



Solihull Metropolitan Borough Council
Accounting Statement
2018/19

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NARRATIVE REPORT

This Narrative Report provides information on the Council and the environment in which it operates, to set the Accounting Statement 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 2018/19 to complement the key financial statements and highlights some of the Council's achievements against the 2018/19 priorities. It further outlines the main priorities of the Council Plan and sets out the key objectives for the year ahead.

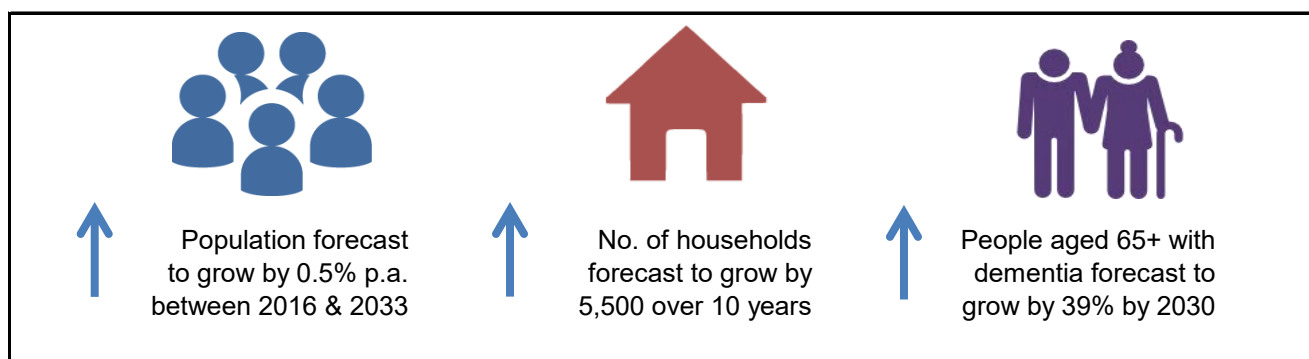
ORGANISATIONAL OVERVIEW AND OPERATING ENVIRONMENT

Solihull: population and place

The Council serves a broadly affluent borough, characterised by above-average levels of income, employment and home ownership. The living environment, with a mix of urban and rural communities, key strategic sites and transport infrastructure, and large amounts of green space, is one of Solihull's main strengths, as evidenced by high levels of resident satisfaction with the area (84% in the 2018 Place Survey).

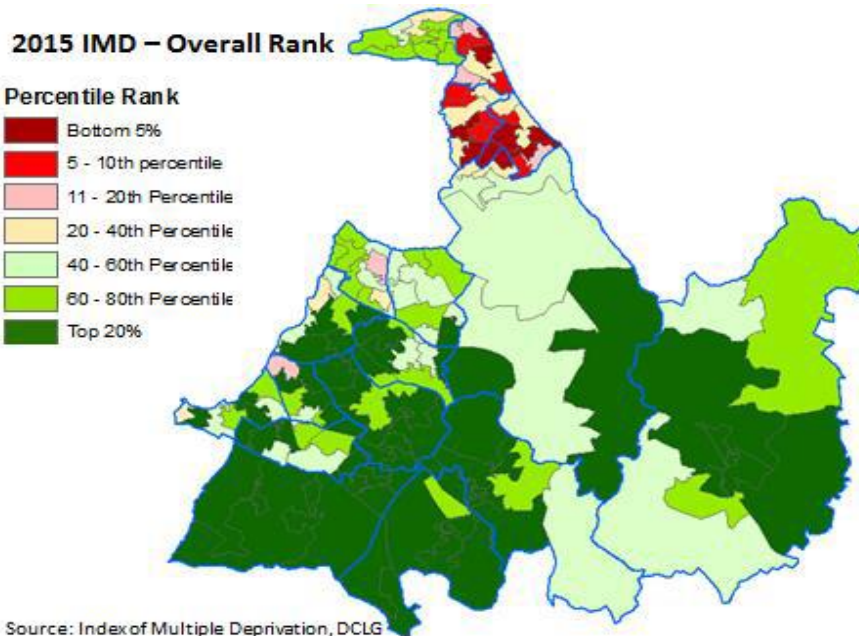
The population of the borough has increased at a much slower rate than nationally over recent years but is expected to grow by around 9% by 2036. This growth will put considerable pressure on transport, housing, education and public service infrastructure and there is a widespread shortage of affordable homes and homes which are suitable for older people, especially the increasing numbers living alone. Our community is becoming increasingly diverse, with an increasing proportion from a Black, Asian or other Minority Ethnic (BAME) group (11% in the 2011 census). We expect that this trend will continue and our service design needs to be sensitive to this diversity.

The Office for National Statistics projections suggest that the relative ageing of Solihull's population will continue and by 2036 it is likely that those aged 65 and over will account for 25% of the borough's population. In particular, the growth in the number of residents aged 85 and over, who are expected to account for 5% of the borough's population by 2036, represents a significant challenge in terms of health and social care.



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

The borough's many advantages can give the impression that some of the social challenges are less and are easier to tackle than in other parts of the country. However, the borough has a persistent prosperity gap which has proved difficult to close. National deprivation statistics suggest Solihull is the most polarised authority in the country, with 16% of the borough's 134 neighbourhoods classed among the most deprived in the country and 39% among the least deprived.



This polarisation is illustrated in this map of the borough, which is based on the indices of multiple deprivation (IMD). This 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 including educational attainment, employment, crime and health. Although life expectancy in the borough is above the national average, those in the borough's affluent neighbourhoods can expect to live around 11 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 changes to the benefits system and low income growth among lower earners. When set against relatively high housing costs, this will represent a particular challenge for the Council.

Solihull: the council

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 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 2 May 2019 holds 26 out of the 51 seats. The borough covers two parliamentary wards, Solihull and Meriden.

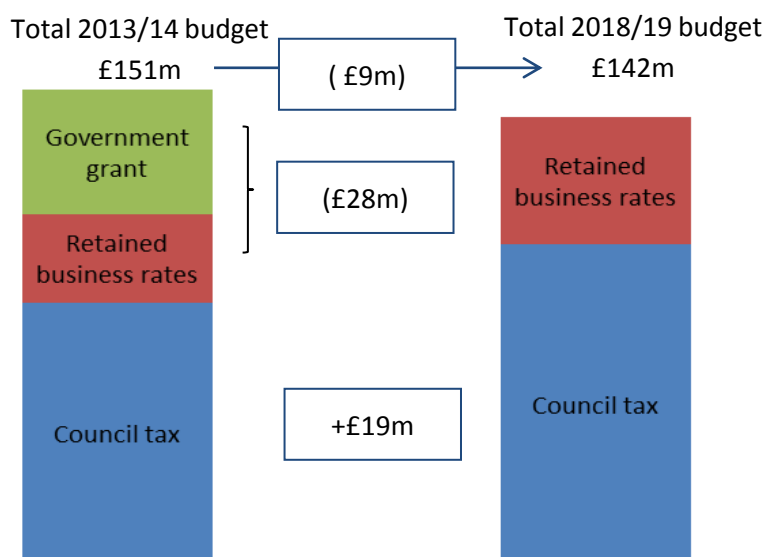
The Council employs 4,200 full time equivalent staff, approximately half of whom work in the borough's schools (excluding academies), organised into five directorates – Adult Care and Support, Children's Services and Skills, Managed Growth and Communities, Public Health and Resources – under the management of the Corporate Leadership Team. The number of full time equivalent staff has fallen by 8% over the past five years, and we recognise the pressure this has put on our committed workforce. 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 open, honest, clear, approachable 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 of 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 purpose, as set out in the Council Plan, is to improve lives by delivering great services. 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 in order to achieve our vision. It does not cover the ‘business as usual’ of the Council, which, of course, also has a vital role in the success of our vision and purpose. The Council Plan for 2014-2020 was approved in April 2014 and has been refreshed annually since then. A new plan that looks forward to 2025 was approved in April 2018, with what were previously described as our four priorities (improving health and wellbeing, building stronger communities, managing growth and delivering value) now being key themes that run through the plan. The Council Plan was refreshed in April 2019.

Our funding comes from two main sources, retained business rates and council tax. In 2013/14, the year in which business rates retention was first introduced, Solihull received 55% of its funding from council tax payers, 26% from government grant and 19% from retained business rates. In the years since, the level of government grant has fallen significantly and the proportion of funding which comes from council tax payers has increased to over 70%.

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



For the pilot period, the region will retain the 50% share of business rates previously attributable to central government, the growth on which is shared with the combined authority to provide a funding stream for its investment programme. The future of such business rates pilots beyond 2019/20 remains uncertain.

What is clear is that our budget and resourcing forecasts for 2020/21 and beyond are extremely challenging. We expect to spend about the same in cash terms in 2021/22, at the end of the current financial planning period, as we did in 2013/14 – despite inflation, increases in the cost of delivering services and steep reductions in government support over that period. We have a good track record in identifying and delivering substantial savings, and we know that, although this is harder every year, we will need to sustain this beyond 2020.

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:



The West Midlands Combined Authority (WMCA) will drive an £8bn, 30 year investment programme; £636m of which is direct investment into Solihull. The Urban Growth Company (UGC) is a special purpose delivery vehicle created specifically to allow the full economic potential of the UK Central (UKC) project to be realised through a comprehensive Growth and Infrastructure Plan.



The Local Enterprise Partnership (LEP), a partnership between business, local government and education, has agreed 3 Growth Deals with government, levering in £433 million of Local Growth Fund - a pipeline of capital investments across Greater Birmingham and Solihull that will generate jobs, improve transport links, create housing and upskill our people.



Through the Birmingham and Solihull Sustainability and Transformation Partnership (STP) we are working with health partners to set out the key priorities for each local area across three headline issues: improving quality and developing new models of care, improving health and wellbeing and improving efficiency of services.



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



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



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



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

The Council has interests and relationships in other entities which are included in the Council's group accounts. Solihull Community Housing Limited, which is our arm's length management organisation (ALMO) for our housing stock, Blythe Valley Innovation Centre Limited and the Urban Growth Company are consolidated as wholly owned subsidiaries of the Council. The Coventry and Solihull Waste Disposal Company Limited is included as a joint venture. The Council transferred the ownership of Blythe Valley Innovation Centre from BVIC Limited to the Council with effect from the 1st July 2018. As the sole shareholder in BVIC Limited and on the basis that the company does not own any other assets or have any other operations the Council will be seeking to implement a voluntary liquidation of the Company in 2019.

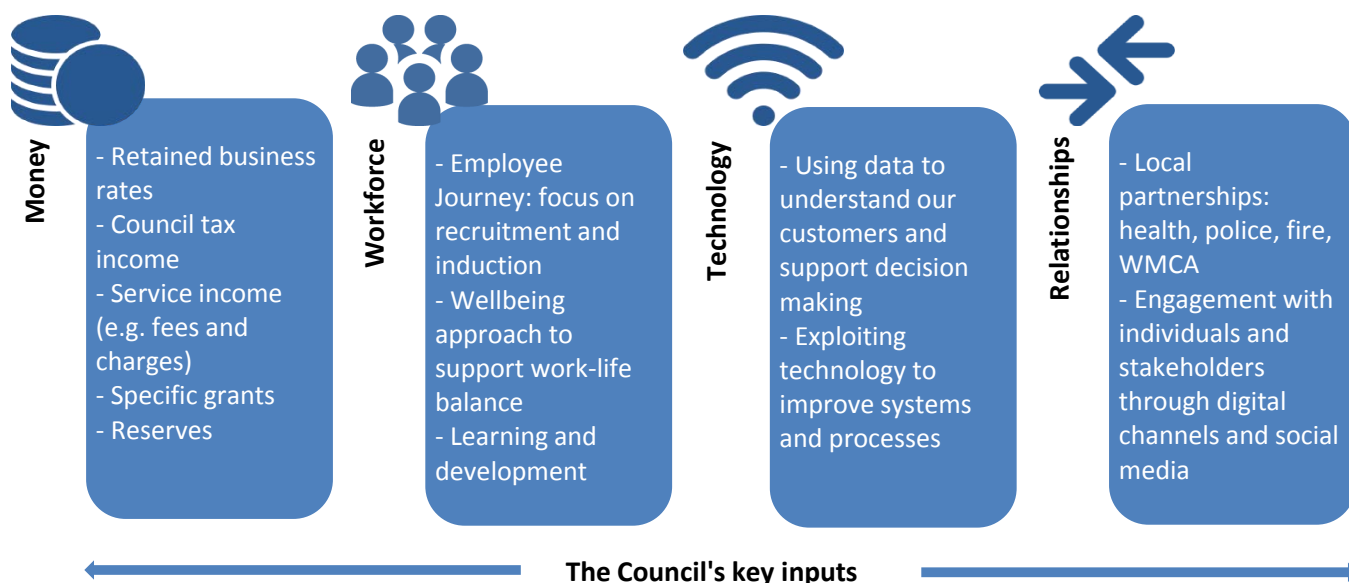
OPERATIONAL MODEL AND PERFORMANCE

Business Operating Model

The new Council Plan, which was approved in April 2018 and updated in April 2019, set out a new strategic and operating model for the Council to 2025. Underpinning this new operating model is a renewed focus on making best use of data to identify who is accessing our services, how and why. This will include customer mapping and segmenting the population into groups of key service users, with whom we will work in different ways according to their needs.

As a local authority we provide a range of services, some of which are used by or available to every resident in the borough and others which are only used by a small number of people with specific needs. In designing our offer for the future we have divided our services into three categories (universal, targeted and specialist), each with a different focus and a different proposal. Each of these categories is underpinned by support services which need to be equally efficient and focused. Further detail is provided on page 12 under Strategy and Resource Allocation.

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



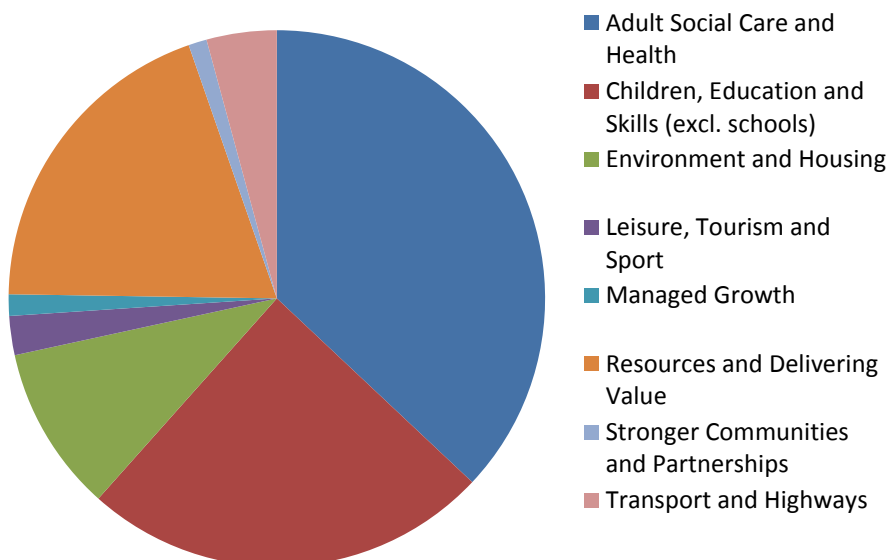
Review of 2018/19

Our budget for 2018/19 was £141.605 million, an overall increase in the net budget of £5.1 million compared to the 2017/18 budget of £136.462 million. The budget was approved on 1 March 2018, with net planned expenditure on services and corporate commitments increasing by £6.7 million over the 2017/18 base budget, of which £1.7 million related to service pressures, £1.8 million contribution to corporate pressures and £3.2 million to inflation. In addition the Council planned an increase in the net use of reserves, working balances and contingencies totalling £1.0 million.

This increase in expenditure was offset by savings totalling (£2.6 million).

The budget of £141.605 million was funded from retained business rates of £40.285 million and council tax income of £101.320 million. Solihull increased its element of the council tax charge by 3.99% in 2018/19. This included a charge of 2.0% specifically to support adult social care which generated £6.5 million for the service (£1.9 million more than in 2017/18). Council tax income continues to be the most significant funding source for the authority, reflecting the proportion of higher-banded homes in the borough, and comprised 72% of the total funding for 2018/19.

This chart shows our net spending across our cabinet portfolios in 2018/19.



The figure below highlights some significant outcomes against the Council Plan priorities in 2018/19 .

Securing inclusive economic growth	Planning & delivery of Solihull's low carbon future	Managing demand & expectation for public services	Developing & delivering our approach to services for the most vulnerable	Making the best use of our people & physical assets
Town Centre Approach project improved access between Solihull station and town centre	Solihull's first Clean Air Strategy approved, setting out actions to improve air	Supported 26 community clean up events through Love Solihull litter picking hubs	Opened £7m extra care housing development at Saxon Court	Completed refurbishment of Tudor Grange Leisure Centre
Continued roll out of Life Ready programme to improve young people's employability	School Streets scheme made permanent after reducing car usage by 54% at pilot schools	Solihull First: invested in community wellbeing services delivered by voluntary sector	Introduced new occupational therapy clinic model to streamline	Applied feedback from employee engagement to improve the employee journey
Increased funding secured for UKC infrastructure package to £59m		Implemented integrated substance misuse service	Secured funding for new free school to support children with autism	Successful transition to GDPR compliance

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. 2018/19 marked the second 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, our involvement in the pilot generated windfall resources of £8.3 million in 2018/19, which will be invested by the Council in local priorities.

Academisation

During 2018/19 St Margaret's Church of England Primary School (Voluntary Aided) converted to academy status. No adjustments to the Council's accounts were required.

There are currently two schools which are expected to convert to academy status for 2019/20: Yew Tree Primary and Ulverley School. The subsequent transfer of the school buildings will result in a loss on disposal in the CI&ES of £10.699m. The associated land will be revalued resulting in a reduction in asset values of £5.929m in 2019/20.

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 (Barnett Waddingham) and includes an estimate of the potential impact of the Court of Appeal judgement regarding the McCloud and Sargeant cases relating to age discrimination within the judicial and fire pension schemes respectively. Steps have been taken to address this deficit within the medium and long-term financial strategy of the Council.

In April 2017 the Council made an upfront payment of £50 million in respect of pension contributions for the three years from 2017/18 to 2019/20 in order to save a net £4 million over those three financial years. The full payment was accounted for as a reduction in the Council's net pension liability in 2017/18, however, accounting regulations require that the amount due in relation to 2018/19 of £16.6 million is recognised as a cost to the General Fund this year.

Cash flows

The Cash Flow Statement, on page 31, shows how the movement in resources has been reflected in cash flows. During 2018/19, net cash and cash equivalents increased by £9.404 million, from (£10.218 million) to (£0.814 million), as shown in the table below.

	31 March 2018 £000	31 March 2019 £000
Opening cash and cash equivalents	(587)	(10,218)
Movement during the year	(9,631)	9,404
Closing cash and cash equivalents	(10,218)	(814)

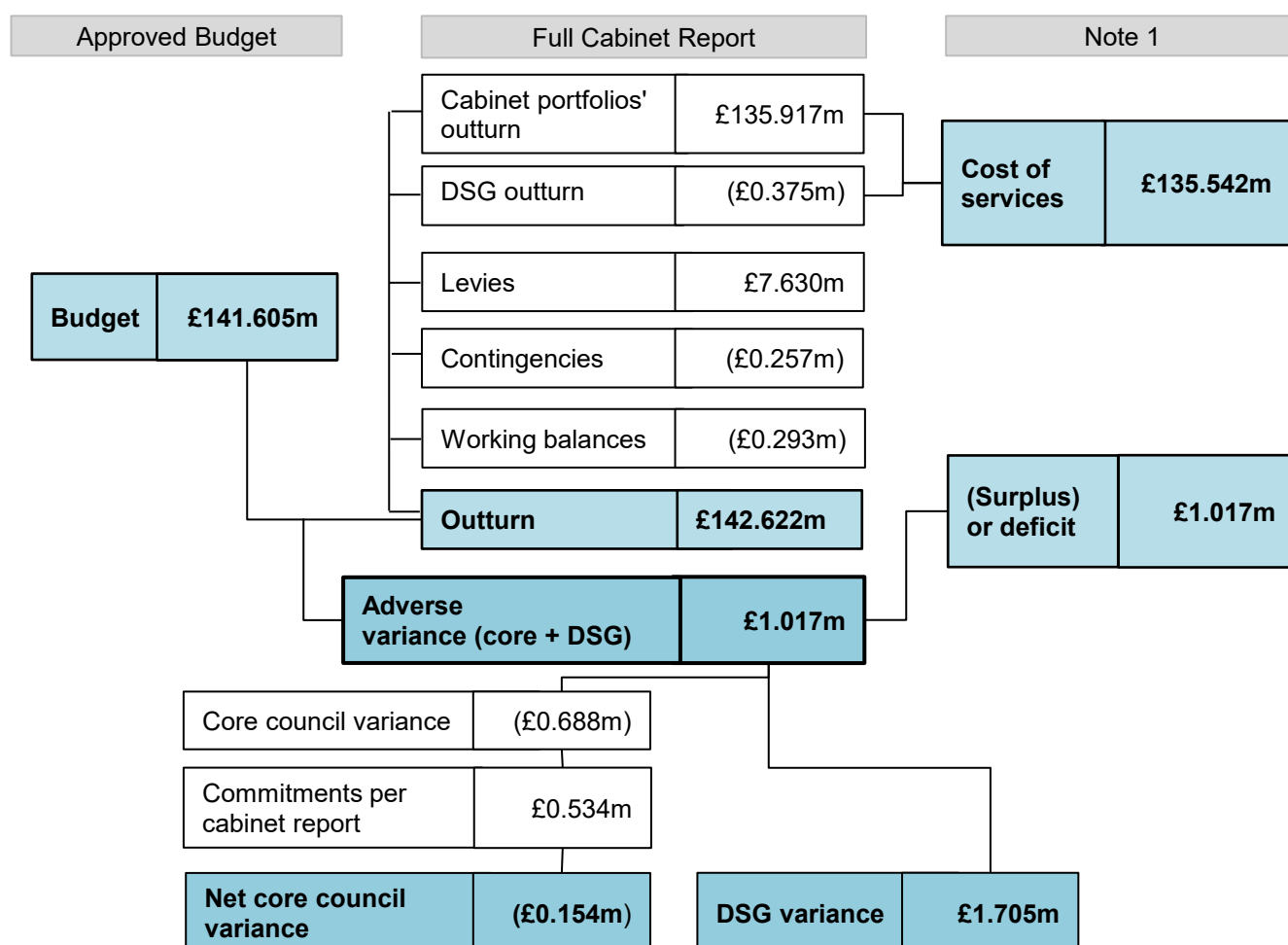
The cash and cash equivalents figure was higher in 2018/19, in part reflecting the partial unwinding of the impact of the upfront payment of pension contributions as described in Note 5 - Material Items of Income and Expenditure.

Financial performance - revenue outturn

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.

The outturn position on the General Fund and Dedicated Schools Grant (DSG) for the year was presented to Full Cabinet on 13 June 2019. The favourable variance on the General Fund was contributed to working balances pending Full Cabinet's approval of the requests outlined in the report to contribute £0.534 million to earmarked reserves and to fund future year commitments. The final position on the General Fund will see the Council (£0.154 million) (2017/18: (£0.251 million) ahead of the financial position set out in the approved Medium Term Financial Strategy (MTFS). Members approved the contribution of this amount to the budget strategy reserve, in order to provide further financial resilience for future years' planning.

Note 1 in the Accounting Statement 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 £1.017 million (2017/18: (£0.293 million) favourable 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.



Across the cabinet portfolios, in year pressures were managed through ongoing and one-off resources, including the use of reserves where appropriate. Favourable variances in the Resources and Delivering Value portfolio contributed to the overall favourable outturn for the core council budgets.

In the Adult Social Care and Health portfolio, one-off grant funding together with the early delivery of savings and other temporary favourable variances enabled a contribution to the Adult Social Care contingency of £2.6 million. This will give the service more scope to manage emerging risks and help improve the stability of the local care market whilst a national funding solution for adult social care is awaited. In Public Health, £0.4 million of grant reserves were used to mitigate the shortfall in grant funding in 2018/19 in advance of contract savings deliverable from April 2019.

Significant demand pressures in Children, Education and Skills - particularly in children's placements, home-to-school transport and special educational needs and disabilities services - were mitigated through the application of funding approved in June 2018 from the Budget Strategy Reserve. Spending on services provided to unaccompanied asylum seeking children (UASC) remains volatile and the reserve to cover any expenditure unfunded by grant in year is now exhausted. Solihull continues to suffer financially from the funding of many of our UASC clients at lower legacy rates and the Council continues to press government for further funding.

The Council reported an adverse variance on the DSG of £1.705 million, which will be treated as an adjustment to the budget for 2019/20. The key issue for the DSG was the pressure on the High Needs Block, which was largely due to increases in the number of children requiring support, the saturation of internal place provision and an increasing reliance on external independent placements. The Council's response for 2019/20 will be to focus on the implementation of the new Special Educational Needs and Disability (SEND) School Place Commissioning Strategy and the development of new internal SEND provision.

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.

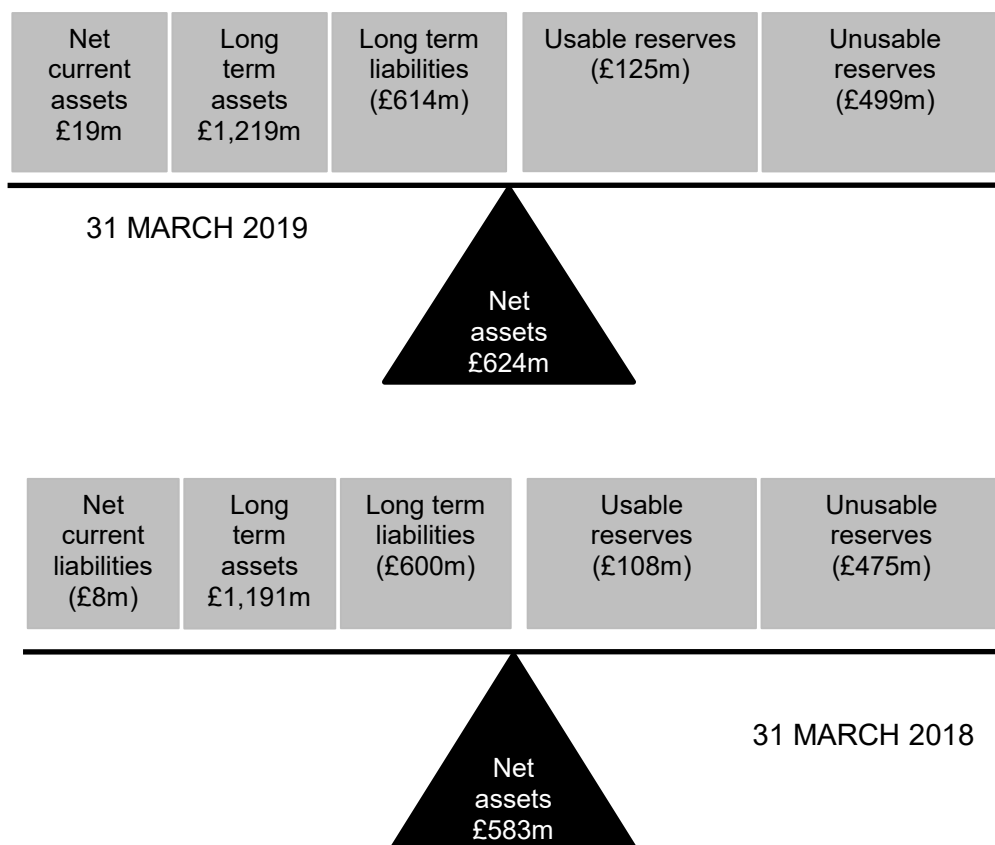
The total spending on the capital programme for 2018/19, including the Housing Revenue Account (HRA), was £60.274 million (2017/18: £41.548 million) compared with a revised budget of £67.762 million, giving a net favourable variance in year of (£7.488 million) (2017/18: (£7.682 million)). Rephasing of £5.873 million will be added into the capital programme for 2019/20.

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 38 - Capital Expenditure and Capital Financing.

The disposal of assets resulted in total gross capital receipts for the Council during the year of £10.269 million. These included HRA right to buy properties totalling £3.089 million.

Net assets

The Council is in a robust financial position at the end of 2018/19 and continues to maintain a strong balance sheet.

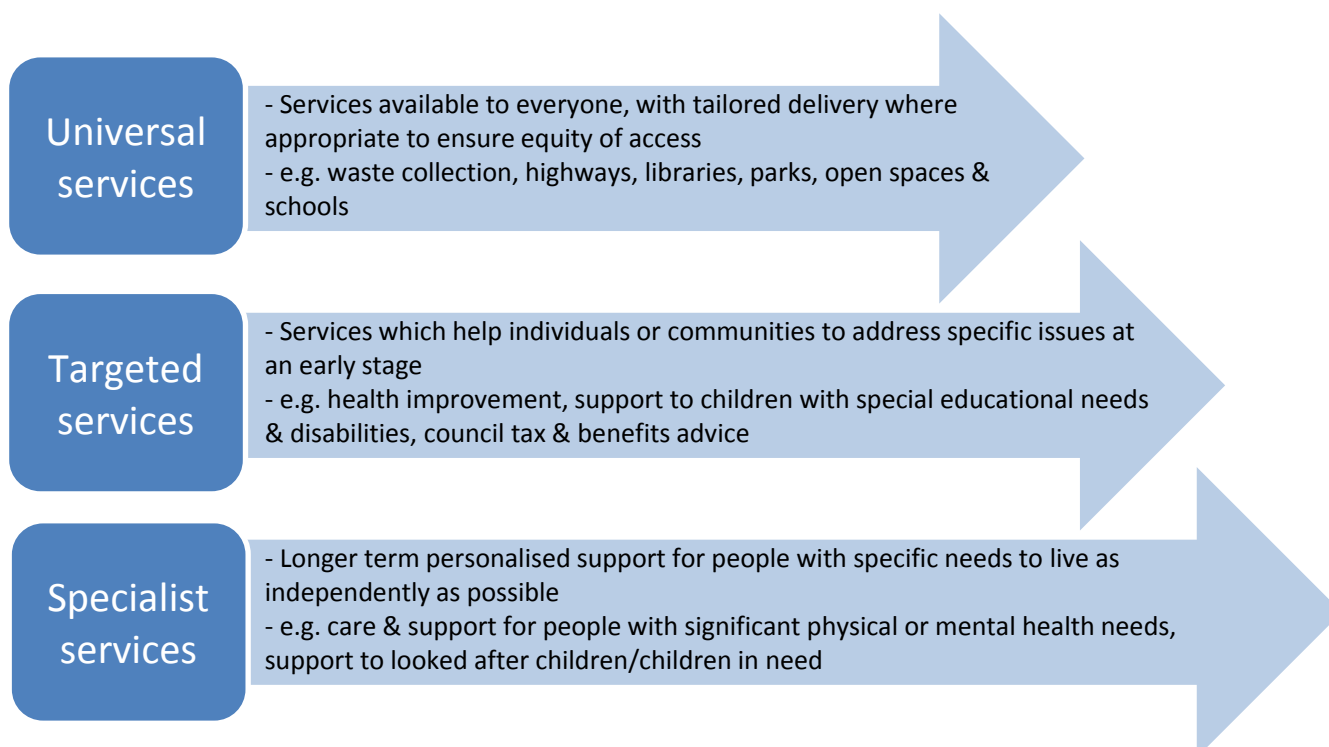


STRATEGY AND RESOURCE ALLOCATION

Council Plan

Our borough has great strengths, including a thriving economy and high quality places to live but also faces challenges: meeting the needs of our changing population, managing spending within constrained budgets and ensuring that growth generates opportunities for all.

In designing our offer for the future, we have divided our services into three categories:

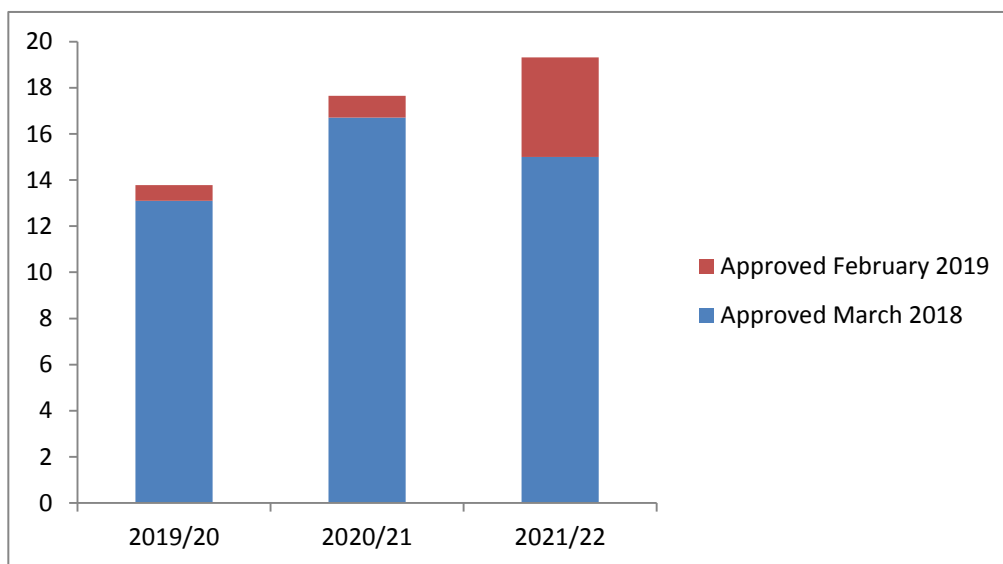


Our role as a Council will be increasingly centred on leading through collaboration. This approach is reflected in the refreshed Council Plan, approved by Full Council in April 2019.

Medium Term Financial Strategy

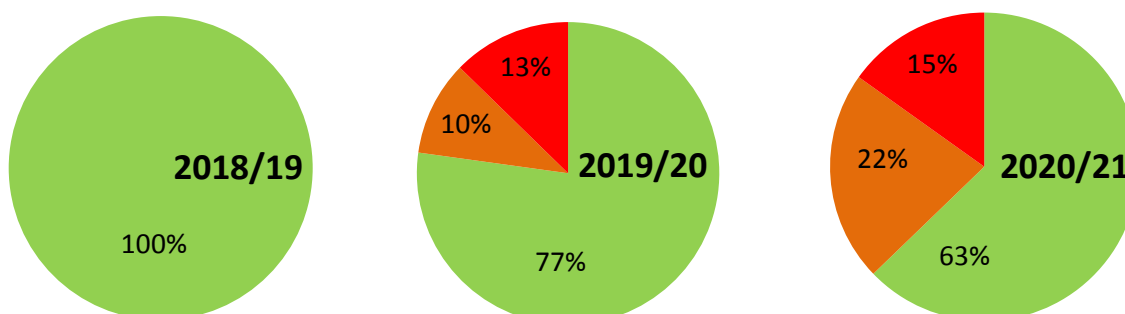
The Council Plan is supported by our Medium Term Financial Strategy (MTFS), which covers the period to March 2022. Our MTFS is approved by members before the start of each financial year but is kept under review throughout the year, with updates reported to members through the Budget Strategy Group, members’ seminar, scrutiny and Full Cabinet. Where these updates result in changes to the financial planning assumptions in the first two years of the MTFS, we use a budget strategy reserve to smooth the impact into the third year. The focus of the annual budget setting process is on identifying savings for the third year of the MTFS, with those for the upcoming financial year having been approved two years previously.

This is illustrated in the chart below, which shows (in blue) cumulative ongoing savings of £15.0 million approved as at March 2018 for the period from 2018/19 to 2020/21. The budget process for 2019/20 focused on the identification of savings for 2021/22, some of which could be delivered in earlier years - these are shown as red in the chart below and bring the total targeted over the four years to £19.3 million.



This process provides us with the time required to plan effectively and realistically for the implementation of savings 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.

A group of senior officers (the Aligning our Resources to our Priorities (ARTOP) Board) closely monitors the delivery of savings and supports the management and mitigation of any anticipated shortfalls. The ARTOP Board categorises each saving as red, amber or green depending on their assessment of deliverability - the piecharts below show the proportions of savings in each category, as at March 2019.



Treasury management and borrowing strategy

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

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

LOOKING AHEAD: RISKS AND OPPORTUNITIES

Across the local government sector, councils are grappling with the challenges of rising demand, particularly in adults' and children's services, and scarce resources, set against a backdrop of economic uncertainty and a short-term horizon for national policy development. The devolution agenda and the increased retention of business rates that has accompanied it in areas like the West Midlands has brought new freedoms and flexibilities, but with them increased risk and the challenge of negotiating complex local and regional partnerships. For example, there is currently a funding gap within the West Midlands Combined Authority's investment programme, which means that Solihull's funding requirement for UK Central in 2019/20 cannot be fully met. The Council is working with the Urban Growth Company and the WMCA to find solutions to the funding gap.

Service pressures

Solihull is not alone in experiencing significant increases in demand for specialist services such as domiciliary care, looked after children and home to school transport. The strain on adult social care services in particular is well-documented (the Local Government Association estimates the funding gap will be £3.6 billion by 2025) but there is also increasing recognition of the pressures facing children's social care across the country. For example, Solihull has experienced an increase in the number of looked after children – from 361 in care in March 2016 to 422 in March 2019 – and we are also seeing an increase in the proportion of those children with higher needs.

In recognition of the national pressures facing adult social care, local authorities can increase council tax by up to 3.0% to fund adult social care, provided the total increase between 2017/18 and 2019/20 does not exceed 6.0%. When added to the 2% increase in 2016/17, this is expected to generate around £7.5 million a year for Solihull by 2019/20. The sector is keenly awaiting the publication of the social care green paper as a key step along the path to developing a sustainable long-term solution to the funding of social care.

Economic Uncertainty

The ongoing uncertainty about the eventual shape of the relationship between the United Kingdom and the European Union (EU) makes it difficult to forecast the impact on future demand for public services or on the overall economic prosperity and employment prospects for the borough. At this stage, no projects in receipt of European funding have been withdrawn or discontinued as a result of the UK's planned departure from the EU. However, in a more general sense, Brexit could affect the Council's activities in the following ways:

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

We continue to monitor developments in relation to the UK's departure from the EU and will update our strategic and financial plans as necessary as and when the implications become more clear.

Local government funding

The withdrawal of the UK from the European Union has been the dominant national policy issue since the referendum in 2016 and uncertainty about the UK's future relationship with the EU continues to affect medium term planning for public and private sector organisations alike.

The national focus on Brexit has 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 have attracted little attention outside the sector. A spending review, setting out the overall quantum of funding for central government departments (and by extension local government) is expected in 2019, but it may cover a shorter time period than usual, while the detail of how such funding would be distributed between local authorities is now unlikely to be known until late in the 2020/21 budget setting process. It seems there is no appetite nationally for the more fundamental overhaul of local government finance sought by many in the sector.

Beyond April 2020, local authorities have little information on which to base their funding projections. It is anticipated that the effect of resetting baselines in the business rates retention scheme, to reflect an updated assessment of relative need and relative resources, would be to shift resources away from councils like Solihull which are considered to be relatively affluent, but it is not yet possible to quantify the potential impact.

That said, we are confident in the ability of the Council's MTFS to weather this period of instability. 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.

Inclusive economic growth

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

The planned High Speed 2 (HS2) railway and the related development plans for UK Central provide an unprecedented prospect for accelerated economic growth, and to ensure 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, already 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 – it is two sides of the same coin, a metaphor and principle we have put at the heart of our policy making.

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, compared to 72% 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 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 benefits of our residents and for our wildlife. Our Green Prospectus articulates the Council's low carbon vision for the borough and sets out a coordinated approach to capitalising on new markets for green technology, goods and services.

Looking ahead to 2019/20, we have a new cabinet portfolio for Climate Change, Planning and Housing, which will coordinate the Council's activities in areas such as delivery of the new Air Quality Strategy and development of strategies for single use plastics and electric vehicles.

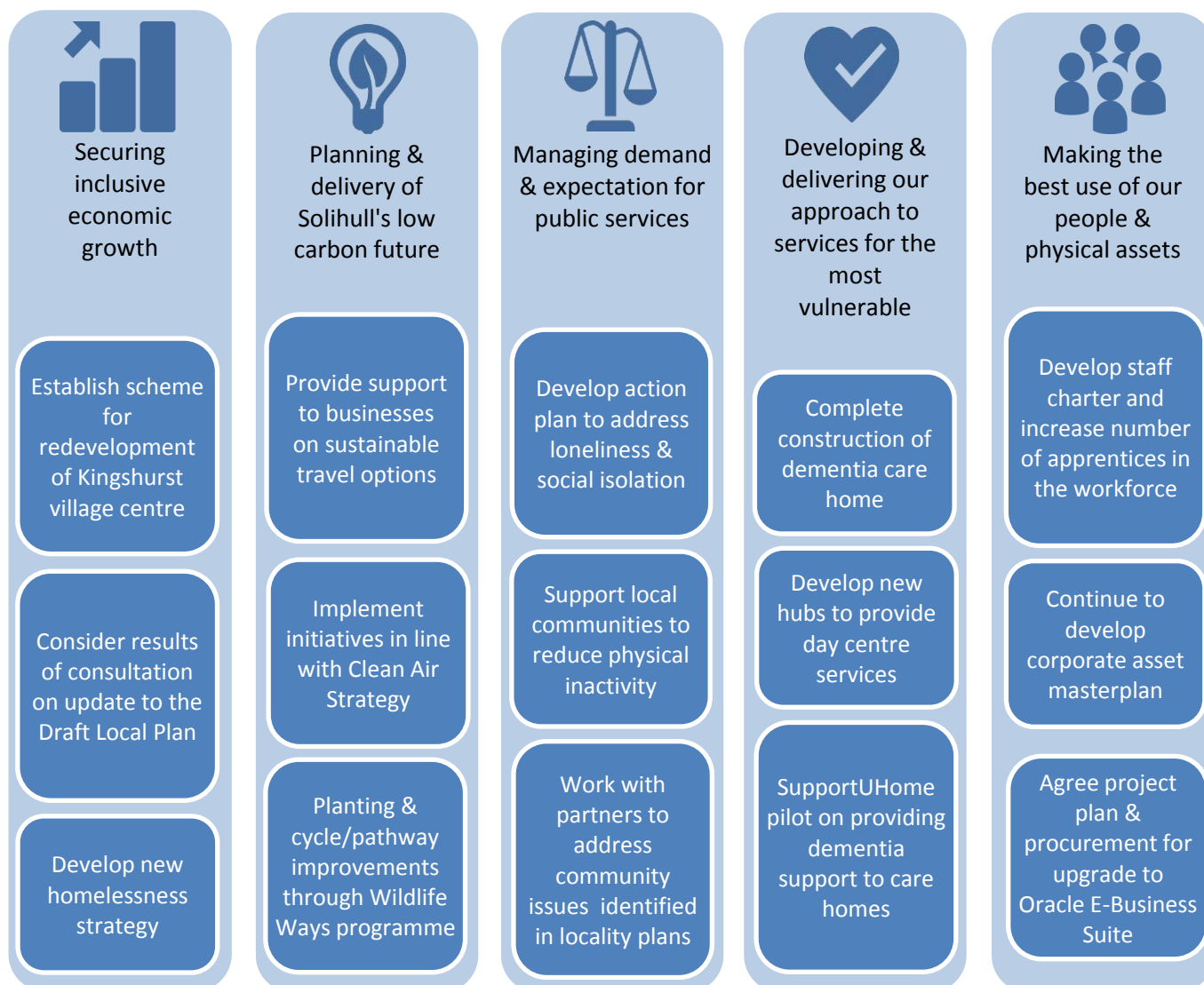
Among the challenges we face is how to adapt our local transport system to cope with current and forecast demand, and how to increase the proportion of people who commute by public transport, walking or cycling. Maximising public transport connectivity is also essential in linking our major employment sites to where people live and delivering on our commitment to a low carbon future.

OUTLOOK

Key service developments

We have identified five priorities - the major steps we need to take to address the challenges and opportunities facing us and to achieve our future service offers.

Over the coming year we will work on key programmes targeted at the delivery of our five priorities. Examples of the activities we plan to undertake over the coming year are shown in the table below.

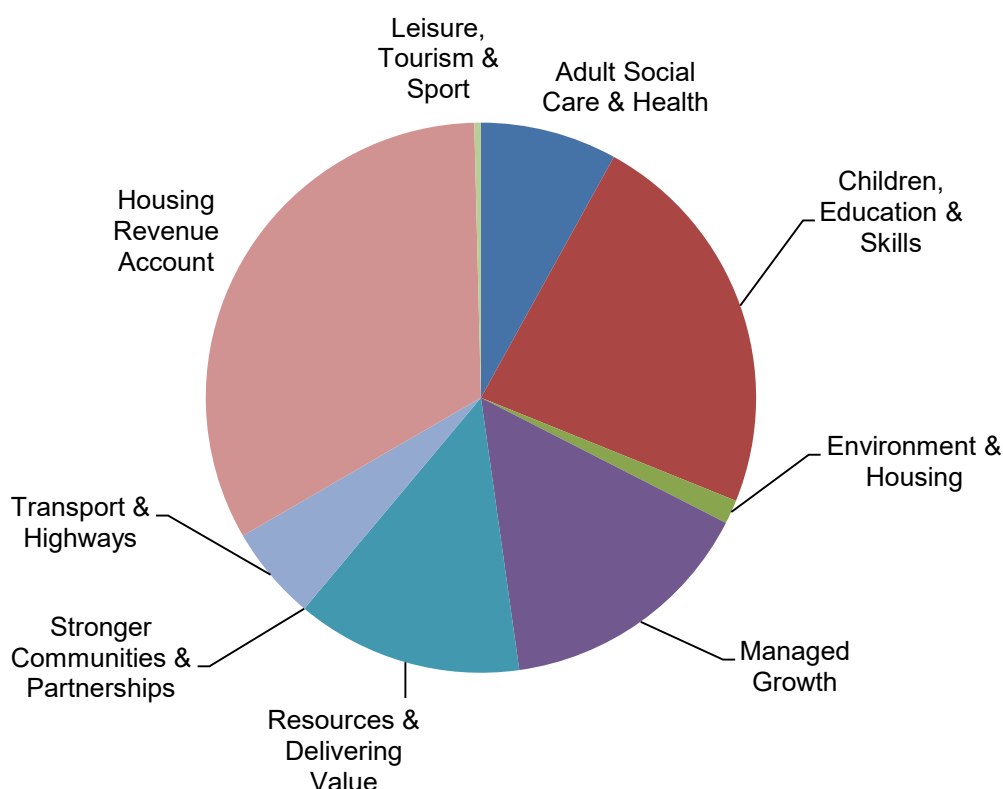


This activity will be supported by the financial resources set out in the MTFS, which are summarised in the table below.

	2019/20 £m	2020/21 £m	2021/22 £m
Base budget	141.605	147.620	147.171
Funding commitments	14.327	7.126	4.131
Savings	(11.131)	(3.586)	(1.376)
Government grants	(0.523)	0.990	0.056
Contributions (to)/ from reserves	3.342	(4.979)	3.690
Indicative budget	147.620	147.171	153.672

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 2019/20 totals £51.616 million (including rephasing approved by Full Cabinet in June 2019), divided between cabinet portfolios as shown in the chart below.



Significant items within the capital programme for 2019/20 include a programme of works totalling £17.022 million within the Housing Revenue Account (the highest value element of which is £4.954 million for new build and acquisition of properties), £3.515 million for the North Solihull primary school programme, £6.803 million for the schools improvement programme, £4.637 million for ICT projects and £6.309 million for the Wildlife Ways initiative.

Looking ahead, the total projected value of the capital programme between 2019/20 and 2021/22 is circa £218 million. This will be funded from the following internal and external sources: prudential borrowing (£27 million), capital receipts (£4 million), revenue and contributions (£89 million) and external grants (£98 million).

Adequacy of reserves

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

Since 2015/16, the Council has also set aside a budget strategy reserve, specifically to meet budget risks in order that the Council can continue to focus on three-year budget planning. This reserve is considered to be particularly important to the Council given the uncertainty over central government funding post-2020. As at 31 March 2019, the balance on the budget strategy reserve was £3.734 million, with the forecast balances to 2020/21 shown in the table below. These figures do not include the contribution of the net favourable variance against the 2018/19 core council budget of £0.154 million which was approved by Full Cabinet in June 2019.

	2019/20 £m	2020/21 £m	2021/22 £m
Forecast (use of)/ contribution to reserve	3.325	(0.586)	0.469
Forecast balance at year end	7.059	6.473	6.942

In addition, the individual cabinet portfolios maintain specific reserves totalling £46 million. Such reserves are earmarked for particular purposes, for example to fund future projects, smooth uneven funding or spending profiles or mitigate future risks.

We have also been prudent in our treatment of the windfall income which we anticipate receiving as a result of our involvement in the West Midlands business rates retention pilot. The first call on any such income would be to make good the financial position of any of the members of the pilot, under the agreed principle of “no detriment”. The 2017/18 windfall income of £5.1 million was contributed to a contingency and allocated by Full Cabinet to fund pressures in adults' and children's and public health services in 2018/19.

The windfall income received in 2018/19 totalled £8.3 million which has been contributed to the windfall contingency. In line with recommendations reported as part of the 2019/20 budget process, Full Cabinet approved allocations from this contingency in June 2019 totalling £6.9 million: £4.2 million to fund place-based investment, £2.1 million to offset business rates fluctuations in the MTFs and £0.6 million to children's services.

Further information on the movements in the earmarked general fund balances, which includes the budget strategy reserve, the windfall contingency and a specific contingency for adult social care, is provided in Note 12.

Taken together, the level of the general fund earmarked and working balances contributes to the financial resilience of the Council and supports the MTFs, which continues to serve us well in balancing the many and complex demands on our budget and resourcing framework. These are difficult times for local government, but Solihull is on a sound footing to meet the challenges ahead.

[signed by Paul Johnson 25 July 2019]

Paul Johnson CPFA
 Director of Resources and
 Deputy Chief Executive
 25 July 2019

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 Council, that officer is the Director of Resources and Deputy Chief Executive.
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Accounting Statement.

The Director of Resources and Deputy Chief Executive's Responsibilities:

The Director of Resources and Deputy Chief Executive is responsible for the preparation of the Council's Accounting Statement 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 Accounting Statement, the Director of Resources and Deputy Chief Executive 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 and Deputy Chief Executive has also:

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

Certification by the Director of Resources and Deputy Chief Executive:

I, the Director of Resources and Deputy Chief Executive of Solihull Metropolitan Borough Council, certify that the Accounting Statement 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 2019.

[signed by Paul Johnson 25 July 2019]

Paul Johnson CPFA
Director of Resources and Deputy Chief Executive
Authorised for issue date: 25 July 2019

Approval by Governance Committee

The audited Accounting Statement was approved by the Governance Committee at its July 2019 meeting.

[signed by Councillor Hogarth 25 July 2019]

Councillor Peter Hogarth MBE
Chair of Governance Committee
25 July 2019

Comprehensive Income and Expenditure Statement

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.

Comprehensive Income and Expenditure Statement (CI&ES)

2018/19

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes
Adult Social Care and Health	100,421	(47,278)	53,143	
Children, Education and Skills	193,768	(151,257)	42,511	
Environment and Housing	36,454	(46,285)	(9,831)	
Leisure, Tourism and Sport	6,272	(1,699)	4,573	5
Managed Growth	14,018	(12,162)	1,856	
Resources and Delivering Value	99,094	(61,638)	37,456	5
Stronger Communities and Partnerships	7,481	(5,408)	2,073	
Transport and Highways	18,462	(7,153)	11,309	
Cost of Services	475,970	(332,880)	143,090	
Parish precepts			1,325	
Levies payable			8,567	
Amounts payable into the housing capital receipts pool			1,344	
(Gain)/ loss on disposal of non-current assets			(4,149)	5
Total Other Operating Expenditure			7,087	
Interest payable on debt			13,765	
Interest payable on finance leases, PFI and similar contracts			6,111	
Net interest on the net defined benefit liability			6,949	42
Investment interest income			(749)	21
Other investment income			(10,139)	5,21
(Surplus)/ deficit of trading operations not allocated to services			432	7
Income and expenditure in relation to investment properties and changes in their fair value			(1,693)	
Total Financing and Investment Income & Expenditure			14,676	
Council tax			(102,644)	C3
Business rates			(46,937)	C3
Non ring-fenced government grants			(8,041)	8
Recognised capital grants and contributions			(19,006)	8
Total Taxation and Non-Specific Grant Income			(176,628)	
(Surplus)/ Deficit on the Provision of Services			(11,775)	
(Surplus)/ deficit on revaluation of property, plant & equipment			(1,345)	5
Impairment losses on non-current assets charged to the revaluation reserve			0	
(Surplus)/ deficit from investments in equity instruments designated at fair value through other comprehensive income			(2,738)	21
Remeasurement of the net defined benefit liability			(25,427)	5, 42
Any other (gains)/losses			0	
Other Comprehensive Income and Expenditure			(29,510)	
Total Comprehensive Income and Expenditure			(41,285)	

Comprehensive Income and Expenditure Statement (CI&ES)

Prior year comparatives	2017/18 (restated ¹)			Notes
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
Adult Social Care and Health	99,420	(42,446)	56,974	
Children, Education and Skills	183,803	(140,979)	42,824	
Environment and Housing	37,980	(47,693)	(9,713)	
Leisure, Tourism and Sport	17,677	(1,343)	16,334	5
Managed Growth	5,674	(4,470)	1,204	
Resources and Delivering Value	90,461	(68,841)	21,620	5
Stronger Communities and Partnerships	7,063	(4,998)	2,065	
Transport and Highways	16,653	(6,588)	10,065	
Cost of Services	458,731	(317,358)	141,373	
Parish precepts			1,240	
Levies payable			9,090	
Amounts payable into the housing capital receipts pool			1,407	
(Gain)/ loss on disposal of non-current assets			45,804	5
Total Other Operating Expenditure			57,541	
Interest payable on debt			10,910	
Interest payable on finance leases, PFI and similar contracts			6,402	
Net interest on the net defined benefit liability			7,529	42
Investment interest income			(358)	21
Other investment income			(4,067)	5, 21
(Surplus)/ deficit of trading operations not allocated to services			265	7
Income and expenditure in relation to investment properties and changes in their fair value ²			(1,028)	
Total Financing and Investment Income & Expenditure			19,653	
Council tax			(97,393)	C3
Business rates			(45,835)	C3
Non ring-fenced government grants			(8,869)	8
Recognised capital grants and contributions			(19,733)	8
Total Taxation and Non-Specific Grant Income			(171,830)	
(Surplus)/ Deficit on the Provision of Services			46,737	
(Surplus)/ deficit on revaluation of property, plant & equipment			(91,205)	5
Impairment losses on non-current assets charged to the revaluation reserve			0	
(Surplus) or deficit on revaluation of available-for-sale financial assets			(2,107)	21
Remeasurement of the net defined benefit liability			(18,392)	5, 42
Any other (gains)/losses			(29)	
Other Comprehensive Income and Expenditure			(111,733)	
Total Comprehensive Income and Expenditure			(64,996)	

¹ In May 2018, a new cabinet portfolio, Leisure, Tourism and Sport, was created and therefore in order to provide meaningful comparative information, the 2017/18 figures have been restated to reflect this change. For further information, please see note 2 - prior period adjustments.

²The presentation has been updated to show income and expenditure in relation to investment properties including changes in fair value on one line.

Movement In Reserves Statement

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 local taxation) and other 'unusable reserves'.

This statement shows how the movements in the year of the Council's reserves are broken down between gains and losses shown in the CI&ES and the statutory adjustments required to return to be charged to the General Fund Balance and the Housing Revenue Account for council tax and dwellings rent setting purposes.

The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement (MIRS)

2018/19	Revenue reserves					Capital Reserves					
	General Fund Working Balance £000	Earmarked General Fund Balance (Note 12) £000	Earmarked Revenue Reserves (Note 11) £000	Subtotal General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2018	(6,293)	(12,412)	(44,838)	(63,543)	(13,154)	(14,067)	(2,355)	(15,224)	(108,343)	(474,554)	(582,897)
<u>Movement in reserves during 2018/19</u>											
Total Comprehensive Income and Expenditure (CI&ES)	10,808	0	0	10,808	(22,583)	0	0	0	(11,775)	(29,510)	(41,285)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(17,885)	0	0	(17,885)	21,183	(3,651)	(839)	(3,456)	(4,648)	4,648	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(7,077)	0	0	(7,077)	(1,400)	(3,651)	(839)	(3,456)	(16,423)	(24,862)	(41,285)
Transfers (to)/ from earmarked reserves (Note 11)	8,387	(7,474)	(913)	0	0	0	0	0	0	0	0
(Increase)/ Decrease in 2018/19	1,310	(7,474)	(913)	(7,077)	(1,400)	(3,651)	(839)	(3,456)	(16,423)	(24,862)	(41,285)
Balance at 31 March 2019	(4,983)	(19,886)	(45,751)	(70,620)	(14,554)	(17,718)	(3,194)	(18,680)	(124,766)	(499,416)	(624,182)

Movement in Reserves Statement (MIRS) prior year comparatives

2017/18	Revenue reserves					Capital Reserves					
	General Fund Working Balance £000	Earmarked General Fund Balance (Note 12) £000	Earmarked Revenue Reserves (Note 11) £000	Subtotal General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2017	(8,394)	(8,290)	(47,375)	(64,059)	(11,045)	(13,433)	(2,026)	(9,609)	(100,172)	(417,729)	(517,901)
<u>Movement in reserves during 2017/18</u>											
Total Comprehensive Income and Expenditure (CI&ES)	69,473	0	0	69,473	(22,736)	0	0	0	46,737	(111,733)	(64,996)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(68,957)	0	0	(68,957)	20,627	(634)	(329)	(5,615)	(54,908)	54,908	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	516	0	0	516	(2,109)	(634)	(329)	(5,615)	(8,171)	(56,825)	(64,996)
Other transfers (to)/ from earmarked reserves	1,585	(4,122)	2,537	0	0	0	0	0	0	0	0
(Increase)/ Decrease in 2017/18	2,101	(4,122)	2,537	516	(2,109)	(634)	(329)	(5,615)	(8,171)	(56,825)	(64,996)
Balance at 31 March 2018	(6,293)	(12,412)	(44,838)	(63,543)	(13,154)	(14,067)	(2,355)	(15,224)	(108,343)	(474,554)	(582,897)

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, are those that the Council is not able to use to provide services.

Balance Sheet

31 March 2018 ¹		31 March 2019	
£000		£000	Notes
417,196	Council Dwellings	437,681	H2
548,431	Other Land and Buildings	539,686	
16,131	Vehicles, Plant and Equipment	14,063	
129,215	Infrastructure Assets	130,560	
12,290	Community Assets	12,911	
9,740	Assets under Construction	14,931	
<u>1,133,003</u>	sub-total Property, Plant & Equipment	<u>1,149,832</u>	13
950	Heritage Assets	950	
10,603	Investment Property	17,579	16
632	Intangible Assets	1,720	
44,920	Long-Term Investments	47,641	18d
1,219	Long-Term Debtors	1,137	
<u>1,191,327</u>	Long-Term Assets	<u>1,218,859</u>	
30,060	Short-Term Investments	46,179	
737	Inventories	841	
36,483	Short-Term Debtors	47,189	22
6,852	Cash and Cash Equivalents	15,748	24
<u>74,132</u>	Current Assets	<u>109,957</u>	
(17,070)	Bank Overdraft	(16,562)	24
(2,908)	Short-Term Borrowing	(3,066)	18e
(52,455)	Short-Term Creditors	(62,970)	25
(10,494)	Short-Term Provisions	(8,078)	26
<u>(82,927)</u>	Current Liabilities	<u>(90,676)</u>	
(5,864)	Long-Term Provisions	(8,244)	26
(255,788)	Long-Term Borrowing	(254,684)	18e
(274,014)	Net Pensions Liability	(288,207)	42
(57,159)	Other Long-Term Liabilities	(54,949)	18e
(6,810)	Capital Grants Receipts in Advance	(7,874)	8
<u>(599,635)</u>	Long-term Liabilities	<u>(613,958)</u>	
<u>582,897</u>	Net Assets	<u>624,182</u>	
(108,343)	Usable Reserves	(124,766)	MIRS
(474,554)	Unusable Reserves	(499,416)	10
<u>(582,897)</u>	Total Reserves	<u>(624,182)</u>	

¹ The presentation of the 2017/18 figures has been updated to include Receipts in Advance and Carbon Allowances within Short-term Debtors and to include Payments in Advance within Creditors. Further analysis is given in notes 22 and 25.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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.

The Cash Flow Statement summarises the movement of cash and cash equivalents during the year regardless of which year they relate to, whereas the other core statements are based on any transaction or change in value that is relevant to 2018/19.

Cash Flow Statement

2017/18 £000		2018/19 £000	Notes
46,737	Net (surplus)/ deficit on the provision of services	(11,775)	CI&ES
(74,985)	Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	(50,786)	27
31,961	Adjustments for items in the net (surplus)/ deficit on the provision of services that are investing and financing activities	28,519	28
3,713	Net cash flows from operating activities	(34,042)	
8,715	Investing activities	21,903	30
(2,797)	Financing activities	2,735	31
9,631	Net (increase) / decrease in cash and cash equivalents	(9,404)	
	<u>Overall movement in cash and cash equivalents</u>		
(587)	Cash and cash equivalents at the beginning of the reporting period	(10,218)	
(9,631)	Net increase / (decrease) in cash and cash equivalents	9,404	
(10,218)	Cash and cash equivalents at the end of the reporting period	(814)	24

Disclosure notes to the Accounts

1. Expenditure and Funding Analysis

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 authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's cabinet portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. In May 2018, a new cabinet portfolio, Leisure, Tourism and Sport, was created and therefore in order to provide meaningful comparative information the 2017/18 figures have been restated to reflect this change.

2018/19	Cabinet Report £000	Total adjustments (Note 1a) £000	Net expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between the funding and accounting basis (Note 1a) £000	Net expenditure in the CI&ES £000
Adult Social Care and Health	50,308	447	50,755	2,388	53,143
Children, Education and Skills	33,397	(3,752)	29,645	12,866	42,511
Children, Education and Skills - Dedicated Schools Grant (DSG)	(375)	375	0	0	0
Environment and Housing	13,610	(3,060)	10,550	(20,381)	(9,831)
Leisure, Tourism and Sport	3,203	(230)	2,973	1,600	4,573
Managed Growth	1,754	2,487	4,241	(2,385)	1,856
Resources and Delivering Value	26,399	(6,174)	20,225	17,231	37,456
Stronger Communities and Partnerships	1,501	(83)	1,418	655	2,073
Transport and Highways	5,745	215	5,960	5,349	11,309
Cost of services	135,542	(9,775)	125,767	17,323	143,090
Other income and expenditure (incl. levies)	(134,525)	281	(134,244)	(20,621)	(154,865)
(Surplus) or deficit	1,017	(9,494)	(8,477)	(3,298)	(11,775)

The following table shows how the net expenditure chargeable to the General Fund and HRA balances of £8.477m is represented in the Movement in Reserves Statement:

	Subtotal General Fund Balance £000	Housing Revenue Account (HRA) £000	Total General Fund and Housing Revenue Account (HRA) £000
Opening General Fund and HRA Balance at 1 April 2018	(63,543)	(13,154)	(76,697)
Add (surplus)/deficit on General Fund and HRA Balance in Year	(7,077)	(1,400)	(8,477)
Closing General Fund and HRA Balance at 31 March 2019	(70,620)	(14,554)	(85,174)

1. Expenditure and Funding Analysis (continued)

Prior year comparatives

2017/18 (restated ¹)	Cabinet Report £000	Total adjustments (Note 1a) £000	Net expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between the funding and accounting basis (Note 1a) £000	Net expenditure in the CI&ES Statement £000
Adult Social Care and Health	53,034	558	53,592	3,382	56,974
Children, Education and Skills	32,982	(3,902)	29,080	13,744	42,824
Children, Education and Skills - Dedicated Schools Grant (DSG)	771	(771)	0	0	0
Environment and Housing	14,256	(4,417)	9,839	(19,552)	(9,713)
Leisure, Tourism and Sport	3,878	(789)	3,089	13,245	16,334
Managed Growth	1,328	306	1,634	(430)	1,204
Resources and Delivering Value	16,788	(263)	16,525	5,095	21,620
Stronger Communities and Partnerships	1,751	572	2,323	(258)	2,065
Transport and Highways	5,892	(1,265)	4,627	5,438	10,065
Cost of services	130,680	(9,971)	120,709	20,664	141,373
Other income and expenditure (incl. levies)	(130,973)	8,671	(122,302)	27,666	(94,636)
(Surplus) or deficit	(293)	(1,300)	(1,593)	48,330	46,737

The following table shows how the net expenditure chargeable to the General Fund and HRA balances of £1.593m is represented in the Movement in Reserves Statement:

	Subtotal General Fund Balance £000	Housing Revenue Account (HRA) £000	Total General Fund and Housing Revenue Account (HRA) £000
Opening General Fund and HRA Balance at 1 April 2017	(64,059)	(11,045)	(75,104)
Add (surplus)/deficit on General Fund and HRA Balance in Year	516	(2,109)	(1,593)
Closing General Fund and HRA Balance at 31 March 2018	(63,543)	(13,154)	(76,697)

¹ The 2017/18 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 2 - prior period adjustments.

1a. Note to the Expenditure and Funding Analysis

2018/19	Housing Revenue Account £000	Earmarked Revenue Reserves £000	Earmarked General Fund Balance £000	General Fund Working Balance £000	Move DSG balance to Children, Education and Skills £000	Items reported at Cabinet level but which sit below the Net cost of services £000	Total adjustments to arrive at amount charged to the general fund and HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total adjustment between the funding and accounting basis £000
Note	(i)	(ii)	(ii)	(iii)	(iv)	(v)		(vi)	(vii)	(viii)	
Adult Social Care and Health	0	447	0	0	0	0	447	1,239	1,149	0	2,388
Children, Education and Skills	0	1,890	0	0	(375)	(5,267)	(3,752)	9,235	3,631	0	12,866
Children, Education and Skills - Dedicated Schools Grant (DSG)	0	0	0	0	375	0	375	0	0	0	0
Environment and Housing	(1,400)	754	0	0	0	(2,414)	(3,060)	(20,519)	123	15	(20,381)
Leisure, Tourism and Sport	0	(230)	0	0	0	0	(230)	1,367	233	0	1,600
Managed Growth	0	689	0	0	0	1,798	2,487	(2,756)	371	0	(2,385)
Resources and Delivering Value	0	(4,488)	0	(6,744)	0	5,058	(6,174)	(2,138)	16,771	2,598	17,231
Stronger Communities and Partnerships	0	(83)	0	0	0	0	(83)	225	430	0	655
Transport and Highways	0	201	0	0	0	14	215	5,037	312	0	5,349
Net cost of services	(1,400)	(820)	0		0	(811)	(9,775)	(8,310)	23,020	2,613	17,323
Other income and expenditure	0	(93)	(7,474)	7,037	0	811	281	(18,339)	0	(2,282)	(20,621)
Total	(1,400)	(913)	(7,474)	7,037	0	0	(9,494)	(26,649)	23,020	331	(3,298)

1a. Note to the Expenditure and Funding Analysis (continued)

2017/18 (restated ¹)	Housing Revenue Account £000	Earmarked Revenue Reserves £000	Earmarked General Fund Balance £000	General Fund Working Balance £000	Move DSG balance to Children, Education and Skills £000	Items reported at Cabinet level but which sit below the Net cost of services £000	Total adjustments to arrive at amount charged to the general fund and HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total adjustment between the funding and accounting basis £000
Note	(i)	(ii)		(iii)	(iv)	(v)		(vi)	(vii)	(viii)	
Adult Social Care and Health	0	558	0	0	0	0	558	1,888	1,494	0	3,382
Children, Education and Skills	0	766	0	0	771	(5,439)	(3,902)	9,068	4,676	0	13,744
Children, Education and Skills - Dedicated Schools Grant (DSG)	0	0	0	0	(771)	0	(771)	0	0	0	0
Environment and Housing	(2,109)	411	0	0	0	(2,719)	(4,417)	(19,873)	275	46	(19,552)
Leisure, Tourism and Sport	0	(885)	129	0	0	(33)	(789)	12,952	293	0	13,245
Managed Growth	0	(566)	0	0	0	872	306	(829)	399	0	(430)
Resources and Delivering Value	0	3,157	0	0	0	(3,420)	(263)	(2,466)	7,269	292	5,095
Stronger Communities and Partnerships	0	572	0	0	0	0	572	(733)	475	0	(258)
Transport and Highways	0	(1,357)	0	0	0	92	(1,265)	5,087	351	0	5,438
Net cost of services	(2,109)	2,656	129	0	0	(10,647)	(9,971)	5,094	15,232	338	20,664
Other income and expenditure	0	(119)	(4,251)	2,394	0	10,647	8,671	31,214	0	(3,548)	27,666
Total	(2,109)	2,537	(4,122)	2,394	0	0	(1,300)	36,308	15,232	(3,210)	48,330

¹ The 2017/18 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 2 - prior period adjustments.

1a. Note to the Expenditure and Funding Analysis (continued)

- (i) The net contribution to the Housing Revenue Account is reported to the Council within the Environment and Housing cabinet portfolio. Therefore, this needs to be removed as it is part of the (surplus) or deficit on the General Fund and HRA Balances.
- (ii) For resource management purposes, the Council includes contributions (to)/ from earmarked revenue reserves and balances in its cabinet reporting. Therefore, these need to be removed as they are part of the (surplus) or deficit on the General Fund and HRA Balances.
- (iii) The budgeted use of the General Fund Working Balance is included in the Cabinet reporting column in note 1. This therefore needs to be removed to be shown as part of the adjustment between the figures reported to Cabinet and the amount charged to the General Fund and HRA.
- (iv) In the Cabinet report, the amount funded by the Dedicated Schools Grant (DSG) within the Children, Education & Skills cabinet is shown separately. However, as this is within the same cabinet, it is all in one line in the CI&ES.
- (v) A number of items that are reported to management (e.g. interest payable, investment income and some non-ringfenced grants) are reported in the financial statements below the cost of services, therefore, this table shows the items being reallocated.
- (vi) In general this column adds in depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off. Minimum Revenue Provision is deducted because it is not chargeable under generally accepted accounting practices. Adjustments are also made to recognise capital grant income.
- (vii) This is the removal of pension contributions charged under statute and replacement with those charged under IAS 19.
- (viii) This column includes timing differences between the accounting treatment in the General Fund and that required under statute in relation to premiums, discounts and financial instruments; the accumulated absences account; and business rates and council tax income.

2. Prior Period Adjustments

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

2a. Prior Period Restatement 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 2018, a new cabinet portfolio, Leisure, Tourism and Sport, was created and therefore in order to provide meaningful comparative information the 2017/18 CI&ES figures have been restated to reflect this new cabinet. This change is also reflected in Note 1 - the Expenditure and Funding Analysis. This note shows how the net expenditure, gross expenditure and income have been restated.

2a. Prior Period Restatement of Service Expenditure and Income (continued)

Cabinet Portfolio per 2017/18 accounting statement	As reported in the CI&ES 2017/18 £000	Movement between Cabinets £000	As restated 2017/18 £000	Revised Cabinet Portfolio
Net Expenditure				
Adult Social Care and Health	56,974	0	56,974	Adult Social Care and Health
Children, Education and Skills	42,824	0	42,824	Children, Education and Skills
Environment and Housing	(9,505)	(208)	(9,713)	Environment and Housing
-	0	16,334	16,334	Leisure, Tourism and Sport
Managed Growth	1,204	0	1,204	Managed Growth
Resources and Delivering Value	21,620	0	21,620	Resources and Delivering Value
Stronger Communities and Partnerships	18,191	(16,126)	2,065	Stronger Communities and Partnerships
Transport and Highways	10,065	0	10,065	Transport and Highways
Cost of services	141,373	0	141,373	
Gross Expenditure				
Adult Social Care and Health	99,420	0	99,420	Adult Social Care and Health
Children, Education and Skills	183,803	0	183,803	Children, Education and Skills
Environment and Housing	38,309	(329)	37,980	Environment and Housing
-	0	17,677	17,677	Leisure, Tourism and Sport
Managed Growth	5,674	0	5,674	Managed Growth
Resources and Delivering Value	90,461	0	90,461	Resources and Delivering Value
Stronger Communities and Partnerships	24,411	(17,348)	7,063	Stronger Communities and Partnerships
Transport and Highways	16,653	0	16,653	Transport and Highways
Cost of services	458,731	0	458,731	
Gross Income				
Adult Social Care and Health	(42,446)	0	(42,446)	Adult Social Care and Health
Children, Education and Skills	(140,979)	0	(140,979)	Children, Education and Skills
Environment and Housing	(47,814)	121	(47,693)	Environment and Housing
-	0	(1,343)	(1,343)	Leisure, Tourism and Sport
Managed Growth	(4,470)	0	(4,470)	Managed Growth
Resources and Delivering Value	(68,841)	0	(68,841)	Resources and Delivering Value
Stronger Communities and Partnerships	(6,220)	1,222	(4,998)	Stronger Communities and Partnerships
Transport and Highways	(6,588)	0	(6,588)	Transport and Highways
Cost of services	(317,358)	0	(317,358)	

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 47, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Accounting Statement are highlighted below.

Private Finance Initiative (PFI) and Similar Contracts

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

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 2019 is shown below:

	On Balance Sheet	Off Balance Sheet
<u>Maintained Schools:</u>		
Community	36	0
Voluntary Controlled	1	0
Voluntary Aided	0	16
Total Maintained Schools	37	16
<u>Academies</u>	0	25
Total Schools	37	41

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 the School's Governing Body. If the asset is considered to be controlled by the Council, it is included in the Council's balance sheet.

Community schools are controlled and run by the Council, whilst Voluntary Aided (VA) schools are run independently by their governing body. Solihull's VA schools are predominately faith schools. Academies are run by a governing body, independent of the Council.

The Council has one voluntary controlled school, Meriden Church of England Primary. The Council provides funding to maintain the assets, as opposed to the Local Education Authority Co-ordinated Voluntary Aided Programme (LCVAP). The Governing Body is deemed to have its own control as only two foundation Governors are representatives of the Church. As a result of this, the building is recognised on the Council's Balance Sheet.

Group Boundaries

The Council has interests and relationships in other entities which are included in the Council's group accounts. Solihull Community Housing Ltd, Blythe Valley Innovation Centre Ltd and the Urban Growth Company are consolidated as wholly owned subsidiaries of the Council, 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.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Accounting Statement 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 items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Contingent Liabilities	<p>The Council has the following contingent liabilities in the Accounting Statement, further detail is given in Note 44 - Contingent Liabilities:</p> <ol style="list-style-type: none"> 1. Grant Funded Projects There is uncertainty around this contingent liability as it is based on future events. 2. HRA Water Rates This contingent liability is considered to be low risk. 3. Payment of National Minimum or National Living Wage for Sleep-In Shifts There is uncertainty around this contingent liability as it is based on future events. 	The effects on the contingent liabilities in the Accounting Statement can vary due to uncertain future events.
PFI Contracts	At March 2019 the Council is committed to making unitary payments of £232.416m over the remaining contracted life of PFI schemes (see Note 40). The contract payments are subject to inflationary changes and other contract variations that may arise after this date.	The value of future unitary payments could increase or decrease if the current assumed inflationary factors for these projects are inaccurate.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions																											
Provisions	<p>The Council has made the following provisions in the Accounting Statement that are deemed to be uncertain:</p> <ol style="list-style-type: none"> 1. Business rates appeals provision of £14.691m based on the best estimate of the expenditure that will be required to settle the successful appeals. The provision for the appeals relating to the 2005 and 2010 ratings lists is based on the appeals which have been lodged, while the provision for the appeals against the 2017 list is based on the assumed loss from appeals inherent in the business rates scheme; 2. Insurance provision of £1.016m based on the number of self insurance risk claims that are not covered by the Council's external insurance policies; 3. Other provisions totalling £0.615m. <p>Further detail is given in Note 26 - Provisions.</p>	A change over the forthcoming year in the calculation basis of each provision would have the effect of increasing or decreasing the contribution to or from each of the provisions.																											
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>During 2018/19 the updating of assumptions by the Council's actuaries has led to an increase in the net pension liability of £14.193m. This includes an estimate of the potential impact on the Council's net pension liability of the Court of Appeal judgement regarding the McCloud and Sargeant cases, which relate to age discrimination within the Judicial & Fire Pension schemes respectively.</p> <p>Further details on the net pension liability are given in Note 42 - Defined Benefit Pension Schemes.</p>	Any change in the level of the net pension liability is reflected in the CI&ES and the balance sheet, through an equal increase in the Pensions Reserve.																											
Arrears	<p>At 31 March 2019 the Council had the following balances of debtors outstanding for which appropriate impairment allowances have been made:-</p> <table border="1" data-bbox="416 1458 1249 1877"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Arrears</u></th> <th style="text-align: right;"><u>Impairment Allowance</u></th> </tr> </thead> <tbody> <tr> <td>Accounts receivable</td> <td style="text-align: right;">£17.377m</td> <td style="text-align: right;">(£1.852m) (11%)</td> </tr> <tr> <td>Council tax</td> <td style="text-align: right;">£5.446m</td> <td style="text-align: right;">(£4.027m) (74%)</td> </tr> <tr> <td>Housing benefit</td> <td style="text-align: right;">£3.625m</td> <td style="text-align: right;">(£2.675m) (74%)</td> </tr> <tr> <td>HRA (rent & service charges)</td> <td style="text-align: right;">£3.767m</td> <td style="text-align: right;">(£2.949m) (78%)</td> </tr> <tr> <td>Business rates</td> <td style="text-align: right;">£2.667m</td> <td style="text-align: right;">(£1.553m) (58%)</td> </tr> <tr> <td>Payments in advance</td> <td style="text-align: right;">£5.935m</td> <td style="text-align: right;">(£0.000m) (0%)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">£22.582m</td> <td style="text-align: right;">(£0.017m) (0%)</td> </tr> <tr> <td></td> <td style="text-align: right;">£61.399m</td> <td style="text-align: right;">(£13.073m) (21%)</td> </tr> </tbody> </table> <p>Levels of impairment allowance are kept under review to ensure their continued adequacy.</p>		<u>Arrears</u>	<u>Impairment Allowance</u>	Accounts receivable	£17.377m	(£1.852m) (11%)	Council tax	£5.446m	(£4.027m) (74%)	Housing benefit	£3.625m	(£2.675m) (74%)	HRA (rent & service charges)	£3.767m	(£2.949m) (78%)	Business rates	£2.667m	(£1.553m) (58%)	Payments in advance	£5.935m	(£0.000m) (0%)	Other	£22.582m	(£0.017m) (0%)		£61.399m	(£13.073m) (21%)	If collection rates were to deteriorate, higher impairment allowances would be required, which would be charged to the CI&ES.
	<u>Arrears</u>	<u>Impairment Allowance</u>																											
Accounts receivable	£17.377m	(£1.852m) (11%)																											
Council tax	£5.446m	(£4.027m) (74%)																											
Housing benefit	£3.625m	(£2.675m) (74%)																											
HRA (rent & service charges)	£3.767m	(£2.949m) (78%)																											
Business rates	£2.667m	(£1.553m) (58%)																											
Payments in advance	£5.935m	(£0.000m) (0%)																											
Other	£22.582m	(£0.017m) (0%)																											
	£61.399m	(£13.073m) (21%)																											

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:

Leisure, Tourism and Sport

The decrease in net expenditure of £11.761m between 2017/18 and 2018/19 is primarily due to the revenue costs associated with the termination of the public private partnership (PPP) with Rivendell Leisure Ltd for the delivery of leisure services being incurred in 2017/18.

Resources and Delivering Value

The increase in net expenditure is primarily due to two reasons: a revaluation loss of £6.742m on the Council's Other Land and Buildings and an increase in the past service cost of £6.744m which reflects the estimate of the potential impact of the McCloud and Sargeant cases on the Council's pension liability. There has also been a significant decrease in both gross income and gross expenditure due to a continuing reduction in Housing Benefit as a result of the changes to Universal Credit.

Disposal of Non-Current Assets

The main gain on disposal was in relation to the former Brookvale Care Home site of (£2.370m). By comparison, 2017/18 included the loss from the conversion of Smiths Wood Sports College to academy status of £48.231m.

Other Investment Income

The Council made the strategic decision to transfer ownership of the assets of Blythe Valley Innovation Centre to the Council, which took place in 2018/19. This resulted in the Council receiving a one-off dividend of £5.468m which contributed to finance the purchase of the Blythe Valley Innovation Centre assets at a cost of £5.765m.

Remeasurement of the net defined benefit liability

This line within Other Comprehensive Income and Expenditure recognises the variations in the actuarial assumptions provided by the Pension Fund's actuary. In 2018/19, the application of the assumptions in line with the updated valuation of the scheme has led to a credit in the CI&ES of (£25.427m) (2017/18: credit of (£18.392m)). Further information can be found within Note 42 - Defined Benefit Pension Schemes.

(Surplus) or deficit on revaluation of property, plant & equipment

There have been minor revaluation changes during 2018/19. However, during 2017/18 the school properties were revalued which resulted in a significant increase in valuation due to an increase in the depreciated replacement cost of school buildings.

Pension Contributions for 2017/18 - 2019/20

In April 2017 the Council made an upfront payment of £50m in respect of pension contributions for the three years from 2017/18 to 2019/20 in order to save a net £4m over those three financial years. The full payment was accounted for as a reduction in the Council's net pension liability in 2017/18, however accounting regulations require that the amount due in relation to 2018/19 of £16.6m is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and also in the Defined Benefit Pension Schemes note (Note 42).

This means that there is a difference of £17.4m between the net pension liability and the pension reserve, equal to the amount that has been paid in relation to employer's contributions for 2019/20. This difference will remain until the 2019/20 accounts when all payments will have been recognised.

6. Expenditure and Income analysed by Type

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

Restated ¹ 2017/18 £000		2018/19 £000
	Expenditure	
152,910	Employee benefits expenses	165,561
21,444	Employee benefits expenses for voluntary aided schools	21,137
270,519	Other service expenses	269,042
21,652	Depreciation, amortisation, impairment and revaluation losses	27,611
17,312	Interest payments	19,876
10,330	Precepts & levies	9,892
1,407	Payments to the housing capital receipts pool	1,344
45,804	Loss on disposal of non-current assets	0
541,378	Total Expenditure	514,463
	Income	
(107,490)	Fees, charges and other service income ^{Note 6a}	(108,388)
(1,028)	Investment properties including fair value adjustments	(1,693)
0	Gain on disposal of non-current assets	(4,149)
(4,425)	Interest and investment income	(10,888)
(143,228)	Income from council tax and business rates	(149,581)
(238,470)	Government grants and contributions	(251,539)
(494,641)	Total Income	(526,238)
46,737	(Surplus)/ Deficit on the Provision of Services	(11,775)

¹ The 2017/18 figures have been restated to show investment properties including fair value adjustments on one line, to be consistent with the amended presentation in the CI&ES.

6a. Revenue from external customers

The table below provides a breakdown by cabinet portfolio of the total fees, charges and other service income figures shown in the table above.

Restated 2017/18 ¹ £000	2018/19		
	Income from Service recipients £000	Other Income £000	Total fees, charges and other service income £000
(17,520)	(17,725)	0	(17,725)
(14,592)	(15,224)	(1,067)	(16,291)
(45,764)	(44,341)	0	(44,341)
(1,300)	(1,597)	(5)	(1,602)
(2,383)	(2,736)	0	(2,736)
(14,993)	(14,357)	0	(14,357)
(4,797)	(5,195)	0	(5,195)
(6,141)	(6,072)	(69)	(6,141)
(107,490)	(107,247)	(1,141)	(108,388)

¹ The 2017/18 figures have been restated to reflect the updated cabinet portfolios and the amended presentation of investment properties' transactions.

7. Trading Operations

Solihull Catering provides a quality catering service at 105 unit locations. This comprises catering within a range of council services, the provision of member meals, civic hospitality catering and a school meal service within Solihull maintained schools, academies and schools in Coventry. The service has generated a trading deficit in-year of £0.084m, compared to a surplus of £0.578m in 2017/18. This is due to a decline in income, partially off-set by a reduction in costs as a result of decreased trade and significant investment in equipment in the Solihull leisure centres' cafes. The uncertain economic climate, increases in food inflation and changes to minimum wages, constraints on school budgets and decreasing school meal numbers all remain a challenge to the service in the coming year.

The trading position for the catering service for 2018/19 and 2017/18 is shown in the tables below:

2018/19	Internal Trading	External Trading	Total
<i>Number of Units</i>	60	45	105
	£000	£000	£000
Turnover	(5,503)	(5,675)	(11,178)
Expenditure	5,362	5,900	11,262
Total (surplus)/deficit	(141)	225	84
Additional current service cost pension charge	204	207	411
Total (surplus)/ deficit included within the Council's CI&ES	63	432	495

The total shown in the CI&ES for the deficit of trading operations not allocated to services is £0.432m (£0.265m in 2017/18), in respect of the trading position for Solihull academy schools and trading with other authorities. The additional pension charge is an adjustment required for the CI&ES only and is reversed out in the MIRS, so this is not a real cost for the catering service.

2017/18	Internal Trading	External Trading	Total
<i>Number of Units</i>	61	50	111
	£000	£000	£000
Turnover	(5,492)	(5,467)	(10,959)
Expenditure	4,950	5,431	10,381
Total surplus	(542)	(36)	(578)
Additional current service cost pension charge	321	301	622
Total (surplus)/ deficit included within the Council's CI&ES	(221)	265	44

8. Grants Received

8a. 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 at the year end are as follows:

	31 March 2018 £000	31 March 2019 £000
Various Section 106 Contributions	(5,326)	(6,405)
Early Years Grant	(182)	0
Devolved Formula Capital	(211)	(678)
Other Grants and Contributions	(1,091)	(791)
Total	(6,810)	(7,874)

8b. Grant Income

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2017/18 and 2018/19:

	2017/18		2018/19	
	£000	£000	£000	£000
Credited to Taxation and Non-specific Grant Income				
Non ring-fenced government grants				
Section 31 business rates grants	(3,811)		(4,513)	
New Homes Bonus	(3,223)		(3,072)	
Transition Grant	(961)		(456)	
Adult Social Care Support Grant 2017/18	(874)		0	
		(8,869)		(8,041)
Capital Grants and Contributions				
West Midlands Combined Authority	(1,112)		(4,718)	
Local Transport Plan	(3,214)		(4,281)	
Other Capital Grants, Contributions and Donations	(1,764)		(3,052)	
Basic Need Grant (Schools Capital) ²	(6,871)		(2,340)	
Community Infrastructure Levy	(868)		(1,800)	
Condition Grant	(1,298)		(1,506)	
Section 106 contributions	(1,870)		(1,309)	
Highways Challenge Fund	(1,624)		0	
Highways Local Growth Fund	(1,112)		0	
		(19,733)		(19,006)
Credited to Services				
Dedicated Schools Grant (DSG) (Note 37)		(102,046)		(107,875)
Housing Benefit Subsidy (Note 5)		(51,965)		(44,170)
Better Care Fund ¹		(11,502)		(13,252)
Public Health Grant		(11,224)		(10,935)
West Midlands Combined Authority ²		(695)		(9,742)
PFI credits		(6,673)		(6,799)
Pupil Premium		(5,793)		(6,032)
Revenue expenditure funded by capital under statute (REFCUS)		(2,214)		(4,056)
Universal Infant Free School Meals		(2,624)		(2,468)
Asylum Seekers		(2,436)		(2,337)
Sixth Form Funding		(1,812)		(1,765)
PE and Sports Grant		(799)		(988)
Winter Pressures		0		(870)
Independent Living Fund		(819)		(793)
Housing Benefit and Localised Council Tax Support Administration		(820)		(752)
Other Revenue Grants, Contributions and Donations		(8,446)		(11,658)
		(209,868)		(224,492)
Total		(238,470)		(251,539)

¹ For 2018/19 the Better Care Fund figure includes £4.498m in respect of the Improved Better Care Fund (iBCF). Further detail is provided in Note 35 (Pooled Budgets).

² The Council receives grant funding from the West Midlands Combined Authority (WMCA) for infrastructure projects within the borough. Revenue grant from the WMCA was included within the Other Revenue Grants, Contributions and Donations line in the 2017/18 Accounting Statement.

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2018/19	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
Adjustments primarily involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the CI&ES:</u>							
Charges for depreciation and impairment of non-current assets	(25,461)	(9,645)	0	0	0	35,106	
Revaluation gains /(losses) on Property, Plant and Equipment ¹	(7,174)	14,820	0	0	0	(7,646)	
Movements in the fair value of investment property	188	1,124	0	0	0	(1,312)	
Amortisation of intangible assets	(89)	(63)	0	0	0	152	
Capital grants and contributions applied	15,421	97	0	0	0	(15,518)	
Revenue expenditure funded from capital under statute	(4,775)	0	0	0	0	4,775	
Flexible use of capital receipts	0	0	0	0	0	0	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(3,203)	(2,880)	0	0	0	6,083	
<u>Insertion of items not debited or credited to the CI&ES:</u>							
Provision for the repayment of debt	8,629	1,030	0	0	0	(9,659)	
Capital expenditure charged to the General Fund and HRA balances	10,225	417	0	0	0	(10,642)	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CI&ES statement	7,312	232	0	0	(7,544)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,088	(4,088)	
Adjustments primarily involving the Capital Receipts Reserve:							
Credits to the Capital Receipts Reserve to repay debt	0	0	(37)	0	0	37	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	5,799	4,433	(10,232)	0	0	0	
Use of Flexible Capital Receipts to fund service reform	0	0	0	0	0	0	
Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the council	0	0	5,197	0	0	(5,197)	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(77)	0	77	0	0	0	
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(1,344)	0	1,344	0	0	0	
Balance c/fwd	5,451	9,565	(3,651)	0	(3,456)	(7,909)	

Note 9 continued

2018/19	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
Balance b/fwd	5,451	9,565	(3,651)	0	(3,456)	(7,909)	
Adjustment primarily involving the Major Repairs Reserve:							
Major Repairs Reserve credited with an amount equal to the depreciation charged to the HRA	0	9,708	0	(9,708)	0	0	
Charge to the major repairs reserve for the item 8 Determination transfer of excess depreciation over the major repairs allowance	0	1,925	0	(1,925)	0	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,794	0	(10,794)	
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(2,849)	(15)	0	0	0	2,864	
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(41,066)	0	0	0	0	41,066	
Employer's pensions contributions and direct payments to pensioners payable for the current year	18,046	0	0	0	0	(18,046)	
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax and business rates income credited to the CI&ES is different from that calculated for the year in accordance with statutory requirements	2,281	0	0	0	0	(2,281)	
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	252	0	0	0	0	(252)	
Total Adjustments	(17,885)	21,183	(3,651)	(839)	(3,456)	4,648	

¹ Revaluation gains /(losses) on Property, Plant and Equipment includes the revaluation gain of £14.820m on the Council's dwellings. In 2010/11 the Council dwellings were revalued downwards and £141.662m charged against the CI&ES as an exceptional item. Any revaluation gains of the Council's dwellings up to the value of £141.662m have to be accounted for in the CI&ES rather than the revaluation reserve. During 2018/19 the Council dwellings have been revalued and a revaluation gain of £14.820m has to be accounted for in the CI&ES rather than the revaluation reserve.

Note 9 continued

2017/18	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
Adjustments primarily involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the CI&ES:</u>							
Charges for depreciation and impairment of non-current assets	(23,023)	(9,241)	0	0	0	32,264	
Revaluation losses on Property, Plant and Equipment	(3,068)	14,010	0	0	0	(10,942)	
Movements in the fair value of investment property	93	498	0	0	0	(591)	
Amortisation of intangible assets	(292)	(92)	0	0	0	384	
Capital grants and contributions applied	10,877	1,433	0	0	0	(12,310)	
Revenue expenditure funded from capital under statute	(3,269)	(4)	0	0	0	3,273	
Flexible use of capital receipts	(11,121)	0	0	0	0	11,121	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(54,885)	(4,201)	0	0	0	59,086	
<u>Insertion of items not debited or credited to the CI&ES:</u>							
Provision for the repayment of debt	8,240	920	0	0	0	(9,160)	
Capital expenditure charged to the General Fund and HRA balances	3,888	170	0	0	0	(4,058)	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied debited/ (credited) to the CI&ES	9,290	348	0	0	(9,638)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,023	(4,023)	
Adjustments primarily involving the Capital Receipts Reserve:							
Credits to the Capital Receipts Reserve to repay debt	0	0	(69)	0	0	69	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	7,778	5,504	(13,282)	0	0	0	
Use of Flexible Capital Receipts to fund service reform.	0	0	11,121	0	0	(11,121)	
Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	0	0	107	0	0	(107)	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(82)	0	82	0	0	0	
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(1,407)	0	1,407	0	0	0	
Balance c/fwd	(56,981)	9,345	(634)	0	(5,615)	53,885	

Note 9 continued

2017/18	Usable Reserves						
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	
Balance b/fwd	(56,981)	9,345	(634)	0	(5,615)	53,885	
Adjustment primarily involving the Major Repairs Reserve:							
Major Repairs Reserve credited with an amount equal to the depreciation charged to the HRA	0	9,333	0	(9,333)	0	0	
Charge to the major repairs reserve for the item 8 Determination transfer of excess depreciation over the major repairs allowance	0	1,994	0	(1,994)	0	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,998	0	(10,998)	
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(73)	(45)	0	0	0	118	
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(32,198)	0	0	0	0	32,198	
Employer's pensions contributions and direct payments to pensioners payable for the current year	16,966	0	0	0	0	(16,966)	
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax and business rates income credited to the CI&ES is different from that calculated for the year in accordance with statutory requirements	3,548	0	0	0	0	(3,548)	
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(219)	0	0	0	0	219	
Total Adjustments	(68,957)	20,627	(634)	(329)	(5,615)	54,908	

Note 9 continued**Usable Reserves**

The purpose of each usable reserve is detailed below:

General Fund Working Balance

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

Earmarked General Fund Balance

These are resources set aside for specific budgetary purposes. Further details are shown in Note 12.

Earmarked Revenue Reserves

These are resources that have been set aside for specific future running costs. Further details of the significant reserves within this heading are shown in Note 11.

Housing Revenue Account

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Capital Grants Unapplied Account

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

10. Unusable Reserves

The balance of the Council's unusable reserves are summarised in the following table. Further details of material reserves are given in the tables that follow.

31 March 2018 £000	31 March 2019 £000	Note
(282,275) Revaluation Reserve	(272,792)	10a
(462,157) Capital Adjustment Account	(491,705)	10b
(39,564) Available for Sale Financial Instruments Reserve	0	10c
0 Financial Instruments Revaluation Reserve	(42,285)	10d
(91) Financial Instruments Adjustment Account (FIAA)	2,773	
308,014 Pensions Reserve	305,607	10e
(870) Collection Fund Adjustment Account	(3,151)	
2,389 Accumulated Absences Account	2,137	
(474,554) Total Unusable Reserves	(499,416)	

10a. 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.

2017/18 £000	2018/19	
	£000	£000
(225,980) Balance at 1 April		(282,275)
(92,966) Upward revaluation of assets	(11,270)	
1,761 Downward revaluation of assets and impairment losses not charged to the (Surplus)/ Deficit on the Provision of Services in the CI&ES	9,924	
		(1,346)
9,746 Difference between fair value depreciation and historical cost depreciation		10,077
25,164 Disposals and transfers to investment property		752
(282,275) Balance at 31 March		(272,792)

10b. 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 finance 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.

2017/18 £000	2018/19 £000	£000
(470,104)	Balance at 1 April	(462,157)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
31,495	Charges for depreciation on non-current assets	35,106
769	Charges for impairment on non-current assets	0
(10,942)	Revaluation (gains)/losses on Property, Plant and Equipment	(7,646)
384	Amortisation of intangible non-current assets	152
3,273	Revenue expenditure funded from capital under statute	4,775
11,121	Revenue expenditure funded from capital under statute - flexible use of capital receipts	0
59,086	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the CI&ES	6,083
95,186		38,470
	Adjusting amounts written out of the Revaluation Reserve	
(9,746)	Write down of the Revaluation Reserve - Depreciation	(10,077)
(25,164)	Write down of the Revaluation Reserve - Disposals	(751)
0	Write down of the Financial Instrument Revaluation Reserve - Disposals	(17)
(34,910)	Net amount written out of the cost of non-current assets consumed in the year	(10,845)
	Capital Financing applied in the year:	
(107)	Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	(5,197)
(10,998)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,794)
(12,310)	Use of capital grants and contributions credited to the CI&ES	(15,518)
(4,023)	Application of grants from the Capital Grants Unapplied Account to fund capital expenditure	(4,088)
(4,058)	Capital expenditure funded from revenue and reserves	(10,642)
(9,160)	Provision for the repayment of debt	(9,659)
(40,656)		(55,898)
	Other Movements	
(591)	Movements in the market value of investment properties debited or credited to the CI&ES	(1,312)
(11,121)	Flexible use of capital receipts	0
(29)	Removal of liability relating to the disposal of leased assets	0
68	Repayment of debt	37
(11,673)		(1,275)
(462,157)	Balance at 31 March	(491,705)

10c. Available for Sale Financial Instruments Reserve

Under accounting standard IFRS 9, all assets previously held within the Available for Sale Financial Instruments Reserve have been elected as Fair Value through Other Comprehensive Income. As a result of this all balances held within the reserve have been transferred into the newly created Financial Instruments Revaluation Reserve.

2017/18 £000	2018/19 £000
(37,457) Balance at 1 April	(39,564)
0 Reclassification of assets under IFRS 9	39,564
(2,107) (Upward) or downward revaluation of investments	0
(39,564) Balance at 31 March	0

10d. Financial Instruments Revaluation Reserve

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

2017/18 £000	2018/19 £000
0 Balance at 1 April	0
0 Reclassification of asset under IFRS9	(39,564)
0 (Upward) or downward revaluation of investments	(2,738)
0 Disposals	17
0 Balance at 31 March	(42,285)

10e. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them, but the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. As detailed in Note 5, the difference between the net pension liability and the pensions reserve as at 31 March 2019 is as a result of the advance payment of £17.400m for the employer's contributions for 2019/20.

2017/18 £000	2018/19 £000	£000
311,174 Balance at 1 April		308,014
(18,392) Remeasurement of the net defined benefit liability	(25,427)	
32,198 Reversal of items relating to retirement benefits debited to the (Surplus)/ Deficit on the Provision of Services in the CI&ES	41,066	
(16,966) Employer's pensions contributions and direct payments to pensioners payable in the year	(18,046)	
		(2,407)
308,014 Balance at 31 March		305,607

11. 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 2017/18 and 2018/19.

General Fund Earmarked Revenue Reserves	Balance at 1 April 2017	Transfers out 2017/18	Transfers in 2017/18	Balance at 31 March 2018	Transfers out 2018/19	Transfers in 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Schools ¹	(11,547)	2,800	(2,527)	(11,274)	3,010	(3,363)	(11,627)
Future Capital Spending	(5,113)	335	(30)	(4,808)	386	(416)	(4,838)
External Debt Interest	(5,456)	4,076	(1,442)	(2,822)	841	(2,840)	(4,821)
Insurance	(3,343)	1,480	(1,406)	(3,269)	492	(707)	(3,484)
Grants unapplied with no conditions	(3,735)	1,692	(851)	(2,894)	2,164	(1,022)	(1,752)
Leisure	(241)	0	(967)	(1,208)	51	(316)	(1,473)
Schools Catering	(757)	53	(579)	(1,283)	73	0	(1,210)
Section 38	0	0	(730)	(730)	60	(204)	(874)
Resources Directorate	(423)	0	(440)	(863)	0	0	(863)
Commuted Sums	0	0	(808)	(808)	95	(30)	(743)
Early Help Apprenticeship	(150)	50	0	(100)	393	(927)	(634)
Development, Investment and Growth (DIG Fund)	(1,650)	0	0	(1,650)	1,082	0	(568)
Street Lighting Services	(467)	183	(580)	(864)	750	(453)	(567)
Social Care Information System Project	0	0	0	0	0	(526)	(526)
Solihull Families First	(863)	156	0	(707)	502	(315)	(520)
Highways Section 106 agreements	0	17	(657)	(640)	187	(67)	(520)
Severance	(1,308)	1,226	(469)	(551)	651	(469)	(369)
Recycling Projects	(1,124)	288	0	(836)	639	0	(197)
Bereavement Services	(574)	715	(141)	0	0	(81)	(81)
Business Rates Deficit Reserve	(1,121)	1,616	(861)	(366)	1,149	(783)	0
Unaccompanied Asylum Seeking Children	(773)	643	0	(130)	130	0	0
Sub Total	(38,645)	15,330	(12,488)	(35,803)	12,655	(12,519)	(35,667)
Other	(8,730)	1,131	(1,436)	(9,035)	1,837	(2,886)	(10,084)
Total	(47,375)	16,461	(13,924)	(44,838)	14,492	(15,405)	(45,751)

¹ Reserves held by schools under the delegated local management scheme are legally committed to be spent on the schools themselves and are not available to the Council for general use.

12. Transfers (to)/ from Earmarked General Fund Balance

This note sets out the amounts set aside from the General Fund in earmarked contingencies to provide financing for future expenditure plans and the amounts transferred from earmarked contingencies to meet General Fund expenditure in 2017/18 and 2018/19.

Earmarked General Fund Balance	Balance at 1 April 2017	Transfers out 2017/18	Transfers in 2017/18	Balance at 31 March 2018	Transfers out 2018/19	Transfers in 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Adult Social Care Investment	0	0	(2,497)	(2,497)	0	(2,571)	(5,068)
Budget Strategy	(6,450)	1,288	0	(5,162)	1,428	0	(3,734)
Business Rates Windfall	0	871	(5,417)	(4,546)	1,699	(8,030)	(10,877)
Children's Services	(1,633)	1,633	0	0	0	0	0
Public Health	(207)	0	0	(207)	0	0	(207)
Total	(8,290)	3,792	(7,914)	(12,412)	3,127	(10,601)	(19,886)

13. Movements on Balances for Property, Plant and Equipment

2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Net Book Value at 31 March 2018	417,196	548,431	16,131	129,215	12,290	9,740	1,133,003	6,539
Additions	14,757	15,241	1,724	5,237	630	11,311	48,900	0
Other adjustments	0	0	413	0	0	(422)	(9)	413
Revaluations recognised in the revaluation reserve	(52)	1,407	0	0	(9)	0	1,346	0
Revaluations recognised in the (surplus)/ deficit on the provision of services	14,819	(7,173)	0	0	0	0	7,646	0
Disposals	(2,880)	(3,186)	0	0	0	0	(6,066)	0
Reclassifications	3,103	2,275	0	437	0	(5,698)	117	0
Depreciation on cost	(8,768)	(7,726)	(4,205)	(4,329)	0	0	(25,028)	(1,397)
Depreciation written out to revaluation reserve	(494)	(9,583)	0	0	0	0	(10,077)	0
Impairment losses recognised in the revaluation reserve	0	0	0	0	0	0	0	0
Impairment losses recognised in the (surplus)/ deficit on the provision of services	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2019	437,681	539,686	14,063	130,560	12,911	14,931	1,149,832	5,555

The Net Book Value at 31 March 2019 is analysed as follows:

Certified Valuation at 31 March 2019	446,944	575,497	23,241	178,838	12,911	14,931	1,252,362	8,162
Accumulated Depreciation and Impairment	(9,263)	(35,811)	(9,178)	(48,278)	0	0	(102,530)	(2,607)

Explanations for significant movements:

The increase in the value of Council dwellings is as a result of the year on year increase in the vacant possession fair value for HRA stock. The Other Land and Buildings value has decreased due to the downward revaluation of assets, which primarily reflects the change in market valuations. The assets under construction category has increased from 2017/18 to 2018/19 due to the part-completed projects at Yorkswood Primary school and Tanworth Lane Care Home.

Note 13 continued

2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Certified Valuation at 31 March 2017	400,941	526,537	24,394	163,811	12,290	19,129	1,147,102	80,933
Accumulated Depreciation and Impairment	0	(16,518)	(7,178)	(39,855)	0	0	(63,551)	(2,265)
Net Book Value at 31 March 2017	400,941	510,019	17,216	123,956	12,290	19,129	1,083,551	78,668
Additions	11,388	11,343	2,533	5,957	8	6,642	37,871	0
Other adjustments	0	0	281	0	0	(9)	272	(22,352)
Revaluations recognised in the revaluation reserve	492	90,722	0	0	(9)	0	91,205	0
Revaluations recognised in the (surplus)/ deficit on the provision of services	14,010	(3,068)	0	0	0	0	10,942	0
Disposals	(4,201)	(54,373)	0	0	0	0	(58,574)	(48,231)
Reclassifications	3,437	8,939	248	3,397	1	(16,022)	0	0
Depreciation on cost	(5,843)	(7,664)	(4,147)	(4,095)	0	0	(21,749)	(1,546)
Depreciation written out to revaluation reserve	(3,028)	(6,718)	0	0	0	0	(9,746)	0
Impairment losses recognised in the revaluation reserve	0	0	0	0	0	0	0	0
Impairment losses recognised in the (surplus)/ deficit on the provision of services	0	(769)	0	0	0	0	(769)	0
Net Book Value at 31 March 2018	417,196	548,431	16,131	129,215	12,290	9,740	1,133,003	6,539

The Net Book Value at 31 March 2018 is analysed as follows:

Certified Valuation at 31 March 2018	417,196	566,948	24,779	173,165	12,290	9,740	1,204,118	8,145
Accumulated Depreciation and Impairment	0	(18,517)	(8,648)	(43,950)	0	0	(71,115)	(1,606)

14. Capital Commitments

As at 31 March 2019, the Council was committed to capital contracts, including the following major contracts:-

	31 March 2018 £000	31 March 2019 £000
HRA High Rise Block Programme	570	955
HRA Minor Structural & Other Minor Works	1,528	658
HRA Heating	1,500	441
HRA Acquisitions & New Build	4,707	120
HRA Lifts	634	49
HRA Low Rise Block Programme	2,794	0
HRA Re-Roofing	798	0
Wildlife Ways - (Greening the Grey)	1,578	7,872
Tanworth Lane Care Home	0	3,559
Yorkswood Primary School	5,600	2,589
Tudor Grange Academy	0	2,209
Social Care Information System	0	774
Previous years' projects now substantially complete	1,795	73
Total	21,504	19,299

15. Revaluations

The freehold and leasehold properties which comprise the Council's portfolio are revalued on a rolling programme using the under-mentioned bases. This has been done in accordance with the practice statement in the Appraisal of Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). The valuer is an internal RICS-qualified surveyor, all valuations were carried out internally. Not all the properties were inspected as this was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Since then all non-current assets have been revalued over a five year rolling programme. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly, and as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year-end. Fair value is determined as the amount that would be paid for the asset in its existing use (existing use value).

Properties regarded as operational are valued on the basis of fair value except for those of a specialist nature which are valued on the basis of depreciated replacement cost (DRC). Council dwellings are valued on the basis of fair value, determined using the basis of existing use value for social housing. Properties regarded by the Council as non-operational have been valued on the basis of open market value. Should any circumstances arise which would result in a material change to a property's valuation, the Council would prioritise revaluing that asset.

The significant assumptions applied in estimating the fair values are:

- Fair value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arm's length transaction';
- Fair value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arm's length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;
- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many cases the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

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

2018/19	Valued at	Valued at Current/ Fair Value					
	Historic						
	Cost	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	0	0	0	0	0	437,681	437,681
Other Land and Buildings	0	0	61,170	1,091	108,178	369,247	539,686
Vehicles, Plant and Equipment	14,063	0	0	0	0	0	14,063
Infrastructure Assets	130,560	0	0	0	0	0	130,560
Community Assets	12,911	0	0	0	0	0	12,911
Assets Under Construction	14,931	0	0	0	0	0	14,931
Heritage Assets	950	0	0	0	0	0	950
Investment Property	0	0	0	0	0	17,579	17,579
Intangible Assets	1,720	0	0	0	0	0	1,720
TOTAL	175,135	0	61,170	1,091	108,178	824,507	1,170,081

2017/18	Valued at	Valued at Current/ Fair Value					
	Historic						
	Cost	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	0	0	0	0	0	417,196	417,196
Other Land and Buildings	0	0	8,722	62,126	66,121	411,462	548,431
Vehicles, Plant and Equipment	16,131	0	0	0	0	0	16,131
Infrastructure Assets	129,215	0	0	0	0	0	129,215
Community Assets	12,290	0	0	0	0	0	12,290
Assets Under Construction	9,740	0	0	0	0	0	9,740
Heritage Assets	950	0	0	0	0	0	950
Investment Property	117	0	0	0	0	10,486	10,603
Intangible Assets	632	0	0	0	0	0	632
TOTAL	169,075	0	8,722	62,126	66,121	839,144	1,145,188

16. 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:

2017/18 £000	2018/19 £000
10,488 Balance at 1 April	10,603
36 Additions	5,781
(512) Disposals	0
591 Net gains from fair value adjustments	1,312
0 Reclassifications	(117)
10,603 Balance at 31 March	17,579

For all properties where a fair value review has been conducted, fair values were 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 assets has been ranked into three tier groups. All assets have been assessed as tier level two. 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. The table below is a breakdown of the tier two valuations between those valued annually (recurring) and those which are not (non-recurring).

	2017/18 £000	2018/19 £000
Recurring Level 2 Fair Value	10,486	17,579
Non-recurring Level 2 Fair Value	117	0
Balance at 31 March	10,603	17,579

17. 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 creditors figures included within the summary below, and in Note 18 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:

17a. Financial Assets

To meet new Code requirements, financial assets are now 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 CIES when the asset is disposed of.
- 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. The Council does not currently hold any assets within this categorisation.

	Long-Term		Short-Term	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Financial assets:				
Investments	44,920	0	30,060	0
Debtors and other receivables	1,219	0	35,454	0
Financial assets held at amortised cost:				
Investments	0	0	0	46,179
Debtors and other receivables	0	1,137	0	37,404
Cash and Cash Equivalents	0	0	0	15,748
FVOCI - designated equity instruments	0	47,641	0	0
Total financial assets	46,139	48,778	65,514	99,331

17b. 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 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Financial Liabilities at amortised cost:				
Borrowings	(255,788)	(254,684)	(19,978)	(19,628)
PFI and finance lease	(57,159)	(54,949)	(2,355)	(2,574)
Creditors and other payables	0	0	(28,082)	(33,104)
Total financial liabilities	(312,947)	(309,633)	(50,415)	(55,306)

17c. Reclassification and remeasurements of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

	Carrying amount brought forward at 1 April 2018 £000	New Classification at 1 April 2018		
		Amortised Cost £000	FVOCI £000	FVTPL £000
Previous Classification:				
Loans and Receivables	66,733	66,733	0	0
Available for Sale	44,920	0	44,920	0
Reclassified amounts at 1 April 2018	111,653	66,733	44,920	0

17d. Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet for 2018/19

	Amortised Cost £000	FVOCI £000	FVTPL £000	Total Balance Sheet carrying amount £000
Remeasured carrying amount at 1 April 2018	66,733	44,920	0	111,653
Reclassified Amount:				
Long-Term investments	0	44,920	0	44,920
Long-Term Debtors	1,219	0	0	1,219
Short-Term Investments	36,912	0	0	36,912
Short-Term Debtors	28,602	0	0	28,602
Total	66,733	44,920	0	111,653

17e. Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018:

Designation to Fair Value through Other Comprehensive Income (FVOCI)

The Council has shareholdings in Birmingham Airport Holdings Ltd and Coventry & Solihull Waste Disposal Company Ltd. Up to 31 March 2018 these shareholding were held as an 'Available for Sale Financial Asset' and measured at fair value each year. Any change in fair value was posted to Other Comprehensive Income and Expenditure and accumulated gains and losses were held in an Available-for-Sale Financial Instruments Reserve.

With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available for Sale Financial Asset' category is no longer available. The new standard requires that investments in equity to 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 shareholding are strategic investment and not held for trading therefore the Council has opted to designate it as FVOCI. 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 gains or losses on the valuation of the shareholding have therefore been transferred to a Financial Instruments Revaluation Reserve (see notes 10c and 10d).

Investments in equity instruments designated at fair value through other comprehensive income

With the introduction of IFRS 9 the Council has designated the following equity at 31 March 2019 as fair value through other comprehensive income:

	Fair value	Change in fair value during 2018/19	Dividends received during 2018/19
	£000	£000	£000
Birmingham Airport Holdings Ltd	18,938	54	1,046
Coventry & Solihull Waste Disposal Company Ltd	28,500	2,667	3,520

18. Fair values of Assets and Liabilities

18a. Financial Assets measured at Fair Value

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

	Input Level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2018 £000	31 March 2019 £000
Birmingham Airport Holdings Ltd		Earning		
- Ordinary Shares ¹	Level 3	based	17,708	17,762
- Preference Shares		valuation	1,176	1,176
Coventry & Solihull Waste Disposal Company Ltd		Earning		
- Ordinary Shares ¹	Level 3	based	25,833	28,500
		valuation		
Blythe Valley Innovation Centre Ltd		Historic Cost		
- Ordinary Shares	Level 3		203	203
Total			44,920	47,641

¹In line with the accounting policy on the valuation of assets, a full valuation is required for the Council's shareholding investment in Birmingham Airport Holdings Ltd and the Coventry and Solihull Waste Disposal Company Ltd every five years. An annual desktop valuation exercise is carried out in the interim years to assess whether there has been a material change in the valuation. There has been no change in the valuation technique used during the financial year for these financial instruments.

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 £15.384m of BAH's 6.31% preference shares (Solihull Council owns £1.176m) which are cumulative and redeemable.

The desktop valuation undertaken in March 2019 resulted in an increase in the value of the Council's shareholding from £18.884m to £18.938m, which is reflected in 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 the Council received dividends of £1.046m (2017/18: £1.229m) and ground rent of £0.062m (2017/18: £0.060m).

A copy of BAH's accounts is available from:

The Company Secretary
Birmingham Airport Holdings Ltd
Birmingham International Airport
Birmingham
B26 3QJ

Coventry & Solihull Waste Disposal Company Ltd

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

Solihull Council has 1/3 ownership of the 99 £1 Ordinary Shares with Coventry City Council owning the remaining 2/3. These two shareholders benefit from any surpluses made and will contribute to any liabilities or losses the company cannot meet. These shares are not quoted on any Stock Exchange. Dividend income of £3.520m (2017/18: £2.833m) was receivable for 2018/19.

The desktop valuation undertaken in March 2019 resulted in a increase in the value of the Council's shareholding from £25.833m to £28.500m, which is reflected in the Council's Balance Sheet.

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

The Company Secretary
Coventry & Solihull Waste Disposal Company Ltd
Bar Road
Coventry
CV3 4AN

Blythe Valley Innovation Centre Ltd

On 31 March 2000 the Council acquired Ordinary 'A' shares in Blythe Valley Innovation Centre Ltd in exchange for waiving an option to acquire land at the Blythe Valley Business Park. These shares represented 25% of total shares issued, but 50% of the voting rights.

The remaining Ordinary 'B' shares (75% of total shares issued) were purchased by the Council in July 2013 from Blythe Valley JV Sarl, since when the company has been 100% owned by the Council, and is therefore consolidated in full into the Council's Group Accounts.

The Innovation Centre, which was completed in 2001, is managed by University of Warwick Science Park Ltd and the principal activity is to provide medium term accommodation (up to three years) to organisations setting up innovative projects. The Company aims to make a profit through the charging of commercial rent.

The Council's investment in the company is held within the Council's accounts at cost, made up of the purchase price of both the acquisitions when they took place in 2000 and 2013. This valuation does differ from that of the Group Accounts which include the accounts of BVIC, however as a decision was made by Full Cabinet that the Council will be bringing the Innovation Centre operations back within the direct ownership of the Council rather than as a separate legal entity then it has been concluded that a fair value valuation of the Council's investment would not give rise to a material change in the valuation held in the Council's single entity accounts.

The Council made the strategic decision to transfer ownership of the assets of Blythe Valley Innovation Centre to the Council, which happened during 2018/19. The company will subsequently be dissolved in 2019/20. This change will mean that in next year's Accounting Statement the assets of Blythe Valley will be included within the Council's single entity accounts and there will be no group account disclosures.

18b. Transfers between levels of the Fair Value Hierarchy

The fair value hierarchy is defined within Note 47 - Accounting Policies, policy number 10 - Fair Value Measurement.

There were no transfers between input levels during the year.

18c. Changes in Valuation Technique

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

18d. Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

2018/19	Unquoted Shares £000	Other £000	Total £000
Opening balance at 1 April	44,920	0	44,920
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure ¹	2,738	0	2,738
Additions	0	0	0
Disposals	(17)	0	(17)
Closing Balance at 31 March	47,641	0	47,641

2017/18	Unquoted Shares £000	Other £000	Total £000
Opening balance at 1 April	42,813	0	42,813
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure ¹	2,107	0	2,107
Additions	0	0	0
Disposals	0	0	0
Closing Balance at 31 March	44,920	0	44,920

¹Gains and losses included in Other Comprehensive Income and Expenditure relate to the unquoted shares in Birmingham Airport Ltd and Coventry and Solihull Waste Disposal Company Ltd.

18e. 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 18a), 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), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer, it is appropriate to disclose the exit price (Level 2). As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on the Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures (Level 2);
- 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 2018		31 March 2019	
	Balance sheet value £000	Fair value £000	Balance sheet value £000	Fair value £000
<u>Long-Term financial assets</u>				
Financial Assets measured at Fair Value	44,920	44,920	47,641	47,641
Long-Term Debtors	1,219	1,219	1,137	1,137
Sub-total long-term financial assets	46,139	46,139	48,778	48,778
<u>Short-Term Financial Assets</u> ¹				
Cash and cash equivalents	6,852	6,852	15,748	15,748
Money market loans (< 1 year)	30,033	30,033	46,131	46,131
Insurance liability fund	27	27	48	48
Short-term debtors ²	28,602	28,602	37,404	37,404
Sub-total short-term financial assets	65,514	65,514	99,331	99,331
Total financial assets	111,653	111,653	148,109	148,109

¹ Short term financial assets are carried at cost as this is a fair approximation of their value.

² Short-term debtors in the above table include only those balances which the Council considers are receivable 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 2018		31 March 2019	
	Balance sheet value	Fair value	Balance sheet value	Fair value
	£000	£000	£000	£000
<u>Long-Term financial liabilities</u>				
<u>Long-Term borrowing</u>				
Borrowing - PWLB ¹	(213,210)	(357,445)	(222,869)	(376,475)
Borrowing - Dudley MBC debt ²	(6,743)	(7,779)	(6,032)	(7,021)
Borrowing - Walsall MBC debt	(550)	(635)	(500)	(581)
Borrowing - other long term loans ³	(35,285)	(60,746)	(25,283)	(42,506)
Sub-total long-term borrowing	(255,788)	(426,605)	(254,684)	(426,583)
<u>Other long-term liabilities</u>				
PFI liabilities and similar contracts	(53,553)	(92,328)	(51,368)	(88,727)
Finance lease liabilities	(3,606)	(3,606)	(3,581)	(3,581)
Sub-total other long-term liabilities	(57,159)	(95,934)	(54,949)	(92,308)
Sub-total long-term financial liabilities	(312,947)	(522,539)	(309,633)	(518,891)
<u>Short-Term financial liabilities</u>				
<u>Short-Term borrowing</u>				
PWLB	(2,030)	(2,030)	(2,192)	(2,192)
Dudley MBC debt ²	(646)	(646)	(711)	(711)
Walsall MBC debt	(56)	(56)	(50)	(50)
Other short term loans ³	(176)	(176)	(113)	(113)
Sub-total short-term borrowing	(2,908)	(2,908)	(3,066)	(3,066)
<u>Other short-term liabilities</u>				
Bank overdraft	(17,070)	(17,070)	(16,562)	(16,562)
PFI and finance lease liabilities	(2,355)	(2,355)	(2,574)	(2,574)
Short-term creditors ⁴	(28,082)	(28,082)	(33,104)	(33,104)
Sub-total other short-term liabilities	(47,507)	(47,507)	(52,240)	(52,240)
Sub-total short-term financial liabilities	(50,415)	(50,415)	(55,306)	(55,306)
Total financial liabilities	(363,362)	(572,954)	(364,939)	(574,197)

¹ The fair value of the long-term PWLB liabilities of £376.475m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £222.869 would be valued at £308.680m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £153.606m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £376.475m.

² Dudley MBC debt relates to the residual debt liabilities of the 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. 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.

19. Nature and Extent of Risks Arising from Financial Instruments

19a. 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.

19b. 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 the 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.

19c. 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 investments at 31 March 2019 is shown below:

Current rating (Fitch or equivalent)	31 March 2018 £000	31 March 2019 £000
AAA	3,003	14,009
AA+	0	0
AA	30,019	46,119
AA-	0	0
A+	3,815	1,706
N/A	75	93
Total	36,912	61,927

Allowances for impairment losses have been calculated for investments held at 31 March 2019, applying the expected credit losses model. The expected credit loss model results in a notional loss of £0.009m, 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 2019, £17.377m of trade debtors were held on the Accounts Receivable system awaiting payment (£12.065m as at 31 March 2018). These are analysed by age as shown in the table below:

	31 March 2018 £000	31 March 2019 £000
Less than three months	8,526	11,929
Three to six months	661	2,647
Six months to one year	645	789
More than one year	2,233	2,012
Total trade debtors	12,065	17,377

The Council has an impairment allowance in place of £1.852m to mitigate against this risk (£1.918m as at 31 March 2018).

19d. Liquidity Risk

The Council manages its liquidity position through the risk management procedures detailed in Note 19b (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the TM Code. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

19e. Refinancing and Maturity Risk

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

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

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

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

	31 March 2018 £000	31 March 2019 £000
Less than 1 year	329	341
Between 1 and 2 years	341	354
Between 2 and 5 years	5,101	5,141
Between 5 and 10 years	6,123	6,202
Between 10 and 20 years	13,602	13,810
Between 20 and 30 years	43,759	44,057
Between 30 and 40 years	96,717	112,738
Between 40 and 50 years	82,566	65,566
More than 50 years	0	0
Total	248,538	248,209

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.

19f. Market Risk (Interest Rate Risk)

The Council is exposed to interest rate movements on its borrowings and investments. Of the £248m debt held as at 31 March 2019, £15m was at variable interest rates and £233m 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 & Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from government grants. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income & Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a 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 2018/19 (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	108
Increase in interest receivable on variable rate investments	(746)
Impact on (Surplus)/ Deficit on the Provision of Services in CI&ES	(638)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	79,574

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 18 - Fair values of Assets and Liabilities.

19g. Price Risk

The shares held in Birmingham Airport Holdings Ltd and Coventry and Solihull Waste Disposal Company 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.

19h. 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.

20. Reconciliation of Liabilities arising from Financing Activities

The movement in financial liabilities for 2018/19 and 2017/18 and are made up as follows:

2018/19	Opening balance 1 April £000	Financing cash flows £000	Other non- cash changes £000	Closing balance 31 March £000
Long-term borrowings	(255,788)	0	1,104	(254,684)
Short-term borrowings	(2,908)	1,026	(1,184)	(3,066)
Lease liabilities	(3,629)	23	0	(3,606)
On balance sheet PFI liabilities	(55,885)	2,380	(412)	(53,917)
Other Liabilities	(45,152)	(694)	(3,820)	(49,666)
Total liabilities from financing activities	(363,362)	2,735	(4,312)	(364,939)

2017/18	Opening balance 1 April £000	Financing cash flows £000	Other non- cash changes £000	Closing balance 31 March £000
Long-term borrowings	(246,822)	(10,000)	1,034	(255,788)
Short-term borrowings	(2,738)	954	(1,124)	(2,908)
Lease liabilities	(3,651)	22	0	(3,629)
On balance sheet PFI liabilities	(61,764)	6,130	(251)	(55,885)
Other Liabilities	(45,654)	97	405	(45,152)
Total liabilities from financing activities	(360,629)	(2,797)	64	(363,362)

21. 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 for 2017/18 and 2018/19 are made up as follows:

	2017/18		2018/19	
	(Surplus)/ Deficit on the Provision of Services £000	Other CI&ES £000	(Surplus)/ Deficit on the Provision of Services £000	Other CI&ES £000
Net (gain)/ loss on investments in equity instruments designated at FVOCI		(2,107)		(2,738)
Interest income on financial assets measured at amortised cost	(358)		(749)	
Interest income on financial assets measured at FVOCI	(4,067)		(10,139)	
Interest expense	17,312		19,876	
Net (gain)/loss for the year	12,887	(2,107)	8,988	(2,738)

22. Short Term Debtors (less than one year)

31 March 2018 (restated ¹)		31 March 2019	
£000	£000	£000	£000
14,899		24,074	
6,969		7,394	
5,787		3,684	
154		2,252	
	27,809		37,404
	6,629		7,252
	2,045		2,533
	36,483		47,189

¹ The presentation of the 2017/18 figures has been updated to reflect the new Code requirements for the presentation of Debtors. This includes Receipts in Advance and Carbon Allowances, which were shown separately to Debtors in 2017/18.

23. Debtors for Local Taxation

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

2017/18			2018/19		
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
£000	£000	£000	£000	£000	£000
1,082	694	1,776	1,192	1,044	2,236
186	83	269	227	70	297
0	0	0	0	0	0
1,268	777	2,045	1,419	1,114	2,533

¹ All debtors for local taxation more than two years old have been fully impaired.

24. 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 2018 (restated ¹)		31 March 2019	
£000	£000	£000	£000
34		32	
6,818		15,716	
	6,852		15,748
	(17,070)		(16,562)
	(10,218)		(814)

25. Short-term Creditors (less than one year)

31 March 2018 (restated ¹)		31 March 2019	
£000	£000	£000	£000
(18,808)	Amounts payable to trade customers	(27,751)	
(1,766)	Amounts payable to related parties	(2,339)	
(2,446)	Receipts in advance from trade customers	(2,419)	
(635)	Receipts in advance from related parties	(595)	
	(23,655) Total Trade Creditors		(33,104)
	(7,286) Amounts payable to central government		(7,497)
	(7,970) Receipts in advance from central government		(10,237)
	(7,495) Other receipts in advance (council tax and business rates)		(6,078)
	(6,049) Other Creditors		(6,054)
	(52,455) Total		(62,970)

¹ The presentation of the 2017/18 figures has been updated to reflect the new Code requirements for the presentation of Creditors. This includes Payments in Advance, which was shown separately to Creditors in 2017/18.

26. Provisions

	Business Rates Appeals £000	Insurance £000	Other Provisions £000	Total £000
Balance at 1 April 2018	(15,145)	(987)	(226)	(16,358)
Provisions made in 2018/19	(1,434)	(699)	(399)	(2,532)
Amounts used in 2018/19	1,888	670	10	2,568
Balance at 31 March 2019	(14,691)	(1,016)	(615)	(16,322)
Likely year of defrayment				
2019/20	(6,928)	(735)	(415)	(8,078)
Total Short-Term Provisions	(6,928)	(735)	(415)	(8,078)
2020/21	(1,123)	(131)	(9)	(1,263)
2021/22	(1,543)	(75)	(9)	(1,627)
2022/23	(1,630)	(50)	(9)	(1,689)
2023/24 - 2042/43	(3,467)	(25)	(173)	(3,665)
Total Long-Term Provisions	(7,763)	(281)	(200)	(8,244)
Total Defrayment	(14,691)	(1,016)	(615)	(16,322)

Further details of the main provisions are given below:

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. For the appeals relating to the 2005 and 2010 ratings lists, this best estimate has been based on the appeals which had been lodged, but for appeals against the 2017 rating list the Council has adopted a different methodology in recognition of the fact that the appeals process has changed. The provision for the appeals against the 2017 list is therefore based on the assumed loss from appeals inherent in the business rates multiplier.

26. Provisions (continued)**Insurance**

The insurance provision has been set aside to bear costs to be incurred in respect of self insurance risks which are not covered by the Council's external insurance policies. Known claims are provisions, those that are potential claims, known as incurred but not yet reported are held in the reserve. An allowance is made for an element of self funding by the Council in respect of Public Liability, Employers' Liability, Officials' Indemnity, Professional Negligence and Libel and Slander. The insurance fund also includes a 'General Property Fund' for the 'deductibles' payable on fire, theft and malicious damage claims to the Council's corporate buildings as well as a 'Motor Fund' for own damage caused to the Council's motor fleet.

A scheme of arrangement was put in place by the administrators of the Municipal Mutual Insurance company (MMI). The scheme was triggered in November 2012. This allows payments made on the Council's behalf since October 1993 to be recovered by the administrator to ensure the run off company has sufficient funds to pay ongoing legacy claims that are incurred. An initial payment was made in February 2014 for £0.320m and a further payment was made in April 2016 for £0.220m. Both payments include the residual liability of the former West Midlands County Council. These payments now represent 25% of claims paid. The Council has a dedicated MMI fund which has been set aside to ensure that we can fulfil our likely commitments to the scheme administrator up to a total recovery value of 66% of all claims paid including the 25% the Council is liable for claims currently being handled by the scheme administrator.

27. Cash Flow Statement – Adjustments to the Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements

2017/18 £000	2018/19 £000
(31,879) Depreciation and amortisation	(35,258)
10,173 Impairments and revaluations	7,646
18,768 Net movement in pension liability	(39,620)
(59,084) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,083)
(6,018) Increase/(decrease) in debtors from operating activities	9,069
3,356 (Increase) in creditors from operating activities	4,951
(4,074) (Increase)/decrease in short term provisions	2,416
(4,377) (Increase)/decrease in long term provisions	(2,380)
0 Non-cash dividends	5,468
(1,850) Other non-cash items charged to the (surplus)/ deficit on the provision of services	3,005
(74,985)	(50,786)

28. Cash Flow Statement – Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities

2017/18 £000	2018/19 £000
13,282 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,232
21,948 Capital grants credited to the deficit on the provision of services	23,062
(3,269) Any other items for which the cash effects are investing or financing cash flows	(4,775)
31,961	28,519

29. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2017/18 £000	2018/19 £000
(371) Interest received	(750)
17,312 Interest paid	19,876
(4,062) Dividends received	(4,650)
12,879 Included within cash flows from operating activities	14,476

30. Cash Flow Statement – Investing Activities

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2017/18 £000	2018/19 £000
46,671 Purchase of property, plant and equipment, investment property and intangible assets	35,407
122,500 Purchase of short-term and long-term investments	120,023
3,269 Other payments for investing activities	4,775
(13,282) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,232)
(23,296) Capital grants received	(24,127)
(127,079) Proceeds from short-term and long-term investments	(103,905)
(68) Other receipts from investing activities	(38)
8,715 Net cash flows from investing activities	21,903

31. Cash Flow Statement – Financing Activities

Cash flows arising from financing activities can be useful for predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2017/18 £000	2018/19 £000
(40,000) Cash receipts of short and long-term borrowing	(10,000)
29 Other movements from financing activities	(729)
6,153 Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	2,402
31,021 Repayments of short and long-term borrowing	11,062
(2,797) Net cash flows from financing activities	2,735

32. Members' Allowances

The total of Members' allowances paid in the year was £0.649m (£0.617m in 2017/18).

The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

33. Officers' Remuneration

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

- Remuneration of senior officers;
- Remuneration of officers receiving more than £50,000;
- 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 6 February 2018 and 5 February 2019. These can be accessed via the Council's website.

A two year pay award was agreed for senior officers in July 2018, awarding a 2% pay increase for the 2018/19 year. The relevant salary levels for 2018/19 are those in the 2018 pay policy plus a 2% increase. The notes that follow should be read in conjunction with the Pay Policy Statements if more information or context is required.

33a. 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 (with reference to notes overleaf where applicable):

Post		Salary, Fees and Allowances £	Pension Contribution (employer's) £	Other Emoluments £	Total Remuneration £
Chief Executive - Nick Page ¹	2018/19	155,684	23,182	2,108	180,974
	2017/18	148,934	22,018	15,448	186,400
Director of Children's Services and Skills (outgoing left February 2019)	2018/19	108,813	16,202	0	125,015
	2017/18	120,323	16,905	0	137,228
Director of Children's Services and Skills (incoming February 2019)	2018/19	18,912	2,816	0	21,728
	2017/18	0	0	0	0
Director of Adult Care and Support	2018/19	119,896	17,853	0	137,749
	2017/18	114,768	16,125	0	130,893
Director of Managed Growth and Communities	2018/19	122,729	18,274	0	141,003
	2017/18	117,545	16,515	0	134,060
Director of Public Health (outgoing May 2018)	2018/19	22,055	3,172	0	25,227
	2017/18	132,330	19,030	0	151,360
Director of Public Health (incoming January 2019)	2018/19	23,857	3,553	0	27,410
	2017/18	0	0	0	0
Director of Resources and Deputy Chief Executive	2018/19	132,144	19,676	0	151,820
	2017/18	126,492	17,772	0	144,264

¹ In addition to the normal duties, the Chief Executive was paid the outstanding balance of his remuneration for returning officer duties for the 2016 Police and Crime Commissioners Election, amounting to £2,108. This amount is included in the Other Emoluments section above.

33b. Remuneration of officers receiving more than £50,000

The number of Council employees (including teachers but excluding senior officers included within Note 33a) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the table below:

2018/19 Remuneration band	Total number of employees in band			Employees receiving exit packages (included in total) ¹
	TOTAL	Voluntary Aided schools	Core Council and other schools	
£50,000 - £54,999	91	11	80	2
£55,000 - £59,999	45	1	44	1
£60,000 - £64,999	36	3	33	2
£65,000 - £69,999	18	1	17	2
£70,000 - £74,999	18	4	14	0
£75,000 - £79,999	7	1	6	0
£80,000 - £84,999	10	0	10	0
£85,000 - £89,999	7	0	7	1
£90,000 - £94,999	1	0	1	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £159,999	0	0	0	0
£160,000 - £164,999	1	0	1	1
Total	234	21	213	10

¹ None of the individuals in receipt of a termination package in 2018/19 were employees at Voluntary Aided schools.

2017/18 Remuneration band	Total number of employees in band			Employees receiving exit packages (included in total) ¹
	TOTAL	Voluntary Aided and Foundation schools	Core Council and other schools	
£50,000 - £54,999	62	8	54	2
£55,000 - £59,999	46	1	45	3
£60,000 - £64,999	34	4	30	3
£65,000 - £69,999	20	3	17	2
£70,000 - £74,999	17	3	14	2
£75,000 - £79,999	8	1	7	0
£80,000 - £84,999	10	0	10	0
£85,000 - £89,999	5	0	5	1
£90,000 - £94,999	1	0	1	1
£95,000 - £99,999	1	0	1	1
£100,000 - £104,999	1	0	1	1
Total	205	20	185	16

¹ None of the individuals in receipt of a termination package in 2017/18 were employees at Voluntary Aided schools.

33c. Exit packages

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

Exit package cost (including special payments)	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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	15	25	17	14	32	39	319	244
£20,001 - £40,000	3	2	5	10	8	12	248	349
£40,001 - £80,000	2	1	11	2	13	3	686	175
£80,001 - £100,000	1	0	2	0	3	0	279	0
£100,001 - £200,000	0	1	0	3	0	4	0	490
Total	21	29	35	29	56	58	1,532	1,258

During 2018/19 the Council agreed a number of voluntary and compulsory redundancies. These were primarily as a result of operational changes, legislative changes, transformation of services and in order to realise savings to meet the Council's Medium Term Financial Strategy (MTFS).

The following narrative gives some information on the main areas of change during 2018/19.

Adult Care and Support

During 2018/19 the Adult Care and Support Directorate delivered service changes to support a number of MTFS savings targets, including the following: the review and discontinuation of the STEPS (Support Towards Employment Process and Satisfaction Service), which resulted in the functions covered by STEPS being absorbed into other service areas with a corresponding reduction in the workforce for the internal functions; the review of the Community Equipment Service through a remodelling of the Occupational Therapy function and a small reduction in the staffing requirements, and the redesign of daycare services, involving consolidation of the day centre sites into two centres, which has resulted in some changes to staffing numbers, as well as reduced running costs for the services.

Children's Services & Skills

Exit costs in this Directorate predominantly relate to service changes following the creation of a new Family Support Service. This resulted in the merger of the former Early Help (Engage) service with Children's Social Care Services. This was partly in order to meet MTFS savings but also to develop a new combined operating model.

Managed Growth Restructures/Re-shaping

The Managed Growth Directorate has reviewed the management structure for the Stronger Communities service area, resulting in the deletion of two Head of Service posts. This will deliver £0.100m of MTFS savings targets. It will also improve the service delivery model, particularly within the Partnership and Commissioning service area, by providing a more cost effective approach that will deliver improved outcomes.

Resources

A small number of posts were deleted during 2018/19 in response to MTFS targets, a changing customer base and to achieve operational efficiency.

Solihull Schools (excluding Academies)

2018/19 has seen a number of redundancies take place at schools within the borough, the cost of which totalled £0.255m (2017/18 £0.102m).

34. 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:

	2017/18	2018/19
	£000	£000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	134	103
Rebate received from the Public Sector Audit Appointments	(20)	0
Fees payable in respect of other services provided by Grant Thornton UK LLP during the year, including the certification of grant claims and returns	46	17
Total	160	120

35. Pooled Budgets

The Council has established partnership agreements with Birmingham and Solihull Clinical Commissioning Group (CCG) (which was created through the merger of Solihull CCG with the Birmingham CCGs on 1 April 2018), 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.

35a. Better Care Fund

The Better Care Fund (BCF) came into operation from 1 April 2015, under the directives of The Care Act 2014. The Act requires Clinical Commissioning Groups (CCGs) and councils to establish joint funding and commissioning arrangements for the provision of integrated health and social care services in their region. Note that these are in addition to the existing pooled budgets described in section (b). The BCF is made up of CCG funding as well as local government grants, including the Improved Better Care Fund (iBCF), which was first announced in the 2015 Spending Review and is a direct grant which must be pooled into the local BCF plan.

Birmingham and Solihull CCG and the Council have agreed the funding and management arrangements for these services as follows:

The Council as Commissioner

The following funding is received and managed by the Council and the relevant income and expenditure is included within the Council's accounts:

	2017/18 £000	2018/19 £000
Reablement	(2,000)	(2,038)
Domiciliary Care at Home	(1,692)	(1,724)
Residential and Nursing Home Care	(1,118)	(1,139)
Primary Prevention/Early Intervention	(640)	(652)
Information Advice and Wellbeing	(600)	(611)
Carers' strategy	(292)	(439)
Other Better Care Fund	(632)	(645)
iBCF - Support for cost pressures on the Provider Market, including increases in the National Living Wage	0	(2,032)
iBCF - Children to Adult Services Transition	(1,366)	(1,450)
iBCF - Other	(1,683)	(1,016)
sub-total Revenue grants ¹	(10,023)	(11,746)
Disabled Facilities Grants	(1,863)	(2,030)
sub-total Capital grants	(1,863)	(2,030)
Total	(11,886)	(13,776)

¹ Revenue grants received through the Better Care Fund and Improved Better Care Fund included within the Council's CI&ES are credited to gross income - Adult Social Care and Health.

The Council and Birmingham and Solihull CCG as Joint Commissioners

The following funding is received by the Council and managed under joint arrangements; the relevant share of income and expenditure is included within the Council's accounts:

	2017/18 £000	2018/19 £000
Local Authority: Community Equipment and Wheelchair Services (CEWS)	(1,126)	(1,147)
Local Delivery Resource Plan	(353)	(359)
Total	(1,479)	(1,506)

Birmingham and Solihull CCG as Commissioner

The following funding is received and managed by Birmingham and Solihull CCG and the relevant income and expenditure is not included within the Council's accounts:

	2017/18 £000	2018/19 £000
Heart of England Foundation Trust (HEFT) - Rapid Response	(1,404)	(1,413)
HEFT - Integrated Care Teams/Supported Integrated Discharge	(982)	(1,000)
HEFT - Macmillan/Palliative Care	(629)	(641)
HEFT - Other	(760)	(792)
Birmingham Community Healthcare Foundation Trust (BCHC) - Integrated Care Team	(398)	(405)
BCHC - Other	(654)	(666)
CCG - (Former S75 - LDRP)	0	(448)
Charity - Marie Curie - End of Life	(916)	(934)
Charity - Stroke Association	(59)	0
Charity - Falls Service	(46)	0
Private - Ardenlea Court	(843)	(859)
Primary Care - Dementia	(50)	(51)
Birmingham & Solihull Mental Health Foundation Trust (BSMHFT) - Care at Home (Dementia)	(36)	(37)
Total	(6,777)	(7,246)
Better Care Fund Total	(20,142)	(22,528)

35b. Other Pooled Budgets

	2017/18 £000	2018/19 £000
Funding		
Solihull Metropolitan Borough Council	(3,094)	(1,379)
Birmingham and Solihull CCG	(2,371)	(2,160)
Other Income	(592)	(729)
Total Funding	(6,057)	(4,268)
Spending		
Transforming Community Services ¹	5,254	4,268
Locally Determined Resources Plan ²	803	0
Total Spending	6,057	4,268

¹ A pooled budget is in place to jointly fund the health and social care elements of integrated residential services for clients with learning disabilities and the Joint Equipment Store. The pooled budget is hosted and managed by the Council, under the governance of a Joint Commissioning Board.

² The Locally Determined Resources Plan (LDRP) was developed to jointly support integrated health and social care services in Solihull, and to ensure the best use is made of combined resources to promote health and wellbeing and good quality care. These arrangements ceased during 2017/18.

35c. Joint Commissioning Pooled Fund

The following joint health and social care commissioning posts are employed by the Council, with the employment costs shared between the partners as follows:-

Post	CCG	SMBC
Strategic Commissioner - Community Mental Health	50%	50%
Commissioning Officer - Community Mental Health	50%	50%
Strategic Commissioner - Learning Disability and Autism	40%	60%
Commissioning Officer - Learning Disability and Autism	50%	50%
Joint Strategic Commissioner - Children	20%	80%
Commissioning Officer - Children	100%	0%
Commissioning Officer - Carers	30%	70%
Administrative Support	70%	30%

35d. Contributions to Voluntary Organisations

The CCG pays the Council the following sums annually, for contracted services provided by voluntary organisations and paid for by the Council on the CCG's behalf:

	2017/18 £000	2018/19 £000
Alzheimer's Society	134	134
Ashram	59	0
Independent Advocacy	53	67
Solihull Bereavement Counselling	16	0
Total	262	201

36. 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.

UK Government

The UK Government 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 and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 8 on grant income.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 32. During 2018/19, there were income transactions of £0.370m and expenditure transactions of £4.466m with thirteen organisations in which members had an interest (2017/18: income of £0.691m and expenditure of £5.165m across sixteen organisations). As at 31 March 2019, the Council's accounts include a net creditor of £0.003m (net debtor of £0.168m in 2017/18) in respect of these organisations. Contracts were entered into in full compliance with the Council's standing orders.

Officers

There were no significant transactions between the Council and the Council's Executive Directors, Heads of Service, and other related parties during the year.

Other Public Bodies (subject to common control by central government)

The Council has a pooled budget arrangement with Birmingham and Solihull Clinical Commissioning Group (CCG) for the provision of adult social services and health services across the borough. Further details are provided in Note 35 on pooled budgets.

The Council pays an annual levy to Transport for West Midlands, the transport arm of the West Midlands Combined Authority (WMCA), and also receives grant income from the WMCA which is disclosed in Note 8. In addition, the Council acts as accountable body for grant claims relating to the Urban Growth Company's (UGC) costs. The Council's accounts as at 31 March 2019 include a net debtor of £4.675m (2017/18: £0.239m) in relation to all transactions with the WMCA - this includes a net debtor of £0.403m (2017/18: £2.952m) in respect of the grant claim made to the WMCA on behalf of the UGC.

Entities Controlled or Significantly Influenced by the Council

In 2018/19, the Council made net payments amounting to £0.566m (£0.667m in 2017/18) to voluntary organisations that had council members on the Board. In certain instances they represent a significant element of grant funding to voluntary organisations, without which they would be unable to carry out their activities.

In addition, the following entities are included within the group financial statements.

The Coventry and Solihull Waste Disposal Company Ltd (CSWDC) is a company set up by Solihull Metropolitan Borough Council and Coventry City Council. During 2018/19, the Council made net payments to CSWDC of £2.288m (2017/18: £2.258m) and as at 31 March 2019 was owed £2.262m (2017/18: net creditor of £0.033m) by the CSWDC, which is included within the Council's debtors. The Council also received dividends of (£3.520m) (2017/18: (£2.833m)) during the year.

Solihull Community Housing Ltd (SCH), an arm's length company set up to manage the Council's housing stock, is a wholly owned subsidiary of the Council. Income of (£3.481m) was receivable from Solihull Community Housing Ltd (2017/18: (£3.683m)) and expenditure of £37.189m (2017/18: £36.669m) was payable to SCH during 2018/19. At 31 March 2019, the Council's debtors included £1.142m (2017/18: £0.567m) and the Council's creditors included £1.467m (2017/18: £1.254m) in relation to SCH.

Blythe Valley Innovation Centre (BVIC) Ltd is a wholly owned subsidiary of the Council. Income of (£0.102m) (2017/18: (£0.018m)) was due during the year, all of which was outstanding at 31 March 2019 and is included in the Council's debtors. In addition, the Council has accounted for dividends receivable of (£5.468m) in 2018/19, which contributed to finance the purchase of the BVIC assets at a cost of £5.765m, as detailed in Note 5.

UGC, an arm's length company set up to deliver projects within the UK Central programme, is a wholly owned subsidiary of the Council. The Council received income of (£0.233m) (2017/18: (£1.465m)) from the UGC in 2018/19 and paid £1.327m (2017/18: £2.281m). At 31 March 2019, the Council's accounts included £0.785m of debtors relating to the UGC and £0.446m of creditors, of which £0.403m was in respect of income received from the WMCA on behalf of the UGC.

Other Entities in which the Council has an interest

The Council incurred expenditure of £0.024m (2017/18: £0.012m) with North Solihull Partnership during the year in relation to regeneration in the north of the borough, and supplied services to the value of (£0.122m) (2017/18: (£0.241m)).

Net income of (£0.089m) (2017/18: (£0.155m)) was received during 2018/19 from Birmingham International Airport Ltd, and further income of (£0.218m) was outstanding at 31 March 2019 (31/03/19: £0.010m) and is included within the Council's debtors. In addition, a dividend of (£1.046m) (2017/18: (£1.229m)) was received.

Together with the WMCA and the six other West Midlands districts, the Council is a part owner of the West Midlands Growth Company (WGC), which was set up in April 2017 to support the delivery of the WMCA's Strategic Economic Plan. There were no significant transactions between the WMGC and the Council in 2018/19 or 2017/18.

37. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA): the Dedicated Schools Grant (DSG). An element of DSG is recouped by the ESFA to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools budget, as defined in the School Finance (England) Regulations 2014. Solihull has implemented the National Funding Formula for Schools. Within this, the Schools Block includes individual school budgets based on the national formula, local factors and provisions for growth. The remaining part of the DSG covers block expenditure for High Needs, Early Years and Central (Combined) Services.

Details of the deployment of DSG receivable for 2018/19 and 2017/18 are as follows:

2018/19	Individual Schools Budget (ISB) £000	Central Expenditure £000	Total £000
Final DSG for 2018/19 before academy & high needs recoupment			193,892
Academy figure & high needs figure recouped for 2018/19			(86,658)
Total DSG after academy & high needs recoupment for 2018/19			107,234
Brought forward from 2017/18			(641)
Agreed initial budgeted distribution in 2018/19	70,076	36,517	106,593
In-year adjustments - Early Years Funding	0	641	641
Final budgeted distribution for 2018/19	70,076	37,158	107,234
Actual central expenditure		(38,863)	(38,863)
Actual ISB deployed to schools	(70,076)		(70,076)
Carry forward to 2019/20	0	(1,705)	(1,705)

2017/18	Individual Schools Budget (ISB) £000	Central Expenditure £000	Total £000
Final DSG for 2017/18 before academy & high needs recoupment			184,231
Academy & high needs figure recouped for 2017/18			(81,529)
Total DSG after academy & high needs recoupment for 2017/18			102,702
Brought forward from 2016/17			1,546
Agreed initial budgeted distribution in 2017/18	68,304	35,944	104,248
In-year adjustments - Early Years funding		(656)	(656)
Final budgeted distribution for 2017/18	68,304	35,288	103,592
Actual central expenditure		(35,929)	(35,929)
Actual ISB deployed to schools	(68,304)		(68,304)
Carry forward to 2018/19	0	(641)	(641)

38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (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 authority, 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 CFR are analysed in the second part of this note.

	2017/18		2018/19	
	£000	£000	£000	£000
Opening Capital Financing Requirement		406,167		407,302
Capital Investment				
Property, Plant & Equipment	37,871		48,900	
Investment Property	36		5,782	
Intangible assets	377		1,239	
Revenue expenditure classified as capital	3,264		4,353	
Total Capital Investment		41,548		60,274
Sources of Finance				
Capital receipts ¹	(71)		(5,160)	
Government grants and other contributions	(16,333)		(19,606)	
Sums set aside from revenue	(24,009)		(30,713)	
		(40,413)		(55,479)
Closing Capital Financing Requirement		407,302		412,097
Explanation of Movements in Year				
Decrease in underlying need to borrow (supported by government financial assistance)		(2,409)		(2,409)
Increase in underlying need to borrow (not supported by government financial assistance)		9,446		9,195
Reductions in assets under PFI/PPP contracts		(4,914)		(1,440)
Assets acquired/ (disposed of) under finance leases		(988)		(551)
Increase in Capital Financing Requirement		1,135		4,795

¹ In addition to the capital receipts used to finance capital expenditure shown above, the 2015 Autumn Statement announced a new flexibility for local authorities to use capital receipts from the sale of property, plant and equipment assets to fund the revenue costs of service reform. In December 2017, Full Council approved the inclusion of the termination of the Leisure PPP contract as a qualifying project under the Council's Flexible Use of Capital Receipts strategy. During 2017/18 capital receipts were used to fund revenue costs of the Leisure PPP termination totalled £11.121m.

39. Leases

39a. Council as Lessee

Finance Leases

The Council acquired the Bluebell Centre, two car parks, one of its libraries and a number of photocopiers under finance leases. The majority of these photocopiers are however under the Council's de minimis level for capital spending and are not included within our Balance Sheet (see Note 47 - Accounting Policies for further details). 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 2018 £000	31 March 2019 £000
Property, Plant and Equipment		
Land and Buildings	8,846	8,421
Vehicles, Plant and Equipment	1	0
Investment Property	1,360	1,360
	<u>10,207</u>	<u>9,781</u>

The Council is committed to making minimum payments under the photocopier leases and 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 2018 Cash Amount £000	31 March 2019 £000	31 March 2018 Net Present Value £000	31 March 2019 £000
Finance lease liabilities:				
• current	24	24	24	24
• non-current	3,606	3,581	901	927
Finance costs payable in future years	5,702	5,509	2,719	2,670
Total future minimum lease payments	<u>9,332</u>	<u>9,114</u>	<u>3,644</u>	<u>3,621</u>

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

	31 March 2018		31 March 2019	
	Minimum Lease Payments £000	Finance Lease Liabilities £000	Minimum Lease Payments £000	Finance Lease Liabilities £000
Not later than one year	218	24	217	24
Later than one year and not later than five years	868	106	868	111
Later than five years	8,246	3,500	8,029	3,470
	<u>9,332</u>	<u>3,630</u>	<u>9,114</u>	<u>3,605</u>

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

	31 March 2018		31 March 2019	
	Minimum Lease Payments £000	Finance Lease Liabilities £000	Minimum Lease Payments £000	Finance Lease Liabilities £000
Not later than one year	218	24	217	24
Later than one year and not later than five years	757	92	756	96
Later than five years	2,669	809	2,648	831
	3,644	925	3,621	951

The above lease payments are in relation to photocopiers and the rental payments due for the Bluebell Centre.

Operating Leases

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

	31 March 2018 £000	31 March 2019 £000
Not later than one year	962	641
Later than one year and not later than five years	1,552	1,075
Later than five years	1,211	984
	3,725	2,700

The minimum lease payment expenditure charged to the CI&ES during the year in relation to these leases was £0.938m (2017/18: £1.020m).

39b. Council as Lessor

Finance Leases

The Council has leased out the following property on finance leases as at 31 March 2019:

	Remaining lease term
Smith's Wood Sport College	123 years
Damson Wood Nursery & Infant School	123 years
Streetsbrook Infant & Nursery School	123 years
Lyndon Academy	122 years
Northern House (Solihull) School	121 years
Smith's Wood Community Primary School	121 years
Marston Green Infant School	120 years
Balsall Common Primary	119 years
Hockley Heath Primary	119 years
Heart of England Academy	118 years
Alderbrook Academy	118 years
Langley Academy	118 years
Light Hall Academy	118 years
Lode Heath Academy	118 years
Hall Meadow Land	117 years
Arden Academy	117 years
Tudor Grange Academy	117 years
Park Hall Academy	116 years

There is a peppercorn rent payable to the Council under the terms of the finance leases listed above.

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 2018 £000	31 March 2019 £000
Not later than one year	(1,716)	(2,005)
Later than one year and not later than five years	(5,219)	(6,348)
Later than five years	(51,319)	(53,057)
	<u>(58,254)</u>	<u>(61,410)</u>

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 2018/19 contingent rents of £2.946m were receivable by the Council (£3.027m in 2017/18).

40. 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.

40a. Building Schools for the Future (BSF) PFI

In 2018/19 the Council made contractual payments of £8.693m (2017/18: £8.490m) under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Northern House School, Park Hall Academy and 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 2018/19.

The payments due to the PFI contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	Total £000
Payments due to be made:					
Within 1 year	2019/20	1,535	4,018	3,316	8,869
Within 2 - 5 years	2020/21 - 2023/24	7,895	14,606	13,849	36,350
Within 6 - 10 years	2024/25 - 2028/29	13,481	13,632	20,464	47,577
Within 11 - 15 years	2029/30 - 2033/34	18,163	5,412	26,671	50,246
Within 16 - 18 years	2034/35 - 2036/37	6,381	309	6,901	13,591
Total		<u>47,455</u>	<u>37,977</u>	<u>71,201</u>	<u>156,633</u>

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

	31 March 2017	Net Payments during the year	31 March 2018	Net Payments during the year	31 March 2019
	£000	£000	£000	£000	£000
Northern House School	6,540	(184)	6,356	(187)	6,169
Park Hall Academy School	21,634	(609)	21,025	(619)	20,406
Smith's Wood Sports College	22,137	(623)	21,514	(634)	20,880
Total	50,311	(1,416)	48,895	(1,440)	47,455

40b. 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 in previous years, for the Schools PFI scheme, the Council has made different judgements and the estimation technique is different to those in the model applied by our external auditor. The effect of this is that, compared to this model, the Council is disclosing a long term liability which is £0.712m lower.

This is mainly represented by the capital repayment being a total of £0.803m lower than the model

The total value of the payments due to the PFI Contractor over the remaining 17 years of the contract is £156.633 million. The BSF PFI unitary payments includes costs for utilities.

40c. Similar contract: Strategic Environment Services Contract

In 2008/09, the Council engaged Enterprise Management Services Ltd (subsequently acquired by Amey PLC) to provide Strategic Environment Services in a 7 year contract, which is extendable by up to 21 years. An initial 7 year extension was subsequently approved. In 2018/19 the Council made contractual payments of £10.461m (2017/18: £9.922m) to cover the provision of Waste Collection and Recycling, Street Cleansing and Ground Maintenance. The actual payment will vary over the life of the contract in line with inflation and any negotiated service changes. Within the contract there is provision for additional variable works, which by their nature are not yet known amounts and are therefore not included in the payment figures below.

		Repayment of liability	Interest	Service Charge	Total
		£000	£000	£000	£000
Payments due to be made:					
Within 1 year	2019/20	1,015	1,578	8,198	10,791
Within 2 - 5 years	2020/21 - 2023/24	5,343	3,415	33,557	42,315
Within 6 - 7 years	2024/25 - 2025/26	104	17	22,556	22,677
Total		6,462	5,010	64,311	75,783

The repayment of the liability is based on the expected useful life of the vehicles currently used on the contract. In 2016/17 significant vehicle fleet replacement to the value of £7m was undertaken. The value of these new vehicles will increase the liability and interest element of these payments over the period to 2023/24 with a corresponding decrease in the service charge element. Note there is no change in the actual contract payment as a result of these charges.

The liability outstanding to pay for capital expenditure is as follows:

	31 March 2017	Net Additions/ (disposals) in year	31 March 2018	Payments in year	Capital additions/ (disposals) in year	31 March 2019
	£000	£000	£000	£000	£000	£000
Vehicles and Plant	7,951	(963)	6,988	(938)	412	6,462
Total	7,951	(963)	6,988	(938)	412	6,462

41. 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 Accounting Statement 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 employers' contribution rate paid by councils. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 10,177 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 Accounting Statement, 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 0.14%.

In 2018/19 £6.367m was payable to the Teachers' Pensions Scheme in respect of teachers' pension costs, which represents 16.48% of teachers' pensionable pay for the full period (2017/18: £5.777m and 16.48%). £0.832m of the contributions remained payable at the year-end. The contributions due to be paid in 2019/20 are estimated to be £7.989m.

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 0.08%.

In 2018/19 £0.372m was payable to the NHS Pension Scheme in respect of NHS pension costs and this represents 14.4% (2017/18: £0.424m and 14.4%) of the pensionable pay of the staff in the scheme. £0.045m of the contributions remained payable at the year-end. The contributions due to be paid in 2019/20 are estimated to be £0.337m.

The Council is not responsible for any retirement top-up payments outside of the NHS scheme.

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 2018/19 these payments amounted to £0.993m (2017/18: £0.932m). Further details are given in Note 42.

42. 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

This scheme is 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, together with related increases. The discretionary payments for staff (excluding teachers) are included within the Staff figures in the following tables. The discretionary payments for teachers form a separate, unfunded scheme shown separately in the following tables.

The Council has not made any discretionary post retirement benefit awards during 2017/18 or 2018/19.

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 cashflows. 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
 - Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the fund.
- There are also other demographic risks.

Transactions relating to post-employment benefits

The Council recognises the cost of post-employment benefits in the reported 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:

Comprehensive Income and Expenditure Statement	2017/18	2018/19
	£000	£000
<i>Cost of Services:</i>		
Service cost comprising:		
• current service cost	27,793	27,192
• past service costs	161	7,118
• (gain)/loss from settlements	(3,541)	(464)
• administration costs	256	271
<i>Financing and Investment Income and Expenditure:</i>		
• Net interest expense	7,529	6,949
Sub-total post-employment benefit charged to the (Surplus)/ Deficit on the Provision of Services	32,198	41,066
<i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:</i>		
Remeasurement of the net defined benefit liability comprising:		
• Return on assets less interest	15,749	(7,000)
• Experience (gains)/losses	(1,103)	0
• Other actuarial gains/(losses)	0	0
• Actuarial (gains)/losses arising on changes in demographic assumptions	0	(50,808)
• Actuarial (gains)/losses arising on changes in financial assumptions	(33,038)	32,381
Sub-total post-employment benefits charged to Other Comprehensive	(18,392)	(25,427)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	13,806	15,639

Movement in Reserves Statement		
Reversal of net charges made to the Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(32,198)	(41,066)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employer's contributions payable to scheme for current year	16,966	18,046
Total Post Employment Benefit charged to the Movement in Reserves Statement	(15,232)	(23,020)

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:

	Teachers	Staff	Teachers	Staff
	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
Present value of the defined benefit obligation	(12,087)	(876,726)	(11,072)	(896,498)
Fair value of plan assets	0	614,799	0	619,363
Net liability arising from defined benefit obligation	(12,087)	(261,927)	(11,072)	(277,135)
	Total	(274,014)	Total	(288,207)

Reconciliation of the present value of the scheme liabilities				
	Teachers	Staff	Teachers	Staff
	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
Opening balance at 1 April	(14,133)	(879,950)	(12,087)	(876,726)
Current service cost	0	(27,793)	0	(27,192)
Interest expense	(273)	(23,393)	(278)	(22,125)
Contributions from employees into the scheme	0	(4,785)	0	(4,909)
Remeasurement gains/(losses):				
Experience gains/(losses)	1,103	0	0	0
Actuarial gains/(losses) arising from changes in demographic assumptions	0	0	655	50,153
Actuarial gains/(losses) arising from changes in changes in financial assumptions	284	32,754	(355)	(32,026)
Past service costs	0	(161)	0	(7,118)
Benefits paid	932	21,055	993	22,793
Settlements	0	5,547	0	652
Closing value at 31 March	(12,087)	(876,726)	(11,072)	(896,498)

Reconciliation of the movements in the fair value of the scheme assets				
	Teachers	Staff	Teachers	Staff
	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
Opening fair value of scheme assets at 1 April	0	582,909	0	614,799
Interest on assets	0	16,137	0	15,454
Remeasurement gains/(losses):				
Return on assets less interest	0	(15,749)	0	7,000
Administration expenses	0	(256)	0	(271)
Contributions from employer for current year	932	16,034	993	453
Contributions from employer for future years	0	34,000	0	0
Contributions from employees into the scheme	0	4,785	0	4,909
Benefits paid	(932)	(21,055)	(993)	(22,793)
Settlements	0	(2,006)	0	(188)
Closing fair value of scheme assets at 31 March	0	614,799	0	619,363

An 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 expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The actual return on scheme assets in the year was a surplus of £22.454m (2017/18: surplus of £0.388m).

The estimated potential impact of the McCloud judgement has been included as a past service cost.

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:

	Percentage share		Fair value of assets	
	2017/18	2018/19	2017/18	2018/19
	%	%	£000	£000
Equity instruments	64	59	392,946	366,077
Government bonds	7	10	44,925	59,502
Other bonds	4	4	23,519	23,865
Property	8	8	47,336	52,605
Cash/ liquidity	2	3	15,130	19,615
Other assets	15	16	90,943	97,699
Average Return / Total Assets	100	100	614,799	619,363

Basis for estimating assets and liabilities

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

	Teachers	Staff	Teachers	Staff
	at 31 March 2018	at 31 March 2018	at 31 March 2019	at 31 March 2019
Life expectancy assumptions from age 65:				
Retiring today:				
Men	21.9 Years		20.9 Years	
Women	24.3 Years		23.2 Years	
Retiring in 20 years:				
Men	n/a	24.0 years	n/a	22.6 years
Women	n/a	26.6 years	n/a	25.0 years
Financial assumptions:				
Discount rate	2.40%	2.55%	2.20%	2.40%
Pension increases	2.35%	2.35%	2.50%	2.40%
Salary increases	n/a	3.85%	n/a	3.90%

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

The assumptions in life expectancy, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Impact on the Defined Benefit Obligation in the Scheme (Staff and Teachers)			
Change in Assumption	Impact on		
	Council liability/ deficit £000	Impact on Council liability %	Impact on Council deficit %
Life expectancy assumptions (increase by 1 year)	33,727	3.7	11.7
Pension increase and deferred revaluation (increase by 0.1%)	14,748	1.6	5.1
Long-term salary increase (increase by 0.1%)	1,652	0.2	0.6
Discount rate (increase by 0.1%)	(16,109)	(1.8)	(5.6)

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 2016 revaluation set contributions for the period 1 April 2017 to 31 March 2020 and resulted in an upfront payment being made in 2017/18 to cover this period. The Council will not therefore make any payments in relation to this in 2019/20.

The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 defined benefit obligation for scheme members is 18 years as at 31 March 2019 (31 March 2018: 18 years).

In 2019/20 it is expected that the Council will pay contributions of approximately £0.976m for the Teachers' Added Years scheme.

43. Contingent Assets

There are no contingent assets where the Council does not have full control over the outcome.

44. Contingent Liabilities

The following items have not been accrued for within the accounts for 2018/19 because the amount of potential liability cannot be accurately determined.

44a. 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, Advantage West Midlands and New Opportunities Fund. There is a potential liability to the Council from non-delivery of outputs, ineligible expenditure or disposal of assets. To minimise the impact of these possible liabilities, the Council has introduced various controls and mechanisms such as service level agreements, asset registers and detailed expenditure verification and monitoring. In a situation where a Council liability is agreed, it will be disclosed and an appropriate provision made in the relevant year's accounts.

44b. HRA Water Rates

Until 31 March 2018 Solihull Community Housing 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.

44c. Payment of National Minimum Wage (NMW) or National Living Wage (NLW) for sleep-in shifts

The Employment Tribunal found, in the case of Royal Mencap Society vs Tomlinson-Blake, that an employee who slept-in in order to carry out duties if required was working for the duration of her shift and therefore should be paid in line with national minimum wage legislation. However, the judgement did not provide a definitive view on how national minimum wage legislation should be applied to sleeping-in shifts and the tribunal's decision has been appealed by Mencap.

This is particularly relevant to employees in the social care sector, who may be required to sleep in residential care facilities or in a client's home in case they are required during the night, and who may have historically received a flat-rate allowance rather than an hourly rate for doing so. The Court of Appeal overturned the decision of the Employment Tribunal, but it is now being considered by the Supreme Court. If the judgement is upheld, it could have significant implications for care providers and commissioners, who may be required to make backdated payments to affected staff to compensate for any shortfall in pay arising from historic sleeping-in arrangements.

The Council has ensured that all payments to its care providers from 26 July 2017 comply with the relevant legislation, but it has not been possible to determine with any accuracy the potential liability for any backdated costs that could be incurred by external providers.

45. Events after the Reporting Date

The audited Accounting Statement was authorised for issue by the Director of Resources and Deputy Chief Executive on 25 July 2019. 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 2019, the figures in the financial statements and the notes have been adjusted to reflect the impact of this information. This includes an estimate of the impact of the McCloud and Sargeant cases on the Council's Pension liability. It has been agreed that there are no non-adjusting events between the balance sheet date and 25 July 2019.

For information, the following events are expected to take place during 2019/20.

Academy Schools

The following Council schools buildings are due to transfer to Academy status, at no cost, following the Balance Sheet date of 31 March 2019. The subsequent transfer of the school buildings will result in a loss on disposal in the CI&ES of £10.699m. The associated land will be revalued resulting in a reduction in asset values of £5.929m in 2019/20.

	Expected Transfer	Buildings £000	Land £000	Total £000
Yew Tree Primary School	1 September 2019	3,950	1,765	5,715
Ulverley School	1 September 2019	6,749	4,164	10,913
	Total	10,699	5,929	16,628

Blythe Valley Innovation Centre

With effect from 1 July 2018 the assets of Blythe Valley Innovation Centre transferred from Blythe Valley Innovation Centre Limited to the Council. The Company has no other long-term assets and the Council will begin the process of winding up the Company which it anticipates will be completed within the 2019 calendar year. This will mean that in the 2019/20 Accounting Statement there will be no group account disclosures in relation to Blythe Valley Innovation Centre.

46. 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 accounting standards that are to be introduced in the 2019/20 CIPFA Code of Practice include:

- 1) IAS 40 Investment Property: Transfers of Investment Property provides clarification on transfers to or from the Investment Property long-term asset balance sheet classification.
- 2) IFRIC 22 Foreign Currency Transactions and Advance Consideration provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The Council, currently, does not have any material transactions within the scope of the amendment.
- 3). IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting treatments for uncertainties in income taxes and may apply to local authority Group Accounts.
- 4). IFRS 9 Financial instruments - prepayment features with negative compensation amends IFRS9 to clarify that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. This clarification will only impact if the lender has to make a settlement payment in the event of termination by the borrower and the Council does not anticipate any impact in 2019/20.
- 5). IFRS 16 Leases will require a substantial change in accounting for lessees. It will mean local authorities recognising the right-of-use asset on the balance sheet for the majority of leases, subject to exemptions, with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. CIPFA/LASAAC has deferred implementation of IFRS16 for local government to 1 April 2020.

47. 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.

1. General Principles

The Accounting Statement summarises the Council's transactions for the financial year 2018/19 and its position at the year end of 31 March 2019. The Council is required under the Accounts and Audit Regulations 2015 to prepare an annual Accounting Statement in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

The Accounting Statement has been prepared on a 'going concern' basis. The accounting convention adopted in the Accounting Statement 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.

2. 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.

3. 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 therefore neither the proceeds of the levy nor the payment to the BID Company are shown in the Council's accounts.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 1 month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

5. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (Minimum Revenue Provision).

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

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

6. 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 applied to meet administrative expenses in accordance with the CIL Regulations, is used to fund projects to support the infrastructure (e.g. transport, schools and digital) of the area. Where some or all of a chargeable development takes place in a parished area, 15% of the income is passed to the relevant parish/town council – the Council acts as an agent for these amounts.

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for Government Grants and Contributions.

7. 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.

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. 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 paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits:

Employees of the Council are members of 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 Wolverhampton City 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' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily 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 Local Government Scheme is accounted for as a defined benefits 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;
- The assets of WMMAPF attributable to the Council are included in the Balance Sheet at their fair value.

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

Service cost comprising:

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

Remeasurements comprising:

- return on plan 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 actuaries have updated their assumptions - charged to the Pensions reserve as Other Comprehensive Income and Expenditure in the CI&ES;

Contributions paid to the WMMAPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CI&ES.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are allocations to and from the Pensions Reserve to remove the accounting entries for retirement benefits and replace them with accounting entries for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund 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.

8. Events after the Balance Sheet Date

These are events that have happened after the Balance Sheet date and before the date that the Accounting Statement 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.

9. 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 Accounting Statement 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.

10. 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 e.g. 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, e.g. 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 table.

Criteria	Tier Level
Comparable evidence that is identical to the asset that is being measured in terms of: <ul style="list-style-type: none"> • Physical location • Condition • Orientation • Levels of natural light • View • Access and visibility • Tenure and covenants • Construction type and cost • Size and layout • Facilities • Lease options • Obsolescence 	1
<ul style="list-style-type: none"> • 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 (e.g. 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
<ul style="list-style-type: none"> • No comparable evidence available. • Unobservable inputs. • Comparable evidence requires significant adjustment from the principal market. 	3

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 (e.g. 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 tier groups based upon the criteria below. All investment property fair value measurements have been assessed at tier level two and financial instruments have been assessed at tier level two or tier level three. The Council did not have any surplus assets in 2018/19.

It is considered rare for local authority valuations to transfer between the three levels of the hierarchy. No such transfers have taken place in 2018/19.

11. Financial Instruments

Financial Assets:

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 Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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 CIES.

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 or 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 set out in section 12. 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 CIES.

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 CIES 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). This was previously classified as an Available For Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate one of its 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 were transferred to the new asset category on 1 April 2018. They are initially measured and carried at fair value.

The value is based on the principal 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 or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

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 (CIES) 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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 CIES 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

12. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or to Taxation and Non-Specific Grant Income (for non ring-fenced revenue grants and all capital grants) in the CI&ES.

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

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

13. Heritage Assets

Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities, that are held and maintained principally for their contribution to knowledge and culture.

They are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations and can include historical buildings, historic motor vehicles, civic regalia, museum and gallery collections, statues and works of art.

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

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

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

14. Infrastructure assets

Infrastructure assets are carried at depreciated historical cost. They are currently depreciated over a life of 40 years, or a useful life verified by a qualified professional officer.

15. Intangible Assets

Expenditure on assets that do not have physical substance (e.g. 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.

16. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and jointly controlled entities and is required to prepare group accounts. Subsidiaries are fully consolidated and jointly controlled entities 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.

17. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

18. Investment Property

Investment property is that which is used solely to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment property is measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length.

As a non-financial asset, an investment property shall be measured at highest and best use. The fair value of investment property held under a lease is the lease interest.

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

However, regulations do not allow revaluation and disposal gains and losses to have an impact on the General Fund balance. The gains and losses are therefore reversed via the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line in the CI&ES and result in a gain for the General Fund Balance.

19. 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 £15,000 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.

Operating Leases

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

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, 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.

Operating Leases

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

20. Overheads

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

21. Property Plant & Equipment

All expenditure on the acquisition, construction or improvement of tangible non-current assets is capitalised, provided that the asset brings benefit to the Council and the services it provides for longer than one financial year.

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.

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CI&ES, unless the donation has been made conditionally. 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 £15,000. 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.

Recognition of School Assets

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 - academy schools are excluded.

Valuation

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

The significant assumptions applied in estimating the fair values are:

- Fair value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arm's length transaction';
- Fair value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arm's length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;
- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many causes the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

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

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

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

Service Area	Operational / Non Operational	Basis of Valuation
<u>HRA</u>		
- Housing Stock	Operational	Existing Use Value - Social Housing
- Hostels	Operational	Existing Use Value - Social Housing
- Offices, Community Centres	Operational	Fair Value
- Surplus Land	Non Operational	Fair Value
- Service Tenancies	Operational	Existing Use Value - Social Housing
- Leased Properties	Non Operational	Fair Value
- Additional properties not allocated to a beacon	Operational	Fair Value
<u>Education</u>		
<u>Schools</u>		
- School Buildings	Operational	Depreciated Replacement Cost
- School Playing Fields	Operational	Fair Value
<u>Voluntary Aided Schools</u>		
- School Buildings	Operational	Depreciated Replacement Cost
- School Playing Fields	Operational	Fair Value
<u>Education - Non School Assets</u>		
- i.e. Youth Centres and Nurseries	Operational	Combination of DRC and Fair Value depending on individual property
<u>Leisure</u>		
Leisure Centres	Operational	Depreciated Replacement Cost
<u>Cemeteries</u>		
Cemetery and Crematorium	Operational	Depreciated Replacement Cost
<u>Social Care Properties</u>		
Day Centres and Residential Care Homes	Operational	Combination of DRC and Fair Value depending on individual property
	Operational	Fair Value
<u>Council Offices</u>		
<u>Transport & Highways</u>		
Multi Storey Car Parks	Operational	Depreciated Replacement Cost
Surface Car Parks	Operational	Fair Value
<u>Libraries</u>		
	Operational	Depreciated Replacement Cost
<u>Parks</u>		
Parks Buildings - changing rooms, attendants' huts	Operational	Combination of DRC and Fair Value depending on individual property

<u>Investment Property</u>	Non Operational	Fair Value
<u>Industrial Units</u>	Non Operational	Fair Value
<u>Shops - North</u>	Non Operational	Fair Value
<u>Shops - South</u>	Non Operational	Fair Value

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All valuations have been carried out by our in-house valuers. 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.

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.

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

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 half of a financial year are depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year.

Assets that are not fully constructed are not depreciated until 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 useful life.

From 2010/11 where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components can be depreciated separately and will be considered for componentisation. Any assets identified as requiring depreciation under component accounting policies are not depreciated under this methodology until the following financial year.

The following useful lives normally apply following acquisition or construction and depreciation rates have been calculated based on remaining life:

- Council Dwellings: 25 - 70 years
- Other Land and Buildings: 25 - 99 years
- Vehicles, Plant, Furniture & Equipment: 3 - 20 years
- Infrastructure Assets: 10 – 40 years

Asset Life – Remaining Life

Whilst an attempt is made to correctly identify each individual asset's useful life, there are some generalisations. For example, new buildings tend to have a useful life of 50 years, although in specific examples based upon a valuation review a new building can have a life as short as 25 years or as long as 99 years depending on the construction materials used. This life would be recorded in accordance with the local qualified Royal Institution of Chartered Surveyors (RICS) or Chartered Institute of Building (CIB) Member.

Equipment and vehicles are typically depreciated over 5 years, plant over 12 years and infrastructure over 40 years, except for items of plant, equipment and vehicles that are held under a finance lease, which are depreciated over the length of the lease.

Residual Values – Depreciation

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

Impairments

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

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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES.

Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale. In general, the following conditions must be met for an asset to be classified as held for sale:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

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

The assets need to be disposed of through sale. Therefore, assets that are expected to be scrapped or abandoned would not meet the definition.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or 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.

Component Accounting

The policy has been developed following the requirement stipulated in the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code specifies the requirements for component accounting for the separate recognition, depreciation and derecognition of parts of assets under International Accounting Standard 16 (IAS 16) – Property, Plant & Equipment. Further best practice guidance has been adopted from the Local Authority Accounting Panel (LAAP) Bulletin 86 Componentisation of Property, Plant & Equipment. The adoption of this guidance has ensured compliance with The Code and appropriateness to the Council's specific circumstances.

Component accounting is where an asset has two or more significant identifiable components which in turn have substantially different lives; the asset should be treated as separate components and depreciated appropriately. For this purpose the asset is the non-land element recognised in the accounts.

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.

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.

Componentisation only needs to be considered: it is not compulsory for all buildings; in the majority of cases it probably will not be necessary at all.

De Minimis Levels for componentisation:

As in previous years, the de minimis level of £2m has been set for component accounting. Any asset valued below this will not be considered for componentisation. This threshold was set following consultation with the valuers and after undertaking historical statistical analysis. This de minimis level will continue to be reviewed on a regular basis.

Materiality Level of Assets:

Groups of assets with similar characteristics that individually are below the de minimis level but have a value in excess of £2m when grouped together will be considered for componentisation.

When these assets are grouped together and the enhancement expenditure is not readily identifiable to a specific asset and the enhancement expenditure in any specific year is below 10% of that assets total component value, the expenditure will be excluded for componentisation purposes.

Componentisation Principles:

The consideration of components is as a minimum required when one of the following triggers occurs:

- (i) Any asset in the revaluation programme for 2018/19;
- (ii) Properties that have undergone significant enhancement expenditure;
- (iii) Properties that have undergone a change of use that materially affects the value;
- (iv) Acquisition of a new asset.

The CIPFA publication 'Valuations for Capital Accounting 2009' states that authorities should not go to unnecessary expense in meeting the obligations of IFRS. This has been a key principle in adopting the chosen component accounting policy for the Council, given that none of the Council's current information systems could deliver the requirements of component accounting.

Where there is more than one significant component part of the same asset with the same useful life and similar method of depreciation, then such component parts will be grouped together for depreciation purposes.

Base Components:

The base components identified are based on the use of Building Cost Information Services (BCIS) component life data and indices. This initial base information has been supplemented by Spon's Architects & Builders price book and in house expertise to estimate component percentages of the various assets.

The components identified are listed below:

Substructure;
 Superstructure;
 Internal Finishes;
 Fittings & Furnishings;
 Services;
 External Works; and
 Preliminaries.

Within a group of assets where no detailed component life is available and the asset has an identifiable useful life each component shall not have a life greater than the useful life of the asset.

Trigger points for componentisation: Revaluation

Desktop valuations would not trigger component accounting, as it is not sufficient to assess components (i.e. an additional exercise would be required). Usually a full valuation would be needed in order to assess components.

In adopting the CIPFA principles to calculate component accounting entries, we have reviewed guidance which recommends that consideration should be given to the allocation of the revaluation reserve across the recognised asset components. Our policy is that at this early stage in the development of our componentisation methodology and accounting policies that we do not consider this to be relevant or necessary given the rest of our accounting policy on componentisation. We will of course review this annually in line with the review of all accounting policies.

Trigger points for componentisation: Enhancement

Enhancement expenditure required to trigger componentisation for any specific component is where expenditure is greater than 15% of the value of the component.

Where a significant component is replaced or enhanced the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount. If the carrying value of the derecognised component is less than 5% of the value of the total component then this derecognition is considered immaterial and will be recognised when the asset is next valued in the regular cycle.

Where it is not possible to identify the cost of a replaced component, it is allowable to use the cost of the new component as an indication of what the cost of the replaced component was at the time it was acquired or constructed, adjusted for depreciation and impairment, assuming this calculation is on a reasonable basis. If the component has exceeded its estimated life it will be assumed to be fully depreciated and have a carrying value of £nil.

Professional Involvement:

The principles and policies developed above have been produced and are supported by professional officers with Internal Valuers, Property Services, Building Design and the Asset Management and Accountancy teams of Solihull Community Housing. The relevant professionals, with the support of the BCIS & Spon's indices analysis, have determined the useful life of components for the various asset categories in the component accounting database. This will be periodically reviewed with the relevant professionals to ensure accuracy.

The final stage was the professionals' agreement of the asset values over the various components. This dataset is contained within the component accounting database and will be reviewed periodically to ensure accuracy.

Housing Revenue Account (HRA) Properties:

The component accounting policy above does not apply to HRA properties. The Housing Revenue Account self-financing determinations issued in 2012 require local authorities to move to treating depreciation as a real charge to the HRA. From 2017/18, component accounting has been applied to HRA properties as outlined below.

Componentisation is the separating of assets into significant parts so that they can be depreciated separately. In the component accounting policy above the principles developed work well as they are applied to individual assets. For Council Dwellings and Garages the component accounting policy applies to a group of assets under one heading so from an asset management perspective it was more appropriate to adopt the following components:

Roof;
 Kitchen;
 Bathroom;
 Boilers;
 Central Heating System;
 Windows;
 and Lifts.

Professional Involvement:

The principles and policies developed above have been produced and are supported by professional officers with Internal Valuers and the Asset Management and Accountancy teams of Solihull Community Housing. The relevant professionals, with the support of the BCIS indices analysis, have determined the useful life of components for the various asset categories in the component accounting database. This will be periodically reviewed with the relevant professionals to ensure accuracy.

The final stage was the professionals' agreement of the asset values over the various components. This dataset is contained within the SCH property database and will be reviewed periodically to ensure accuracy.

22. Provisions, Contingent Liabilities and Contingent AssetsProvisions

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

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

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Where practicable an estimate of the financial effect will be disclosed. However, if disclosure of some or all of the information required could be expected to prejudice seriously the position of the Council in a dispute with other parties then the general nature of the dispute, recognition of the fact that information has been withheld together with the reason will be disclosed.

23. Reclassifiable Transactions Within Other Comprehensive Income and Expenditure

As all the amounts included in Other Comprehensive Income and Expenditure are not reclassifiable in the Surplus or Deficit on the Provision of Services, the items within this account have not been grouped into amounts that may be reclassifiable and amounts that are not.

24. 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.

25. Revenue Expenditure Funded from Capital under Statute

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

Where the Council has met the cost of this expenditure from existing capital resources or by borrowing, so that there is no impact on the level of council tax, the cost is subsequently reversed out from the CI&ES to the Capital Adjustment Account, in the MIRS.

26. Schools

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

27. Service Concession Arrangements - Private Finance Initiatives (PFI), Public-Private Partnership (PPP) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. In accordance with the latest recommended practice in the Code, based on IFRIC 12 the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The exception is when a PFI school transfers to academy status, in which case the building asset is disposed of and the land subject to revaluation with the Balance Sheet subsequently amended. The unitary charge payment liability for the academy schools remains with the Council.

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

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

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

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

28. Trading Operations

Trading accounts are produced for service areas where the trading income received is greater than 1% of the Council's gross income; income and expenditure for this activity is shown as 'Surplus/ deficit of trading operations not allocated to services' on the CI&ES. Income and expenditure for service areas where trading income is less than 1% of the Council's gross income is included within the relevant service line of the Cost of Services within the CI&ES. This position is reviewed on an annual basis.

29. Value Added Tax (VAT)

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

Housing Revenue Account

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

HRA Income and Expenditure Statement

2017/18 £000		2018/19 £000
	Expenditure	
9,482	Repairs and maintenance	9,345
10,960	Supervision and management	10,973
1,015	Rents, rates, taxes and other charges	1,389
9,333	Depreciation and amortisation	9,708
(14,010)	Revaluation (gain) /losses of non-current assets	(14,820)
62	Debt management costs	74
1,160	Movement in the impairment allowance for bad debts	511
18,002	Total Expenditure	17,180
	Income	
(41,197)	Dwelling rents	(40,700)
(1,144)	Non-dwelling rents	(1,157)
(1,925)	Charges for services and facilities	(2,167)
(203)	Contributions towards expenditure	21
(44,469)	Total Income	(44,003)
(26,467)	Net income from HRA services as included in the CI&ES	(26,823)
82	HRA services' share of corporate and democratic core	89
(26,385)	Net income for HRA services	(26,734)
	HRA share of the operating income and expenditure included in the CI&ES:	
(1,304)	Gain on sale of HRA non-current assets	(1,553)
7,322	Interest payable and similar charges	7,308
(90)	Interest and Investment Income	(151)
(498)	Changes in fair value of investment properties	(1,124)
(1,781)	Capital grants and contributions receivable	(329)
(22,736)	Surplus for the year on HRA services	(22,583)

Movement on the HRA Balance

2017/18 £000		2018/19 £000
(11,045)	Balance on the HRA at the end of the previous reporting period	(13,154)
(22,736)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(22,583)
20,627	Adjustments between accounting basis and funding basis under statute	21,183
(2,109)	(Increase) / decrease in year on the HRA	(1,400)
(13,154)	Balance on the HRA at the end of the current reporting period	(14,554)

Disclosure Notes to the Housing Revenue Account

H1. Housing Stock

On 31 March 2019 the Council held 9,902 dwellings. There was a net decrease of 4 dwellings during the year (59 sales, 4 acquisitions and 51 new build dwellings) compared to a decrease of 31 dwellings in 2017/18.

	31 March 2018	31 March 2019
Houses	3,230	3,198
Flats	4,847	4,875
Bungalows	1,762	1,762
Maisonettes	67	67
	9,906	9,902

H2. Balance Sheet Value

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

	31 March 2018	31 March 2019
	£000	£000
Dwellings	396,910	418,498
Garages	20,286	19,183
Sub-total Council Dwellings	417,196	437,681
Other Land and Buildings	2,243	2,089
Vehicles, Plant and Equipment	1,149	1,102
Assets Under Construction	3,128	940
Investment Property	1,962	3,087
Intangible Assets	221	368
	425,899	445,267

H3. Vacant Possession Value of Dwellings

As at 1 April 2019 the vacant possession value of dwellings within the Council's HRA was £1,028.592m, compared to 1 April 2018 £985.110m, valued in accordance with the Guidance on Stock Valuation for Resource Accounting. The difference between this figure and the £418.498m valuation included within the Balance Sheet shows the economic and social cost to the government of providing council housing.

H4. Capital Financing

	31 March 2018	31 March 2019
	£000	£000
Expenditure on Capital during the year		
Council Dwellings	11,388	14,683
Other Land and Buildings	0	0
Vehicles, Plant and Equipment	157	299
Intangible Assets	60	210
Assets Under Construction	2,899	915
Total	14,504	16,107
Funded by:		
Usable Capital Receipts	71	2,609
Prudential Borrowing	1,832	1,842
Capital Grants and Contributions	1,433	445
Revenue and Reserve Contributions	170	417
Major Repairs Reserve	10,998	10,794
Total	14,504	16,107

H5. Capital Receipts

Gross capital receipts of £3.089m before administration costs were generated from the sale of land and houses during 2018/19. The position is summarised as follows;

Capital Receipts	31 March 2018	31 March 2019
	£000	£000
Sale of Council Dwellings	(5,504)	(4,433)
Less:		
Pooling contributions	1,407	1,344
Gross Capital Receipts before Administration Costs	(4,097)	(3,089)
Administration Costs	82	77
Total	(4,015)	(3,012)

H6. HRA Depreciation

The depreciation and amortisation charged to the HRA in 2018/19 is shown below:

	31 March 2018	31 March 2019
	£000	£000
Dwellings	7,200	7,331
Garages	1,670	1,932
Other Land and Buildings	36	37
Equipment	335	345
Intangible Assets (amortisation)	92	62
Total depreciation and amortisation	9,333	9,707

H7. Impairments and Revaluations

Under Resource Accounting, the value of stock has to be verified each year. This process identifies any impairment to be recorded in the accounts. No impairment was written back to the Revaluation Reserve during 2018/19 (2017/18: £0m). The value of Council dwellings increased in 2018/19, £14.820m of the upward revaluation is recognised in the CI&ES.

H8. Rent Arrears

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

	Total Rent Arrears	% of total income due in year
	£000	%
At 31 March 2018	2,290	4.71
At 31 March 2019	2,061	4.62

H9. Other HRA Arrears

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

	Total Other Arrears	% of total income due in year
	£000	%
At 31 March 2018	1,311	2.70
At 31 March 2019	1,706	3.82

H10. Housing Debt Impairment Allowance

The Council puts aside money to allow for the possibility that a proportion of the outstanding rent arrears (Note H8) and other HRA arrears (Note H9) will not be paid. That money is known as the Housing Debt Impairment Allowance in accordance with the Code. The movement between year end balances is shown below:

	31 March 2018	31 March 2019
	£000	£000
Balance at 1 April	(2,034)	(2,818)
Arrears reinstated	(17)	(39)
Contribution to impairment allowance	(1,160)	(511)
Net write offs	393	419
Balance at 31 March	(2,818)	(2,949)

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.

Disclosure Notes to 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 2018/19:

Band	Number of dwellings on Valuation List 2018/19	Dwellings for council tax purposes 2018/19	Multiplier	Dwellings as Band D equivalents 2018/19	Dwellings as Band D equivalents 2017/18
A	14,244	8,178	6/9	5,452	5,240
B	11,976	8,319	7/9	6,471	6,307
C	22,194	18,059	8/9	16,053	15,841
D	16,688	14,609	9/9	14,609	14,433
E	11,779	10,765	11/9	13,157	13,081
F	8,805	8,255	13/9	11,923	11,849
G	5,378	5,101	15/9	8,501	8,423
H	392	360	18/9	721	700
Total Band D equivalents (tax base)				76,887	75,874
Adjustment for collection rate of 98.81%				(915)	(903)
Net tax base (Band D equivalents)				75,972	74,971

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 2018/19, the average Band D council tax including Police, Fire and parish precepts was £1,524.60 (2017/18: £1,459.37).

The actual gross income in 2018/19 was £117.842m (2017/18: £111.693m), which in council tax base terms would be 77,294 Band D properties. The effect of this higher than anticipated tax base was a council tax surplus in the year of £1.202m (2017/18: £1.142m surplus), as shown in the table below:

2017/18 £000		2018/19 £000	£000
110,728	Anticipated gross income from council tax (from multiplying the gross tax base by the average council tax)	117,222	
(111,693)	Actual gross income	<u>(117,842)</u>	
	Surplus for the year before allowance for impairment		(620)
(1,318)	Anticipated allowance for impairment (from multiplying the adjustment for collection rate by the average council tax)	(1,395)	
1,141	Actual allowance for impairment of debts	<u>813</u>	
	Surplus for the year in relation to the allowance for impairment		(582)
<u>(1,142)</u>	Surplus for the year		(1,202)

Notes to the Collection Fund (continued)

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, and in 2018/19 also paid a voluntary levy on any growth in income above a government-set baseline level to the Greater Birmingham and Solihull business rates pool, which pools any levies payable by members to be spent in accordance with the priorities of the Greater Birmingham and Solihull Local Enterprise Partnership.

The government determines the level of business rates payable, which was set at 49.3 pence per pound of rateable value in 2018/19 (2017/18: 47.9 pence). There is also a small business rate multiplier which was set at 48.0 pence per pound of rateable value in 2018/19 (2017/18: 46.6 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 new valuation list which took effect from April 2017. As at 31 March 2019, the total rateable value for properties in Solihull was £268.362m (31 March 2018: £267.600m).

2017/18 £000		2018/19 £000	£000
(124,702)	Gross business rates income (from multiplying the total rateable value as at 31 March 2019 by the small business rate multiplier)	(128,814)	
8,036	less reduction in income due to rateable value changes throughout year	2,835	
(116,666)	Gross business rates income 2018/19		(125,979)
1,244	less mandatory, discretionary and unoccupied property reliefs		7,338
(115,422)	Net business rates income receivable		(118,641)

C3. Analysis of the movement on Collection Fund balance

2017/18 Total Collection Fund £000		2018/19 Council Tax £000	Business Rates £000	Total Collection Fund £000
6,727	Opening balance as at 1 April	(1,222)	(177)	(1,399)
(7,567)	Declared surplus/ (deficit) distributed in year	1,198	331	1,529
	In-year (surplus)/deficit for year:			
(427)	Solihull MBC	(1,054)	(2,228)	(3,282)
(40)	West Midlands Fire & Rescue Authority	(47)	(22)	(69)
(92)	West Midlands Police & Crime Commissioner	(101)	0	(101)
(1,399)	Closing balance as at 31 March 2019	(1,226)	(2,096)	(3,322)

Council tax income credited to the CI&ES of £102.644m comprises the Council's precept of £101.590m plus the Council's share of the in-year surplus of £1.054m shown in note C3.

Business rates income credited to the CI&ES of £46.937m comprises the Council's share of net business rates income of £111.682m plus the Council's share of the in-year surplus of £2.228m shown in note C3, less the share of growth due to the West Midlands Combined Authority of £0.469m and the net tariff and levy payments due to the business rates pool of £66.504m.

Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2018/19 and are included on the following pages.

The organisations which are included within our group accounts are:

Solihull Community Housing Ltd;
Blythe Valley Innovation Centre Ltd;
Coventry and Solihull Waste Disposal Company Ltd;
Urban Growth Company.

Group Accounts

Consolidated Group Entities

Solihull Community Housing Ltd (SCH)

Solihull Community Housing, an arm's length company set up to manage the Council's housing stock, was formed on the 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.

Blythe Valley Innovation Centre Ltd

Blythe Valley Innovation Centre Ltd was set up in 2000, as a joint venture with Blythe Valley JV Sarl, in order to promote business enterprise. In July 2013, the Council acquired the shares owned by Blythe Valley JV Sarl, thereby becoming the sole shareholder in the business. As a subsidiary, the accounts of the Company have been consolidated into the group accounts on a line by line basis. Blythe Valley Innovation Centre Ltd transferred the assets of the company to the Council on the 30 June 2018. The accounts that have been used in the preparation of the Group Accounts are for the period ended 30 June 2018.

Coventry and Solihull Waste Disposal Company Ltd

The Council's interest in Coventry and Solihull Waste Disposal Company Ltd, whose business is the disposal of waste, is set out in Note 18a. The Council's interest in the joint venture has been consolidated into the group accounts under the equity method.

The Urban Growth Company (UGC)

The Urban Growth Company 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.

The financial year for the Urban Growth Company is now the same as the Council, but this was originally set up with a year end date of 31 December. This was revised to 31 March from the 2017/18 financial year, so the accounts used in the preparation of the 2017/18 Group Accounts are for a 15 month period ended 31 March 2018.

Unconsolidated Group Entities

North Solihull Partnership LP

Details of amounts owed to/ from NSP as at 31 March 2019 are included within Note 36 - Related Parties.

In addition, there is an agreement in place that NSP will part-fund the North Solihull Primary Programme up to a maximum value of £1.741m. There is a risk to the Council that this sum will not be received in full or in line with timescales.

No sums relating to North Solihull Partnership LP, other than the debtors detailed above, have been included within the Council's accounts.

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.

2018/19

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adult Social Care and Health	100,421	(47,278)	53,143
Children, Education and Skills	193,768	(151,257)	42,511
Environment and Housing	38,030	(46,968)	(8,938)
Leisure, Tourism and Sport	6,272	(1,699)	4,573
Managed Growth	15,495	(13,639)	1,856
Resources and Delivering Value	99,094	(61,638)	37,456
Stronger Communities and Partnerships	7,481	(5,408)	2,073
Transport and Highways	18,462	(7,153)	11,309
Cost of Services	479,023	(335,040)	143,983
Parish Precepts			1,325
Levies payable			8,567
Amounts payable into the housing capital receipts pool			1,344
(Gain)/ loss on disposal of non-current assets			(4,149)
Total Other Operating Expenditure			7,087
Interest payable on debt			13,790
Interest payable on finance leases, PFI and similar contracts			6,111
Net interest on the net defined benefit liability			7,301
Investment interest income			(749)
Other investment income			(1,151)
(Surplus)/ deficit of trading operations not allocated to services			432
Income and expenditure in relation to investment properties and changes in their fair value			(1,693)
Total Financing and Investment Income & Expenditure			24,041
Council tax			(102,644)
Business rates			(46,937)
Non ring-fenced government grants			(8,041)
Recognised capital grants and contributions			(19,006)
Total Taxation and Non-Specific Grant Income			(176,628)
(Surplus) / Deficit on the Provision of Services			(1,517)
Joint venture accounted for on an equity basis			(4,156)
Taxation of group entities			75
Share of taxation of joint venture			799
Group (Surplus) / Deficit			(4,799)
(Surplus)/ deficit on revaluation of property, plant & equipment			(1,345)
Impairment losses on non-current assets charged to the revaluation reserve			0
(Surplus)/ deficit from investments in equity instruments designated at fair value			(54)
Remeasurement of the net defined benefit liability			(27,065)
Any other (gains)/losses			(23)
Other Comprehensive Income and Expenditure			(28,487)
Total Comprehensive Income and Expenditure			(33,286)

Group Comprehensive Income and Expenditure Statement (CI&ES)

Prior year comparatives

	2017/18 (restated ¹)		
	Gross	Gross	Net
	Expenditure	Income	Expenditure
	£000	£000	£000
Adult Social Care and Health	99,420	(42,446)	56,974
Children, Education and Skills	183,803	(140,979)	42,824
Environment and Housing	37,995	(47,911)	(9,916)
Leisure, Tourism and Sport	17,677	(1,343)	16,334
Managed Growth	7,593	(6,389)	1,204
Resources and Delivering Value	90,841	(69,474)	21,367
Stronger Communities and Partnerships	7,063	(4,998)	2,065
Transport and Highways	16,653	(6,588)	10,065
Cost of Services	461,045	(320,128)	140,917
Parish Precepts			1,240
Levies payable			9,090
Amounts payable into the housing capital receipts pool			1,407
Loss on disposal of non-current assets			45,804
Total Other Operating Expenditure			57,541
Interest payable on debt			10,936
Interest payable on finance leases, PFI and similar contracts			6,402
Net interest on the net defined benefit liability			7,913
Investment interest income			(358)
Other investment income			(1,228)
Surplus of trading operations not allocated to services			265
Income and expenditure in relation to investment properties and changes in their fair value			(1,028)
Total Financing and Investment Income & Expenditure			22,902
Council tax			(97,393)
Business rates			(45,835)
Non-ring fenced government grants			(8,869)
Recognised capital grants and contributions			(19,733)
Total Taxation and Non-Specific Grant Income			(171,830)
(Surplus) / Deficit on the Provision of Services			49,530
Joint venture accounted for on an equity basis			(3,597)
Taxation of group entities			472
Share of taxation of joint venture			695
Group (Surplus) / Deficit			47,100
(Surplus)/ deficit on revaluation of property, plant & equipment			(91,205)
Impairment losses on non-current assets charged to the revaluation reserve			0
(Surplus) or deficit on revaluation of available-for-sale financial assets			393
Remeasurement of the net defined benefit liability			(20,368)
Any other (gains)/losses			(114)
Other Comprehensive Income and Expenditure			(111,294)
Total Comprehensive Income and Expenditure			(64,194)

¹ The 2017/18 Cost of Services figures have been restated to reflect the Council's updated cabinet portfolios. For further information, please see note 2 - prior period adjustments.

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.

2018/19	Total Council Usable Reserves ¹ £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
Balance at 31 March 2018	(108,343)	(474,554)	(582,897)	12,558	(570,339)
Total Comprehensive Income and Expenditure	(11,775)	(29,510)	(41,285)	7,999	(33,286)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(4,648)	4,648	0	0	0
(Increase)/decrease in 2018/19	(16,423)	(24,862)	(41,285)	7,999	(33,286)
Balance at 31 March 2019	(124,766)	(499,416)	(624,182)	20,557	(603,625)

2017/18	Total Council Usable Reserves ¹ £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
Balance at 31 March 2017	(100,172)	(417,729)	(517,901)	11,756	(506,145)
Total Comprehensive Income and Expenditure	46,737	(111,733)	(64,996)	802	(64,194)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(54,908)	54,908	0	0	0
(Increase)/decrease in 2017/18	(8,171)	(56,825)	(64,996)	802	(64,194)
Balance at 31 March 2018	(108,343)	(474,554)	(582,897)	12,558	(570,339)

¹ A full analysis of Total Council Usable Reserves can be found within the Council's Single Entity Movement in Reserves Statement (MIRS).

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 2018		31 March 2019
£000		£000
1,135,016	Property, Plant and Equipment	1,151,783
950	Heritage Assets	950
16,354	Investment Property	17,579
632	Intangible Assets	1,720
18,884	Long-term Investments	18,938
11,746	Investments in Joint Ventures	11,583
669	Long-term Debtors	620
<u>1,184,251</u>	Long-term Assets	<u>1,203,173</u>
30,060	Short-term Investments	46,179
817	Inventories	921
35,151	Short-term Debtors	46,396
21,238	Cash and Cash Equivalents	28,265
<u>87,266</u>	Current Assets	<u>121,761</u>
(17,070)	Bank Overdraft	(16,562)
(2,908)	Short-term Borrowing	(3,066)
(56,211)	Short-term Creditors	(64,890)
(10,494)	Short-term Provisions	(8,078)
<u>(86,683)</u>	Current Liabilities	<u>(92,596)</u>
(6,278)	Long-term Provisions	(8,244)
(255,788)	Long-term Borrowing	(254,684)
(288,419)	Net Pensions Liability	(302,947)
(57,200)	Other Long-term Liabilities	(54,964)
(6,810)	Capital Grants Receipts in Advance	(7,874)
<u>(614,495)</u>	Long-term Liabilities	<u>(628,713)</u>
<u>570,339</u>	Net Assets	<u>603,625</u>
	Financed by:	
(108,907)	Usable Reserves (see Note G7)	(124,520)
(434,316)	Unusable Reserves (see Note G8)	(456,176)
(27,116)	Group Income & Expenditure Reserve	(22,929)
<u>(570,339)</u>	Total Reserves	<u>(603,625)</u>

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.

2017/18 £000	2018/19 £000
47,100	(4,799)
(78,093)	(55,941)
32,008	28,519
1,015	(32,221)
8,715	21,920
(2,767)	2,766
6,963	(7,535)
<u>Overall Movement in cash and cash equivalents</u>	
11,131	4,168
(6,963)	7,535
4,168	11,703

Disclosure Notes to the Council's Group Accounts

Group disclosure notes are only included where there are 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 table below uses the segmental analysis given in the Expenditure and Funding Analysis (Note 1) 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.

2018/19	Net expenditure in the CI&ES	Group Adjustments	Net expenditure in the Group CI&ES
	£000	£000	£000
Adult Social Care and Health	53,143	0	53,143
Children, Education and Skills	42,511	0	42,511
Environment and Housing	(9,831)	893	(8,938)
Leisure, Tourism and Sport	4,573		4,573
Managed Growth	1,856	0	1,856
Resources and Delivering Value	37,456	0	37,456
Stronger Communities and Partnerships	2,073	0	2,073
Transport and Highways	11,309	0	11,309
Net cost of services	143,090	893	143,983
Other income and expenditure	(154,865)	6,083	(148,782)
Group (Surplus) / Deficit	(11,775)	6,976	(4,799)

2017/18 (restated)	Net expenditure in the CI&ES	Group Adjustments	Net expenditure in the Group CI&ES
	£000	£000	£000
Adult Social Care and Health	56,974	0	56,974
Children, Education and Skills	42,824	0	42,824
Environment and Housing	(9,713)	(203)	(9,916)
Leisure, Tourism and Sport	16,334	0	16,334
Managed Growth	1,204	0	1,204
Resources and Delivering Value	21,620	(253)	21,367
Stronger Communities and Partnerships	2,065	0	2,065
Transport and Highways	10,065	0	10,065
Net cost of services	141,373	(456)	140,917
Other income and expenditure	(94,636)	819	(93,817)
Group (Surplus) / Deficit	46,737	363	47,100

Disclosure Notes to the Council's Group Accounts (continued)**G2. Expenditure & Income Analysed by Type**

2017/18 (restated) ¹	2018/19
£000	£000
Expenditure	
153,294 Employee benefits expenses	166,519
21,444 Employee benefits expenses for voluntary aided schools	21,137
272,794 Other service expenses	271,448
21,691 Depreciation, amortisation, impairment and revaluation losses	27,652
17,338 Interest payments	19,901
10,330 Precepts & levies	9,892
1,407 Payments to the housing capital receipts pool	1,344
45,804 Loss on disposal of non-current assets	0
695 Share of taxation of joint venture	799
472 Taxation of group entities	75
545,269 Total expenditure	518,767
Income	
(110,260) Fees, charges and other service income	(110,548)
0 Gain on disposal of non-current assets	(4,149)
(1,028) Investment properties including fair value adjustments	(1,693)
(1,586) Interest and investment income	(1,900)
(143,228) Income from council tax and business rates	(149,581)
(238,470) Government grants and contributions	(251,539)
(3,597) (Surplus) or deficit on joint venture	(4,156)
(498,169) Total Income	(523,566)
47,100 Group (surplus)/ deficit	(4,799)

¹ The 2017/18 figures have been restated to show investment properties including fair value adjustments on one line, to be consistent with the amended presentation in the CI&ES.

G2a. Revenue from external customers

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

2017/18 (restated) ¹	2018/19
£000	£000
(107,490) Total revenue from external customers (Council) Note 6b	(108,388)
(633) BVIC rental income, service charge and insurance income	0
(218) SCH income (excluding income from the council)	(683)
(1,919) UGC Income (excluding income from the council)	(1,477)
(110,260) Total fees, charges and other service income	(110,548)

¹ The 2017/18 figures have been restated to reflect the updated cabinet portfolios and the amended presentation of investment properties' transactions.

G3. Cash Flow Statement - Adjustments to Net Group (Surplus) or Deficit on the Provision of Services for non-cash movements

2017/18 £000	2018/19 £000
(31,918) Depreciation and amortisation	(35,299)
10,173 Impairments and revaluations	7,646
17,179 Net movement in pension liability	(41,592)
(59,084) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,083)
(7,399) Increase/(decrease) in debtors	10,450
3,675 (Increase)/decrease in creditors	6,028
(4,074) (Increase)/decrease in short term provisions	2,416
(4,377) (Increase)/decrease in long term provisions	(2,380)
(2,268) Other non-cash items charged to the net (surplus)/ deficit on the provision of services	2,873
(78,093)	(55,941)

G4. Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2017/18 £000	2018/19 £000
(371) Interest received	(750)
17,312 Interest paid	19,915
(1,223) Dividends received	(1,130)
15,718 Included within cash flow from Operating Activities	18,035

G5. Cash Flow Statement - Investing Activities

2017/18 £000	2018/19 £000
46,671 Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	35,407
122,500 Purchase of short-term and long-term Investments	120,023
3,269 Other payments for Investing Activities	4,775
(13,282) Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(10,232)
(23,296) Capital grants received	(24,127)
(127,079) Proceeds from short-term and long-term Investments	(103,888)
(68) Other receipts from Investing Activities	(38)
8,715 Net cash flows from Investing Activities	21,920

G6. Cash Flow Statement - Financing Activities

2017/18 £000	2018/19 £000
(40,000) Cash receipts of short and long-term borrowing	(10,000)
29 Other movements from financing activities	(729)
6,153 Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	2,402
31,051 Repayments of short-term and long-term borrowing	11,093
(2,767) Net cash flows from Financing Activities	2,766

G7. Usable Reserves

The Group usable reserves are summarised in the following table:

31 March 2018 £000	31 March 2019 £000
(6,293) General Fund Working Balance	(4,983)
(12,412) General Fund Earmarked Balance	(19,886)
(44,838) Earmarked Revenue Reserves	(45,751)
(13,718) Housing Revenue Account (HRA)	(14,325)
(14,067) Capital Receipts Reserve	(17,701)
(2,355) Major Repairs Reserve	(3,194)
(15,224) Capital Grants Unapplied Account	(18,680)
(108,907) Total Usable Reserves	(124,520)

G8. Unusable Reserves

The Group unusable reserves are summarised in the following table:

31 March 2018 £000	31 March 2019 £000
(282,275) Revaluation Reserve	(272,792)
(462,157) Capital Adjustment Account	(491,705)
(13,731) Available for Sale Financial Instruments Reserve	0
0 Financial Instruments Revaluation Reserve	(13,785)
(91) Financial Instruments Adjustment Account (FIAA)	2,773
322,419 Pensions Reserve	320,347
(870) Collection Fund Adjustment Account	(3,151)
2,389 Accumulated Absences Account	2,137
(434,316) Total Unusable Reserves	(456,176)

Disclosure Notes to the Council's Group Accounts (continued)**G9. Subsidiaries**Solihull Community Housing Ltd (SCH)

SCH has operated as an arm's length company managing the Council's housing stock since 1 April 2004.

SCH has recognised one contingent liability during the last financial year in relation to HRA water rates. This is already disclosed as a contingent liability for the Council, as any loss would be funded from the Council's HRA.

As at 31 March 2019 SCH, as a separate entity, had no outstanding capital commitments. (2017/18: no capital commitments).

Blythe Valley Innovation Centre Ltd (BVIC)

BVIC operated since 2000 as a joint venture with BV JV Sarl in order to promote business enterprise. In July 2013 the Council acquired the shares of BV JV Sarl and became the sole shareholder in the Company.

BVIC has not incurred any contingent liabilities during the last financial year.

As at 31 March 2019 BVIC, as a separate entity, had no outstanding capital commitments (2017/18: 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 incurred any contingent liabilities during the last financial year.

As at 31 March 2019 UGC, as a separate entity, had no outstanding capital commitments (2017/18: no capital commitments).

G10. Joint VenturesCoventry & Solihull Waste Disposal Company Ltd (CSWDC)

The Council's interest in CSWDC is identified in Note 18a - Financial Assets measured at Fair Value.

The Council (as reporting authority) has not incurred any contingent liabilities in relation to its interest in Joint Ventures. CSWDC have declared no contingent liabilities for which the Council (as reporting authority) is contingently liable.

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 £0.703m as at 31 March 2019 (2017/18: £0.372m).

Disclosure Notes to the Council's Group Accounts (continued)**G11. Defined Benefit Pension Schemes**

Details of the Council's involvement in the Local Government Pension Scheme, Teachers Pension Scheme and NHS Pension Scheme are provided in Notes 41 and 42 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 42.

The most recent valuation of plan assets and the present value of the defined benefit obligation was carried out as at 31 March 2019.

Group Comprehensive Income and Expenditure Statement

The following amounts have been recognised in the profit and loss account of Solihull Community Housing Ltd and subsequently consolidated into the Group Comprehensive Income and Expenditure Statement:

	2017/18 £000	2018/19 £000
<i>Cost of Services:</i>		
Service cost comprising:		
• Current service cost	2,351	2,250
• Past service cost	109	606
• Administration costs	28	28
<i>Financing and Investment Income and Expenditure:</i>		
• Net interest on the net defined benefit liability	384	352
sub-total post-employment benefit charged to the (surplus) / deficit on the provision of services	2,872	3,236
<u><i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i></u>		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount charged in the net interest expense)	1,664	(731)
• Actuarial (gains)/losses arising on changes in financial assumptions	(3,640)	(907)
sub-total post-employment benefit charged to Other Comprehensive Income and Expenditure	(1,976)	(1,638)
Total post-employment benefit charged to the Group Comprehensive Income and Expenditure Statement	896	1,598

Disclosure Notes to the Council's Group Accounts (continued)**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The following amounts have been recognised in the Balance Sheet of Solihull Community Housing Ltd and subsequently have been consolidated into the Group Balance Sheet:

	2017/18	2018/19
	£000	£000
Present value of the defined benefit obligation	(77,624)	(80,133)
Fair value of plan assets	63,219	65,393
Net liability arising from defined benefit obligation	(14,405)	(14,740)

Assets and liabilities in relation to post employment benefits are shown below:

	2017/18	2018/19
	£000	£000
Reconciliation of the present value of the scheme liabilities		
Opening balance at 1 April	(77,971)	(77,624)
Current service cost	(2,351)	(2,250)
Interest expense	(2,090)	(1,962)
Contributions from employees into the scheme	(411)	(418)
Remeasurement (gains)/losses:	3,640	907
Past service costs	(109)	(606)
Benefits paid	1,668	1,820
Closing balance at 31 March	(77,624)	(80,133)

	2017/18	2018/19
	£000	£000
Reconciliation of the movements in the fair value of the scheme assets		
Opening value of scheme assets as at 1 April	63,179	63,219
Interest income	1,706	1,610
Return on assets less interest	(1,664)	731
Administration expenses	(28)	(28)
Contributions from employer	1,283	1,263
Contributions from employees into the scheme	411	418
Benefits paid	(1,668)	(1,820)
Closing value of scheme assets as at 31 March	63,219	65,393

The estimated potential impact of the McCloud judgement has been included as a past service cost.

Disclosure Notes to the Council's Group Accounts (continued)Analysis of the scheme assets at the reporting date:

	Percentage share		Fair value of assets	
	2017/18 %	2018/19 %	2017/18 £000	2018/19 £000
Equity instruments	64	59	40,405	38,651
Debt instruments	11	14	7,038	8,802
Property	8	8	4,868	5,554
Cash/liquidity	2	3	1,556	2,071
Other assets	15	16	9,352	10,315
Average Return / Total Assets	100	100	63,219	65,393

The sensitivity of the overall pension liability to changes

Impact on the Defined Benefit Obligation in the Scheme	
Change in Assumption	Impact on Pension liability £000
Life expectancy assumptions (increase by 1 year)	2,920
Pension increase and deferred revaluations (increase by 0.1%)	1,364
Long-term salary increase (increase by 0.1%)	155
Discount rate (increase by 0.1%)	(1,491)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solihull Metropolitan Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow 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 2018/19.

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 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources and Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' 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 matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Accounting Statement 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, the Director of Resources and Deputy Chief Executive and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 20, 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 and Deputy Chief Executive. The Director of Resources and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources and Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Solihull Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

J Gregory

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham

31 July 2019

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.

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, stocks 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.

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.

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

This is money collected by the Council on behalf of another local service, for example the Fire and Police services.

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. RSG is being phased out and is expected to cease entirely by 2020. Allocations of RSG up to that point have been incorporated into the funding the Council has received through business rates under the West Midlands business rates retention pilot.

Ring-fenced

Amounts which are ring-fenced are only able to be spent on specific areas.

Specific Grants

Grants from the government or other bodies which are to pay for a particular council service or project.

Surplus

What is left of income after expenses have been taken away (opposite of deficit).

Third Party

A person or entity who is not involved in an interaction or relationship with the Council.

Usable Capital Receipts Reserve

Money received from the sale of non-current assets not yet used for new capital spending.

Useful Life

The period over which the Council expects to derive benefits from the use of a non-current asset and over which, typically, it will be depreciated.

Variance

The difference between the budgeted and actual costs or income for an activity. A favourable variance means that the actual performance was better than budgeted (i.e. income was greater or expenditure lower) and an adverse variance means that the actual performance was worse than budgeted.

Contact Details and Other Sources of Information

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

Council Tax Leaflet 2019/20
Medium Term Financial Strategy 2019/20 - 2021/22

Paper copies are available from Council House Reception, Solihull, and reference copies are kept in Solihull Central Library. Electronic versions can be accessed from the Solihull Council website.

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
West Midlands Office for Policing and Crime
Lloyd House
Colmore Circus Queensway
Birmingham
B4 6NQ

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

Director of Finance
West Midlands Combined Authority
16 Summer Lane
Birmingham
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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 Solihull Central Library or alternatively from CIPFA itself:

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