may occur over the life of the Pensions Liability. Inflation is forecast to stabilise over the coming years which means that fluctuations from this position would be minimal.

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 has increased by £43.190 million since 2021/22 and gross income by (£16.361 million).

The majority of the increased expenditure has been incurred in the Children and Education portfolio as a direct result of the increasing demand and pressures on this service – this is partially offset by one off grant income and other income streams. This is in addition to generally increasing costs on energy bills and other areas of inflation.

(Gain)/loss on disposal of non-current assets
The Council has made material losses on the disposal of non-current assets (£25.359 million) as a number of previously Council maintained schools buildings have been transferred to Academy status and therefore the Council's asset register and balance sheet have been adjusted to reflect this transfer, resulting in the loss in the Comprehensive Income and Expenditure Statement.

Business Rates
In 2022/23, the Council's share of the retained business rates income and expenditure increased by (£25.771 million) compared to 2021/22. This was largely due to a reduction in the reliefs awarded by central government, which were particularly high in 2021/22 following the Covid-19 pandemic, resulting in the Council retaining a higher share of business rates income in 2022/23.

(Surplus)/deficit on revaluation of non-current assets
The Council has an agreed revaluation programme and a number of non-current 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 (£56.404 million) as a result of revaluations – this has been carried out in accordance with RICS guidance.

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 materially decreased the value of the net pension liability. Further information on the impact of these changes can be found within Note 34.

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.

2021/22 £000		**2022/23 £000**
	Expenditure	
196,307	Employee benefits expenses	**215,526**
7,363	Employee benefits expenses for Voluntary Aided schools	**7,918**
271,187	Other service expenses	**288,784**
39,402	Depreciation, amortisation, impairment and revaluation losses	**44,204**
16,979	Interest payable	**15,526**
10,054	Precepts and levies	**10,267**
0	Loss on investment properties including fair value adjustments	**969**
0	Loss on disposal of non-current assets	**25,359**
1,491	Payments to Housing Capital Receipts Pool	**0**
35,247	Housing benefits	**34,294**
3,621	Revenue expenditure funded from capital under statute (REFCUS)	**8,100**
581,651	**Total expenditure**	**650,947**
	Income	
(79,543)	Fees, charges & other service income Note 6a	**(86,315)**
(42,878)	HRA rental Income Note 6a	**(44,858)**
(519)	Gain on investment properties including fair value adjustments	**0**
(1,177)	Gain on disposal of non-current assets	**0**
(7,054)	Interest and investment income	**(7,009)**
(133,506)	Income from council tax and business rates [1]	**(164,876)**
(305,140)	Grants, contributions and donations [2]	**(285,277)**
(569,817)	**Total income**	**(588,335)**
11,834	**(Surplus)/ deficit on provision of services**	**62,612**

[1] Further information is provided in Note 5 and Note C4 to the Collection Fund.
[2] 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.

		2022/23		
2021/22 Reclassified [1]		Income from Service recipients	Other Income	**Total fees, charges, other service income & HRA rental income**
£000		£000	£000	**£000**
(29,688)	Adult Social Care and Health	(30,067)	(285)	**(30,352)**
(14,694)	Children and Education	(16,559)	(376)	**(16,935)**
(2,209)	Climate Change, Planning and Housing	(2,025)	0	**(2,025)**
(50,927)	Communities and Leisure (includes HRA)	(49,229)	0	**(49,229)**
(6,538)	Environment and Infrastructure	(7,628)	0	**(7,628)**
(1,012)	Partnerships and Wellbeing	(63)	0	**(63)**
(17,353)	Resources	(24,941)	0	**(24,941)**
(122,421)	**Total**	**(130,512)**	**(661)**	**(131,173)**

[1] In May 2022, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2021/22 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 8 February 2022 and 7 February 2023. These can be accessed via the Council's website.

One year pay awards were agreed in November 2022 for the 2022/23 financial year, awarding a £1,925 pay increase to all officers, including senior officers. 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

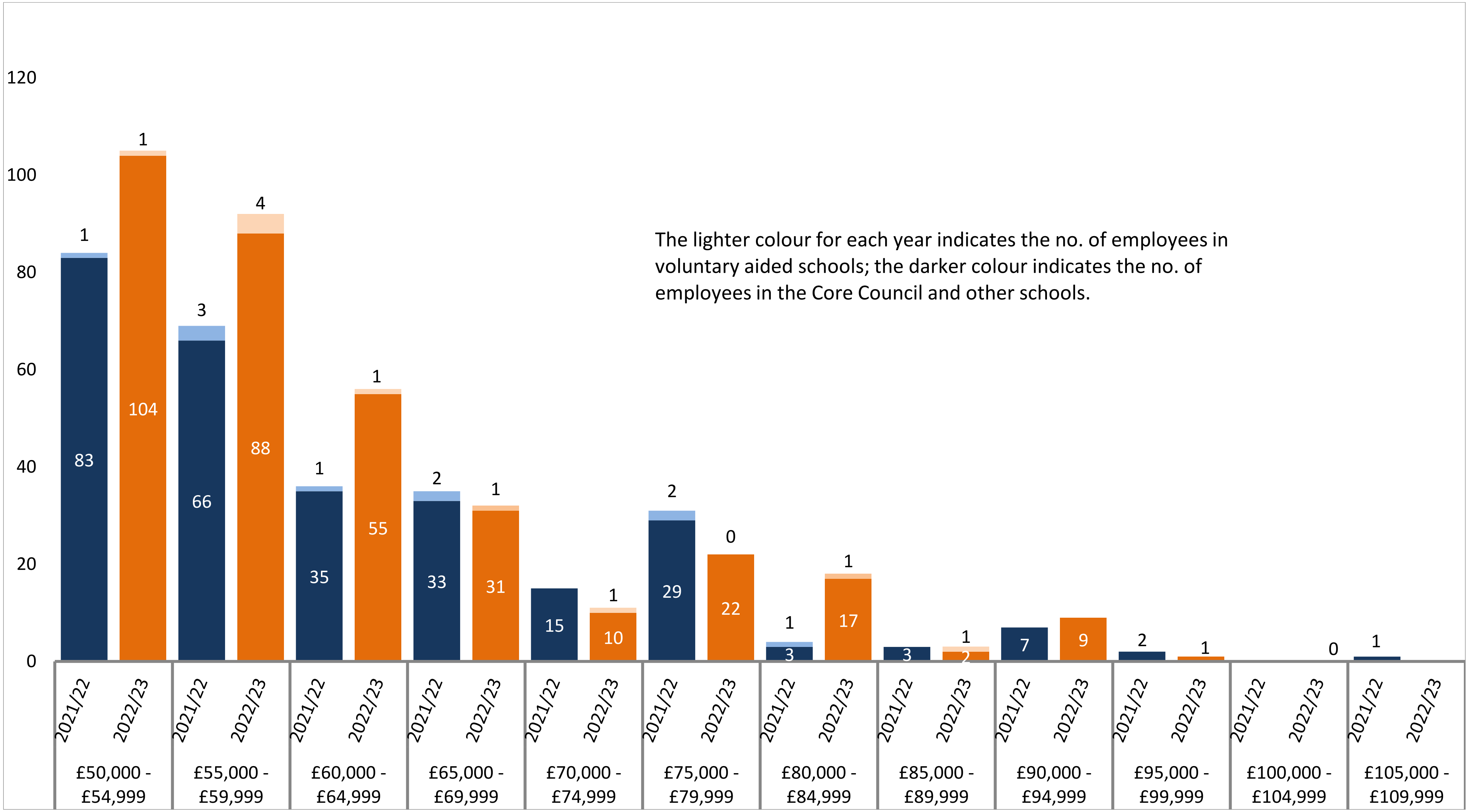
Senior officers' remuneration is subject to the same Performance and Development Review Framework as all Council employees (excluding schools). The remuneration paid to the Council's senior officers is as follows:

Post		Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of office	Employer's Pension Contributions	Total Remuneration
		£000	£000	£000	£000	£000
Chief Executive - Nick Page (left 19 January 2023)[1,2]	**2022/23**	**136,270**	**2,108**	**159,825**	**28,208**	**326,411**
	2021/22	165,611	14,240	0	34,678	214,529
Acting Chief Executive from 20 January 2023; Director of Resources and Deputy Chief Executive until 19 January 2023 – Paul Johnson	**2022/23**	**150,234**	**0**	**0**	**31,098**	**181,332**
	2021/22	140,570	0	0	29,098	169,668
Director of Adult Care and Support	**2022/23**	**132,481**	**0**	**0**	**27,423**	**159,904**
	2021/22	130,556	0	0	27,024	157,580
Director of Children's Services (started 13 October 2022)	**2022/23**	**60,557**	**0**	**0**	**12,536**	**73,093**
	2021/22	0	0	0	0	0
Acting Director of Children's Services (17 July 2021 until 12 October 2022)	**2022/23**	**67,306**	**0**	**0**	**13,932**	**81,238**
	2021/22	85,910	0	0	17,783	103,693
Director of Economy and Infrastructure	**2022/23**	**132,481**	**0**	**0**	**27,423**	**159,904**
	2021/22	130,556	0	0	27,024	157,580
Director of Public Health	**2022/23**	**129,467**	**0**	**0**	**26,800**	**156,267**
	2021/22	124,528	0	0	25,777	150,305

[1] The Chief Executive received a Special Severance Payment of £99,500 plus pay in lieu of notice and accrued holiday pay of £60,325.
[2] In addition to the normal duties, the Chief Executive was paid remuneration for returning officer duties for the 2021 Combined Authority Mayoral Election, which is shown 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 3 officers included in the 2022/23 figures and 7 in the 2021/22 figures that were in receipt of exit packages.

c. Exit packages

During 2022/23 the Council (including Solihull maintained schools) agreed a number of exit packages, as detailed below. 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 costs are the 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 an offer of benefits in exchange for the termination of employment.

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	
	2021/22	**2022/23**	2021/22	**2022/23**	2021/22	**2022/23**	2021/22	**2022/23**
							£000	**£000**
£0 - £20,000	10	**3**	13	**21**	23	**24**	209	**138**
£20,001 - £100,000	4	**1**	5	**3**	9	**4**	468	**166**
£100,001 - £150,000	0	**0**	1	**0**	1	**0**	122	**0**
£150,001 - £200,000	0	**0**	0	**1**	0	**1**	0	**160**
Total	14	**4**	19	**25**	33	**29**	799	**464**

8. Members' Allowances

The total of Members' allowances paid in the year was £0.729 million (£0.690 million in 2021/22). 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:

2021/22		2022/23
£000		**£000**
	Credited to Taxation and Non-specific Grant Income	
	Non ring-fenced government grants	
(4,857)	Section 31 business rates grants	**(14,588)**
0	Services grant	**(2,083)**
(1,453)	New Homes Bonus	**(1,325)**
(35,500)	Covid-19 grants	**0**
0	Other non ring-fenced government grants	**(459)**
(41,810)		**(18,455)**
	Capital grants and contributions	
(3,956)	City Region Sustainable Transport Settlement (formerly Local Transport Plan)	**(4,770)**
(5,013)	West Midlands Combined Authority	**(3,324)**
(1,056)	High Needs Provision	**(3,241)**
(2,082)	Condition Grant	**(2,054)**
(812)	Section 106 contributions	**(2,036)**
(1,244)	Better Care Fund (Note 11)	**(1,753)**
(2,708)	Department for Transport	**(1,309)**
(1,346)	Community Infrastructure Levy	**(921)**
(4,271)	Basic Need Grant (Schools Capital)	**896**
(2,909)	Other Capital Grants, Contributions and Donations	**(2,768)**
(25,397)		**(21,280)**
	Credited to Services:	
(105,832)	Dedicated Schools Grant (DSG) (Note 10) [1]	**(112,558)**
(34,063)	Housing Benefit Subsidy	**(32,429)**
(16,013)	Better Care Fund (Note 11) [2]	**(17,742)**
(8,683)	West Midlands Combined Authority [3]	**(10,600)**
(11,505)	Public Health Grant	**(11,829)**
(5,374)	Social Care Grant	**(7,517)**
(6,974)	PFI credits	**(7,357)**
(3,328)	Revenue expenditure funded by capital under statute (REFCUS)	**(7,316)**
(5,653)	Pupil Premium	**(6,154)**
(3,744)	Asylum Seekers	**(3,194)**
(1,408)	Household Support Fund	**(2,942)**
0	Homes for Ukraine	**(2,436)**
0	Schools Supplementary Grant	**(1,715)**
(1,690)	Universal Infant Free School Meals	**(1,601)**
0	Discharge Funding	**(1,544)**
(1,056)	Homelessness Prevention	**(1,031)**
(845)	Holiday Activities and Food Grant	**(969)**
(769)	PE and Sports Grant	**(771)**
(769)	Independent Living Fund	**(769)**

2021/22		2022/23
£000		**£000**
(753)	Housing Benefit and Localised Council Tax Support Administration	**(744)**
(18,484)	Covid-19 grants	**(1,613)**
(10,990)	Other revenue grants, contributions and donations	**(12,711)**
(237,933)	Sub-total	**(245,542)**
(305,140)	**Total [4]**	**(285,277)**

[1] The DSG credited to services is the amount receivable prior to the application of the brought forward deficit, plus the £0.135 million adjustment for Early Years Funding shown in Note 10 and excluding an amount deducted by the Education and Skills Funding Agency for maintained schools' business rates costs.
[2] The Better Care Fund grant credited to services includes funding from the Improved Better Care Fund (iBCF) and a contribution from the Integrated Care Board to joint-funded services. 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 Council has also acted as an agent on behalf of central government in respect of a number of funding streams, including the Energy Rebate and Energy Bill Alternative Fuel Payment Schemes and the residual Infection Control Fund. 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 2022		31 March 2023
£000		**£000**
(9,930)	Council Tax Rebate Scheme	**0**
(4,822)	PFI credits	**(4,233)**
(1,905)	Covid-19 Additional Relief Fund	**0**
(1,342)	Other revenue grants	**(2,293)**
(17,999)	**Total**	**(6,526)**

c. Capital Grants Receipts in Advance

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the donor. The balances as at 31 March are as follows:

31 March 2022		31 March 2023
£000		**£000**
(5,960)	Department for Business, Energy and Industrial Strategy	**(5,960)**
(4,101)	Various Section 106 Contributions	**(1,680)**
(291)	Devolved Formula Capital	**(783)**
(1,312)	Department for Transport	**0**
(1,042)	Other Grants and Contributions	**(609)**
(12,706)	**Total Short-Term Capital Grants**	**(9,032)**
(4,759)	Various Section 106 Contributions	**(6,334)**
(252)	Other Grants and Contributions	**(911)**
(5,011)	**Total Long-Term Capital Grants**	**(7,245)**
(17,717)	**Total**	**(16,277)**

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). DSG is ringfenced 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 2022. 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.

Details of the deployment of DSG receivable for the year are as follows:

2021/22				2022/23
Total		Individual Schools Budget (ISB)	Central Expenditure	**Total**
£000		£000	£000	**£000**
(230,037)	Final DSG before academy & high needs recoupment	0	0	**(242,480)**
123,915	Academy figure & high needs figure recouped	0	0	**128,891**
(106,122)	Total DSG after academy & high needs	0	0	**(113,589)**
(106,122)	**Agreed initial budgeted distribution**	**(64,142)**	**(49,447)**	**(113,589)**
290	In-year adjustments - Early Years Funding	0	(135)	**(135)**
0	In-year adjustments – business rates [1]	56	0	**56**
(105,832)	**Final budgeted distribution**	**(64,086)**	**(49,582)**	**(113,668)**
46,764	Actual central expenditure	0	52,726	**52,726**
63,140	Actual ISB deployed to schools	64,086	0	**64,086**
4,072	**In-year carry forward**	**0**	**3,144**	**3,144**
9,141	DSG unusable reserve brought forward	0	0	**13,213**
4,072	Addition to DSG unusable reserve in-year	0	0	**3,144**
13,213	**Total DSG unusable reserve carried forward**	**0**	**0**	**16,357**
(13,213)	**Net DSG position at the year end**	**0**	**0**	**(16,357)**

[1] From April 2023, the ESFA has paid business rates directly to billing authorities on behalf of local authority maintained schools and academies, with a corresponding reduction in DSG. The agreed initial budgeted distribution in the table above therefore includes a deduction for schools' business rates bills, with an in-year adjustment included in the final budgeted distribution.

11. Pooled Budgets

The Council has established partnership agreements with the Birmingham and Solihull Integrated Care Board (ICB), 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 ICB, 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 ICB where the ICB acted as lead commissioner – in these cases, as the ICB 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 Integrated Care Boards (ICBs) 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 ICB 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 ICB 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.

			2021/22					**2022/23**
SMBC	ICB	Joint	Total		SMBC	ICB	Joint	**Total**
£000	£000	£000	£000		£000	£000	£000	**£000**
2,330	2,392	0	4,722	Reablement in a person's own home	2,462	2,449	0	**4,911**
3,740	0	0	3,740	Residential Placements	4,011	0	0	**4,011**
3,146	51	0	3,197	Personalised Budgeting and Commissioning	2,834	0	0	**2,834**
1,264	1,490	0	2,754	Bed based intermediate Care Services	1,318	1,527	0	**2,845**
46	0	2,139	2,185	Assistive Technologies and Equipment	0	402	2,309	**2,711**
2,125	0	0	2,125	Home Care or Domiciliary Care	2,245	0	0	**2,245**
114	1,792	0	1,906	Enablers for Integration	168	0	0	**168**
419	703	0	1,122	Integrated Care Planning and Navigation	443	793	0	**1,236**
681	346	0	1,027	Prevention / Early Intervention	681	354	0	**1,035**
0	995	0	995	Admission Prevention	0	1,019	0	**1,019**

			2021/22					2022/23
SMBC	ICB	Joint	Total		SMBC	ICB	Joint	**Total**
£000	£000	£000	£000		£000	£000	£000	**£000**
765	0	0	765	Housing Related Schemes	808	0	0	**808**
0	678	0	678	Personalised Care at Home	0	694	0	**694**
0	531	0	531	Community Based Schemes	0	748	0	**748**
433	0	0	433	Carers Services	457	0	0	**457**
0	386	0	386	High Impact Change Model for Managing Transfer of Care	0	395	0	**395**
0	0	0	0	Care Act Implementation Related Duties	313	0	0	**313**
15,063	9,364	2,139	26,566	Sub-total Revenue [1]	15,740	8,381	2,309	**26,430**
1,244	0	0	1,244	Assistive Technologies and Equipment	1,753	0	0	**1,753**
1,244	0	0	1,244	Sub-total Capital [2]	1,753	0	0	**1,753**
16,307	9,364	2,139	27,810	Total	**17,493**	**8,381**	**2,309**	**28,183**

[1] 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).
[2] 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 2023/24.

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.

			2021/22					2022/23
SMBC	ICB	Other	Total		SMBC	ICB	Other	**Total**
£000	£000	£000	£000		£000	£000	£000	£000
2,568	0	0	2,568	Transforming Community Services	2,403	0	307	**2,710**
(429)	(2,139)	0	(2,568)	Funding	0	(2,710)	0	**(2,710)**
2,139	**(2,139)**	**0**	0	Total	2,403	(2,710)	307	**0**

c. Contributions to Voluntary Organisations

The ICB 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.

			2021/22					**2022/23**
SMBC	ICB	Other	Total		SMBC	ICB	Other	**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:

2021/22		**2022/23**
£000		**£000**
158	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	**171**
54	Additional variation fee agreed relating to the prior year	**7**
28	Fees payable in respect of other services provided by Grant Thornton UK LLP during the year, including the certification of grant claims and returns	**36**
240	**Total**	**214**

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.

2022/23	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 to revenue resources:							
Reversal of retirement benefits charged to CI&ES	(53,900)	0	0	0	0	**53,900**	Pensions Reserve
Employer's pensions contributions and direct payments to pensioners payable for the current year	20,902	0	0	0	0	**(20,902)**	Pensions Reserve
Financial instruments	16	47	0	0	0	**(63)**	Financial Instruments Adjustment Account
Council tax and business rates	38,725	0	0	0	0	**(38,725)**	Collection Fund Adjustment Account
Staff leave entitlement	(834)	0	0	0	0	**834**	Accumulated Absences Account
Dedicated schools grant deficit (Note 10)	(3,144)	0	0	0	0	**3,144**	Dedicated Schools Grant Adjustment Account
Reversal of charges for depreciation and impairment of non-current assets	(30,987)	(14,090)	0	0	0	**45,077**	Capital Adjustment Account
Reversal of capital grants and contributions applied	17,054	15	0	0	0	**(17,069)**	Capital Adjustment Account
Capital Grants and contributions unapplied credited to the CI&ES statement	11,526	0	0	0	(11,526)	**0**	Capital Adjustment Account
Revenue expenditure funded from capital under statute	(8,100)	0	0	0	0	**8,100**	Capital Adjustment Account
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES Statement	(27,380)	(3,292)	0	0	0	**30,672**	Capital Adjustment Account
Reversal of other entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure	(724)	42	0	0	0	**682**	Capital Adjustment Account
Total adjustments to revenue resources	**(36,846)**	**(17,278)**	**0**	**0**	**(11,526)**	**65,650**	

2022/23	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	195	5,117	(5,312)	0	0	**0**	Not Applicable
Administrative costs of non-current asset disposals	(65)	0	65	0	0	**0**	
Payments to the government housing receipts pool	0	0	0	0	0	**0**	
Charge to Major Repairs Reserve in lieu of depreciation, including additional voluntary transfer	0	13,972	0	(13,972)	0	**0**	
Provision for the repayment of debt	13,343	540	0	0	0	**(13,883)**	Capital Adjustment Account
Capital expenditure financed from revenue balances	2,433	1,264	0	0	0	**(3,697)**	
Total adjustments between revenue and capital resources	**15,906**	**20,893**	**(5,247)**	**(13,972)**	**0**	**(17,580)**	
Adjustments to capital resources:							
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	0	0	6,800	0	0	**(6,800)**	Capital Adjustment Account
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	16,559	0	**(16,559)**	
Application of capital grants to finance capital expenditure	0	0	0	0	7,430	**(7,430)**	
Total adjustments to capital resources	**0**	**0**	**6,800**	**16,559**	**7,430**	**(30,789)**	
Total adjustments	**(20,940)**	**3,615**	**1,553**	**2,587**	**(4,096)**	**17,281**	

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 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 capital grants and contributions applied	16,650	357	0	0	0	(17,007)	
Capital Grants and contributions unapplied credited to the CI&ES statement	11,718	0	0	0	(11,718)	0	
Revenue expenditure funded from capital under statute	(3,621)					3,621	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES Statement	(450)	(4,042)				4,492	
Reversal of other entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure	258	1				(259)	
Total adjustments to revenue resources	(810)	(16,152)	0	0	(11,718)	28,680	

2021/22	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 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)	

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 is required to 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. In 2022/23 and 2023/24, local authorities are allowed to retain 100% of their housing Right to Buy receipts.

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 below.

2022/23	**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	2,250	0	0	834	0	**3,084**
Capital Adjustment Account	(525,629)	0	(30,789)	46,813	(17,580)	**(527,185)**
Collection Fund Adjustment Account [1]	31,265	0	0	(38,725)	0	**(7,460)**
Dedicated Schools Grant Adjustment Account	13,213	0	0	3,144	0	**16,357**
Financial Instruments Adjustment Account	2,588	0	0	(63)	0	**2,525**
Financial Instruments Revaluation Reserve	(33,282)	(17,395)	0	0	0	**(50,677)**
Pensions Reserve	326,381	(337,010)	0	32,998	0	**22,369**
Revaluation Reserve	(297,123)	(55,692)	0	20,649	0	**(332,166)**
Total Unusable Reserves	**(480,337)**	**(410,097)**	**(30,789)**	**65,650**	**(17,580)**	**(873,153)**

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, for which the Council has received funding in the form of section 31 grants rather than business rates.

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 and Education line in the CI&ES, however from 1 April 2021 statutory arrangements have required 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 arising from increases in the value of the Council’s 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 the 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 2021/22 and 2022/23.

1 April 2021	Transfers (to)/ from 2021/22	31 March 2022		1 April 2022	Transfers (to)/ from 2022/23	**31 March 2023**
£000	£000	£000		£000	£000	**£000**
(13,034)	352	(12,682)	Schools	(12,682)	(90)	**(12,772)**
(4,812)	(1,292)	(6,104)	External Debt Interest	(6,104)	15	**(6,089)**
(1,724)	(1,823)	(3,547)	Grants Unapplied without Conditions - non Covid-19	(3,547)	(2,034)	**(5,581)**
0	(3,172)	(3,172)	Integrated Care Systems Fairer Futures Fund	(3,172)	(2,107)	**(5,279)**
(4,514)	(282)	(4,796)	Insurance	(4,796)	(134)	**(4,930)**
(4,836)	21	(4,815)	Future Capital Spending	(4,815)	253	**(4,562)**
0	(1,546)	(1,546)	Economy and Infrastructure Risk Reserve	(1,546)	(2,363)	**(3,909)**
(19,103)	5,682	(13,421)	Grants Unapplied without Conditions – Covid-19	(13,421)	9,859	**(3,562)**
(54,085)	21,508	(32,577)	Business Rates Timing Reserve [1]	(32,577)	29,827	**(2,750)**
(1,846)	(413)	(2,259)	Severance	(2,259)	(345)	**(2,604)**
(1,138)	(714)	(1,852)	Tenant Works	(1,852)	(491)	**(2,343)**
(419)	(750)	(1,169)	Property Investment Board Portfolio	(1,169)	(926)	**(2,095)**
(792)	301	(491)	Pensions	(491)	(1,486)	**(1,977)**
(1,774)	(59)	(1,833)	Commuted Sums - Highways	(1,833)	(98)	**(1,931)**
(1,658)	(259)	(1,917)	Public Health Grant	(1,917)	395	**(1,522)**
(1,611)	99	(1,512)	Exploitation & Safeguarding	(1,512)	112	**(1,400)**
(2,444)	58	(2,386)	Leisure	(2,386)	1,026	**(1,360)**
(876)	(31)	(907)	School Catering	(907)	(223)	**(1,130)**
(802)	(71)	(873)	Highways Section 106 Agreements	(873)	(121)	**(994)**
(805)	574	(231)	Early Years	(231)	(724)	**(955)**
0	(305)	(305)	Hospital Discharge	(305)	(591)	**(896)**
(645)	0	(645)	Commuted Sums - Parks and Open Spaces	(645)	(150)	**(795)**
(58)	(716)	(774)	Homelessness	(774)	0	**(774)**
(2,165)	(77)	(2,242)	Resources Directorate	(2,242)	1,511	**(731)**

1 April 2021	Transfers (to)/ from 2021/22	31 March 2022		1 April 2022	Transfers (to)/ from 2022/23	**31 March 2023**
£000	£000	£000		£000	£000	**£000**
0	(300)	(300)	Family Hubs	(300)	(400)	**(700)**
(560)	0	(560)	Dry-mixed recycling contract: pre sub-regional MRF	(560)	(108)	**(668)**
(361)	0	(361)	Public Health Contingency	(361)	(207)	**(568)**
(1,640)	513	(1,127)	Children's Services Operational Reserve	(1,127)	560	**(567)**
(55)	(162)	(217)	Environmental Services contingency reserve	(217)	(313)	**(530)**
(14,316)	1,622	(12,694)	Other	(12,694)	876	**(11,818)**
(136,073)	18,758	(117,315)	**Sub-total Revenue Reserves**	**(117,315)**	**31,523**	**(85,792)**
(8,664)	(1,270)	(9,934)	Adult Social Care Investment	(9,934)	29	**(9,905)**
(17,203)	8,108	(9,095)	Business Rates Windfall [2]	(9,095)	6,607	**(2,488)**
(9,655)	2,315	(7,340)	Budget Strategy	(7,340)	6,232	**(1,108)**
(207)	0	(207)	Public Health	(207)	207	**0**
(35,729)	9,153	(26,576)	**Sub-total Earmarked Balances**	**(26,576)**	**13,075**	**(13,501)**
(171,802)	27,911	(143,891)	**Total Earmarked Revenue Reserves**	**(143,891)**	**44,598**	**(99,293)**

[1] The balance on the Business Rates Timing Reserve as at 31 March 2023 includes the use of £26.335 million in relation to the Section 31 grant for business rates relief to fund the 2022/23 deficit.
[2] The balance on the Business Rates Windfall Reserve as at 31 March 2023 includes the budgeted contribution to the reserve of £8.959 million and budgeted use of £10.070 million.

Disclosure notes – notes supporting the Balance Sheet

16. Movements on Balances for Property, Plant and Equipment

2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Infrastructure Assets	**Total Property Plant and Equipment**
	£000	£000	£000	£000	£000	£000	**£000**
Net Book Value at 31 March 2022	**479,568**	**560,823**	**6,585**	**14,762**	**15,365**	**141,398**	**1,218,501**
Additions[1]	21,002	6,260	12,140	747	8,044	7,852	**56,045**
Revaluations recognised in the revaluation reserve	15,416	40,997	0	(9)	0	0	**56,404**
Revaluations recognised in the provision of services	0	873	0	0	0	0	**873**
Disposals[2]	(3,292)	(27,370)	(10)	0	0	0	**(30,672)**
Reclassifications	0	63	0	0	(4,800)	4,045	**(692)**
Depreciation	(13,550)	(20,542)	(2,041)	0	0	(5,362)	**(41,495)**
Impairment losses recognised in the revaluation reserve	0	(712)	0	0	0	0	**(712)**
Impairment losses recognised in the provision of services	0	(1,094)	0	0	0	0	**(1,094)**
Net Book Value at 31 March 2023	**499,144**	**559,298**	**16,674**	**15,500**	**18,609**	**147,933**	**1,257,158**

The Net Book Value at 31 March 2023 is analysed as follows:

2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	**Total Property Plant and Equipment (excluding infrastructure assets)**
	£000	£000	£000	£000	£000	**£000**
Gross Carrying Value at 31 March 2023[3]	499,144	584,695	22,964	15,500	18,609	**1,140,912**
Accumulated Depreciation[3,4]	0	(25,397)	(6,290)	0	0	**(31,687)**

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[2]	(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[3]	479,568	565,769	13,427	14,762	15,365	1,088,891	0
Accumulated Depreciation[3]	0	(4,946)	(6,842)	0	0	(11,788)	0

[1] The additions to Vehicles, Plant and Equipment in 2022/23 include £9.957 million of new vehicles acquired for the Strategic Environment Contract.

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

[3] 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. 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.
[4] In 2022/23, £13.550 million of accumulated depreciation on Council Dwellings was eliminated on revaluation.

17. Capital Commitments

As at 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment during 2023/24 with future years' expenditure budgeted to exceed £10.500 million (including commitments relating to the HRA totalling £2.808 million). Similar commitments at 31 March 2022 were £25.000 million (including the HRA: £3.118 million). The major commitments are:

- Cheswick Green Primary School: £2.464 million
- HRA High Rise Block Programme: £1.638 million
- Alderbrook Academy Expansion: £1.518 million
- Oracle Cloud: £0.921 million
- HRA Adaptations: £0.604 million
- Improved Street Lighting: £0.541 million
- Kingshurst Village Centre Construction: £0.539 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.

2021/22		2022/23
£000		£000
439,193	Opening Capital Financing Requirement	**468,589**
	Capital Investment	
47,820	Property, Plant & Equipment	**56,045**
4,108	Intangible assets	**3,838**
3,514	Revenue expenditure funded by capital under statute (REFCUS)	**7,409**
36,134	Loans	**4,079**
1,992	Share Acquisition	**0**
93,568	**Total Capital Investment**	**71,371**
	Sources of Finance	
(5,611)	Capital receipts	**(6,800)**
(25,802)	Government grants and other contributions	**(24,499)**
(32,759)	Sums set aside from revenue	**(34,140)**
(64,172)	**Total Sources of Finance**	**(65,439)**
468,589	**Closing Capital Financing Requirement**	**474,521**
	Explanation of Movements in-year	
(2,399)	Decrease in underlying need to borrow (supported by government financial assistance)	**(2,398)**
35,233	Increase in underlying need to borrow (not supported by government financial assistance)	**10,295**
(2,116)	Reductions in assets under PFI/PPP contracts	**(1,936)**
(1,322)	Assets acquired/ (disposed of) under finance leases	**(29)**
29,396	**Increase in Capital Financing Requirement**	**5,932**

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 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 2022/23 was 31 December 2022, except for HRA assets which were valued as at 31 March 2023. 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. 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:

2022/23	Valued at Historic Cost	Valued at Current/ Fair Value			Total
		2020/21	2021/22	2022/23	
	£000	£000	£000	£000	£000
Council Dwellings	0	0	0	499,144	**499,144**
Other Land and Buildings	0	1,155	154,402	403,741	**559,298**
Vehicles, Plant and Equipment	16,674	0	0	0	**16,674**
Community Assets	15,500	0	0	0	**15,500**
Assets Under Construction	18,609	0	0	0	**18,609**
Infrastructure Assets	147,933	0	0	0	**147,933**
Total Property, Plant and Equipment	**198,716**	**1,155**	**154,402**	**902,885**	**1,257,158**

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
Community Assets	14,762	0	0	14,762
Assets Under Construction	15,365	0	0	15,365
Infrastructure Assets	141,398	0	0	141,398
Total Property, Plant and Equipment	178,993	1,347	1,038,161	1,218,501

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:

2021/22		2022/23
£000		£000
17,450	**Balance at 1 April**	**17,495**
45	Net gains/(losses) from fair value adjustments	**(1,555)**
17,495	**Balance at 31 March**	**15,940**

Fair value reviews are conducted on all investment properties on an annual basis by our internal valuers – these valuations are as at 31 December 2022, except for HRA investment properties which are as at 31 March 2023. 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.

2021/22		2022/23
£000		**£000**
6,108	**Balance at 1 April**	**10,064**
4,108	Purchases	**3,838**
1,033	Reclassifications	**0**
(1,185)	Amortisation for the year	**(2,488)**
10,064	**Balance at 31 March**	**11,414**
	Comprising:	
12,447	Gross carrying amounts	**15,941**
(2,383)	Accumulated Amortisation	**(4,527)**
10,064		**11,414**

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £2.488 million charged to revenue in 2022/23 was included in the Resources, Communities and Leisure, Children and Education, 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 2022	**31 March 2023**	31 March 2022	**31 March 2023**
	£000	**£000**	£000	**£000**
Financial assets held at amortised cost:				
Investments	0	**0**	89,597	**83,457**
Debtors and other receivables	37,208	**42,803**	39,763	**46,484**
Cash and Cash Equivalents	0	**0**	12,827	**6,659**
FVOCI - designated equity instruments	40,427	**57,822**	0	**0**
Total financial assets	77,635	**100,625**	142,187	**136,600**

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 2022	**31 March 2023**	31 March 2022	**31 March 2023**
	£000	**£000**	£000	**£000**
Financial Liabilities at amortised cost:				
Borrowing	(319,571)	**(318,060)**	(21,969)	**(21,282)**
PFI and finance lease liabilities	(43,488)	**(41,496)**	(1,965)	**(1,992)**
Creditors and other payables	0	**(1,236)**	(24,087)	**(34,909)**
Total financial liabilities	(363,059)	**(360,792)**	(48,021)	**(58,183)**

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 they 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 2022	**31 March 2023**
			£000	**£000**
Birmingham Airport Holdings Ltd	Level 3	Earning based valuation		
- Ordinary Shares			10,105	**20,500**
- Preference Shares			1,176	**1,176**
The Coventry and Solihull Waste Disposal Company Ltd	Level 3	Earning based valuation		
- Ordinary Shares			29,000	**36,000**
Mell Square Ltd	Level 3	Earning based valuation		
- Ordinary Shares			0	**0**
Sherbourne Recycling Ltd	Level 3	Historic Cost		
- Ordinary Shares			146	**146**
Total			40,427	**57,822**

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.

The Council's valuation of its shareholding reduced significantly in 2019/20 and stayed at a reduced level until the end of 2021/22. However, the valuation included in the 2022/23 Balance Sheet is now £20.500 million, which is an increase above pre-pandemic levels.

If there was a +/-5% change in the forecast Earnings Before Interest, Tax, Depreciation and Amortisation, the impact on the valuation would be +/-£1.7 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 BAH 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 2022/23, as in previous years, 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. During 2022/23, all pandemic restrictions were eased and passenger numbers have recovered towards pre-pandemic levels.

The Council commissioned an independent valuation undertaken through an external provider who has deemed that the valuation as at 31 March 2023 has resulted in an increase in the fair value of the Council's shareholding. Clearly, there is far more optimism in the industry in 2022/23 and this is reflected in both the industry outlook and BAH's future forecasts. In arriving at this valuation, the key drivers are:

- Passenger numbers (275% of 2021/22 passengers and 80% of 2019/20 passengers);
- The Civil Aviation authority expects passenger numbers to be 3% higher than pre-pandemic levels in 2023/24;
- BAH expects passenger numbers to be 1.5% higher than pre-pandemic levels in 2023/24;
- The removal of travel restrictions ahead of 2022/23.

These indicators, together with future income projections have led to an increase in the valuation held on the Council's Balance Sheet.

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 (2021/22: £0.074 million) and ground rent of £0.073 million (2021/22: £0.067 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 a one third ownership of the 99 £1 Ordinary Shares with Coventry City Council owning the majority of the remaining two thirds – there are two other minority interests totalling 2%. The two main 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 £4.100 million (2021/22: £4.575 million) was receivable.

The Council commissioned an independent valuation undertaken through an external provider who has deemed that the valuation as at 31 March 2023 has resulted in an increase in the fair value of the Council's shareholding from £29.000 million to £36.000 million, which is reflected in the Council's Balance Sheet.

This fair value valuation has been derived on an open market basis, taking into account the nature of the shares and is also arrived at using comparisons from listed companies.

The large increase in company valuation this year is supported by an IBISWorld report which highlighted that the waste industry in the UK has performed strongly recently with particular drivers such as:

- The essential nature of waste services;
- Increasing consumer awareness of environmental issues; and,
- An expanding population.

The increased valuation is calculated based on the above factors and considers that the 2022/23 earnings against comparable company multiples resulting in the increased valuation at 31 March 2023.

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.

During 2022/23, Mell Square Ltd repaid £0.109 million of this loan and the accounts now show a Long Term Debtor of £32.506 million and a Short Term Debtor of £0.116 million due to be re-paid in 2023/24. The Expected Credit Loss value has remained unchanged from 2021/22.

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 2022, 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 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, continued loan payments during 2022/23 and Solihull Council has so far loaned £7.482 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 2023 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

		2021/22				2022/23
Unquoted Shares	Other	Total		Unquoted Shares	Other	**Total**
£000	£000	£000		£000	£000	**£000**
39,679	0	39,679	Opening balance at 1 April	40,427	0	**40,427**
0	0	0	Transfers into Level 3	0	0	**0**
0	0	0	Transfers out of Level 3	0	0	**0**
(1,244)	0	(1,244)	Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	17,395	0	**17,395**
1,992	0	1,992	Additions	0	0	**0**
0	0	0	Disposals	0	0	**0**
40,427	0	40,427	**Closing Balance at 31 March**	**57,822**	0	**57,822**

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 2022			**31 March 2023**	
Balance sheet value	Fair value		**Balance sheet value**	**Fair value**
£000	£000		**£000**	**£000**
		Long-Term Financial Assets		
40,427	40,427	Financial assets measured at fair value	**57,822**	**57,822**
37,208	37,208	Long-term debtors[1]	**42,803**	**42,803**
77,635	77,635	**Sub-total Long-Term Financial Assets**	**100,625**	**100,625**
		Short-Term Financial Assets		
12,827	12,827	Cash and cash equivalents	**6,659**	**6,659**
89,536	89,536	Money market loans (< 1 year)	**83,396**	**83,396**
61	61	Insurance liability fund	**61**	**61**
39,763	39,763	Short-term debtors[2]	**46,484**	**46,484**
142,187	142,187	**Sub-total Short-Term Financial Assets**	**136,600**	**136,600**
219,822	219,822	**Total Financial Assets**	**237,225**	**237,225**

[1] The Long-Term Debtors balance is comprised largely of the two loan commitments relating to Mell Square Ltd (£32.506 million) and Sherbourne Recycling Ltd (£7.482 million). Further information regarding these arrangements is included in Note 23a.
[2] Short-term debtors 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.

The fair values of the financial liabilities are as follows:

31 March 2022			31 March 2023	
Balance sheet value	Fair value		**Balance sheet value**	**Fair value**
£000	£000		**£000**	**£000**
		Long-Term Financial Liabilities		
		Long-Term Borrowing		
(290,568)	(348,545)	Borrowing - PWLB [1]	**(290,174)**	**(234,038)**
(3,444)	(3,734)	Borrowing - Dudley MBC debt [2]	**(2,403)**	**(2,428)**
(288)	(312)	Borrowing - Walsall MBC debt	**(216)**	**(218)**
(25,271)	(33,683)	Borrowing - other long-term loans [3]	**(25,267)**	**(24,738)**
(319,571)	(386,274)	**Sub-total Long-Term Borrowing**	**(318,060)**	**(261,422)**
		Other Long-Term Liabilities		
(39,988)	(59,502)	PFI liabilities and similar contracts	**(38,026)**	**(48,508)**
(3,500)	(3,500)	Finance lease liabilities	**(3,470)**	**(3,470)**
0	0	Long Term Creditors	**(1,236)**	**(1,236)**
(43,488)	(63,002)	**Sub-total Other Long-Term Liabilities**	**(42,732)**	**(53,214)**
(363,059)	(449,276)	**Sub-total Long-Term Financial Liabilities**	**(360,792)**	**(314,636)**
		Short-Term Financial Liabilities		
		Short-Term Borrowing		
(2,636)	(2,636)	PWLB	**(2,650)**	**(2,650)**
(946)	(946)	Dudley MBC debt [2]	**(1,040)**	**(1,040)**
(69)	(69)	Walsall MBC debt	**(72)**	**(72)**
(104)	(104)	Other short-term loans [3]	**(106)**	**(106)**
(3,755)	(3,755)	**Sub-total Short-Term Borrowing**	**(3,868)**	**(3,868)**
		Other Short-Term Liabilities		
(18,214)	(18,214)	Bank overdraft	**(17,414)**	**(17,414)**
(1,965)	(1,965)	PFI and finance lease liabilities	**(1,992)**	**(1,992)**
(24,087)	(24,087)	Short-term creditors [4]	**(34,909)**	**(34,909)**
(44,266)	(44,266)	**Sub-total Other Short-Term Liabilities**	**(54,315)**	**(54,315)**
(48,021)	(48,021)	**Sub-total Short-Term Financial Liabilities**	**(58,183)**	**(58,183)**
(411,080)	(497,297)	**Total Financial Liabilities**	**(418,975)**	**(372,819)**

[1] The Council has used a transfer value for the fair value of the PWLB financial liabilities. The Council has also calculated an exit price fair value of £276.231 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 2023 is shown as follows:

31 March 2022	Current rating (Fitch or equivalent)	31 March 2023
£000		**£000**
8,003	AAA	**5,037**
0	AA+	**0**
0	AA	**0**
89,536	AA-	**83,487**
4,798	A+	**1,505**
87	N/A	**87**
102,424	**Total**	**90,116**

Allowances for impairment losses are calculated for investments held at 31 March 2023, applying the expected credit losses model. The expected credit loss model results in a notional loss of £0.003 million. 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 2023, £22.061 million of trade debtors were held on the Accounts Receivable system awaiting payment (£17.966 million at 31 March 2022). These are analysed by age as shown in the following table:

31 March 2022		31 March 2023
£000		**£000**
18,339	Less than three months	**15,219**
1,617	Three to six months	**3,267**
1,145	Six months to one year	**2,229**
2,193	More than one year	**3,755**
23,294	**Outstanding trade debtors**	**24,470**
(5,328)	Less cash received but not yet allocated [1]	**(2,409)**
17,966	**Total trade debtors**	**22,061**

[1] Cash received by 31 March but not yet allocated to an individual trade debtor account has been added into the 2021/22 figures for comparison purposes.

The Council has an impairment allowance of £3.004 million in place to mitigate against this risk (£2.006 million as at 31 March 2022).

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 set a balanced budget under 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 addresses 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 2022		**31 March 2023**
£000		**£000**
380	Less than 1 year	**394**
394	Between 1 and 2 years	**409**
5,273	Between 2 and 5 years	**5,320**
6,457	Between 5 and 10 years	**6,547**
26,179	Between 10 and 20 years	**36,419**
46,898	Between 20 and 30 years	**46,112**
142,566	Between 30 and 40 years	**132,566**
87,800	Between 40 and 50 years	**87,800**
315,947	**Total**	**315,567**

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 £315.567 million debt held as at 31 March 2023, £15.000 million was at variable interest rates and £300.567 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 2022/23 (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	**(123)**
Impact on (Surplus)/ Deficit on the Provision of Services in CI&ES	**27**
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)	**38,085**

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:

2021/22			2022/23	
(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	1,244	Net (gain)/ loss on investments in equity instruments designated at FVOCI	**0**	**(17,395)**
(2,405)	0	Interest income on financial assets measured at amortised cost	**(2,835)**	**0**
(4,649)	0	Interest income on financial assets measured at FVOCI	**(4,174)**	**0**
16,979	0	Interest expense	**15,526**	**0**
9,925	1,244	**Net (gain)/loss for the year**	8,517	(17,395)

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 2022		31 March 2023
£000		**£000**
10,181	Property Plant and Equipment - Land and Buildings	**11,427**
1,428	Investment Property	**1,339**
11,609	**Total**	**12,766**

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 2022			31 March 2023	
Cash Amount	Net Present Value		**Cash Amount**	**Net Present Value**
£000	£000		**£000**	**£000**
		Finance lease liabilities:		
29	29	Current	**30**	**30**
3,500	1,011	Non-current	**3,470**	**1,038**
4,934	2,512	Finance costs payable in future years	**4,746**	**2,457**
8,463	3,552	Total future minimum lease payments	**8,246**	**3,525**

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

31 March 2022			31 March 2023	
Minimum Lease Payments	Finance Lease Liabilities		**Minimum Lease Payments**	**Finance Lease Liabilities**
£000	£000		**£000**	**£000**
217	29	Not later than one year	**217**	**30**
868	130	Later than one year and not later than five years	**868**	**137**
7,378	3,370	Later than five years	**7,161**	**3,333**
8,463	3,529		**8,246**	**3,500**

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

31 March 2022			31 March 2023	
Minimum Lease Payments	Finance Lease Liabilities		**Minimum Lease Payments**	**Finance Lease Liabilities**
£000	£000		**£000**	**£000**
217	29	Not later than one year	**217**	**30**
757	113	Later than one year and not later than five years	**757**	**119**
2,578	898	Later than five years	**2,551**	**919**
3,552	1,040		**3,525**	**1,068**

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 2022		**31 March 2023**
£000		**£000**
649	Not later than one year	**633**
1,070	Later than one year and not later than five years	**1,079**
925	Later than five years	**971**
2,644		**2,683**

The minimum lease payment expenditure charged to the CI&ES during the year in relation to these leases was £0.952 million (2021/22: £0.815 million).

b. Council as Lessor

Finance Leases
The Council has leased out the following property on finance leases as at 31 March 2023. There is a peppercorn rent payable to the Council under the terms of the finance leases.

	Remaining lease term
Daylesford Academy	125 years
Castle Bromwich Infant School	125 years
Castle Bromwich Junior School	125 years
Windy Arbor Junior and Infant School	125 years
Fordbridge Community Primary School	125 years
Ulverley Junior & Infant School	122 years
Yew Tree Primary	122 years
Smith's Wood Sports College	119 years
Damson Wood Nursery & Infant School	119 years
Streetsbrook Infant & Nursery School	119 years
Lyndon School	118 years
Oaklands School	117 years
Smith's Wood Community Primary School	117 years
Marston Green Infant School	116 years
Balsall Common Primary	115 years

	Remaining lease term
Hockley Heath Primary	115 years
Heart of England Academy	114 years
Alderbrook Academy	114 years
Langley Academy	114 years
Light Hall Academy	114 years
Lode Heath Academy	114 years
Arden Academy	113 years
Tudor Grange Academy	113 years
Park Hall Academy	112 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 2022		**31 March 2023**
£000		**£000**
(2,865)	Not later than one year	**(3,233)**
(10,345)	Later than one year and not later than five years	**(11,572)**
(81,890)	Later than five years	**(88,986)**
(95,100)		**(103,791)**

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 2022/23 contingent rents of £2.790 million were receivable by the Council (£2.923 million in 2021/22).

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 2022/23 the Council made contractual payments of £9.317 million (2021/22: £9.008 million) under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Castlewood School (formerly Northern House Academy), Park Hall Academy and Smith’s Wood Academy (formerly Smith’s Wood Sports College). 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 2022/23.

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	2023/24	1,962	3,257	4,182	**9,401**
Within 2 - 5 years	2024/25 - 2027/28	10,541	11,564	16,509	**38,614**
Within 6 - 10 years	2028/29 - 2032/33	16,995	7,081	26,664	**50,740**
Within 11 - 13 years	2033/34 – 2035/36	10,490	507	13,405	**24,402**
		39,988	**22,409**	**60,760**	**123,157**

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

	31 March 2021	Net payments during the year	31 March 2022	Net payments during the year	**31 March 2023**
	£000	£000	£000	£000	**£000**
Castlewood School (formerly Northern House Academy)	(5,725)	275	(5,450)	252	**(5,198)**
Park Hall Academy School	(18,937)	910	(18,027)	832	**(17,195)**
Smith's Wood Academy	(19,377)	930	(18,447)	852	**(17,595)**
Total	(44,039)	2,115	(41,924)	1,936	**(39,988)**

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.

As shown in the table above, the total value of the payments due to the PFI Contractor over the remaining 13 years of the contract is £123.157 million. The BSF PFI unitary payments includes costs for utilities.

28. Short-Term Debtors

31 March 2022		**31 March 2023**
£000		**£000**
24,679	Amounts receivable from trade customers	**32,312**
15,084	Amounts receivable from related parties	**14,172**
2,978	Payments in advance from trade customers	**2,794**
2,646	Payments in advance from related parties	**3,091**
45,387	**Total Trade Debtors**	**52,369**
13,709	Amounts receivable from central government	**8,557**
3,635	Other debtors (council tax and business rates)	**4,947**
121	Other debtors (precepting bodies)	**0**
62,852	**Total Short-Term Debtors**	**65,873**

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 2022		31 March 2023
£000		£000
2,884	Less than one year	**3,901**
751	Over one year [1]	**1,046**
3,635		**4,947**

[1] All debtors for local taxation more than five years old in have 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 2022		31 March 2023
£000		£000
26	Cash floats held by the Council	**26**
12,801	Cash equivalents and cash at bank	**6,633**
12,827	**Cash and cash equivalents**	**6,659**
(18,214)	Bank overdraft	**(17,414)**
(5,387)	**Total**	**(10,755)**

31. Short-Term Creditors

31 March 2022		31 March 2023
£000		£000
(22,782)	Amounts payable to trade customers	**(33,678)**
(1,305)	Amounts payable to related parties	**(1,231)**
(3,367)	Receipts in advance from trade customers	**(3,190)**
(143)	Receipts in advance from related parties	**(136)**
(27,597)	**Total Trade Creditors**	**(38,235)**
(9,964)	Amounts payable to central government	**(12,315)**
(15,785)	Other receipts in advance (council tax and business rates)	**(11,268)**
(6,292)	Other creditors	**(7,832)**
(59,638)	**Total Short-Term Creditors**	**(69,650)**

32. Provisions

	Business Rates Appeals	Other Provisions	Total
	£000	£000	**£000**
Short-Term Provisions			
Balance at 1 April 2022	(5,935)	(759)	**(6,694)**
Provisions made in 2022/23	1,542	(2,101)	**(559)**
Amounts used in 2022/23	869	1,998	**2,867**
Balance at 31 March 2023	**(3,524)**	**(862)**	**(4,386)**
Long-Term Provisions			
Balance at 1 April 2022	(4,119)	(791)	**(4,910)**
Provisions made in 2022/23	0	(898)	**(898)**
Amounts used in 2022/23	2,089	1,007	**3,096**
Balance at 31 March 2023	**(2,030)**	**(682)**	**(2,712)**
Total Provisions as at 31 March 2023	**(5,554)**	**(1,544)**	**(7,098)**

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 remaining 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 12,209 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 0.12% (2021/22: 0.13%).

In 2022/23 £8.002 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 2022 to 31 March 2023 (2021/22 £7.798 million and 23.68%). £0.614 million of the contributions remained payable at the year-end. The contributions due to be paid in 2023/24 are estimated to be £8.322 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 2022/23 these payments amounted to £0.910 million (2021/22: £0.937 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 0.06%.

The employer rate has remained at 20.68% in 2022/23, although as in 2021/22 3.8% of these contributions were funded by the Department of Health and Social Care. £0.272 million was payable in 2022/23 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 (2021/22: £0.261 million). £0.022 million of the contributions remained payable at the year-end.

The contributions due to be paid by the Council in 2023/24 are estimated to be £0.282 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 pensions 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.

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:

2021/22		2022/23
£000		**£000**
	Cost of Services:	
	Service cost comprising:	
47,865	Current service cost	**47,963**
146	Past service costs	**0**
(7,828)	(Gain)/loss from settlements	**(4,445)**
439	Administration costs	**488**
	Financing and Investment Income and Expenditure:	
8,756	Net interest expense	**9,894**
49,378	**Sub-total post-employment benefit charged to (Surplus)/ Deficit on the Provision of Services**	**53,900**
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
(54,905)	Return on assets less interest	**39,304**
(24,028)	Other experience	**50,430**
(10,062)	Actuarial (gains)/losses arising on changes in demographic assumptions	**(2,521)**
(73,804)	Actuarial (gains)/losses arising on changes in financial assumptions	**(424,223)**
(162,799)	**Sub-total post-employment benefits charged to Other Comprehensive Income and Expenditure**	**(337,010)**
(113,421)	**Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**(283,110)**

2021/22		2022/23
£000		**£000**
(49,378)	Reversal of net charges made to the (surplus)/ deficit on the provision of services for post-employment benefits in accordance with the Code	**(53,900)**
	Actual amount charged against the General Fund Balance for pensions in the year:	
21,352	Employer's contributions payable to scheme for current year	**20,902**
(28,026)	**Total Post Employment Benefit charged to the Movement in Reserves Statement**	**(32,998)**

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:

2021/22		2022/23
£000		**£000**
(1,118,308)	Present value of funded obligations	**(802,523)**
(15,447)	Present value of unfunded obligations [1]	**(12,577)**
826,374	Fair value of Fund Assets	**792,731**
(307,381)	**Net liability arising from defined benefit obligation**	**(22,369)**

[1] The unfunded obligations comprise £3.179 million (£3.661 million in 2021/22) in respect of LGPS unfunded pensions and £9.398 million (£11.786 million in 2021/22) in respect of Teachers' unfunded pensions.

Reconciliation of the present value of the defined benefit obligation

2021/22		2022/23
£000		£000
(1,165,309)	Opening balance of funded obligations	(1,118,308)
(16,340)	Opening balance of unfunded obligations	(15,447)
(1,181,649)	**Opening balance at 1 April**	(1,133,755)
(47,865)	Current service cost	(47,963)
(439)	Administration expenses	(488)
(23,642)	Interest cost	(31,251)
73,804	Change in financial assumptions	424,223
10,062	Change in demographic assumptions	2,521
2,808	Other experience	(54,736)
12,552	Effect of settlements	7,144
25,243	Estimated benefits paid net of transfers in	24,481
(146)	Past service costs, including curtailments	0
(5,679)	Contributions by scheme participants	(6,425)
1,196	Unfunded benefits paid	1,149
(1,133,755)	Sub-total	(815,100)
(1,118,308)	Closing balance of funded obligations	(802,523)
(15,447)	Closing balance of unfunded obligations	(12,577)
(1,133,755)	**Closing balance at 31 March**	(815,100)

Reconciliation of the fair value of the Fund assets

2021/22		2022/23
£000		£000
758,895	**Opening fair value of Fund assets at 1 April**	826,374
14,886	Interest income	21,357
54,905	Return on assets excluding amounts included in net interest	(39,304)
756	Contributions by employer including unfunded for current year	753
5,679	Contributions by participants	6,425
(1,196)	Unfunded benefits paid	(1,149)
1,196	Contributions in respect of unfunded benefits	1,149
21,220	Other experience	4,306
(25,243)	Estimated benefits paid net of transfers in	(24,481)
(4,724)	Effect of settlements	(2,699)
826,374	**Closing value of Fund assets at 31 March**	792,731

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

The actual return on scheme assets in the year was a loss of £17.947 million (2021/22: surplus of £69.791 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 2022			31 March 2023	
Percentage share	Fair value of assets		**Percentage share**	**Fair value of assets**
%	£000		**%**	**£000**
22	185,579	Debt Securities	**21**	**162,777**
7	55,487	Private Equity	**8**	**60,927**
7	59,270	Real Estate	**7**	**55,628**
60	493,113	Investment Funds and Unit Trusts	**61**	**488,665**
0	473	Derivatives	**0**	**0**
4	32,452	Other assets	**3**	**24,734**
100	826,374	**Total Assets**	**100**	**792,731**

Basis for estimating assets and liabilities

The principal assumptions used by the actuary are shown in the following table:

	At 31 March 2022	At 31 March 2023
Life expectancy assumptions from age 65		
Retiring today:		
Men	21.1 years	**21.4 years**
Women	23.9 years	**24.3 years**
Retiring in 20 years:		
Men	22.0 years	**22.4 years**
Women	25.4 years	**25.6 years**
Discount rate	2.70%	**4.75%**
Pension increases	3.20%	**2.95%**
Salary increases	4.20%	**3.95%**

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 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)	**(32,604)**	**(4.0)**
Pension increase rate (increase by 0.1%)	**(12,896)**	**(1.6)**
Long-term salary increase (increase by 0.1%)	**(1,509)**	**(0.2)**
Discount rate (decrease by 0.1%)	**(14,201)**	**(1.7)**

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 this set contributions for the period from 1 April 2023 to 31 March 2026. The Council will therefore be paying pension contributions of £67.100 million in April 2023; £23.000 million of this relates to 2023/24, with the remaining £44.100 million relating to 2024/25 and 2025/26.

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 contributions over the three-year period. The Pension Fund performs an annual reconciliation of this, so the Council will also be required to pay any additional contributions for 2022/23 as a result of a higher than forecast payroll for the year.

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 weighted average duration of the funded obligations as at 31 March 2023 is 18 years (as at 31 March 2022: 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

2021/22		2022/23
£000		£000
(39,616)	Depreciation and impairment	**(45,077)**
214	Revaluations	**873**
(47,426)	Net movement in pension liability [1]	**(51,998)**
(4,492)	Carrying amount of non-current assets sold or derecognised	**(30,672)**
(527)	Increase/(decrease) in debtors from operating activities	**8,516**
(7,035)	(Increase)/decrease in creditors from operating activities	**(2,162)**
2,477	Other non-cash items charged to the net (surplus)/ deficit on the provision of services	**(825)**
(96,405)	**Total**	**(121,345)**

[1] Further information is provided in Note 34

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

2021/22		2022/23
£000		£000
5,669	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**5,312**
28,725	Capital grants credited to the (surplus)/ deficit on the provision of services	**28,336**
(3,136)	Any other items for which the cash effects are investing or financing cash flows	**(6,728)**
31,258	**Total**	**26,920**

37. Operating Activities

The cash flows from operating activities include the following items:

2021/22		2022/23
£000		£000
(2,377)	Interest received	**(2,437)**
16,670	Interest paid	**15,530**
(4,005)	Dividends received	**(4,321)**
10,288	**Included within cash flows from operating activities**	**8,772**

38. Reconciliation of Liabilities arising from Financing Activities

The movements in financial liabilities are made up as follows:

2022/23				
	Opening balance 1 April	Financing cash flows	Other non-cash changes	**Closing balance 31 March**
	£000	£000	£000	**£000**
Long-term borrowings	(319,571)	0	1,511	**(318,060)**
Short-term borrowings	(3,755)	1,582	(1,695)	**(3,868)**
Lease liabilities	(3,529)	30	(1)	**(3,500)**
PFI liabilities and similar contracts	(41,924)	1,936	0	**(39,988)**
Other liabilities	(509)	93	(472)	**(888)**
Total liabilities from financing activities	**(369,288)**	**3,641**	**(657)**	**(366,304)**

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)

Disclosure notes – other

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 2023	
	Dividends	Other Income	Expenditure	Net Debtors/ (Creditors)	Note
	£000	£000	£000	£000	
Members	0	(2)	0	**0**	
Other Public Bodies (subject to common control by central government)					
West Midlands Combined Authority	0	(6,895)	10,825	**6,287**	
Entities Controlled or Significantly Influenced by the Council					
Coventry and Solihull Waste Disposal Company Ltd (CSWDC)	(4,100)	(18)	2	**3,113**	23
Mell Square Ltd	0	(11,564)	203	**36,502**	23
Solihull Community Housing Ltd	0	(7,511)	46,313	**1,069**	
Urban Growth Company Ltd	0	(436)	10,283	**1,360**	
Other Entities in which the Council has an Interest					
Sherbourne Recycling Ltd	0	(459)	4,079	**7,941**	23
West Midlands Growth Company (WMGC)	0	0	19	**0**	
Total	**(4,100)**	**(26,885)**	**71,724**	**56,272**	

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

UK Government
The UK Government is not included within the tables 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. There were transactions with one organisation in which members had a controlling interest in 2022/23 (nine in 2021/22). Members' allowances, which are not included in this note, are disclosed in Note 8.

Officers
There were no transactions between the Council and any organisation in which the Council's Directors have an interest. Senior officers' pay, which is not included in this note, is disclosed in Note 7.

Other Public Bodies (subject to common control by central government)
The Council has a pooled budget arrangement with Birmingham and Solihull Integrated Care Board (ICB) 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 (UGC) Ltd's costs. All money owed to the UGC by the Council in respect of such grant funding has been paid during 2022/23. However, a net debtor of £0.973 million (2021/22: £0.745 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 2023. The transactions above exclude the annual levy paid by the Council to Transport for West Midlands, the transport arm of the WMCA, which was £8.656 million in 2022/23 (2021/22: £8.476 million).

Entities Controlled or Significantly Influenced by the Council
The organisations under this heading in 2022/23 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
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 2022/23:

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 was agreed, this would 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. 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 2023. 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. No contingent assets have been identified for 2022/23.

42. Events after the Reporting Date

The draft Statement of Accounts was authorised for issue by the Director of Resources on 28 February 2024. 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 2023, 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 2023 and 28 February 2024 but are considered to be non-adjusting events:

Pension Payment 2023/24 – 2025/26
The Council has once again taken advantage of the opportunity to agree with the West Midlands Pension Fund to pay for the estimated pension payments for the next three year actuarial period (2023/24 – 2025/26) in advance in order to receive a discount on the payment.

In April 2023, the Council paid £67.100 million in total, of which £23.000 million relates to 2023/24. The balance of £44.100 million will reduce the Net Pensions Liability on the Balance Sheet, which will be offset by a reduction in cash and cash equivalents and investments.

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 2023 for 2022/23).

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 (unless adopted voluntarily)
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.

The following Standards have also been issued / amended but are not yet adopted – these are not considered to have a material impact on the Council's accounts.

Definition of Accounting Estimates (Amendments to IAS 8) - The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.

Disclosure of Accounting Policies (Amendments to IAS 1) – It is proposed to replace the reference to the need to disclose 'significant' Accounting Policies with a requirement to disclose 'material' Accounting Policies to clarify the threshold for disclosing information.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Reference to the Conceptual Framework (Amendments to IFRS 3) – minor amendments to the version of the Conceptual Framework that is referred to in IFRS 3.

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 2022/23 and its position at the year end of 31 March 2023. 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 2022/23 and the Service Reporting Code of Practice 2022/23, 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.

Any Bank Overdraft is netted off with Cash and Cash Equivalents held and consolidated as the Cash position for the Cash Flow Statement.

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;
- revaluation gains on assets used by the service where there has previously been a revaluation loss;
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to fund these charges, but 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 gains/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 interests 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 to the relevant lines in the Cost of Services section 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 a discount rate derived from the "Hymans Robertson" 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 on the net defined benefit liability – 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 on settlements and curtailments – 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 - 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 actuary has 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. Therefore, accounting entries to and from the Pensions Reserve are reflected in the MIRS to remove the accounting entries for retirement benefits and replace them with the cash payable to the pension fund and pensioners. 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.

In the event of a change in Cabinet structure, prior periods will be reclassified in order to allow meaningful comparisons to take place year on year.

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 the year.

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).

Financial Assets Measured at Amortised Cost
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.

Financial Assets Measured at Fair Value through Profit of Loss
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 yet been satisfied are carried in the Balance Sheet as creditors (shown in the line "revenue/capital grants receipts in advance" on the balance sheet). When conditions are satisfied or there are no conditions, 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 or contributions 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 Integrated Care Board (ICB), 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 ICB, 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 ICB, the ICB 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 will not be included in 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 over the capital de minimis limit of £20,000 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 valuation date. These are classified as recurring fair value measurements. There are three categories of investment property that individually as sites are de minimis in value (Garden Extension Licences, Gas Governor Stations and Electricity Sub stations) 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 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

Finance Leases

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.

<u>Recognition</u>
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.

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

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 that are above the de minimis level of £20,000 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 the year is 31 December, except for HRA assets which are valued at 31 March.

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
Non-HRA		
Council offices	Operational	EUV
Day Centres and Residential Care Homes	Operational	Combination of DRC and EUV
Investment properties	Non-Operational	Fair Value
Leisure Centres, Cemeteries/crematoria, Libraries	Operational	DRC
Multi-storey Car Parks	Operational	DRC
Parks Buildings	Operational	Combination of DRC and EUV
Pupil Referral Units, Youth Centres, Nurseries	Operational	Combination of DRC and EUV

Service Area	Operational / Non-Operational	Basis of Valuation
School Buildings	Operational	Depreciated Replacement Cost (DRC)
Surface Car Parks	Operational	EUV
Leased Properties	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.

Depreciation

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 at the end of its useful life. 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) and 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 or an insufficient balance in the Revaluation Reserve, 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 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 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 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 seriously prejudice 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 instead 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 for the Council 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) 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 for three schools. However, as these schools have transferred to academy status the building assets are not included in the Council's Balance Sheet and the land has been subject to revaluation. The unitary charge payment liability for the 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.

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 His 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 2022/23 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.

2021/22 Reclassified [1]				2022/23			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes [2]
£000	£000	£000		£000	£000	£000	
127,696	(66,415)	61,281	Adult Social Care and Health	133,699	(68,242)	**65,457**	
208,339	(150,464)	57,875	Children and Education	231,278	(164,528)	**66,750**	
3,084	(2,529)	555	Climate Change, Planning and Housing	3,487	(2,536)	**951**	
61,169	(51,887)	9,282	Communities and Leisure (includes HRA)	67,141	(62,124)	**5,017**	
52,086	(17,625)	34,461	Environment and Infrastructure	54,541	(21,270)	**33,271**	
6,742	(9,540)	(2,798)	Partnerships and Wellbeing	7,270	(4,111)	**3,159**	
93,363	(61,113)	32,250	Resources	94,476	(61,602)	**32,874**	
552,479	(359,573)	192,906	**Cost of Services [2]**	591,892	(384,413)	**207,479**	5
		1,487	Parish precepts			**1,517**	
		8,567	Levies payable			**8,750**	
		1,491	Amounts payable into the housing capital receipts pool			**0**	
		(1,177)	(Gain)/ loss on disposal of non-current assets			**25,359**	5
		10,368	**Sub-total: Other Operating Expenditure**			**35,626**	
		17,261	Interest payable and similar charges			**15,586**	
		9,222	Net interest on the net defined benefit liability			**10,308**	G12
		(2,405)	Investment interest income			**(2,842)**	
		(74)	Other investment income			**(74)**	
		4,884	Income, expenditure and changes in the fair value of investment properties			**2,485**	
		486	Impairment Losses			**1,857**	
		29,374	**Sub-total: Financing and Investment Income & Expenditure**			**27,320**	
		(115,778)	Council tax income			**(121,377)**	C4

2021/22 Reclassified [1]				2022/23			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes [2]
£000	£000	£000		£000	£000	£000	
		(17,728)	Business rates income & expenditure			**(43,499)**	5, C4
		(41,810)	Non ring-fenced government grants			**(18,455)**	9
		(25,397)	Recognised capital grants and contributions			**(21,280)**	9
		(200,713)	**Sub-total: Taxation and non-specific grant income**			**(204,611)**	
		31,935	**(Surplus) / deficit on the provision of services**			**65,814**	
		(3,866)	Joint venture accounted for on an equity basis			**(6,107)**	G3
		908	Taxation of group entities			**(367)**	G3
		951	Share of taxation of joint venture			**1,144**	G3
		29,928	**Group (surplus) / deficit**			**60,484**	
		(23,795)	(Surplus)/deficit on revaluation of non-current assets			**(56,404)**	5,16
		0	Impairment losses on non-current assets charged to the revaluation reserve			**712**	16
		(235)	(Surplus)/ deficit from investments in equity instruments designated at fair value through other comprehensive income			**(10,395)**	25
		(173,850)	Remeasurement of the net defined benefit liability			**(366,954)**	5, G12
		(197,880)	**Other comprehensive income and expenditure**			**(433,041)**	
		(167,952)	**Total comprehensive income and expenditure**			**(372,557)**	

[1] In May 2022, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2021/22 figures have been reclassified.
[2] The referenced notes form part of the financial statements.
[3] Group adjustments relating to SCH are included in the Communities and Leisure 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.

2022/23 [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 adjusted Council Unusable Reserves	Total Group Usable and Unusable Reserves	Authority's share of reserves of subsidiaries and joint ventures	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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)
Total comprehensive income and expenditure	**63,154**	(3,376)	0	0	0	**59,778**	(410,097)	7,000	(403,097)	**(343,319)**	(29,238)	**(372,557)**
Adjustments between group accounts and council accounts [3]	**2,834**	0	0	0	0	**2,834**	0	0	**0**	**2,834**	(2,834)	**0**
Net (increase)/ decrease before transfers	**65,988**	**(3,376)**	**0**	**0**	**0**	**62,612**	**(410,097)**	**7,000**	**(403,097)**	**(340,485)**	**(32,072)**	**(372,557)**
Adjustments between accounting basis and funding basis under regulations (Note 12)	**(20,940)**	3,615	1,553	2,587	(4,096)	**(17,281)**	17,281	0	**17,281**	**0**	0	**0**
(Increase)/ decrease in 2022/23	**45,048**	**239**	**1,553**	**2,587**	**(4,096)**	**45,331**	**(392,816)**	**7,000**	**(385,816)**	**(340,485)**	**(32,072)**	**(372,557)**
Balance at 31 March 2023	**(107,099)**	**(9,645)**	**(16,747)**	**(2,545)**	**(30,416)**	**(166,452)**	**(873,153)**	**36,000**	**(837,153)**	**(1,003,605)**	**(28,354)**	**(1,031,010)**

[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 G7.

[3] An analysis of the adjustments between group accounts and council accounts is provided in note G9.

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**	Authority share of the reserves of subsidiaries, associates and joint venture	**Total Group Reserves**
	£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	(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 G7.

[3] An analysis of the adjustments between group accounts and council accounts is provided in note G9.

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 2022 [1]		31 March 2023	Notes [1]
£000		**£000**	
1,220,766	Property, Plant and Equipment	**1,259,373**	16 19
950	Heritage Assets	**950**	
46,218	Investment Property	**43,147**	G4, 20
10,064	Intangible Assets	**11,414**	21
11,427	Long-term Investments	**21,822**	23
10,157	Investments in Joint Ventures	**11,020**	
4,066	Long-term Debtors	**9,925**	23
1,303,648	**Long-term Assets**	**1,357,651**	
89,597	Short-term Investments	**83,457**	23
1,670	Inventories	**1,625**	
62,290	Short-term Debtors	**69,301**	28
26,792	Cash and Cash Equivalents	**25,164**	30
180,349	**Current Assets**	**179,547**	
(18,214)	Bank Overdraft	**(17,414)**	30
(3,755)	Short-term Borrowing	**(3,868)**	23
(71,728)	Short-term Creditors	**(84,243)**	31
(6,694)	Short-term Provisions	**(4,386)**	32
(12,706)	Capital Grants Receipts in Advance	**(9,032)**	9
(17,999)	Revenue Grants Receipts in Advance	**(6,526)**	9
(131,096)	**Current Liabilities**	**(125,469)**	
0	Long-term Creditors	**(1,744)**	23
(4,910)	Long-term Provisions	**(2,712)**	32
(319,571)	Long-term Borrowing	**(318,060)**	23
(321,468)	Net Pensions Liability	**(9,462)**	G12
(43,488)	Other Long-term Liabilities	**(41,496)**	23
(5,011)	Capital Grants Receipts in Advance	**(7,245)**	9
(694,448)	**Long-term Liabilities**	**(380,719)**	
658,453	**Net Assets**	**1,031,010**	
(211,783)	Usable Reserves	**(166,452)**	MIRS
(451,337)	Unusable Reserves	**(837,153)**	G7
4,667	Group Income & Expenditure Reserve	**(27,405)**	G8
(658,453)	**Total Reserves**	**(1,031,010)**	

[1] 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.

2021/22		2022/23	Notes [1]
£000		**£000**	
29,928	Net group (surplus)/ deficit	**60,484**	Group CI&ES
(112,818)	Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	**(129,738)**	G5
31,258	Adjustments for items in the net (surplus)/ deficit on the provision of services that are investing/financing activities	**26,920**	35
(51,632)	**Net cash flows from operating activities**	**(42,334)**	
49,698	Purchase of property, plant and equipment, investment property and intangible assets	**61,985**	
654,622	Purchase of short-term and long-term investments	**573,794**	
3,515	Other payments for Investing Activities	**7,410**	
(5,669)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(5,312)**	
(28,604)	Capital grants received	**(27,943)**	
(590,153)	Proceeds from short-term and long-term Investments	**(576,201)**	
(42)	Other receipts from Investing Activities	**(192)**	
83,367	**Net cash flows from Investing Activities**	**33,541**	
(40,000)	Cash receipts of short- and long-term borrowing	**0**	
(15,122)	Other receipts from financing activities	**94**	
3,437	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	**1,964**	
19,241	Repayments of short and long-term borrowing	**7,563**	
(32,444)	**Net cash flows from Financing Activities**	**9,621**	
(709)	**Net (increase) / decrease in cash and cash equivalents**	**828**	
	Overall Movement in cash and cash equivalents		
7,869	Cash and cash equivalents at the beginning of the reporting period	**8,578**	
709	Net increase/ (decrease) in cash and cash equivalents	**(828)**	
8,578	**Cash and cash equivalents at the end of the reporting period [2]**	**7,750**	

[1] The referenced notes form part of the financial statements.
[2] At 31 March 2023, the Council's net cash and cash equivalents totalled (£10.755 million). Solihull Community Housing Ltd held cash and cash equivalents of £10.008 million, the Urban Growth Company Ltd held £2.505 million and Mell Square Ltd held £5.992 million (31 December 2022), resulting in a total cash and cash equivalent figure of £7.750 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.

2021/22 Reclassified [1]				2022/23		
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
61,281	0	61,281	Adult Social Care and Health	65,457	0	**65,457**
57,875	0	57,875	Children and Education	66,750	0	**66,750**
555	0	555	Climate Change, Planning and Housing	951	0	**951**
3,163	6,119	9,282	Communities and Leisure (includes HRA)	2,375	2,642	**5,017**
33,326	1,135	34,461	Environment and Infrastructure	36,699	(3,428)	**33,271**
(2,798)	0	(2,798)	Partnerships and Wellbeing	3,159	0	**3,159**
30,129	2,121	32,250	Resources	34,969	(2,095)	**32,874**
183,531	**9,375**	**192,906**	**Net cost of services**	**210,360**	**(2,881)**	**207,479**
(171,697)	8,719	(162,978)	Other income and expenditure	(147,748)	753	**(146,995)**
11,834	**18,094**	**29,928**	**Group (surplus) / deficit**	**62,612**	**(2,128)**	**60,484**

[1] In May 2022, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2021/22 figures have been reclassified.

[2] Group adjustments relating to SCH are included in the Communities and Leisure 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 reclassification of the 2021/22 Group CI&ES is explained in Note 2 to the single entity accounts.

G3. Expenditure & Income Analysed by Type

2021/22		2022/23
£000		£000
	Expenditure	
196,773	Employee benefits expenses	**215,940**
7,363	Employee benefits expenses for voluntary aided schools	**7,918**
279,340	Other service expenses	**293,209**
39,843	Depreciation, amortisation, impairment and revaluation losses	**44,596**
17,261	Interest payable	**15,586**
10,054	Precepts & levies	**10,267**
4,884	Loss on investment properties including fair value adjustments	**2,485**
0	Loss on disposal on non-current assets	**25,359**
1,491	Payments to the housing capital receipts pool	**0**
35,247	Housing benefits	**34,294**
3,621	REFCUS	**8,100**
951	Share of taxation of joint venture	**1,144**
908	Taxation of group entities	**(367)**
597,736	**Total expenditure**	**658,531**
	Income	
(78,762)	Fees, charges and other service income (Note G3a)	**(94,013)**
(42,878)	HRA rental Income (Note G3a)	**(44,858)**
0	Income from investment properties including fair value adjustments	**0**
(1,177)	Gain on disposal of non-current assets	**0**
(2,479)	Interest and investment income	**(2,916)**
(133,506)	Income from council tax and business rates	**(164,876)**
(305,140)	Government grants and contributions	**(285,277)**
(3,866)	(Surplus) or deficit on joint venture	**(6,107)**
(567,808)	**Total Income**	**(598,047)**
29,928	**Group (surplus)/ deficit**	**60,484**

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.

2021/22		**2022/23**
£000		**£000**
(122,421)	Total Council revenue from external customers (Note 6a)	**(131,173)**
9,311	Less revenue from Group entities	**(1,898)**
(5,799)	Mell Square income (excluding income from the Council)	**(2,442)**
(59)	SCH income (excluding income from the Council)	**(910)**
(2,672)	UGC Income (excluding income from the Council)	**(2,448)**
(121,640)	**Total fees, charges and other service income**	**(138,871)**

G4. Investment Properties

2021/22		**2022/23**
£000		**£000**
17,495	**Balance at 1 April**	**46,218**
28,723	Net gains/losses from fair value adjustments	**(3,071)**
46,218	**Balance at 31 March**	**43,147**

G5. Cash Flow Statement - Adjustments to Net Group (Surplus) or Deficit on the Provision of Services for non-cash movements

2021/22		**2022/23**
£000		**£000**
(40,057)	Depreciation and amortisation	**(45,469)**
(5,256)	Impairments and revaluations	**(647)**
(50,681)	Net movement in pension liability	**(54,948)**
(4,492)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(30,672)**
(4,955)	Increase/(decrease) in debtors	**2,916**
(10,912)	(Increase)/decrease in creditors	**(8,793)**
3,535	Other non-cash items charged to the net (surplus)/ deficit on the provision of services	**7,875**
(112,818)	**Total**	**(129,738)**

G6. Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2021/22		**2022/23**
£000		**£000**
(3,775)	Interest received	**(3,775)**
16,670	Interest paid	**16,670**
(5)	Dividends received	**(480)**
12,890	**Included within cash flow from Operating Activities**	**12,415**

G7. Unusable Reserves

The Group unusable reserves are summarised in the following table:

31 March 2022		31 March 2023
£000		**£000**
2,250	Accumulated Absences Account	**3,084**
(525,629)	Capital Adjustment Account	**(527,185)**
31,266	Collection Fund Adjustment Account	**(7,460)**
13,212	Dedicated Schools Grant Adjustment Account	**16,357**
2,588	Financial Instruments Adjustment Account	**2,525**
(4,282)	Financial Instruments Revaluation Reserve [1]	**(14,677)**
326,381	Pensions Reserve	**22,369**
(297,123)	Revaluation Reserve	**(332,166)**
(451,337)	**Total Unusable Reserves**	**(837,153)**

[1] The single entity accounts include a valuation of £36.000 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.

G8. Group Income & Expenditure Reserve

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

31 March 2022		31 March 2023
£000		**£000**
6,853	Solihull Community Housing Ltd	**(19,997)**
1,136	Urban Growth Company Ltd	**(2,292)**
(10,157)	The Coventry and Solihull Waste Disposal Company Ltd	**(11,020)**
6,835	Mell Square Ltd	**5,904**
4,667	**Total Group Income & Expenditure Reserve**	**(27,405)**

G9. 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:

2022/23	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**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Dividends receivable from joint ventures	(4,100)	**(4,100)**	0	0	0	**(4,100)**	4,100	**0**
(Surplus)/deficit from shares in group entities	0	**0**	0	7,000	7,000	**7,000**	(7,000)	**0**
Purchases of goods and services from subsidiaries	5,036	**5,036**	0	0	0	**5,036**	(5,036)	**0**
Income receivable from subsidiaries	1,898	**1,898**	0	0	0	**1,898**	(1,898)	**0**
Total adjustment between group accounts and council accounts	**2,834**	**2,834**	**0**	**7,000**	**7,000**	**9,834**	**(9,834)**	**0**

2021/22	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**
	£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**
Purchases of goods and services from subsidiaries	(716)	**(716)**	0	0	0	**(716)**	716	**0**
Income receivable from subsidiaries	(9,311)	**(9,311)**	0	0	0	**(9,311)**	9,311	**0**
Total adjustment between group accounts and council accounts	**(14,602)**	**(14,602)**	**0**	**367**	**367**	**(14,235)**	**14,235**	**0**

G10. 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 2023 SCH, as a separate entity, had no outstanding capital commitments. (2021/22: 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 2023 UGC, as a separate entity, had no outstanding capital commitments (2021/22: 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 December 2022 Mell Square, as a separate entity, had no outstanding capital commitments (2022: no capital commitments).

G11. 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 £0.654 million as at 31 March 2023 (2021/22: £1.248 million).

G12. 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 2023.

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:

2021/22		**2022/23**
£000		**£000**
	Cost of Services:	
	Service cost comprising:	
51,939	Current service cost	**51,838**
146	Past service costs	**0**
(7,828)	(Gain)/loss from settlements	**(4,445)**
439	Administration costs	**488**
	Financing and Investment Income and Expenditure:	
9,222	Net interest expense	**10,308**
53,918	**Sub-total post-employment benefit charged to (Surplus)/ Deficit on the Provision of Services**	**58,189**
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
(60,110)	Return on assets less interest	**42,976**
(23,816)	Other experience	**53,974**
(10,624)	Actuarial (gains)/losses arising on changes in demographic assumptions	**(3,500)**
(79,300)	Actuarial (gains)/losses arising on changes in financial assumptions	**(460,404)**
(173,850)	**Sub-total post-employment benefits charged to Other Comprehensive Income and Expenditure**	**(366,954)**
(119,932)	**Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**(308,378)**

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:

2021/22		**2022/23**
£000		**£000**
(1,216,534)	Present value of funded obligations	**(872,806)**
(15,447)	Present value of unfunded obligations	**(12,577)**
910,513	Fair value of Fund Assets	**875,921**
(321,468)	**Net liability arising from defined benefit obligation**	**(9,462)**

The net liability position of the group reported above of £9.462 million is split between the Council having a net liability position of £22.369 million and Solihull Community Housing Ltd has a net asset position of £12.907 million.

Reconciliation of the present value of the defined benefit obligation

2021/22		2022/23
£000		**£000**
(1,264,621)	**Opening balance of funded obligations**	**(1,216,534)**
(16,340)	Opening balance of unfunded obligations	**(15,447)**
(1,280,961)	**Opening balance at 1 April**	**(1,231,981)**
(51,939)	Current service cost	**(51,838)**
(439)	Administration expenses	**(488)**
(25,654)	Interest cost	**(33,936)**
79,300	Change in financial assumptions	**460,404**
10,624	Change in demographic assumptions	**3,113**
2,596	Other experience	**(58,280)**
12,552	Effect of settlements	**7,144**
27,102	Estimated benefits paid net of transfers in	**26,303**
(146)	Past service costs, including curtailments	**0**
(6,212)	Contributions by participants	**(6,973)**
1,196	Unfunded benefits paid	**1,149**
(1,231,981)	Sub-total	**(885,383)**
(1,216,534)	Closing balance of funded obligations	**(872,806)**
(15,447)	Closing balance of unfunded obligations	**(12,577)**
(1,231,981)	**Closing balance at 31 March**	**(885,383)**

Reconciliation of the fair value of the Fund assets

2021/22		2022/23
£000		**£000**
836,323	**Opening fair value of Fund assets at 1 April**	**910,513**
16,433	Interest income	**23,628**
60,110	Return on assets excluding amounts included in net interest	**(42,976)**
2,041	Contributions by employer including unfunded for current year	**2,092**
6,212	Contributions by Scheme participants	**6,973**
(1,196)	Unfunded benefits paid	**(1,149)**
1,196	Contributions in respect of unfunded benefits	**1,149**
21,220	Other experience	**4,693**
(27,102)	Estimated benefits paid net of transfers in	**(26,303)**
(4,724)	Effect of settlements	**(2,699)**
910,513	**Closing value of Fund assets at 31 March**	**875,921**

Analysis of the scheme assets at the reporting date

31 March 2022			31 March 2023	
Percentage share	Fair value of assets		**Percentage share**	**Fair value of assets**
%	£000		**%**	**£000**
22	204,475	Debt Securities	**21**	**179,859**
7	61,136	Private Equity	**8**	**67,321**
7	65,305	Real Estate	**7**	**61,466**
60	543,320	Investment Funds and Unit Trusts	**61**	**539,946**
0	521	Derivatives	**0**	**0**
4	35,756	Other Assets	**3**	**27,329**
100	910,513	**Total Assets**	**100**	**875,921**

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)	**(35,415)**	**(4.1)**
Pension increase and deferred revaluation (increase by 0.1%)	**(14,017)**	**(1.6)**
Long-term salary increase (increase by 0.1%)	**(1,633)**	**(0.2)**
Discount rate (decrease by 0.1%)	**(15,428)**	**(1.8)**

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 Statement.

HRA Income and Expenditure Statement

2021/22		**2022/23**
£000		**£000**
	Expenditure	
8,754	Repairs and maintenance	**9,189**
12,972	Supervision and management	**13,655**
1,404	Rents, rates, taxes and other charges	**1,469**
12,515	Depreciation and amortisation	**14,090**
(1)	Revaluation (gain)/losses of non-current assets	**(42)**
67	Debt management costs	**66**
298	Movement in the impairment allowance for bad debts	**846**
36,009	**Total Expenditure**	**39,273**
	Income	
(41,725)	Dwelling rents	**(43,693)**
(1,153)	Non-dwelling rents	**(1,165)**
(2,102)	Charges for services and facilities	**(2,534)**
(44,980)	**Total Income**	**(47,392)**
(8,971)	**Net income from HRA services as included in the CI&ES**	**(8,119)**
153	HRA services' share of corporate and democratic core	**154**
(8,818)	**Net income for HRA services**	**(7,965)**
	HRA share of the operating income and expenditure included in the CI&ES:	
(1,071)	(Gain)/loss on sale of HRA non-current assets	**(1,825)**
7,224	Interest payable and similar charges	**6,933**
(28)	Interest and investment income	**(491)**
(14)	Income, expenditure and changes in fair value of investment properties	**(13)**
(357)	Capital grants and contributions receivable	**(15)**
(3,064)	**Surplus for the year on HRA services**	**(3,376)**

Movement on the HRA Statement

2021/22		**2022/23**
£000		**£000**
(16,115)	Balance on the HRA at 1 April	**(9,884)**
(3,064)	(Surplus)/ deficit for the year on the HRA Income and Expenditure Statement	**(3,376)**
9,295	Adjustments between accounting basis and funding basis under statute (Note 13)	**3,615**
6,231	**(Increase)/ decrease in year on the HRA**	**239**
(9,884)	**Balance on the HRA at 31 March**	**(9,645)**

Disclosure notes – notes supporting the Housing Revenue Account

H1. Housing Stock

On 31 March 2023 the Council held 9,848 dwellings. There was a net increase of 3 dwellings during the year (49 sales and 52 acquisitions) compared to a decrease of 14 dwellings in 2021/22.

31 March 2022		**31 March 2023**
3,165	Houses	**3,132**
4,851	Flats	**4,887**
1,762	Bungalows	**1,762**
67	Maisonettes	**67**
9,845	**Total**	**9,848**

H2. Balance Sheet Value

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

31 March 2022		**31 March 2023**
£000		**£000**
460,078	Dwellings	**479,023**
19,490	Garages	**20,121**
479,568	**Sub-total Council Dwellings**	**499,144**
2,394	Other Land and Buildings	**2,779**
1,286	Vehicles, Plant and Equipment	**1,133**
66	Assets Under Construction	**309**
1,988	Investment Property	**1,988**
378	Intangible Assets	**341**
485,680	**Total Balance Sheet value**	**505,694**

H3. Vacant Possession Value of Dwellings

As at 1 April 2023 the vacant possession value of dwellings within the Council's HRA was £1.178 billion, valued in accordance with the Guidance on Stock Valuation for Resource Accounting (£1.131 billion as at 1 April 2022). The difference between this figure and the £479.023 million valuation in the Balance Sheet shows the economic cost of providing council housing at less than market rents.

H4. Capital Financing

31 March 2022		31 March 2023
£000		**£000**
	Expenditure on Capital during the year	
21,311	Council Dwellings	**20,853**
0	Other Land and Buildings	**385**
25	Vehicles, Plant and Equipment	**223**
166	Intangible Assets	**83**
66	Assets Under Construction	**243**
21,568	**Total**	**21,787**
	Funded by:	
(2,156)	Usable Capital Receipts	**(3,948)**
(350)	Prudential Borrowing	**(140)**
(589)	Capital Grants and Contributions	**(15)**
(6,393)	Revenue and Reserve Contributions	**(1,125)**
(12,080)	Major Repairs Reserve	**(16,559)**
(21,568)	**Total**	**(21,787)**

H5. Capital Receipts

31 March 2022		31 March 2023
£000		**£000**
(3,466)	Sale of Council Dwellings	**(5,117)**
1,491	Less Pooling Contributions[1]	**0**
(1,975)	Gross capital receipts before administration costs	**(5,117)**
69	Administration costs	**65**
(1,906)	**Total**	**(5,052)**

[1] Local authorities are allowed to retain 100% of their housing Right to Buy receipts in 2022/23 and 2023/24, so no contribution to the housing capital receipts pool was made in 2022/23.

H6. HRA Depreciation and Amortisation

31 March 2022		31 March 2023
£000		**£000**
8,714	Dwellings	**9,219**
3,164	Garages	**4,331**
57	Other Land and Buildings	**45**
485	Equipment	**376**
95	Intangible Assets (amortisation)	**119**
12,515	**Total Depreciation and Amortisation**	**14,090**

H7. Rent Arrears

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

At 31 March 2022		At 31 March 2023
2,174	Total Rent Arrears (£000)	**2,624**
4.83	% of total income due in year	5.54

H8. Other HRA Arrears

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

31 March 2022		31 March 2023
1,404	Total Other Arrears (£000)	**1,869**
3.12	% of total income due in year	3.94

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 2022		31 March 2023
£000		**£000**
(2,845)	Balance at 1 April	**(2,733)**
(6)	Arrears reinstated	**(11)**
(298)	Contribution to impairment allowance	**(846)**
416	Net write offs	**74**
(2,733)	**Balance at 31 March**	**(3,516)**

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

		2021/22				**2022/23**
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			
(135,503)	(89,751)	(225,254)	Income receivable (net of exemptions and reliefs)	(142,655)	(114,643)	**(257,298)**
0	659	659	Transitional protection payments	0	1,836	**1,836**
			Contributions towards previous year's estimated Collection Fund deficit			
(717)	(55,880)	(56,597)	Solihull MBC	(408)	(29,970)	**(30,378)**
(31)	(564)	(595)	West Midlands Fire & Rescue Authority	(18)	(303)	**(321)**
(81)	0	(81)	West Midlands Police & Crime Commissioner	(46)	0	**(46)**
(136,332)	(145,536)	(281,868)	**Total amounts required by statute to be credited to the Collection Fund**	**(143,127)**	**(143,080)**	**(286,207)**
			Amounts required by statute to be debited to the Collection Fund			
			Precepts, demands and shares			
114,203	115,373	229,576	Solihull MBC	120,235	107,372	**227,607**
13,704	0	13,704	West Midlands Police & Crime Commissioner	14,677	0	**14,677**
4,866	1,166	6,032	West Midlands Fire & Rescue Authority	5,323	1,085	**6,408**
			Charges to the Collection Fund			
897	(121)	776	Increase/(reduction) in allowance for impairment of debts	1,084	(127)	**957**
0	(2,161)	(2,161)	Increase/(reduction) in business rates appeals provision	0	(4,545)	**(4,545)**
0	248	248	Charge for allowable collection costs for business rates	0	252	**252**
			Contributions towards previous year's estimated Collection Fund surplus			

		2021/22				2022/23
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
0	0	0	Solihull MBC	1,477	0	**1,477**
0	0	0	West Midlands Fire & Rescue Authority	63	0	**63**
0	0	0	West Midlands Police & Crime Commissioner	177	0	**177**
133,670	114,505	248,175	**Total amounts required by statute to be debited to the Collection Fund**	**143,036**	**104,037**	**247,073**
(2,662)	(31,031)	(33,693)	**Movement on the Collection Fund balance**[1]	(91)	(39,043)	**(39,134)**
1,544	63,582	65,126	Opening balance at 1 April	(1,118)	32,551	**31,433**
(1,118)	32,551	31,433	**Closing Balance at 31 March**	**(1,209)**	**(6,492)**	**(7,701)**

[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 2022/23:

Dwellings as Band D equivalents 2021/22	Band	Number of dwellings on Valuation List	Dwellings for council tax purposes	Multiplier	Dwellings as Band D equivalents 2022/23
5,548	**A**	14,513	8,485	6/9	**5,657**
6,534	**B**	12,300	8,465	7/9	**6,584**
16,411	**C**	23,046	18,738	8/9	**16,656**
14,820	**D**	17,328	15,137	9/9	**15,137**
13,208	**E**	11,989	10,894	11/9	**13,315**
12,078	**F**	9,037	8,459	13/9	**12,219**
8,752	**G**	5,615	5,304	15/9	**8,839**
769	**H**	432	395	18/9	**791**
78,120	Total Band D equivalents (tax base)				**79,198**
(930)	Adjustment for collection rate of 98.81%				**(942)**
77,190	**Net tax base (Band D equivalents)**				**78,256**

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 2022/23, the average Band D council tax including police, fire and parish precepts was £1,792.01 (2021/22: £1,720.09).

The actual gross income in 2022/23 was £142.655 million, which in council tax base terms would be 79,606. 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 £1.336 million (2021/22: £1.833 million surplus), as shown in the following table:

2021/22		**2022/23**
£000		**£000**
134,373	Anticipated gross income from council tax *(from multiplying the gross tax base by the average council tax)*	**141,924**
(135,503)	Actual gross income	**(142,655)**
(1,130)	**(Surplus)/deficit for the year before allowance for impairment**	**(731)**
(1,600)	Anticipated allowance for impairment *(from multiplying the adjustment for collection rate by the average council tax)*	**(1,689)**
897	Actual allowance for impairment of debts	**1,084**
(703)	**(Surplus)/deficit for the year in relation to the allowance for impairment**	**(605)**
(1,833)	**(Surplus)/deficit for the year**	**(1,336)**

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 2022/23 (2021/22: 51.2 pence). There is also a small business rate multiplier which was set at 49.9 pence per pound of rateable value in 2022/23 (2021/22: 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 2023. As at 31 March 2023, the total rateable value for properties in Solihull was £268.036 million (31 March 2022: £264.600 million).

2021/22		2022/23
£000		**£000**
(132,035)	Gross business rates income *(from multiplying the total rateable value as at 31 March by the small business rate multiplier)*	**(133,751)**
3,709	less reduction in income due to rateable value changes throughout year	**3,982**
(128,326)	Gross business rates income	**(129,769)**
12,376	less mandatory, discretionary and unoccupied property reliefs	**15,126**
26,199	less Covid-19 business rates reliefs	**0**
(89,751)	**Net business rates income receivable**	**(114,643)**

C3. Analysis of the movement on Collection Fund balance

2021/22		2022/23		
Total		Council Tax	Business Rates	**Total**
£000		£000	£000	**£000**
65,126	Balance at 1 April	(1,118)	32,551	**31,433**
(57,273)	Declared surplus/(deficit) distributed in-year	1,245	(30,273)	**(29,028)**
	In-year (surplus)/deficit for year:			
23,584	Solihull MBC	(1,142)	(8,682)	**(9,824)**
187	West Midlands Fire & Rescue Authority	(52)	(88)	**(140)**
(191)	West Midlands Police & Crime Commissioner	(142)	0	**(142)**
31,433	**Balance at 31 March**	**(1,209)**	**(6,492)**	**(7,701)**

C4. Council tax and business rates income in the Comprehensive Income and Expenditure Statement

Council tax income credited to the CI&ES of £121.377 million comprises the Council's precept of £120.235 million plus the Council's share of the in-year surplus of £1.142 million shown in note C3. Business rates income credited to the CI&ES of £43.499 million comprises the Council's share of budgeted business rates income of £107.372 million plus the Council's share of the in-year surplus of £8.682 million shown in note C3, less the share of growth paid to the West Midlands Combined Authority of £1.079 million and the tariff payment paid to the government of £71.476 million.

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 is being 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 and joint venture (the 'group') for the year ended 31 March 2023, 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 2022/23.

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 2023 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 2022/23; 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 Director of Resources' 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 group and the Authority'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 Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's 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 2022) 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.

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

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 and 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.

Our responsibilities and the responsibilities of the Director of Resources' with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Resources is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office 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, the other information published together with the financial statements in the Statement of Accounts, and the Annual Governance Statement 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 and the Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources 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 Director of Resources 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015,the Local Government Act 2003, Local Government and Housing Act 1989, and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

We enquired of management 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 management, 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 management's 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.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management 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; and
- 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, 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.

We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors 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 in which the group and Authority operates
- 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 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.

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

Report on other legal and regulatory requirements – 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 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. 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 document 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 consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Solihull Metropolitan Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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 44 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.

Grant Patterson

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

Birmingham
1 March 2024

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. Allocations of RSG are incorporated into the funding the Council receives 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:

Director of Resources
Council House
Manor Square
Solihull
B91 3QB
Telephone: 0121 704 6855

Other sources of information about Solihull MBC and its finances include:

Council Tax Leaflet 2023/24
Medium Term Financial Strategy 2023/24 - 2025/26

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
Police Headquarters
West Midlands Police
Lloyd House
Colmore Circus
Birmingham
B4 6NQ

The Treasurer of the Authority
West Midlands Fire Service Headquarters
99 Vauxhall Road
Nechells
Birmingham
B7 4HW

Director of Finance
West Midlands Combined Authority
16 Summer Lane
Birmingham
B19 3SD