

Solihull Metropolitan Borough Council Statement of Accounts 2023/24

Contents

| | |
|--|----|
| Narrative Report | 1 |
| Statement of Responsibilities | 19 |
| Comprehensive Income and Expenditure Statement (CI&ES) | 20 |
| Movement in Reserves Statement (MIRS) | 22 |
| Balance Sheet | 24 |
| Cash Flow Statement | 25 |
| Disclosure notes – notes supporting the core financial statements | 26 |
| 1. Expenditure and Funding Analysis (EFA) | 26 |
| 2. Prior Period Adjustments and Reclassifications | 31 |
| 3. Critical Judgements in Applying Accounting Policies | 32 |
| 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty | 34 |
| Disclosure notes – notes supporting the Comprehensive Income and Expenditure Statement | 35 |
| 5. Material Items of Income and Expenditure | 35 |
| 6. Expenditure and Income analysed by Type | 36 |
| 7. Officers' Remuneration | 38 |
| 8. Members' Allowances | 41 |
| 9. Grants Received | 42 |
| 10. Dedicated Schools Grant (DSG) | 45 |
| 11. Pooled Budgets | 46 |
| 12. External Audit Costs | 49 |
| Disclosure notes – notes supporting the Movement in Reserves Statement | 50 |
| 13. Adjustments between Accounting Basis and Funding Basis under Regulations | 50 |
| 14. Unusable Reserves | 56 |
| 15. Movements in Earmarked Reserves | 58 |
| Disclosure notes – notes supporting the Balance Sheet | 60 |
| 16. Movements on Balances for Property, Plant and Equipment | 60 |
| 17. Capital Commitments | 63 |
| 18. Capital Expenditure and Capital Financing | 63 |
| 19. Revaluations | 64 |
| 20. Investment Property | 65 |
| 21. Intangible Assets | 66 |
| 22. Financial Instruments | 66 |
| 23. Fair values of Assets and Liabilities | 68 |
| 24. Nature and Extent of Risks Arising from Financial Instruments | 74 |
| 25. Income, Expense, Gains and Losses Recognised in the Comprehensive Income & Expenditure Statement | 78 |
| 26. Leases | 79 |
| 27. Private Finance Initiatives (PFI) and Similar Contracts | 81 |
| 28. Short-Term Debtors | 82 |
| 29. Debtors for Local Taxation | 82 |
| 30. Cash and Cash Equivalents (including Bank Overdraft) | 82 |

| | |
|--|------------|
| 31. Short-Term Creditors | 83 |
| 32. Provisions | 83 |
| 33. Pension Schemes accounted for as Defined Contribution Schemes | 84 |
| 34. Defined Benefit Pension Schemes | 85 |
| Disclosure notes – notes supporting the Cash Flow Statement | 90 |
| 35. Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements | 90 |
| 36. Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities | 90 |
| 37. Operating Activities | 90 |
| 38. Reconciliation of Liabilities arising from Financing Activities | 91 |
| Disclosure notes – other | 92 |
| 39. Related Parties | 92 |
| 40. Contingent Liabilities | 94 |
| 41. Contingent Assets | 94 |
| 42. Events after the Reporting Date | 94 |
| 43. Accounting Standards that have been Issued but not yet Adopted | 95 |
| 44. Statement of Accounting Policies | 96 |
| Group Accounts | 110 |
| Disclosure notes – notes supporting the Council's Group Accounts | 117 |
| Supplementary Statements | 127 |
| Housing Revenue Account | 127 |
| Disclosure notes – notes supporting the Housing Revenue Account | 128 |
| Collection Fund | 131 |
| Disclosure notes – notes supporting the Collection Fund | 133 |
| Independent auditor’s report to the members of Solihull Metropolitan Borough Council | 135 |
| Glossary and Contact Details | 141 |

Narrative Report

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

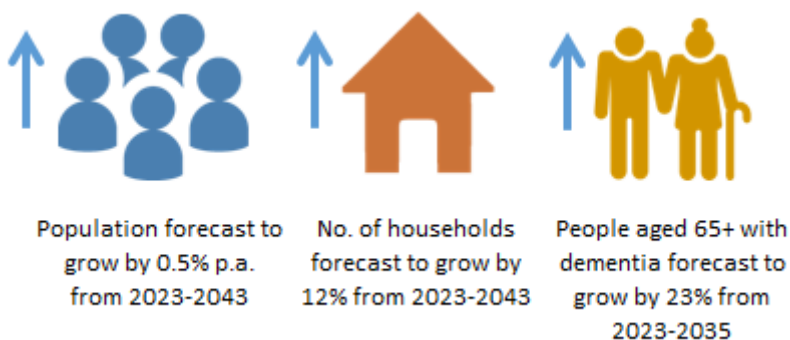
Organisational Overview and External Environment

Solihull: population and place

The Council serves a broadly affluent borough, characterised by above-average levels of income, employment and home ownership. The living environment, with a mix of urban and rural communities, key strategic sites and transport infrastructure, and large amounts of green space, is one of Solihull's main strengths, and is reflected in high levels of resident satisfaction with the area (84% in the most recent Place Survey¹).

The population of the borough has increased at a slower rate than nationally in each of the last three decades, although growth in Solihull has accelerated in the last ten years and the gap with the England average has narrowed. The Solihull population is projected to grow by around 0.5% a year over the next 20 years. This is higher than the expected rate of growth for England as a whole (an average of 0.35% a year over the same period) and is likely to be driven by high rates of growth among the older population and in the semi-rural and rural parts of the borough.² This growth will put pressure on transport, housing, education and public service infrastructure. Challenges will include balancing these pressures with the need to take action to reduce carbon emissions.

Projections suggest that the relative ageing of Solihull's population will continue and by 2043 it is likely that those aged 65 and over will account for around 23% of the borough's population (up from 21% currently). People aged 75+ represent more than 15% of the population in 10 of the borough's 134 neighbourhoods ("Lower Super Output Areas") and at least 10% of the population in 70 neighbourhoods. The number of residents aged 85 and over, which is projected to increase by 48% (around 3,500 people) between 2023 and 2043, represents a particular challenge in terms of health and social care.³



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

¹ Solihull Metropolitan Borough Council, *Solihull Place Survey 2022* [the next survey will be carried out in autumn 2024]

² Solihull Metropolitan Borough Council, *Solihull Population Estimates and Projections*

³ Ibid

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

The impacts of this are felt across a broad range of outcomes, particularly health, employment and educational attainment. Although life expectancy in the borough is above the national average, women in the borough's most affluent neighbourhoods can expect to live more than 10 years longer than those in the more deprived wards, while the life expectancy gap for men in Solihull is over 11 years.⁵ Furthermore, projections suggest that an increasing number of our residents will experience financial pressures as a result of the increase in the cost of living and low income growth among lower earners.

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

Solihull: the Council

The Council Plan sets out the direction we want to go in as a Council (our vision and purpose), how we aim to travel that journey and what we want to see at the end of it. It covers those major steps that we need to take to achieve our vision. It does not cover the 'business as usual' of the Council, which, of course, also has a vital role in the success of our vision and purpose. We have in excess of 1,200 statutory duties (things we must do) and many more statutory powers where we have discretion in how we exercise them. The Council's vision for Solihull is that it will be a place where everyone has an equal chance to be healthier, happier, safer and more prosperous.

We are one of 36 metropolitan district councils, on the fringe of the West Midlands conurbation but with a distinct identity and strong rural roots, as characterised by the motto "Urbs in Rure". A unitary authority since 1986, the Council is led by a Conservative administration, which as at May 2024 holds 30 out of the 51 seats. The borough is served by three members of parliament, representing the constituencies of Solihull West and Shirley, Meriden and Solihull East, and Birmingham Hodge Hill and Solihull North.

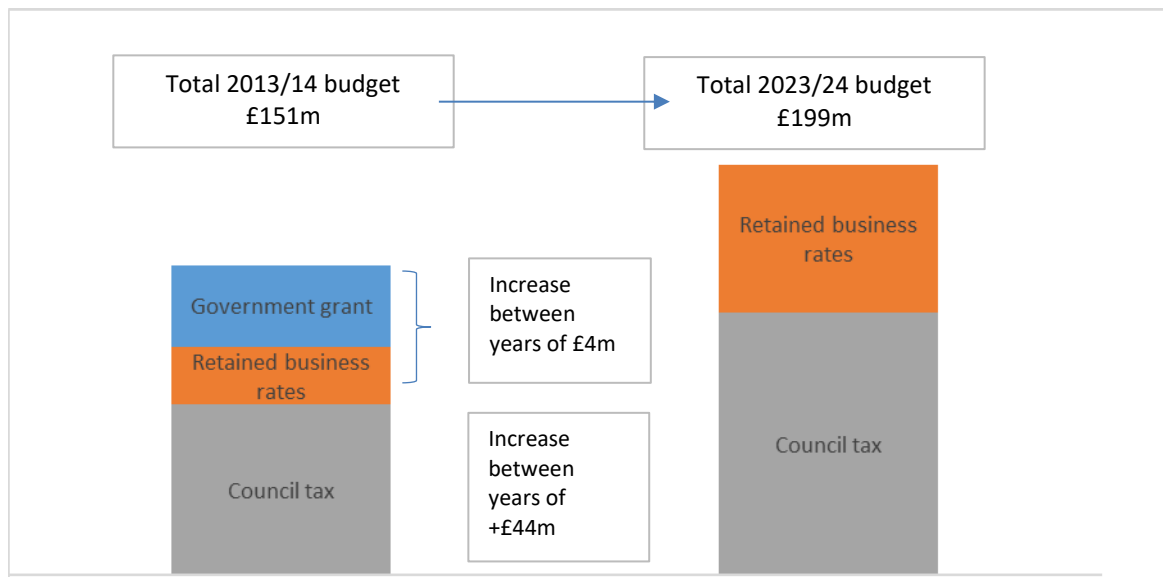
The Council employs around 3,700 full time equivalent staff, around 40% of whom work in the borough's schools (excluding academies), organised into five directorates – Adult Social Care, Children's Services, Economy and Infrastructure, Public Health and Resources – under the management of the Corporate Leadership Team. Our Employee Wellbeing Strategy is key to ensuring our employees are healthy and engaged in order to enable business resilience and realise opportunities for organisational transformation in the wake of the pandemic. One of the Council's strengths is the positive working relationships between officers and elected members, which facilitates effective decision making and strong leadership. This is underpinned by our core values, which are to be ambitious, open, honest and keep our promises.

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

⁴ Solihull Metropolitan Borough Council, *Deprivation in Solihull – The Index of Multiple Deprivation 2019* [note that although this data set is now 5 years old it is still regarded as the best measure of relative deprivation available]

⁵ Office for Health Improvement and Disparities, *Public Health Outcomes Framework 2018-20*

Our funding comes from two main sources, retained business rates and council tax. In 2013/14, the year in which business rates retention was first introduced, Solihull received 55% of its funding from council tax payers, 26% from government grant and 19% from retained business rates. In the years since, the level of government support has fallen significantly and the proportion of funding which comes from council taxpayers has increased to 64%.



The 100% business rates retention pilot in the West Midlands, in which Solihull has been involved since April 2017, was superseded from April 2024 by a new agreement between the region and the government as part of the West Midlands’ trailblazer devolution deal. Under this agreement, the West Midlands will continue to retain 100% of the local growth in business rates for ten years. This agreement has enhanced certainty for medium term planning, although it will not protect the member authorities from any business rates reset and the potential impact of such a reset on retained business rates income is as yet unclear pending the announcement of detailed proposals, which is not now expected until after the next general election. The deal also includes the confirmation of a number of growth zones for the region, including one which covers part of North Solihull, which will allow the retention of business rates for 25 years, alongside other benefits for businesses.

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 (overleaf):



Solihull is a strong and active member of the West Midlands Combined Authority (WMCA) committing political and officer leadership and expertise. The development of the Trailblazer Devolution Deal, the UK Shared Prosperity Fund Delivery Plan and the Plan for Growth have been particularly significant areas of collaboration.



Through the Birmingham and Solihull Integrated Care System, we are working with health partners to set out the key priorities for Solihull and the health and care services that are delegated to operate at 'Place' level. Our vision is for Birmingham and Solihull to be the healthiest place to live and work, driving equity in life chances and health outcomes for everyone.



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



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



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



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



The Voluntary and Community Sector (VCS) in Solihull consists of more than 700 separate organisations which contribute to the social fabric and wellbeing of our communities. Our relationship with VCS groups continues to be especially important throughout the cost of living crisis.



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



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

Solihull Community Housing Ltd, Mell Square Ltd and UK-Central (Solihull) Ltd (trading, and referenced throughout, as, the Urban Growth Company Ltd) are consolidated in our accounts as wholly owned subsidiaries, as is Solihull Energy Ltd, which was established during 2023/24 as a separate delivery vehicle for council projects. Our Group Accounts also include the Coventry and Solihull Waste Disposal Company Ltd, as a joint venture. The Council also owns shares in Sherbourne Recycling Ltd and Birmingham Airport Holdings Ltd, together with other local authority partners, but these are not consolidated into the Group Accounts as our shareholding is minor.

Operational Model and Performance

Council services

The strategic direction for the authority is set by the Council Plan, which was last fundamentally reset in July 2020 and is updated annually. The Council Plan is based on an analysis of the borough's strengths, challenges and opportunities, and is influenced by local priorities, input from public and stakeholder consultation, government policies, performance information and external inspections and challenge. The 2024/25 update outlines our priorities and a set of outcomes that we are seeking to achieve by 2025. A new Council Plan will then be developed in 2025.

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

- Universal services are those offered to all of our residents and provide the foundation upon which successful, sustainable communities are built.
- Targeted services are there to help residents get things back on track to try to ensure temporary difficulties do not escalate to cause long-term problems.
- Specialist services are received by residents who need specialised support, such as adults with long-term physical and mental health conditions and children with Special Educational Needs and Disabilities, or those needing support and intervention aimed at safeguarding children and young people and vulnerable adults.

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

The Council also:

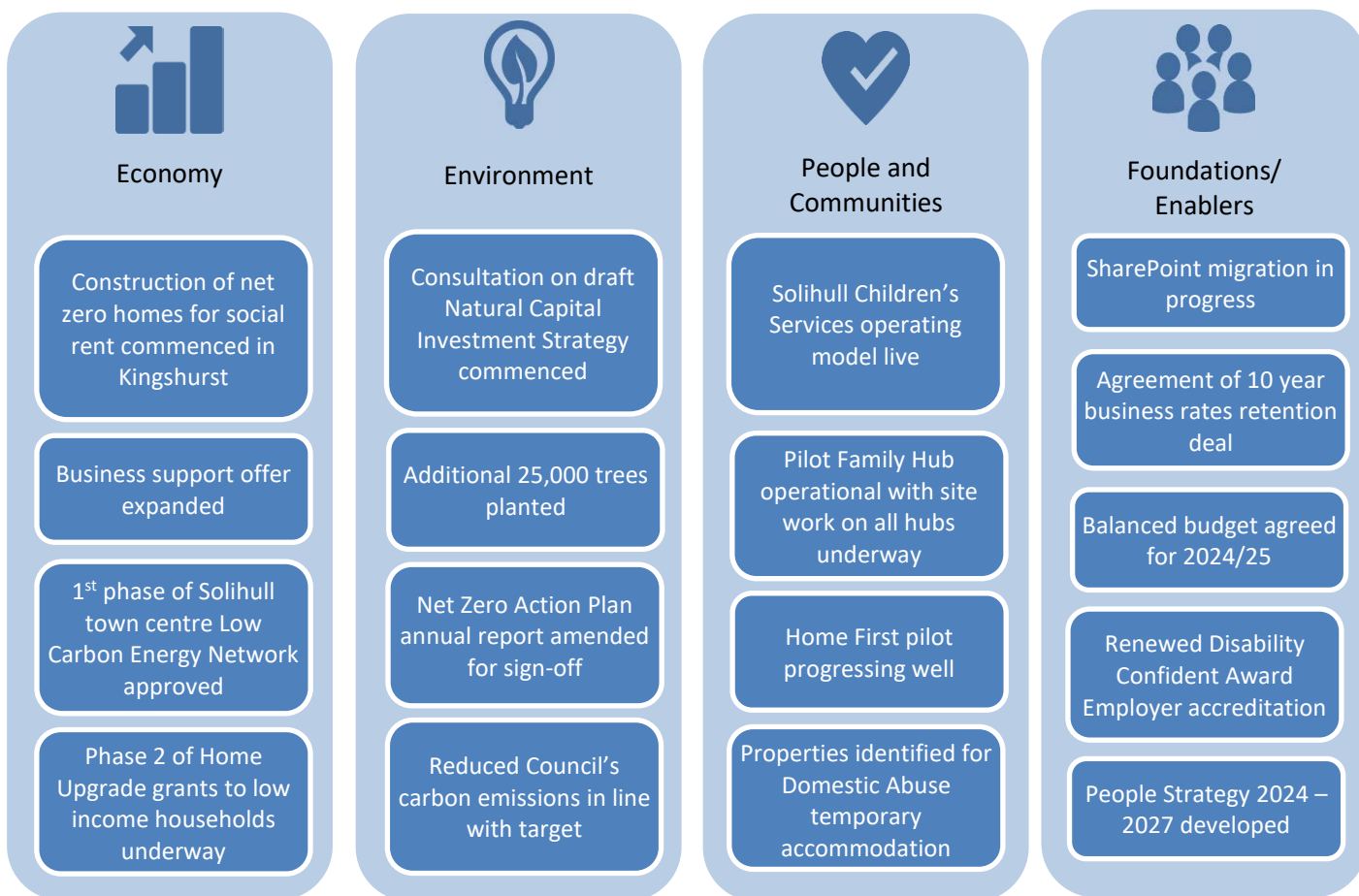
- Provides support and services for children to get the 'right start' in life to give them the best possible chance of success as adults.
- Invests in local physical assets, boosting voluntary, community and social enterprise capacity as well as enabling communities, faith groups, parish councils to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

Getting our prevention offer right is crucial to meeting residents' needs in an affordable way by, wherever possible, stopping issues from arising or escalating. Everyone that works for the Council has a role to play in this. To enable everyone who works for the Council to understand what we mean by prevention and how they can contribute to it, we have developed our 'Living Well in Solihull' strategy, which sets out the approach and opportunities relating to helping local people to live well.

The support we provide for children and families continues to be the Council's top priority for improvement. We place children and young people at the heart of all we do to enable them to achieve their potential and lead fulfilling lives, and continue to make progress against the recommendations set out in the report of the Children's Services Commissioner, Sir Alan Wood, in March 2023 and in subsequent Ofsted reports.

Review of the year

Although the response to pressures and challenges in children's services has been a dominant theme over the course of the year, we have maintained our focus on the priorities set out in the Council Plan. The illustration below highlights some significant non-financial outcomes against our priorities in the year.



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

Financial performance - overview

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

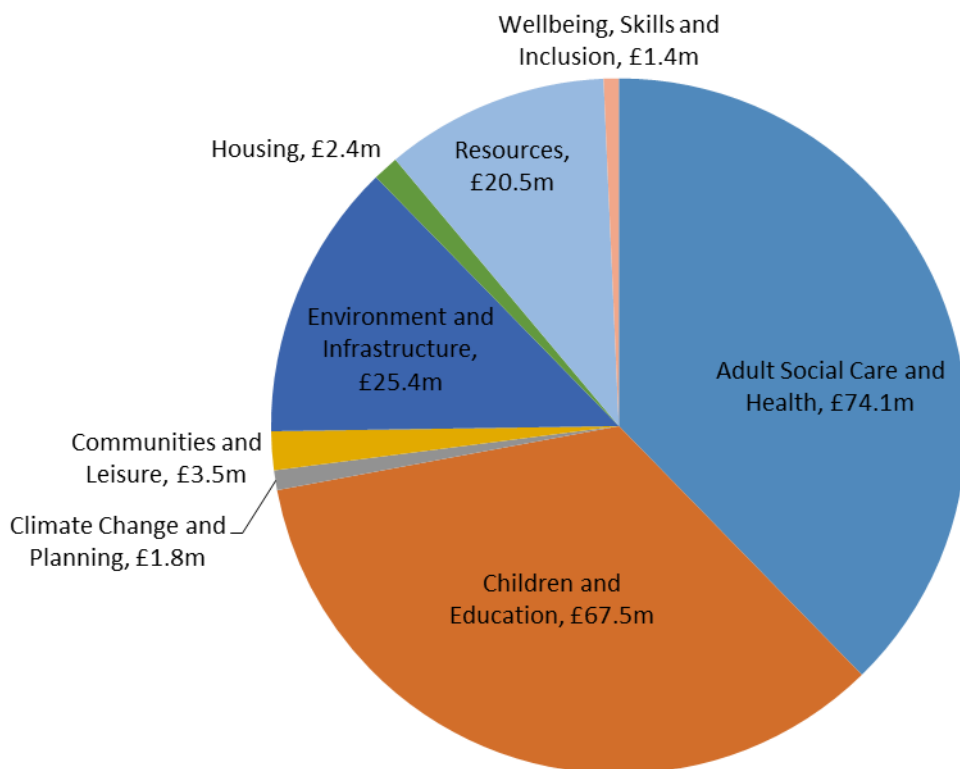
Our budget for 2023/24 was £199.250 million, an overall increase in the net budget of £35.283 million compared to the 2022/23 budget of £163.967 million. The main reason for the substantial increase was an increase in business rates income – partly due to inflation but also related to the Council's decision to treat the windfall business rates income relating to our membership of the West Midlands 100% business rates retention pilot as core funding, instead of contributing it to reserves as in previous years. This enabled the Council to allocate significant additional resources to children's services, and to address some of the pressures caused by high levels of inflation.

The budget was approved on 23 February 2023, with net planned expenditure on services and corporate commitments increasing by £24.911 million over the 2022/23 base budget, of which £13.676 million related to corporate and service pressures, (£3.384 million) related to government grant and £14.619 million to inflation. An increase in contributions to reserves and contingencies of £14.520 million was offset by savings totalling (£4.148 million) (new savings of £5.598m offset by reversals of prior year savings of £1.450 million).

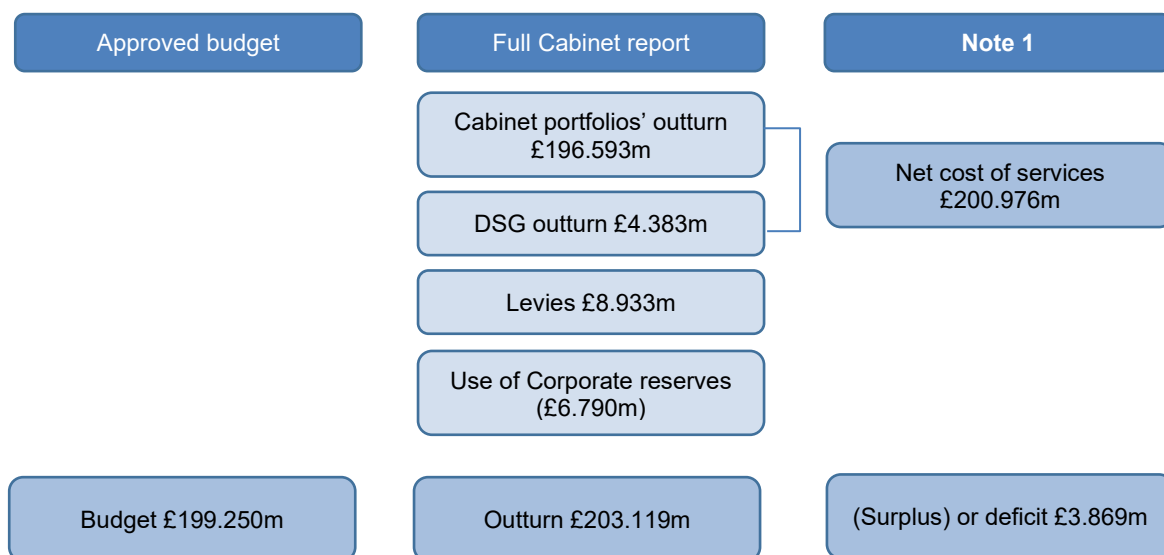
The budget of £199.250 million was funded from retained business rates of £71.953 million and council tax income of £127.297 million. Solihull increased its element of the council tax charge by 4.99% in 2023/24. This included a charge of 2.00% specifically to support adult social care which, when added to previous years' charges for adult social care, generated £16.207 million for the service (£2.561 million more than in 2022/23). Council tax income continues to be the most significant funding source for the authority, reflecting the proportion of higher-banded homes in the borough.

Financial performance – revenue outturn

The budget for expenditure on council services, excluding levies, corporate reserves and the Dedicated Schools Grant, totalled £190.432 million. As reported to Cabinet on 20 June 2024, the outturn position, before the application of mitigations and carry forward requests, was £196.593 million. The chart below shows this by cabinet portfolio.



Note 1 to the Statement of Accounts provides a breakdown of the total income and expenditure by cabinet portfolio and 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 both the approved budget and the position in Note 1 and the resulting net adverse variance of £3.869 million (2022/23: £1.339 million adverse variance).



Requests for carry forwards of £514,000 were approved by Cabinet in June, increasing portfolio expenditure from £196.593 million to £197.107 million, resulting in an adverse variance compared to the budget of £8.149 million. Pressures within the Children and Education portfolio accounted for £6.993 million of this variance, compared to the forecast as at period 6 (and subsequently accounted for in the 2024/25 budget) of £5.574 million. The increase was largely due to further scrutiny of the charges made to Dedicated Schools Grant budgets.

The balance of the adverse variance of £1.156 million related to funding. The outturn position on business rates was significantly worse than the position that was forecast in January 2024 and built into the 2024/25 MTFs. Whilst most of the deficit will need to be funded as part of the 2025/26 budget process, an element relating to lower than forecast section 31 grant had to be funded in 2023/24 as part of the outturn position.

The outturn position was managed through the application of £5.574 million of corporate mitigations approved in principle through the 2024/25 budget process (namely revenue/capital swaps, the flexible use of capital receipts and the use of surplus reserves), with further mitigations of £2.575 million identified at the year end to balance to the financial position set out in the approved MTFs (2022/23: nil variance). That said, there are pressures arising from the outturn position – specifically in relation to the business rates deficit and to costs previously charged to the Dedicated Schools Grant – that will feed through into future years, requiring further savings to be identified.

| | Budget | Variance before mitigations | Mitigations | Outturn position | Net variance |
|--------------------|----------------|-----------------------------|----------------|------------------|--------------|
| | £000 | £000 | | £000 | £000 |
| Portfolios | 190,432 | 6,993 | (318) | 197,107 | 6,675 |
| Business rates | 0 | 1,156 | (1,156) | 0 | 0 |
| Levies | 8,933 | 0 | 0 | 8,933 | 0 |
| Corporate reserves | (115) | 0 | (6,675) | (6,790) | (6,675) |
| Total | 199,250 | 8,149 | (8,149) | 199,250 | 0 |

The Council also reported an in-year adverse variance on the DSG of £4.383 million which, added to a cumulative deficit of £16.357 million carried forward from previous years, results in a total DSG adverse variance of £20.740 million. The government has extended the statutory override which allows the Council to carry forward the DSG deficit for a further three years (2023/24 to 2025/26). If it is not extended beyond that date, then the Council would be required to fund the deficit from its own unearmarked reserves from 2026/27.

The key issue for the DSG continues to be the pressure on the High Needs Block, which is largely due to sustained increases in the number and cost of school placements, particularly in the independent sector. Members continue to receive regular updates on the DSG management plan which outlines the steps being taken to address the ongoing budget position. In line with regulations, the Statement of Accounts shows the balance of the accumulated deficit in the DSG adjustment account, an unusable reserve set up for this purpose. The Council is working with the Delivering Better Value (DBV) in Special Educational Needs and Disability Services Programme under the Department for Education (DfE) in collaboration with the Chartered Institute of Public Finance Accounting (CIPFA) and partners Newton Europe to determine strategies to resolve the financial position in the High Needs Block.

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

For the Adult Social Care directorate, the additional cost of spot-contracted care packages, the loss of small homes income and increases in Adult Disabilities and Mental Health costs were offset by lower expenditure on block-contracted beds, the capitalisation of equipment costs and additional income from day services. The Market Sustainability and Improvement Fund was applied towards increased fee rates and staffing costs and the overall Adult Social Care position was balanced through the use of £3.190 million of directorate reserves. The Public Health directorate reported a favourable variance of £336,000, mainly due to recruitment and procurement delays and additional external funding, that was contributed to reserves.

The Children and Education portfolio continued to report significant demand pressures, particularly in children's placements, home-to-school transport, social care staffing and special educational needs and disabilities services, which were mitigated corporately through a range of actions. Through the 2024/25 budget process further ongoing investment was allocated to the portfolio to support the improvement plan for the service but this remains a key risk area for the MTFS going forward.

The position across the portfolios within the Economy and Infrastructure Directorate was balanced with net contributions to risk and other earmarked reserves. The directorate reported pressures in respect of the theatre, waste disposal and development control income, which were offset by staffing underspends and additional income elsewhere.

The most significant pressure for the Resources portfolio related to the impact of housing benefit costs exceeding the subsidy received from government, with this and further pressures related to staffing and income shortfalls offset by additional income from treasury management and elsewhere and the release of reserves.

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 2023/24, including the Housing Revenue Account (HRA), was £54.282 million (2022/23: £71.371 million) compared with a revised budget of £78.608 million, giving a net favourable variance in-year of (£24.326 million) (2022/23: (£11.473 million)). After taking into account released funding, rephasing of £18.982 million will be added into the capital programme for 2024/25.

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

The disposal of assets resulted in total gross capital receipts for the Council during the year of £2.191 million (2022/23: £5.439 million). These included HRA right to buy properties totalling £1.843 million (2022/23: £4.084 million).

Business Rates Retention

2023/24 marked the seventh year of the West Midlands business rates retention pilot, through which the combined authority has secured a share of business rates growth to support the investment programme. In addition, involvement in the pilot has generated windfall resources each year for the member authorities for investment in local priorities. It was agreed as part of the 2023/24 budget process that any windfall income received in 2023/24 or future years would be treated as core business rates income and built into the MTFs in the year it arose. From 2024/25, the pilot will be superseded by a new ten-year agreement for business rates retention in the region, under which the West Midlands authorities will continue to retain 100% of business rates collected locally. They will also continue to benefit from windfall income until the business rates baselines are reset nationally, which is not now anticipated until 2025 (in advance of the 2026/27 financial year).

Academisation

During 2023/24, four schools converted to academy status. The school buildings have been disposed of resulting in a loss on disposal in the CI&ES of £20.377 million. The associated land has been revalued resulting in a reduction in value of £12.004 million.

The Council is currently expecting four schools to convert to academy status following the Balance Sheet date of 31 March 2024. The subsequent transfer of school buildings is expected to result in a loss on disposal in the CI&ES of £32.127 million in 2024/25, and the associated land will be revalued resulting in a revaluation loss of £9.264 million.

Pension liabilities

The Council's net pension obligation is calculated by qualified actuaries. This year, the initial valuation was a net asset position for the funded pension scheme of £90 million. However, the application of an asset ceiling calculation produced by the actuaries on the Council's behalf has reduced the net asset in respect of the funded scheme to nil. There is a residual net liability in the accounts which represents the unfunded element of the Council's Pension Fund.

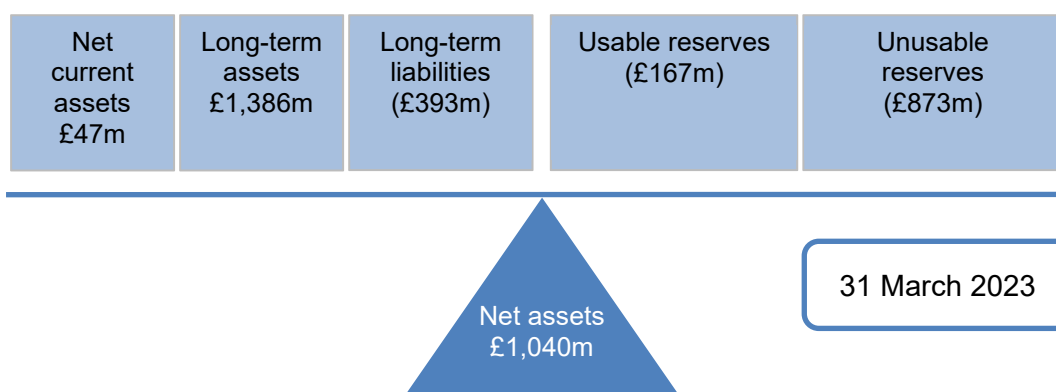
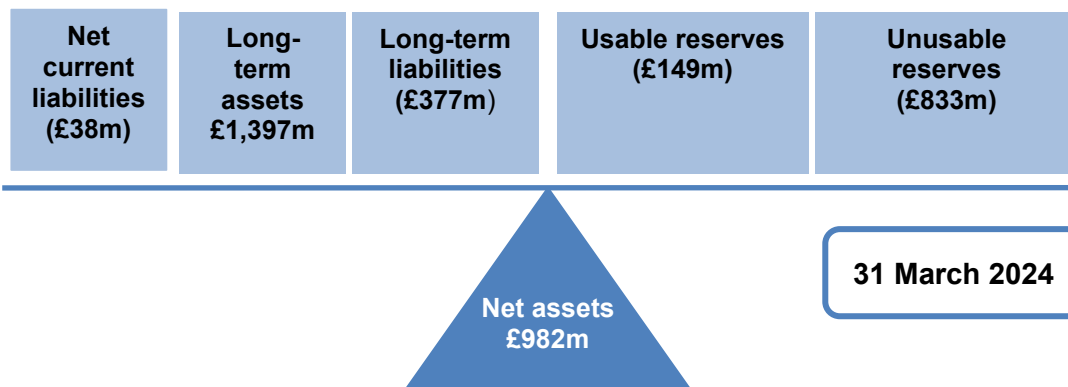
In April 2023 the Council made an upfront payment of £67.100 million in respect of pension contributions for the three years from 2023/24 to 2025/26 in order to save £4.500 million over those three financial years. The full payment has been accounted for as a reduction in the Council's net pension liability in 2023/24 and this will lead to a reduction in cash balances over the short term, until levels are replenished as regular pension contributions are not paid.

Net assets

The Council's net assets reduced by (£58 million) during the year, largely due to a reduction in Short-Term Investments of (£83 million), the majority of which was to facilitate the upfront payment of pension contributions of £67 million. Other key movements in net assets include:

- An increase in the value of Property, Plant and Equipment of £10 million (as detailed in Note 16);
- An increase in Short-Term Debtors of £5 million;
- An increase in Short-Term Creditors of (£7 million);
- A reduction in the Net Pensions Liability of £9 million.

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



Cash flows

The Cash Flow Statement shows how the movement in resources has been reflected in cash flows. During 2023/24, net cash and cash equivalents decreased by £2.518 million, from (£10.755 million) to (£13.273 million).

Strategy and Resource Allocation

Council Plan

The current Council Plan, which was adopted in July 2020, sets out a direction of travel until 2025 and describes the major steps we need to take to achieve our ambitions. Our plan, which is updated annually, outlines a clear direction based on our priorities.

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

The plan responds to the constantly shifting environment in which we operate, including changes to our population, developments in the partnership landscape and the financial challenges faced by residents, businesses and the Council. Our borough has great fundamentals, including our strategic location, a robust economy and high-quality places to live, which will support us in meeting the needs of our changing population, managing spending within constrained budgets, tackling the underlying causes of inequality and ensuring that growth generates opportunities for all.

Medium Term Financial Strategy

The Council Plan is supported by our Medium Term Financial Strategy (MTFS), which covers the period to March 2027. Our MTFS is approved by members before the start of each financial year but is kept under review throughout the year, with updates reported to members through the Budget Strategy Group, members' budget seminar, scrutiny and Full Cabinet.

For many years, the Council has operated a three-year budgeting approach, using its budget strategy reserve to smooth the impact of changes to the MTFS assumptions to enable the effective management of service budget pressures and support realistic planning for the delivery of savings in the final year. However, the combination of unprecedented economic conditions and demand on council services has meant that the focus for the 2024/25 budget process has instead been on the delivery of a balanced budget for the next financial year, with indicative plans for future years.

The MTFS includes £7.630 million of new savings identified for 2024/25, with further savings (£7.464 million in 2025/26 and a further £1.980 million in 2026/27) required in future years. The work to identify these savings is being led by the Financial Sustainability Board (comprising the Chief Executive and the corporate leadership team), which will report through to the Leader of the Council and other Cabinet members, as necessary. The Board will be making recommendations in advance of the 2025/26 budget process in order to restore the Council's finances to a more sustainable footing.

Treasury management and borrowing strategy

The Council's Treasury Management Strategy sets out the Council's objectives in relation to the management of the Council's cash flow in order to ensure it is available when needed, and to manage borrowing and investments in support of the Council's longer term capital plans. As outlined in the Treasury Management Strategy, security and liquidity are the primary investment policy objectives for the Council and therefore we will only invest with highly creditworthy counterparties and only when appropriate given economic and market conditions.

The Council is currently maintaining an under-borrowed position, which means that the capital financing requirement has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cashflow has been used as a temporary measure. This strategy is prudent as both borrowing rates and counterparty risk are relatively high however this position will need to be closely monitored in line with the available level of Council reserves and balances.

Looking Ahead: Risks and Opportunities

The impact of inflation was a significant challenge for the 2023/24 budget process, resulting in additional funding allocated to budgets for contracts, staffing and utilities and affecting our ability to deliver major capital projects, but inflation has since fallen from its peak in autumn 2022. Medium term economic forecasts suggest that inflation will start to level off over the period covered by the updated MTFS, relieving some of the pressure on the authority and on residents, but this remains a risk.⁶

We are also conscious of the effect of cost-of-living pressures on our residents, particularly those in lower income households, and the impact this is having on demand for our services. The Council is working with partners to support residents across the following 4 themes:

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

Building on the ambitions set up in the 2022 Levelling Up White Paper, the government announced in March 2023 the agreement of trailblazer devolution deals with the West Midlands and Greater Manchester Combined Authorities. In addition to securing enhanced funding and flexibility in areas such as skills, regeneration and housing, the deal will mean the West Midlands authorities can retain business rates income for ten years, in an extension of the existing pilot arrangements, and allow the creation of new growth zones, including one for East Birmingham and North Solihull. The deal presents significant opportunities for Solihull and the West Midlands.

Service pressures

Across the local government sector, rising demand, particularly in adults' and children's services, home-to-school transport and homelessness, continues to be a challenge which councils need to manage within limited funding envelopes.

As outlined above, there is a relatively high proportion of older people in Solihull which is expected to increase and the number of children moving into the borough's schools has also increased, putting pressure on school places and increasing transport costs. In addition, we are seeing increased complexity of need in all adult age groups and across the children we support through education and social care services. Children's services continue to face unprecedented pressures as the Council continues its improvement journey and establishes our preventative offer. The Council supports a relatively large number of children and costs, particularly for the most complex cases, remain high. The cost of turning around a service rated "inadequate" is inevitably high, but it is anticipated that once our preventative offer, in particular, is well-established, numbers will start to fall with costs reducing accordingly.

Economic Uncertainty

As outlined by the Office for Budget Responsibility (OBR) in March 2024, the outlook for the economy remains challenging, with high levels of labour market inactivity despite population increases, lower interest rates and lower energy prices. The OBR forecasts suggest that inflation will fall to an average of 2.2% in 2024 and 1.5% in 2025, returning to target levels in 2028. However, the OBR cautions that a widening of the conflict in the Middle East could lead to a sharp rise in energy prices and a consequent spike in inflation. Trade volumes are forecast to remain subdued for the next few years due to sluggish growth in the UK and global economies and the evolving impact of Brexit.⁷

⁶ Office for Budget Responsibility, *March 2024 Economic and Fiscal Outlook* (March 2024) <https://obr.uk/economic-and-fiscal-outlooks/>

⁷ Ibid

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

Local government funding

The Council is keen to maximise the opportunities presented by the new ten-year trailblazer devolution deal between the government and the West Midlands but more broadly the medium to longer term outlook for local government finance remains uncertain. 2024/25 represents the last year covered by the 2021 Spending Review, with spending plans for future years not expected until after the general election. It is also currently anticipated that the baselines used to measure business rates growth will be reset in the new Parliament, probably towards the end of the MTFS period, and an estimate of the impact will be built into a future iteration of the MTFS when there is more certainty on both the timing and how the reset will be implemented. In the absence of any other information, the MTFS assumes overall funding levels will remain fairly stable throughout the period, but it is acknowledged that this remains a key risk for the Council.

Sustainable inclusive growth

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

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

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

In future, many new jobs will require higher level skills and we recognise that some of our residents will require support to access these new employment opportunities. School attainment varies, with only 49% of those pupils attending secondary school in the north of the borough achieving grades 9 to 4 in GCSE English and Maths in 2023 (compared to 75% of pupils in the south of the borough). Employment rates for those with lower skills, ill health (particularly for those with a mental health issue), carers and lone parents are much lower than for the rest of the population.

Delivering a sustainable low-carbon future

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

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

Outlook

Key service developments

Our Council Plan outlines our priorities and a set of outcomes that we are seeking to achieve by 2025. Our Council Plan seeks to deliver what people need to thrive through inclusive growth. The priorities in the current plan are illustrated below.

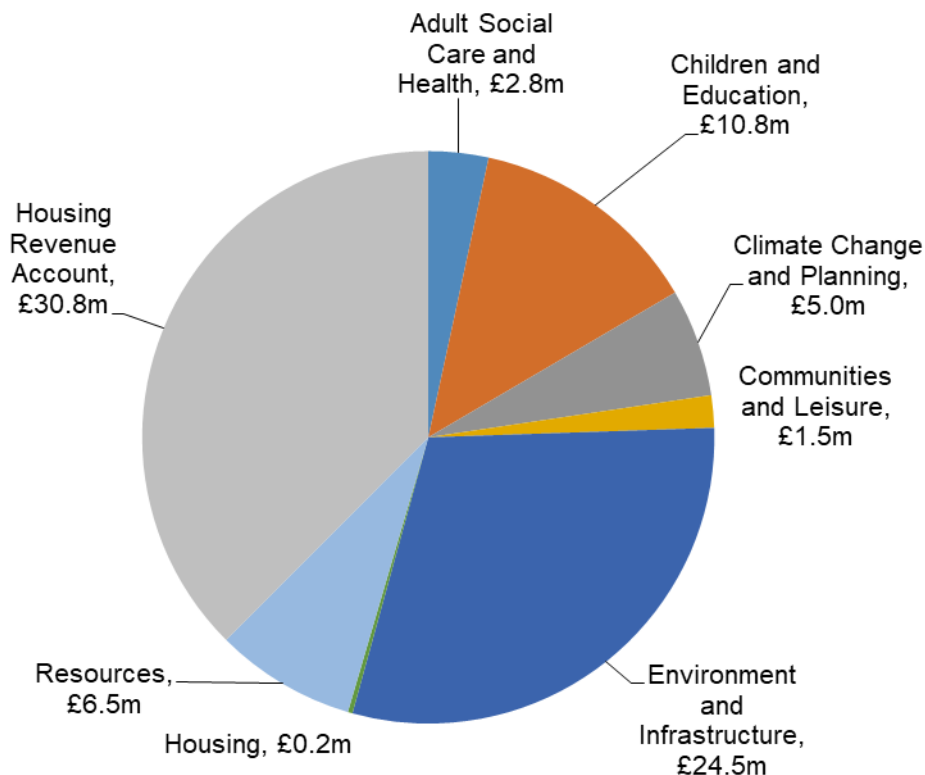


This activity will be supported by the financial resources set out in the MTFS, which are summarised in the table below.

| | 2024/25 | 2025/26 | 2026/27 |
|---|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Base budget | 199,250 | 199,904 | 214,562 |
| Funding commitments | 14,091 | 12,355 | 7,584 |
| Savings | (3,232) | 2,795 | 1,500 |
| Government grants | (3,057) | (281) | 7,354 |
| Contributions to/ (from) reserves | (3,539) | 3,714 | 0 |
| Reversal of prior year contributions (to) / from reserves | (3,609) | 3,539 | (3,714) |
| Savings to be identified | 0 | (7,464) | (1,980) |
| Indicative budget | 199,904 | 214,562 | 225,306 |

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 2024/25 totals £82.125 million (excluding rephasing approved by Full Cabinet in June 2024), divided between cabinet portfolios as shown in the chart below.



Note: there is no planned capital expenditure in the programme for the Wellbeing, Skills and Inclusion portfolio

Significant items within the capital programme for 2024/25 include the schools improvement programme, highways improvements and the development of a town centre heat network, in addition to a programme of works totalling £30.836 million within the Housing Revenue Account, which includes work on building safety, maintenance and carbon emissions reductions.

Looking ahead, the total projected value of the capital programme between 2024/25 and 2026/27 is circa £234 million (before the addition of rephasing from 2023/24). This will be funded from the following internal and external sources: external grants (£115 million), prudential borrowing (£64 million), revenue (£43 million) and capital receipts and contributions (£12 million).

Local authorities have the flexibility, recently extended to March 2030, to use capital receipts to fund the revenue costs of transformational activity. The Flexible Use of Capital Receipts Strategy, which is part of the Corporate Capital Strategy, outlines the Council's proposals over the MTFS period. Full Cabinet in June 2024 approved the flexible use of £4.080 million of capital receipts in 2023/24, with further use planned for 2024/25.

Adequacy of reserves

Under the Local Government Act 2003, the Council's Section 151 Officer must report to members on the adequacy of the Council's financial reserves as part of the budget process each year. This assessment of our reserves is informed in part by the financial resilience index – a comparative analytical tool – published annually by CIPFA, which evaluates the Council's position on a range of measures associated with financial risk. The index includes a number of measures related to reserves which suggest the Council had adequate levels of reserves in 2022/23, although the use of unallocated reserves was higher than average that year, which may reflect the temporary use of the budget strategy reserve as part of the MTFS.

The Council maintains its budget strategy reserve (with a target balance of £7.5 million) specifically to mitigate budget risks in order to support the Council's resilience. This reserve is considered to be particularly important to the Council given the uncertainty over central government funding after 2024/25. In addition, the Council holds working balances (both General Fund and HRA) to meet unforeseen spending requirements and to provide certainty for medium term financial planning.

As usual, all earmarked revenue reserves were reviewed as part of the 2024/25 budget process. Reflecting the pressures faced by the Council and in line with government expectations that reserves should form part of councils' strategies for managing pressures, a number of reserves were identified that could be released either in full or in part. This release of reserves will support the MTFs and allow time for more fundamental changes to service delivery to be planned to achieve ongoing savings for future years, and it is not anticipated that there will be significant reductions in reserves beyond these proposals over the period of the MTFs. The review of the operating model described above will seek to restore the Council's financial position such that the Council's principles in respect of the use of one-off funding to support ongoing expenditure can be reinstated.

Specific reserves maintained by the cabinet portfolios are those earmarked for particular purposes, for example to fund future projects, smooth uneven funding or spending profiles or mitigate future risks. Contributions to and from earmarked reserves and the earmarked general fund balances are detailed in Note 15. The movement in reserves statement (MIRS) shows a decrease in the Council's usable reserves of £17.424 million in 2023/24, made up of decreases of £17.489 million in general fund balances, £0.356 million in HRA reserves and an increase of £0.421 million in capital reserves.

The table below summarises the General Fund year-end balance and shows the latest forecast position to March 2027. Working balances and earmarked reserves totalling £89.610 million are shown in the MIRS. The accumulated deficit on the DSG is held in the DSG adjustment account, which is included in the unusable reserves shown at Note 14.

| Cabinet portfolio | Actual March 2024 (Note 15) | Forecast contributions (to)/from | Forecast March 2027 |
|------------------------------|--------------------------------|-------------------------------------|---------------------|
| | £000 | £000 | £000 |
| Portfolio reserves | (47,860) | 23,210 | (24,650) |
| Corporate reserves | (22,196) | 13,648 | (8,548) |
| Subtotal core council | (70,056) | 36,858 | (33,198) |
| Schools and DSG reserves | (13,040) | 0 | (13,040) |
| Working balances | (6,514) | 0 | (6,514) |
| Total | (89,610) | 36,858 | (52,752) |

The financial challenges facing local authorities are increasingly widely reported, with 19 councils granted exceptional financial support in February 2024. The cross-party House of Commons Levelling Up, Housing and Communities committee's report on Financial Distress in Local Authorities, published in February 2024, highlighted underfunding across the local government sector and called on the next government to reform the funding system to put council finances on a sustainable footing.⁸ No authority, including Solihull, is immune from these challenges, with work ongoing at pace to identify the savings required to balance the projected budgets for 2025/26 and 2026/27. Taken together, the level of the general fund earmarked and working balances contributes to the financial resilience of the Council and supports the MTFS. Our financial strategy continues to represent a robust foundation to support the delivery of the Council's priorities and from which to build on our financial sustainability.

[Signed by Andrew Felton]

Andrew Felton

Director of Resources

16 December 2024

⁸ Levelling Up, Housing and Communities Committee, *Financial Distress in Local Authorities* (February 2024)
Statement of Accounts 2023/24

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

Certification by the Director of Resources

I, the Director of Resources of Solihull Metropolitan Borough Council and Section 151 Officer, certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2024.

[Signed by Andrew Felton]

Andrew Felton CPFA
Director of Resources

16 December 2024

Comprehensive Income and Expenditure Statement (CI&ES)

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

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

| 2022/23 reclassified ¹ | | | | 2023/24 | | | Notes ² |
|-----------------------------------|------------------|-----------------|--|-------------------|------------------|-----------------|--------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure | |
| £000 | £000 | £000 | | £000 | £000 | £000 | |
| 133,699 | (68,242) | 65,457 | Adult Social Care and Health | 148,902 | (76,926) | 71,976 | |
| 231,278 | (164,528) | 66,750 | Children and Education | 233,247 | (160,936) | 72,311 | |
| 3,487 | (2,536) | 951 | Climate Change and Planning | 5,070 | (2,789) | 2,281 | |
| 25,212 | (15,886) | 9,326 | Communities and Leisure | 23,128 | (15,994) | 7,134 | |
| 56,678 | (19,979) | 36,699 | Environment and Infrastructure | 53,913 | (12,960) | 40,953 | |
| 42,003 | (49,223) | (7,220) | Housing | 45,453 | (53,100) | (7,647) | |
| 89,505 | (53,417) | 36,088 | Resources | 91,519 | (43,026) | 48,493 | |
| 5,213 | (2,904) | 2,309 | Wellbeing, Skills and Inclusion | 4,195 | (3,733) | 462 | |
| 587,075 | (376,715) | 210,360 | Cost of services | 605,427 | (369,464) | 235,963 | 5 |
| | | 1,517 | Parish precepts | | | 1,586 | |
| | | 8,750 | Levies payable | | | 8,933 | |
| | | 25,359 | (Gain)/loss on disposal of non-current assets | | | 20,126 | 5 |
| | | 35,626 | Sub-total: Other operating expenditure | | | 30,645 | |
| | | 15,526 | Interest payable and similar charges | | | 15,444 | |
| | | 9,894 | Net interest on the net defined benefit liability | | | (146) | 34 |
| | | (2,835) | Investment interest income | | | (6,980) | |
| | | (4,174) | Other investment income | | | (6,224) | |
| | | 969 | Income, expenditure and changes in fair value of investment properties | | | (6,318) | |
| | | 1,857 | Impairment losses | | | 1,403 | |
| | | 21,237 | Sub-total: Financing and investment income & expenditure | | | (2,821) | |

| 2022/23 reclassified ¹ | | | | 2023/24 | | | Notes ² |
|-----------------------------------|--------------|-----------------|--|-------------------|--------------|-----------------|--------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure | |
| £000 | £000 | £000 | | £000 | £000 | £000 | |
| | | (121,377) | Council tax income | | | (128,519) | C4 |
| | | (43,499) | Business rates income & expenditure | | | (37,338) | C4 |
| | | (18,455) | Non ring-fenced government grants | | | (17,663) | 9 |
| | | (21,280) | Recognised capital grants and contributions | | | (23,577) | 9 |
| | | (204,611) | Sub-total: Taxation and non-specific grant income & expenditure | | | (207,097) | |
| | | 62,612 | (Surplus)/deficit on the provision of services | | | 56,690 | |
| | | (56,404) | (Surplus)/deficit on revaluation of non-current assets | | | (41,630) | 16 |
| | | 712 | Impairment losses on non-current assets charged to the revaluation reserve | | | 634 | 16 |
| | | (17,395) | (Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income | | | 0 | 23 |
| | | (337,010) | Remeasurement of the net defined benefit liability | | | 42,264 | 34 |
| | | (410,097) | Other comprehensive income and expenditure | | | 1,268 | |
| | | (347,485) | Total comprehensive income and expenditure | | | 57,958 | |

¹ In May 2023, the Council's cabinet structure was changed and therefore, in order to provide meaningful comparative information, the 2022/23 figures have been reclassified. Further details are provided in Note 2 – Prior Period Adjustments and Reclassifications.

² The referenced notes form part of the financial statements.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce council tax) and 'unusable reserves'. This statement shows how the movements in the Council's reserves are broken down between gains and losses shown in the CI&ES and the statutory adjustments required, resulting in the amounts chargeable to council tax or rents for the year. The (increase)/ decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| 2023/24 ¹ | General Fund Working Balances | Earmarked Revenue Reserves | Sub-total: General Fund Balance | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|--|-------------------------------|----------------------------|---------------------------------|-------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2023 | (7,806) | (99,293) | (107,099) | (9,645) | (16,747) | (2,545) | (30,416) | (166,452) | (873,153) | (1,039,605) |
| Movement in reserves during 2023/24: | | | | | | | | | | |
| Total Comprehensive Income and Expenditure (CI&ES) | 63,814 | 0 | 63,814 | (7,124) | 0 | 0 | 0 | 56,690 | 1,268 | 57,958 |
| Adjustments between accounting basis and funding basis under regulations (Note 13) | (46,325) | 0 | (46,325) | 7,480 | 5,701 | (1,023) | (5,099) | (39,266) | 39,266 | 0 |
| Contributions (to)/from earmarked reserves (Note 15) | (16,197) | 16,197 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/decrease in 2023/24 | 1,292 | 16,197 | 17,489 | 356 | 5,701 | (1,023) | (5,099) | 17,424 | 40,534 | 57,958 |
| Balance at 31 March 2024 | (6,514) | (83,096) | (89,610) | (9,289) | (11,046) | (3,568) | (35,515) | (149,028) | (832,619) | (981,647) |

¹ The referenced notes form part of the financial statements.

| 2022/23 ¹ | General Fund Working Balances | Earmarked Revenue Reserves | Sub-total: General Fund Balance | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|--|-------------------------------|----------------------------|---------------------------------|-------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2022 | (8,256) | (143,891) | (152,147) | (9,884) | (18,300) | (5,132) | (26,320) | (211,783) | (480,337) | (692,120) |
| Movement in reserves during 2022/23: | | | | | | | | | | |
| Total Comprehensive Income and Expenditure (CI&ES) | 65,988 | 0 | 65,988 | (3,376) | 0 | 0 | 0 | 62,612 | (410,097) | (347,485) |
| Adjustments between accounting basis & funding basis under regulations (Note 13) | (20,940) | 0 | (20,940) | 3,615 | 1,553 | 2,587 | (4,096) | (17,281) | 17,281 | 0 |
| Contributions (to)/from earmarked reserves (Note 15) | (44,598) | 44,598 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/decrease in 2022/23 | 450 | 44,598 | 45,048 | 239 | 1,553 | 2,587 | (4,096) | 45,331 | (392,816) | (347,485) |
| Balance at 31 March 2023 | (7,806) | (99,293) | (107,099) | (9,645) | (16,747) | (2,545) | (30,416) | (166,452) | (873,153) | (1,039,605) |

¹ The referenced notes form part of the financial statements.

Balance Sheet

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

| 31 March 2023 | | 31 March 2024 | Notes ¹ |
|---------------|------------------------------------|---------------|--------------------|
| £000 | | £000 | |
| 1,257,158 | Property, Plant & Equipment | 1,266,835 | 16,19 |
| 950 | Heritage Assets | 950 | |
| 15,940 | Investment Property | 15,846 | 20 |
| 11,414 | Intangible Assets | 10,728 | 21 |
| 57,822 | Long-Term Investments | 57,822 | 23 |
| 42,803 | Long-Term Debtors | 45,288 | 23 |
| 1,386,087 | Long-Term Assets | 1,397,469 | |
| | | | |
| 83,457 | Short-Term Investments | 61 | 23 |
| 1,523 | Inventories | 1,399 | |
| 65,873 | Short-Term Debtors | 71,088 | 28 |
| 6,659 | Cash and Cash Equivalents | 5,427 | 30 |
| 157,512 | Current Assets | 77,975 | |
| | | | |
| (17,414) | Bank Overdraft | (18,700) | 30 |
| (3,868) | Short-Term Borrowing | (4,055) | 23 |
| (69,650) | Short-Term Creditors | (76,964) | 31 |
| (4,386) | Short-Term Provisions | (1,723) | 32 |
| (9,032) | Capital Grants Receipts in Advance | (8,106) | 9 |
| (6,526) | Revenue Grants Receipts in Advance | (6,766) | 9 |
| (110,876) | Current Liabilities | (116,314) | |
| | | | |
| (1,236) | Long-Term Creditors | (1,236) | 23 |
| (2,712) | Long-Term Provisions | (2,284) | 32 |
| (318,060) | Long-Term Borrowing | (316,428) | 23 |
| (22,369) | Net Pensions Liability | (13,058) | 34 |
| (41,496) | Other Long-Term Liabilities | (39,347) | 23 |
| (7,245) | Capital Grants Receipts in Advance | (5,130) | 9 |
| (393,118) | Long-Term Liabilities | (377,483) | |
| | | | |
| 1,039,605 | Net Assets | 981,647 | |
| | | | |
| (166,452) | Usable Reserves | (149,028) | MIRS |
| | | | |
| (873,153) | Unusable Reserves | (832,619) | 14 |
| (1,039,605) | Total Reserves | (981,647) | |

¹ The referenced notes form part of the financial statements.

Cash Flow Statement

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

| 2022/23 | | 2023/24 | Notes ¹ |
|-----------|---|-----------------|--------------------|
| £000 | | £000 | |
| 62,612 | Net (surplus)/deficit on the provision of services | 56,690 | CI&ES |
| (121,345) | Adjustments to net (surplus)/deficit on the provision of services for non-cash movements | (22,825) | 35 |
| 26,920 | Adjustments for items in the net (surplus)/deficit on the provision of services that are investing/financing activities | 24,399 | 36 |
| (31,813) | Net cash flows from operating activities | 58,264 | |
| 61,985 | Purchase of property, plant and equipment, investment property and intangible assets | 43,325 | |
| 573,794 | Purchase of short-term and long-term investments | 403,828 | |
| 7,409 | Other payments for investing activities | 8,460 | |
| (5,312) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,065) | |
| (27,943) | Capital grants received | (26,893) | |
| (576,201) | Proceeds from short-term and long-term investments | (486,037) | |
| (192) | Other receipts from investing activities | (163) | |
| 33,540 | Net cash flows from investing activities | (59,545) | |
| 94 | Other receipts from financing activities | 145 | |
| 1,964 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts | 1,992 | |
| 1,583 | Repayments of short-term and long-term borrowing | 1,662 | |
| 3,641 | Net cash flows from financing activities | 3,799 | |
| 5,368 | Net (increase)/decrease in cash and cash equivalents | 2,518 | |
| | Overall movement in cash and cash equivalents | | |
| (5,387) | Cash and cash equivalents at the beginning of the reporting period | (10,755) | |
| (5,368) | Net increase/(decrease) in cash and cash equivalents | (2,518) | |
| (10,755) | Cash and cash equivalents at the end of the reporting period | (13,273) | 30 |

¹ The referenced notes form part of the financial statements.

Disclosure notes – notes supporting the core financial statements

1. Expenditure and Funding Analysis (EFA)

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

| 2023/24 | Cabinet Report June 2024 | Total adjustments (Note1a) | Net expenditure chargeable to the General Fund and HRA Balances | Adjustments between the funding and accounting basis (Note1a) | Net expenditure in the CI&ES |
|--|--------------------------|----------------------------|---|---|------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care and Health | 74,091 | (1,954) | 72,137 | (161) | 71,976 |
| Children and Education | 67,547 | (3,443) | 64,104 | 8,207 | 72,311 |
| Children and Education - Dedicated Schools Grant (DSG) | 4,383 | (4,383) | 0 | 0 | 0 |
| Climate Change and Planning | 1,802 | 3,532 | 5,334 | (3,053) | 2,281 |
| Communities and Leisure | 3,538 | 657 | 4,195 | 2,939 | 7,134 |
| Environment and Infrastructure | 25,424 | 7,316 | 32,740 | 8,213 | 40,953 |
| Housing | 2,356 | (2,561) | (205) | (7,442) | (7,647) |
| Resources | 20,457 | 24,787 | 45,244 | 3,249 | 48,493 |
| Wellbeing, Skills and Inclusion | 1,378 | (696) | 682 | (220) | 462 |
| Cost of services | 200,976 | 23,255 | 224,231 | 11,732 | 235,963 |
| Other income and expenditure | (197,107) | (9,279) | (206,386) | 27,113 | (179,273) |
| (Surplus)/deficit | 3,869 | 13,976 | 17,845 | 38,845 | 56,690 |

The following table shows how the net deficit chargeable to the General Fund and HRA balances of £17.845 million is represented in the MIRS.

| 2023/24 | General Fund Balance | Housing Revenue Account (HRA) | Total General Fund and HRA |
|--|----------------------|-------------------------------|----------------------------|
| | £000 | £000 | £000 |
| Opening General Fund and HRA Balances at 1 April 2023 | (107,099) | (9,645) | (116,744) |
| Add (surplus)/deficit on the General Fund and HRA Balances in-year | 17,489 | 356 | 17,845 |
| Closing General Fund and HRA Balances at 31 March 2024 | (89,610) | (9,289) | (98,899) |

Prior year comparatives

| 2022/23 Reclassified ¹ | Cabinet Report June 2023 | Total adjustments (Note 1a) | Net expenditure chargeable to the General Fund and HRA Balances | Adjustments between the funding and accounting basis (Note 1a) | Net expenditure in the CI&ES |
|--|--------------------------|-----------------------------|---|--|------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care and Health | 66,392 | (4,572) | 61,820 | 3,637 | 65,457 |
| Children and Education | 49,795 | (52) | 49,743 | 17,007 | 66,750 |
| Children and Education - Dedicated Schools Grant (DSG) | 3,144 | (3,144) | 0 | 0 | 0 |
| Climate Change and Planning | 2,388 | (1,403) | 985 | (34) | 951 |
| Communities and Leisure | 4,224 | 727 | 4,951 | 4,375 | 9,326 |
| Environment and Infrastructure | 22,513 | 7,452 | 29,965 | 6,734 | 36,699 |
| Housing | 1,450 | (5,227) | (3,777) | (3,443) | (7,220) |
| Resources | 19,705 | 9,872 | 29,577 | 6,511 | 36,088 |
| Wellbeing, Skills and Inclusion | 1,821 | (62) | 1,759 | 550 | 2,309 |
| Cost of services | 171,432 | 3,591 | 175,023 | 35,337 | 210,360 |
| Other income and expenditure | (170,093) | 40,357 | (129,736) | (18,012) | (147,748) |
| (Surplus)/deficit | 1,339 | 43,948 | 45,287 | 17,325 | 62,612 |

¹ In May 2023, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2022/23 figures have been reclassified.

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

| 2022/23 | General Fund Balance | Housing Revenue Account (HRA) | Total General Fund and HRA |
|--|----------------------|-------------------------------|----------------------------|
| | £000 | £000 | £000 |
| Opening General Fund and HRA Balances at 1 April 2022 | (152,147) | (9,884) | (162,031) |
| Add (surplus)/deficit on the General Fund and HRA Balances in-year | 45,048 | 239 | 45,287 |
| Closing General Fund and HRA Balances at 31 March 2023 | (107,099) | (9,645) | (116,744) |

1a. Note to the EFA

| 2023/24 | General Fund Working Balance | Earmarked Revenue Reserves (Note 15) | Housing Revenue Account (HRA) | Move DSG balance to Children and Education | Items reported at Cabinet level, but which sit below the Net cost of services | Total adjustments to arrive at amount charged to the general fund and HRA | Adjustments for Capital Purposes | Net change for Pension Adjustments | Other Differences | Total adjustments between the funding and accounting basis |
|---|------------------------------|---|-------------------------------|---|---|---|----------------------------------|---------------------------------------|-------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Note | (i) | (ii) | (iii) | (iv) | (v) | | (vi) | (vii) | (viii) | |
| Adult Social Care and Health | 305 | 4,737 | 0 | 0 | (6,996) | (1,954) | 190 | (352) | 1 | (161) |
| Children and Education | 74 | 412 | 0 | 4,383 | (8,312) | (3,443) | 11,597 | (2,316) | (1,074) | 8,207 |
| Children and Education - Dedicated Schools Grant (DSG) | 0 | 0 | 0 | (4,383) | 0 | (4,383) | 0 | 0 | 0 | 0 |
| Climate Change and Planning | 0 | 732 | 0 | 0 | 2,800 | 3,532 | (2,966) | (87) | 0 | (3,053) |
| Communities and Leisure | 146 | 511 | 0 | 0 | 0 | 657 | 3,119 | (180) | 0 | 2,939 |
| Environment and Infrastructure | 220 | 336 | 0 | 0 | 6,760 | 7,316 | 8,357 | (144) | 0 | 8,213 |
| Housing | 223 | (24) | 356 | 0 | (3,116) | (2,561) | (7,384) | (12) | (46) | (7,442) |
| Resources | 816 | 2,254 | 0 | 0 | 21,717 | 24,787 | 8,687 | (5,547) | 109 | 3,249 |
| Wellbeing, Skills and Inclusion | 22 | (718) | 0 | 0 | 0 | (696) | (169) | (51) | 0 | (220) |
| Cost of services | 1,806 | 8,240 | 356 | 0 | 12,853 | 23,255 | 21,431 | (8,689) | (1,010) | 11,732 |
| Other income and expenditure | (4,383) | 7,957 | 0 | 0 | (12,853) | (9,279) | 4,915 | 1,714 | 20,484 | 27,113 |
| Total | (2,577) | 16,197 | 356 | 0 | 0 | 13,976 | 26,346 | (6,975) | 19,474 | 38,845 |

| 2022/23 Reclassified ¹ | General Fund Working Balance | Earmarked Revenue Reserves (Note 15) | Housing Revenue Account (HRA) | Move DSG balance to Children and Education | Items reported at Cabinet level, but which sit below the Net Cost of Services | Total adjustments to arrive at the amount charged to the General Fund and HRA | Adjustments for Capital Purposes | Net change for Pension Adjustments | Other Differences | Total adjustments between the funding and accounting basis |
|---|------------------------------|---|-------------------------------|---|---|---|----------------------------------|---------------------------------------|-------------------|---|
| Note | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | (i) | (ii) | (iii) | (iv) | (v) | | (vi) | (vii) | (viii) | |
| Adult Social Care and Health | 0 | (2,492) | 0 | 0 | (2,080) | (4,572) | 206 | 3,431 | 0 | 3,637 |
| Children and Education | 26 | 6,035 | 0 | 3,144 | (9,257) | (52) | 6,452 | 10,181 | 374 | 17,007 |
| Children and Education - Dedicated Schools Grant (DSG) | 0 | 0 | 0 | (3,144) | 0 | (3,144) | 0 | 0 | 0 | 0 |
| Climate Change and Planning | 79 | (2,511) | 0 | 0 | 1,029 | (1,403) | (931) | 897 | 0 | (34) |
| Communities and Leisure | 382 | 333 | 0 | 0 | 12 | 727 | 2,580 | 1,795 | 0 | 4,375 |
| Environment and Infrastructure | 652 | 2,355 | 0 | 0 | 4,445 | 7,452 | 5,269 | 1,465 | 0 | 6,734 |
| Housing | 0 | (31) | 239 | 0 | (5,435) | (5,227) | (3,492) | 96 | (47) | (3,443) |
| Resources | 1,058 | 2,244 | 0 | 0 | 6,570 | 9,872 | 1,324 | 4,741 | 446 | 6,511 |
| Wellbeing, Skills and Inclusion | 58 | (120) | 0 | 0 | 0 | (62) | 52 | 498 | 0 | 550 |
| Cost of services | 2,255 | 5,813 | 239 | 0 | (4,716) | 3,591 | 11,460 | 23,104 | 773 | 35,337 |
| Other income and expenditure | (3,144) | 38,785 | 0 | 0 | 4,716 | 40,357 | 7,677 | 9,894 | (35,583) | (18,012) |
| Total | (889) | 44,598 | 239 | 0 | 0 | 43,948 | 19,137 | 32,998 | (34,810) | 17,325 |

¹ In May 2023, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2022/23 figures have been reclassified.

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

2. Prior Period Adjustments and Reclassifications

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error where not making the amendment could influence the decisions or assessments of users of the accounts. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment. There are currently no prior period adjustments in 2023/24.

Prior Period Reclassification of Service Expenditure and Income

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

Expenditure and income in the Cost of Services section in the CI&ES is based on the Council's Cabinet structure. In May 2023, a new Cabinet structure was introduced and therefore, in order to provide meaningful comparative information, the 2022/23 CI&ES figures have been reclassified to reflect the new structure. This note shows how the net expenditure, gross expenditure and income have been reclassified. Note 1 - the Expenditure and Funding Analysis, Note 6a – Expenditure and Income analysed by type, and the Group Statements have also been updated in line with the new Cabinet structure.

| Cabinet Portfolio per 2022/23 statement of accounts | As reported in the CI&ES 2022/23 | Movement between Cabinets | As reclassified 2022/23 | Updated Cabinet Portfolio |
|---|----------------------------------|---------------------------|-------------------------|---------------------------------|
| Gross Expenditure | £000 | £000 | £000 | |
| Adult Social Care and Health | 133,699 | 0 | 133,699 | Adult Social Care and Health |
| Children and Education | 231,278 | 0 | 231,278 | Children and Education |
| Climate Change, Planning and Housing | 3,487 | 0 | 3,487 | Climate Change and Planning |
| Communities and Leisure (includes HRA) | 60,115 | (34,903) | 25,212 | Communities and Leisure |
| Environment and Infrastructure | 56,678 | 0 | 56,678 | Environment and Infrastructure |
| New Cabinet Portfolio 2023/24 | 0 | 42,003 | 42,003 | Housing |
| Resources | 94,548 | (5,043) | 89,505 | Resources |
| Partnerships and Wellbeing | 7,270 | (2,057) | 5,213 | Wellbeing, Skills and Inclusion |
| Cost of services | 587,075 | 0 | 587,075 | |

| Cabinet Portfolio per 2022/23 statement of accounts | As reported in the CI&ES 2022/23 | Movement between Cabinets | As reclassified 2022/23 | Updated Cabinet Portfolio |
|---|----------------------------------|---------------------------|-------------------------|---------------------------------|
| Gross Income | £000 | £000 | £000 | |
| Adult Social Care and Health | (68,242) | 0 | (68,242) | Adult Social Care and Health |
| Children and Education | (164,528) | 0 | (164,528) | Children and Education |
| Climate Change, Planning and Housing | (2,536) | 0 | (2,536) | Climate Change and Planning |
| Communities and Leisure (includes HRA) | (57,740) | 41,854 | (15,886) | Communities and Leisure |
| Environment and Infrastructure | (19,979) | 0 | (19,979) | Environment and Infrastructure |
| New Cabinet Portfolio 2023/24 | 0 | (49,223) | (49,223) | Housing |
| Resources | (59,579) | 6,162 | (53,417) | Resources |
| Partnerships and Wellbeing | (4,111) | 1,207 | (2,904) | Wellbeing, Skills and Inclusion |
| Cost of services | (376,715) | 0 | (376,715) | |

| Cabinet Portfolio per 2022/23 statement of accounts | As reported in the CI&ES 2022/23 | Movement between Cabinets | As reclassified 2022/23 | Updated Cabinet Portfolio |
|---|----------------------------------|---------------------------|-------------------------|---------------------------------|
| Net Expenditure | £000 | £000 | £000 | |
| Adult Social Care and Health | 65,457 | 0 | 65,457 | Adult Social Care and Health |
| Children and Education | 66,750 | 0 | 66,750 | Children and Education |
| Climate Change, Planning and Housing | 951 | 0 | 951 | Climate Change and Planning |
| Communities and Leisure (includes HRA) | 2,375 | 6,951 | 9,326 | Communities and Leisure |
| Environment and Infrastructure | 36,699 | 0 | 36,699 | Environment and Infrastructure |
| New Cabinet Portfolio 2023/24 | 0 | (7,220) | (7,220) | Housing |
| Resources | 34,969 | 1,119 | 36,088 | Resources |
| Partnerships and Wellbeing | 3,159 | (850) | 2,309 | Wellbeing, Skills and Inclusion |
| Cost of services | 210,360 | 0 | 210,360 | |

3. Critical Judgements in Applying Accounting Policies

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

Accounting for Local Authority Maintained Schools

The accounting policies for Property, Plant & Equipment, including Recognition of School Assets, have been applied to school assets and the list of maintained schools held on/off the Council's balance sheet at 31 March 2024 is shown in the following table:

| | On Balance Sheet | Off Balance Sheet |
|---------------------------------|------------------|-------------------|
| Maintained Schools: | | |
| Community | 25 | 0 |
| Voluntary Controlled | 1 | 0 |
| Voluntary Aided ¹ | 0 | 5 |
| Total Maintained Schools | 26 | 5 |
| Academies | 0 | 44 |
| Total Schools | 26 | 49 |

¹ Note that although the school buildings of voluntary aided schools are not on the Council's Balance Sheet, the playgrounds and playing fields are. This is because the Council still owns the land and the lease has been transferred from the diocese to the academy chain.

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

On this basis, the land and buildings of community schools, which are controlled and run by the Council, are included on the Council's balance sheet. The Council has one voluntary controlled school, Meriden Church of England Primary, which is funded by the Council rather than through the Local Education Authority Coordinated Voluntary Aided Programme (LCVAP). As only two of the school's foundation governors are

representatives of the Church of England, the school's non-current assets are deemed not to be under the control of the Church and are therefore recognised on the Council's balance sheet.

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

Group Boundaries and Subsidiary Accounts

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

Coventry and Solihull Waste Disposal Company Ltd

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

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

IAS19 and IFRIC14 – Defined Pension Obligations

The Council relies on valuations supplied by qualified actuaries to prepare Note 34 to reflect the net pension obligation. The initial valuation provided by the actuary was a net asset position for the funded pension scheme totalling £90 million. In accordance with International Financial Reporting Interpretations Committee Standard 14 (IFRIC14) – "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", the Council has had to make a judgement as to whether an asset ceiling should apply to the pension valuation recognised in the Council's Balance Sheet.

The Council has concluded that, as there is a statutory requirement to participate in the Local Government Pension Scheme, it does not have an unconditional right to a refund from the Pension Fund and therefore no economic benefit can be recognised. An asset ceiling calculation has been produced by the actuary on the Council's behalf based on this assumption and as a result the net asset has been reduced to £nil.

As the Council retains an unfunded obligation element to its Pension Fund, this must remain as a net liability in the accounts, resulting in an overall net pension liability being recognised in the Balance Sheet.

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

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

The items in the Council and Group Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-----------------------------|--|---|
| Net Pension Position | <p>The valuation of the net pension position depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the West Midlands Pension Fund to provide expert advice about the assumptions to be applied.</p> <p>During 2023/24 there have been two major changes to the overall position of the pension position. The first is that, according to the actuary, individual LGPS Fund investment performance returns have returned higher than assumed (compared to last year's assumption).</p> <p>The second surrounds remeasurements in the obligations as these are split into three separate elements:</p> <ul style="list-style-type: none"> - Change in financial assumptions – the net discount rate (discount rate net of CPI inflation) has increased compared to last year. The higher net discount rate placed a lower value on the obligations. - Change in demographic assumptions - using a more up-to-date longevity improvement assumption typically leads to a small gain of less than 1% of the obligations. - The 'Other experience' item is a combination of 2 factors: <ul style="list-style-type: none"> - The loss (increase in obligations) resulting from applying the actual Pensions Increase Order for April 2024 of 6.7% to the benefits. - The unfunded obligations are valued annually using updated individual membership data which can lead to (typically small) experience items if there have been greater or fewer deaths than expected over the period. <p>Further details on the net pension position are given in Note 34 - Defined Benefit Pension Schemes.</p> | <p>Any change in the assumed value of the fund or changes to the assumptions made could impact on the level of the net pension liability. A sensitivity analysis is provided in Note 34 – Defined Benefit Pension Schemes and shows that a decrease in the discount rate of only 0.1% results in an increase to the liability of £15.252 million.</p> <p>As conditions as at 31 March 2024 remain volatile, it is difficult to predict the impact of any long-term changes that may occur over the life of the Pension Fund. Inflation is forecast to stabilise over the coming years which means that fluctuations from this position should be minimal.</p> |

Disclosure notes – notes supporting the Comprehensive Income and Expenditure Statement

5. Material Items of Income and Expenditure

The Council wishes to highlight the following items of income and expenditure which are considered to be material, either by virtue of their value or where it is considered that an explanation of the item would aid the understanding of the Council's accounts – specifically in instances where further detailed notes do not exist elsewhere in the accounts.

Cost of Services

Gross expenditure has increased by £18.352 million since 2022/23 and gross income has reduced by (£7.251 million) meaning the net cost of services has increased by £25.603 million.

The majority of the increased net expenditure has been incurred in the Children and Education and Adult Social Care and Health portfolios. These increases are as a direct result of the increasing demand and pressures on this service, in addition to generally increasing costs on energy bills and other areas of inflation.

(Gain)/loss on disposal of non-current assets

This includes the impact of four schools that converted to Academy status during 2023/24 resulting in the Council transferring the associated buildings at nil cost, with a total loss of £20.377 million.

6. Expenditure and Income analysed by Type

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

| 2022/23 | | 2023/24 |
|------------------|--|------------------|
| £000 | | £000 |
| | Expenditure | |
| 215,526 | Employee benefits expenses | 190,593 |
| 7,918 | Employee benefits expenses for voluntary aided schools | 7,604 |
| 288,784 | Other service expenses | 311,458 |
| 44,204 | Depreciation, amortisation, impairment and revaluation losses | 53,765 |
| 15,526 | Interest payable | 15,444 |
| 10,267 | Precepts and levies | 10,519 |
| 969 | Loss on investment properties including fair value adjustments | 0 |
| 25,359 | Loss on disposal of non-current assets | 20,126 |
| 34,294 | Housing benefits | 34,426 |
| 8,100 | Revenue expenditure funded from capital under statute (REFCUS) | 8,984 |
| 650,947 | Total expenditure | 652,919 |
| | | |
| | Income | |
| (86,315) | Fees, charges & other service income ^{Note 6a} | (79,289) |
| (44,858) | HRA rental Income ^{Note 6a} | (46,921) |
| 0 | Gain on investment properties including fair value adjustments | (6,318) |
| (7,009) | Interest and investment income | (13,350) |
| (164,876) | Income from council tax and business rates | (165,857) |
| (285,277) | Grants, contributions and donations | (284,494) |
| (588,335) | Total income | (596,229) |
| 62,612 | (Surplus)/deficit on provision of services | 56,690 |

a. Revenue from external customers

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

| 2022/23 Reclassified ¹ | | 2023/24 | | |
|---|---------------------------------|--------------------------------|--------------|---|
| Total fees, charges, other service income & HRA rental income | | Income from Service recipients | Other Income | Total fees, charges, other service income & HRA rental income |
| £000 | | £000 | £000 | £000 |
| (30,352) | Adult Social Care and Health | (31,031) | (150) | (31,181) |
| (16,935) | Children and Education | (17,737) | (411) | (18,148) |
| (2,025) | Climate Change and Planning | (2,245) | 0 | (2,245) |
| (7,720) | Communities and Leisure | (8,701) | 0 | (8,701) |
| (7,628) | Environment and Infrastructure | (6,726) | 5 | (6,721) |
| (47,448) | Housing | (49,891) | 0 | (49,891) |
| (18,831) | Resources | (9,062) | 0 | (9,062) |
| (234) | Wellbeing, Skills and Inclusion | (261) | 0 | (261) |
| (131,173) | Total | (125,654) | (556) | (126,210) |

¹ In May 2023, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2022/23 figures have been reclassified.

7. Officers' Remuneration

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

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

Under section 38(1) of the Localism Act 2011, local authorities are required to produce a Pay Policy Statement for each financial year. There are two pay policy statements which are relevant to this financial year's accounts, and these were approved by Full Council on 7 February 2023 and 6 February 2024. These can be accessed via the Council's website.

With effect from April 2023, National Joint Council (NJC) spinal column pay points 1 to 43 were increased by £1,925 per annum and spinal column pay points 44 to 70 were increased by 3.88% in accordance with the Local Government Pay Agreement 2023.

One year pay awards of 3.5% were awarded to senior officers and the Chief Executive for the 2023/24 financial year, agreed in May 2023 and November 2023 respectively.

The notes that follow should be read in conjunction with the Pay Policy Statements if more information or context is required.

a. Remuneration of senior officers

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

| Post | | Salary, Fees and Allowances | Expenses Allowances | Compensation for loss of office | Employer's Pension Contributions | Total Remuneration |
|---|----------------|-----------------------------|---------------------|---------------------------------|----------------------------------|--------------------|
| | | £ | £ | £ | £ | £ |
| Chief Executive from 5 July 2023; Acting Chief Executive until 4 July 2023 – Paul Johnson ¹ | 2023/24 | 177,536 | 0 | 0 | 38,703 | 216,239 |
| | 2022/23 | 150,234 | 0 | 0 | 31,098 | 181,332 |
| Director of Resources (started 22 January 2024) | 2023/24 | 25,331 | 0 | 0 | 5,523 | 30,854 |
| | 2022/23 | 0 | 0 | 0 | 0 | 0 |
| Director of Adult Care and Support and Deputy Chief Executive from 17 July 2023; Director of Adult Social Care and Support until 16 July 2023 | 2023/24 | 144,220 | 0 | 0 | 31,440 | 175,660 |
| | 2022/23 | 132,481 | 0 | 0 | 27,423 | 159,904 |
| Director of Children's Services (until 3 December 2023) ² | 2023/24 | 90,413 | 3,616 | 66,999 | 19,710 | 180,738 |
| | 2022/23 | 60,557 | 0 | 0 | 12,536 | 73,093 |
| Director of Children's Services (started 20 November 2023) | 2023/24 | 39,535 | 0 | 0 | 0 | 39,535 |
| | 2022/23 | 0 | 0 | 0 | 0 | 0 |
| Director of Economy and Infrastructure | 2023/24 | 137,117 | 0 | 0 | 29,892 | 167,009 |
| | 2022/23 | 132,481 | 0 | 0 | 27,423 | 159,904 |
| Director of Public Health, Education and Inclusion ³ | 2023/24 | 137,117 | 0 | 0 | 29,892 | 167,009 |
| | 2022/23 | 129,467 | 0 | 0 | 26,800 | 156,267 |

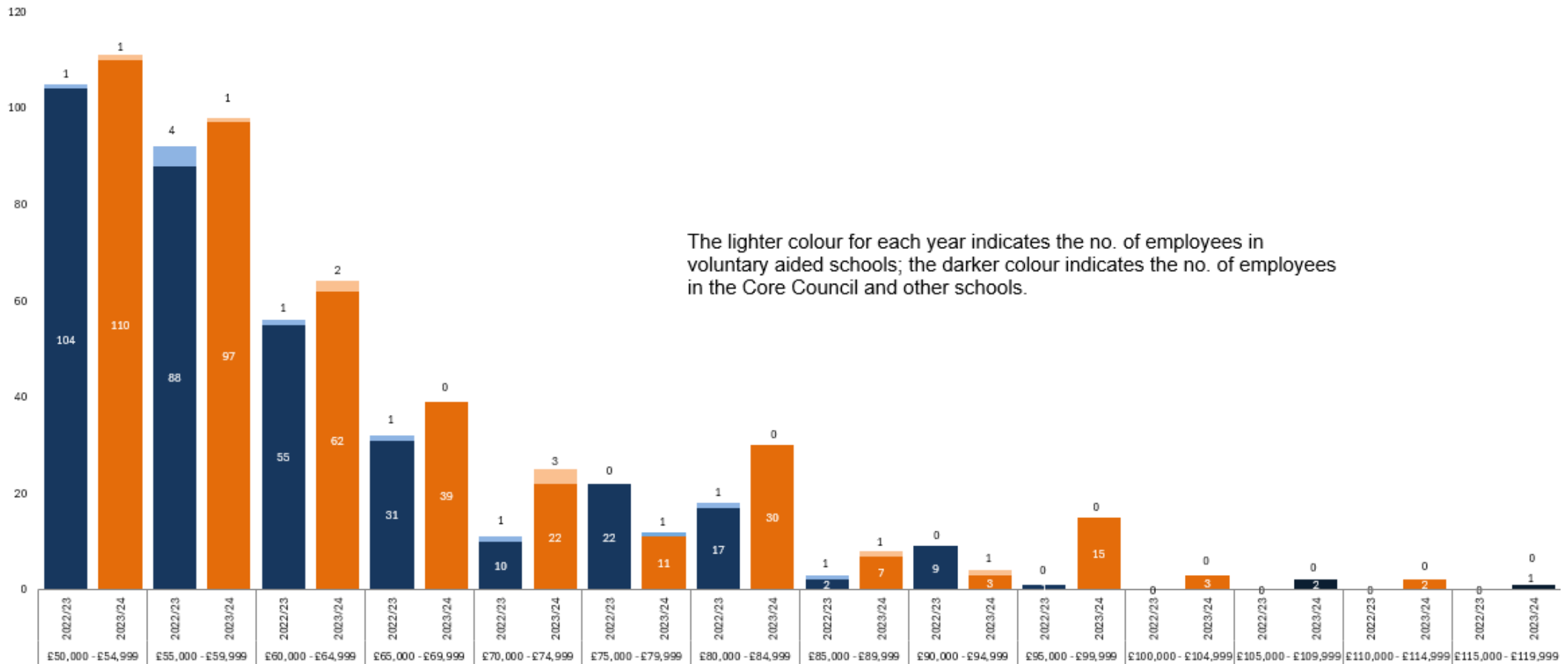
¹ The Section 151 responsibilities sat with the Chief Executive (and in the Acting Chief Executive role) until the Director of Resources employment commenced with the Council on 22nd January 2024.

² In 2022/23 the Director of Children's Services started their role on 13th October 2022.

³ In 2022/23 this post was titled Director of Public Health.

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

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



There are 6 officers included in the 2023/24 figures and 3 in the 2022/23 figures that were in receipt of exit packages.

c. Exit packages

During 2023/24 the Council (including Solihull maintained schools) agreed a number of exit packages, as detailed below. These were primarily as a result of operational changes, legislative changes, service transformation or in order to realise savings to meet the Council's Medium Term Financial Strategy (MTFS). The costs are the amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

| Exit package cost | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|----------------------------|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|--|------------|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | | | | | | | £000 | £000 |
| £0 - £20,000 | 3 | 14 | 21 | 4 | 24 | 18 | 138 | 78 |
| £20,001 - £40,000 | 0 | 1 | 2 | 3 | 2 | 4 | 44 | 109 |
| £40,001 - £100,000 | 1 | 0 | 1 | 4 | 2 | 4 | 122 | 219 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001 - £200,000 | 0 | 0 | 1 | 0 | 1 | 0 | 160 | 0 |
| Total | 4 | 15 | 25 | 11 | 29 | 26 | 464 | 406 |

8. Members' Allowances

The total of Members' allowances paid in the year was £0.806 million (£0.729 million in 2022/23). The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

9. Grants Received

a. Grant Income

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

| 2022/23 | | 2023/24 |
|-----------------|--|-----------------|
| £000 | | £000 |
| | Credited to Taxation and Non-specific Grant Income | |
| | Non ring-fenced government grants | |
| (14,588) | Section 31 business rates grants | (15,717) |
| (2,083) | Services grant | (1,222) |
| (1,325) | New Homes Bonus | (471) |
| (459) | Other non ring-fenced government grants | (253) |
| (18,455) | | (17,663) |
| | Capital grants and contributions | |
| (4,770) | City Region Sustainable Transport Settlement (formerly Local Transport Plan) | (5,394) |
| (3,241) | High Needs Provision | (3,684) |
| (1,753) | Better Care Fund (Note 11) | (2,962) |
| (921) | Community Infrastructure Levy | (2,613) |
| 0 | Homes England | (2,057) |
| (2,054) | Condition Grant | (1,764) |
| (2,036) | Section 106 contributions | (1,708) |
| (1,309) | Department for Transport | (1,265) |
| 0 | Local Authority Housing Fund | (1,256) |
| (3,324) | West Midlands Combined Authority | (283) |
| 896 | Basic Need Grant (Schools Capital) | 1,635 |
| (2,768) | Other Capital Grants, Contributions and Donations | (2,226) |
| (21,280) | | (23,577) |
| | Credited to Services: | |
| (112,558) | Dedicated Schools Grant (DSG) (Note 10) ¹ | (107,931) |
| (32,429) | Housing Benefit Subsidy | (32,392) |
| (19,286) | Better Care Fund (Note 11) ² | (18,810) |
| (7,517) | Social Care Grant | (12,820) |
| (11,829) | Public Health Grant | (12,214) |
| (7,316) | Revenue expenditure funded by capital under statute (REFCUS) | (7,804) |
| (7,357) | PFI credits | (6,801) |
| (6,154) | Pupil Premium | (5,192) |
| (10,600) | West Midlands Combined Authority – UK Central ³ | (3,839) |
| (3,194) | Asylum Seekers | (3,537) |
| (587) | Market Sustainability and Improvement Fund | (3,362) |
| (2,942) | Household Support Fund | (2,543) |
| 0 | Mainstream Schools Additional Grant | (1,664) |
| (1,601) | Universal Infant Free School Meals | (1,611) |
| (1,031) | Homelessness Prevention | (1,207) |
| 0 | Strengthening Families | (1,144) |
| (969) | Holiday Activities and Food Grant | (1,000) |

| 2022/23 | | 2023/24 |
|-----------|--|------------------|
| £000 | | £000 |
| (2,436) | Homes for Ukraine | (867) |
| 0 | Early Years Supplementary Grant | (865) |
| (364) | UK Shared Prosperity Fund | (848) |
| 0 | Sudan British Nationals (Overseas) Repatriation | (785) |
| (58) | Teachers' Pay grant | (755) |
| (744) | Housing Benefit Administration ⁴ | (490) |
| (1,715) | Schools Supplementary Grant | 0 |
| (769) | Independent Living Fund ⁵ | 0 |
| (14,086) | Other revenue grants, contributions and donations ⁶ | (14,773) |
| (245,542) | Sub-total | (243,254) |
| (285,277) | Total | (284,494) |

¹ The DSG credited to services is the amount receivable prior to the application of the brought forward deficit, plus the £0.066 million adjustment for Early Years Funding shown in Note 10 and excluding an amount deducted by the Education and Skills Funding Agency for maintained schools' business rates costs.

² The Better Care Fund grant credited to services includes funding from the Improved Better Care Fund (iBCF), Discharge Funding and a contribution from the Integrated Care Board to joint-funded services. Further detail is provided in Note 11.

³ The funding received from the West Midlands Combined Authority includes grant claimed on behalf of the Urban Growth Company Ltd.

⁴ 2022/23 figure includes Localised Council Tax Support Administration Grant, which was rolled into Revenue Support Grant from 2023/24.

⁵ Rolled into Social Care grant from 2023/24.

⁶ Other revenue grants, contributions and donations include the Digital Devices grant of £35,000 received from the WMCA – the source of this contribution was the UK Government.

b. Revenue Grants Receipts in Advance

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

| 31 March 2023 | | 31 March 2024 |
|---------------|----------------------|----------------|
| £000 | | £000 |
| (4,233) | PFI credits | (4,202) |
| (2,293) | Other revenue grants | (2,564) |
| (6,526) | Total | (6,766) |

c. Capital Grants Receipts in Advance

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

| 31 March 2023 | | 31 March 2024 |
|---------------|---|-----------------|
| £000 | | £000 |
| 0 | Department for Levelling Up, Housing and Communities | (5,278) |
| (1,680) | Various Section 106 Contributions | (2,423) |
| (783) | Devolved Formula Capital | (337) |
| (5,960) | Department for Business, Energy and Industrial Strategy | 0 |
| (609) | Other Grants and Contributions | (68) |
| (9,032) | Total Short-Term Capital Grants | (8,106) |
| (6,334) | Various Section 106 Contributions | (4,790) |
| 0 | Department for Levelling Up, Housing and Communities | (298) |
| (911) | Other Grants and Contributions | (42) |
| (7,245) | Total Long-Term Capital Grants | (5,130) |
| (16,277) | Total | (13,236) |

10. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA): the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2022. The schools budget includes elements for a range of educational services provided on a Council-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

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

| 2022/23 | | 2023/24 | | |
|-----------|---|---------------------------------|---------------------|------------------|
| Total | | Individual Schools Budget (ISB) | Central Expenditure | Total |
| £000 | | £000 | £000 | £000 |
| (242,480) | Final DSG before academy & high needs recoupment | | | (256,887) |
| 128,891 | Academy figure & high needs figure recouped | | | 147,958 |
| (113,589) | Total DSG after academy & high needs | | | (108,929) |
| (113,589) | Agreed initial budgeted distribution | (56,367) | (52,562) | (108,929) |
| (135) | In-year adjustments - Early Years Funding | 0 | 66 | 66 |
| 56 | In-year adjustments – business rates ¹ | 0 | 0 | 0 |
| (113,668) | Final budgeted distribution | (56,367) | (52,496) | (108,863) |
| 52,726 | Actual central expenditure | 0 | 56,879 | 56,879 |
| 64,086 | Actual ISB deployed to schools | 56,367 | 0 | 56,367 |
| 3,144 | In-year carry forward | 0 | 4,383 | 4,383 |
| 13,213 | DSG unusable reserve brought forward | 0 | 0 | 16,357 |
| 3,144 | Addition to DSG unusable reserve in-year | 0 | 0 | 4,383 |
| 16,357 | Total DSG unusable reserve carried forward | 0 | 0 | 20,740 |
| 16,357 | Net DSG position at the year end | 0 | 0 | 20,740 |

¹ Since April 2022, the ESFA has paid business rates directly to billing authorities on behalf of the Council's maintained schools and academies, with a corresponding reduction in DSG. The agreed initial budgeted distribution in the table above therefore includes a deduction for schools' business rates bills, with an in-year adjustment included in the final budgeted distribution.

11. Pooled Budgets

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

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

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

a. Better Care Fund

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

The following table shows spend in the year against different activity funded by SMBC, the ICB and jointly. The Council's contribution to the pooled budget of £20.658 million (£18.787 million in the SMBC column and £1.871 million in the Joint column) was funded from revenue grants and contributions which are included within the Council's CI&ES (£18.810 million, credited to gross income – Adult Social Care and Health), BCF funds brought forward in reserves (£1.541 million) and the balance from revenue.

| 2022/23 | | | | | 2023/24 | | | |
|---------|-------|-------|-------|--|---------|-------|-------|--------------|
| SMBC | ICB | Joint | Total | | SMBC | ICB | Joint | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 0 | 0 | 0 | 0 | Home-based intermediate care services ¹ | 5,423 | 2,399 | 0 | 7,822 |
| 4,011 | 0 | 0 | 4,011 | Residential Placements | 4,085 | 0 | 0 | 4,085 |
| 1,318 | 1,527 | 0 | 2,845 | Bed based intermediate Care Services | 1,750 | 1,953 | 0 | 3,703 |
| 0 | 402 | 2,309 | 2,711 | Assistive Technologies and Equipment | 198 | 1,326 | 1,871 | 3,395 |
| 2,834 | 0 | 0 | 2,834 | Personalised Budgeting and Commissioning | 2,834 | 0 | 0 | 2,834 |
| 443 | 793 | 0 | 1,236 | Integrated Care Planning and Navigation | 1,113 | 680 | 0 | 1,793 |
| 0 | 1,019 | 0 | 1,019 | Admission Prevention | 18 | 1,108 | 0 | 1,126 |
| 0 | 748 | 0 | 748 | Community Based Schemes | 0 | 898 | 0 | 898 |
| 808 | 0 | 0 | 808 | Housing Related Schemes | 854 | 0 | 0 | 854 |

| 2022/23 | | | | | 2023/24 | | | |
|---------------|--------------|--------------|---------------|--|---------------|--------------|--------------|---------------|
| SMBC | ICB | Joint | Total | | SMBC | ICB | Joint | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 0 | 0 | 0 | 0 | Workforce recruitment and retention | 847 | 0 | 0 | 847 |
| 681 | 354 | 0 | 1,035 | Prevention / Early Intervention | 681 | 155 | 0 | 836 |
| 0 | 694 | 0 | 694 | Personalised Care at Home | 0 | 707 | 0 | 707 |
| 0 | 395 | 0 | 395 | High Impact Change Model for Managing Transfer of Care | 0 | 660 | 0 | 660 |
| 457 | 0 | 0 | 457 | Carers Services | 423 | 0 | 0 | 423 |
| 313 | 0 | 0 | 313 | Care Act Implementation Related Duties | 373 | 0 | 0 | 373 |
| 168 | 0 | 0 | 168 | Enablers for Integration | 188 | 0 | 0 | 188 |
| 2,462 | 2,449 | 0 | 4,911 | Reablement in a person's own home | 0 | 0 | 0 | 0 |
| 2,245 | 0 | 0 | 2,245 | Home Care or Domiciliary Care | 0 | 0 | 0 | 0 |
| 15,740 | 8,381 | 2,309 | 26,430 | Sub-total: Revenue | 18,787 | 9,886 | 1,871 | 30,544 |
| 1,753 | 0 | 0 | 1,753 | Disabled Facilities Grant Related Schemes | 2,962 | 0 | 0 | 2,962 |
| 1,753 | 0 | 0 | 1,753 | Sub-total: Capital ² | 2,962 | 0 | 0 | 2,962 |
| 17,493 | 8,381 | 2,309 | 28,183 | Total | 21,749 | 9,886 | 1,871 | 33,506 |

¹ In 2022/23, this activity was reported under the lines "Reablement in a person's own home" and "Home Care or Domiciliary Care".

² Funded from Disabled Facilities Grant totalling £2.702 million and £0.260 million of unspent DFG carried forward from previous years.

b. Joint Equipment Store

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

| 2022/23 | | | | | 2023/24 | | | |
|--------------|----------------|------------|----------|---------------------------------|--------------|----------------|----------|----------------|
| SMBC | ICB | Other | Total | | SMBC | ICB | Other | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 2,403 | 0 | 307 | 2,710 | Transforming Community Services | 2,579 | 0 | 0 | 2,579 |
| 0 | (2,710) | 0 | (2,710) | Funding | (348) | (2,231) | 0 | (2,579) |
| 2,403 | (2,710) | 307 | 0 | Total | 2,231 | (2,231) | 0 | 0 |

c. Contributions to Voluntary Organisations

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

| 2022/23 | | | | | 2023/24 | | | |
|---------|-------|-------|-------|----------------------|---------|-------|-------|--------------|
| SMBC | ICB | Other | Total | | SMBC | ICB | Other | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 134 | 0 | 0 | 134 | Alzheimer's Society | 134 | 0 | 0 | 134 |
| 71 | 0 | 0 | 71 | Independent Advocacy | 71 | 0 | 0 | 71 |
| 0 | (205) | 0 | (205) | Funding | 0 | (205) | 0 | (205) |
| 205 | (205) | 0 | 0 | Total | 205 | (205) | 0 | 0 |

12. External Audit Costs

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

| 2022/23 | | 2023/24 |
|---------|--|------------|
| £000 | | £000 |
| 171 | Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year | 345 |
| 7 | Additional variation fee agreed relating to the prior year | 3 |
| 36 | Fees payable in respect of other services provided by Grant Thornton UK LLP during the year, including the certification of grant claims and returns | 73 |
| 214 | Total ¹ | 421 |

¹ The final fees for 2023/24, as set out in the Audit Plan received by the Audit Committee in June 2024, were slightly higher than those assumed in the accounts, totalling £471,000. This comprised external audit fees of £387,000 and expected grant certification fees of £84,000.

Disclosure notes – notes supporting the Movement in Reserves Statement

13. Adjustments between Accounting Basis and Funding Basis under Regulations

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

| 2023/24 | Usable Reserves | | | | | Movement in Unusable Reserves | Applicable Unusable Reserve |
|---|------------------------------|-------------------------|--------------------------|-----------------------|----------------------------------|-------------------------------|--|
| | General Fund Working Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Account | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Adjustments to revenue resources: | | | | | | | |
| Reversal of retirement benefits charged to CI&ES | (18,738) | 0 | 0 | 0 | 0 | 18,738 | Pensions Reserve |
| Employer's pensions contributions and direct payments to pensioners payable for the current year | 25,713 | 0 | 0 | 0 | 0 | (25,713) | |
| Financial instruments | 15 | 48 | 0 | 0 | 0 | (63) | Financial Instruments Adjustment Account |
| Council tax and business rates | (16,099) | 0 | 0 | 0 | 0 | 16,099 | Collection Fund Adjustment Account |
| Staff leave entitlement | 945 | 0 | 0 | 0 | 0 | (945) | Accumulated Absences Account |
| Dedicated schools grant deficit (Note 10) | (4,383) | 0 | 0 | 0 | 0 | 4,383 | Dedicated Schools Grant Adjustment Account |
| Reversal of charges for depreciation and impairment of non-current assets | (34,142) | (11,146) | 0 | 0 | 0 | 45,288 | Capital Adjustment Account |
| Reversal of capital grants and contributions applied | 13,305 | 3,313 | 0 | 0 | 0 | (16,618) | |
| Capital Grants and contributions unapplied credited to the CI&ES statement | 15,155 | 0 | 0 | 0 | (15,155) | 0 | |
| Revenue expenditure funded from capital under statute | (8,984) | 0 | 0 | 0 | 0 | 8,984 | |
| Use of Flexible Capital Receipts to fund service reform | (4,080) | 0 | 4,080 | 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 Statement | (20,619) | (1,573) | 0 | 0 | 0 | 22,192 | |

| 2023/24 | Usable Reserves | | | | | Movement in Unusable Reserves | Applicable Unusable Reserve |
|--|------------------------------|-------------------------|--------------------------|-----------------------|----------------------------------|-------------------------------|-----------------------------|
| | General Fund Working Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Account | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Movements in the market value of investment properties ¹ | (94) | 0 | 0 | 0 | 0 | 94 | |
| Reversal of revaluation gains/(losses) on property, plant and equipment ¹ | (8,477) | 0 | 0 | 0 | 0 | 8,477 | |
| Total adjustments to revenue resources | (60,483) | (9,358) | 4,080 | 0 | (15,155) | 80,916 | |
| Adjustments between revenue and capital resources: | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue | 82 | 1,983 | (2,065) | 0 | 0 | 0 | |
| Administrative costs of non-current asset disposals | (38) | 0 | 38 | 0 | 0 | 0 | Not Applicable |
| Charge to Major Repairs Reserve in lieu of depreciation, including additional voluntary transfer | 0 | 14,048 | 0 | (14,048) | 0 | 0 | |
| Provision for the repayment of debt | 13,775 | 565 | 0 | 0 | 0 | (14,340) | Capital Adjustment Account |
| Capital expenditure financed from revenue balances | 339 | 242 | 0 | 0 | 0 | (581) | |
| Total adjustments between revenue and capital resources | 14,158 | 16,838 | (2,027) | (14,048) | 0 | (14,921) | |
| Adjustments to capital resources: | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure and repay debt | 0 | 0 | 3,648 | 0 | 0 | (3,648) | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 13,025 | 0 | (13,025) | Capital Adjustment Account |
| Application of capital grants to finance capital expenditure | 0 | 0 | 0 | 0 | 10,056 | (10,056) | |
| Total adjustments to capital resources | 0 | 0 | 3,648 | 13,025 | 10,056 | (26,729) | |
| Total adjustments | (46,325) | 7,480 | 5,701 | (1,023) | (5,099) | 39,266 | |

¹ In 2022/23, these figures were included in the line 'Reversal of other entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure'

| 2022/23 | Usable Reserves | | | | | Movement in Unusable Reserves | Applicable Unusable Reserve |
|---|------------------------------|-------------------------|--------------------------|-----------------------|----------------------------------|-------------------------------|--|
| | General Fund Working Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Account | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Adjustments to revenue resources: | | | | | | | |
| Reversal of retirement benefits charged to CI&ES | (53,900) | 0 | 0 | 0 | 0 | 53,900 | Pensions Reserve |
| Employer's pensions contributions and direct payments to pensioners payable for the current year | 20,902 | 0 | 0 | 0 | 0 | (20,902) | |
| Financial instruments | 16 | 47 | 0 | 0 | 0 | (63) | Financial Instruments Adjustment Account |
| Council tax and business rates | 38,725 | 0 | 0 | 0 | 0 | (38,725) | Collection Fund Adjustment Account |
| Staff leave entitlement | (834) | 0 | 0 | 0 | 0 | 834 | Accumulated Absences Account |
| Dedicated schools grant deficit (Note 10) | (3,144) | 0 | 0 | 0 | 0 | 3,144 | Dedicated Schools Grant Adjustment Account |
| Reversal of charges for depreciation and impairment of non-current assets | (30,987) | (14,090) | 0 | 0 | 0 | 45,077 | Capital Adjustment Account |
| Reversal of capital grants and contributions applied | 17,054 | 15 | 0 | 0 | 0 | (17,069) | |
| Capital Grants and contributions unapplied credited to the CI&ES statement | 11,526 | 0 | 0 | 0 | (11,526) | 0 | |
| Revenue expenditure funded from capital under statute | (8,100) | 0 | 0 | 0 | 0 | 8,100 | |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES Statement | (27,380) | (3,292) | 0 | 0 | 0 | 30,672 | |
| Reversal of other entries included in the (surplus)/deficit on the provision of services in relation to capital expenditure | (724) | 42 | 0 | 0 | 0 | 682 | |
| Total adjustments to revenue resources | (36,846) | (17,278) | 0 | 0 | (11,526) | 65,650 | |

| 2022/23 | Usable Reserves | | | | | Movement in Unusable Reserves | Applicable Unusable Reserve |
|--|------------------------------|-------------------------|--------------------------|-----------------------|----------------------------------|-------------------------------|-----------------------------|
| | General Fund Working Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Account | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Adjustments between revenue and capital resources: | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue | 195 | 5,117 | (5,312) | 0 | 0 | 0 | Not Applicable |
| Administrative costs of non-current asset disposals | (65) | 0 | 65 | 0 | 0 | 0 | |
| Payments to the government housing receipts pool | 0 | 0 | 0 | 0 | 0 | 0 | |
| Charge to Major Repairs Reserve in lieu of depreciation, including additional voluntary transfer | 0 | 13,972 | 0 | (13,972) | 0 | 0 | |
| Provision for the repayment of debt | 13,343 | 540 | 0 | 0 | 0 | (13,883) | Capital Adjustment Account |
| Capital expenditure financed from revenue balances | 2,433 | 1,264 | 0 | 0 | 0 | (3,697) | |
| Total adjustments between revenue and capital resources | 15,906 | 20,893 | (5,247) | (13,972) | 0 | (17,580) | |
| Adjustments to capital resources: | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure and repay debt | 0 | 0 | 6,800 | 0 | 0 | (6,800) | Capital Adjustment Account |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 16,559 | 0 | (16,559) | |
| Application of capital grants to finance capital expenditure | 0 | 0 | 0 | 0 | 7,430 | (7,430) | |
| Total adjustments to capital resources | 0 | 0 | 6,800 | 16,559 | 7,430 | (30,789) | |
| Total adjustments | (20,940) | 3,615 | 1,553 | 2,587 | (4,096) | 17,281 | |

Purpose of the Usable Reserves

General Fund Working Balance

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

Housing Revenue Account

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

Capital Receipts Reserve

This reserve holds all of the Council's receipts generated from the disposal of non-current assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt. A fixed proportion of housing capital receipts is usually required to be paid over to the government and the Council can utilise its retained portion to either spend on replacement housing or repay prior debt, as detailed in the accounting policy on disposals within Property, Plant and Equipment. However, in 2022/23 and 2023/24, local authorities were allowed to retain 100% of their housing Right to Buy receipts.

Major Repairs Reserve

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

Capital Grants Unapplied Account

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

14. Unusable Reserves

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

| 2023/24 | Opening balance | Other comprehensive income and expenditure | Adjustments to revenue resources | Adjustments between revenue and capital resources | Adjustments to capital resources | Closing balance |
|---|------------------|--|----------------------------------|---|----------------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Accumulated Absences Account | 3,084 | 0 | (945) | 0 | 0 | 2,139 |
| Capital Adjustment Account | (527,185) | 0 | 44,213 | (14,921) | (26,729) | (524,622) |
| Collection Fund Adjustment Account | (7,460) | 0 | 16,099 | 0 | 0 | 8,639 |
| DSG Adjustment Account | 16,357 | 0 | 4,383 | 0 | 0 | 20,740 |
| Financial Instruments Adjustment Account | 2,525 | 0 | (63) | 0 | 0 | 2,462 |
| Financial Instruments Revaluation Reserve | (50,677) | 0 | 0 | 0 | 0 | (50,677) |
| Pensions Reserve | 22,369 | 42,264 | (6,975) | 0 | 0 | 57,658 |
| Revaluation Reserve | (332,166) | (40,996) | 24,204 | 0 | 0 | (348,958) |
| Total Unusable Reserves | (873,153) | 1,268 | 80,916 | (14,921) | (26,729) | (832,619) |

| 2022/23 | Opening balance | Other comprehensive income and expenditure | Adjustments to revenue resources | Adjustments between revenue and capital resources | Adjustments to capital resources | Closing balance |
|---|------------------|--|----------------------------------|---|----------------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Accumulated Absences Account | 2,250 | 0 | 834 | 0 | 0 | 3,084 |
| Capital Adjustment Account | (525,629) | 0 | 46,813 | (17,580) | (30,789) | (527,185) |
| Collection Fund Adjustment Account | 31,265 | 0 | (38,725) | 0 | 0 | (7,460) |
| DSG Adjustment Account | 13,213 | 0 | 3,144 | 0 | 0 | 16,357 |
| Financial Instruments Adjustment Account | 2,588 | 0 | (63) | 0 | 0 | 2,525 |
| Financial Instruments Revaluation Reserve | (33,282) | (17,395) | 0 | 0 | 0 | (50,677) |
| Pensions Reserve | 326,381 | (337,010) | 32,998 | 0 | 0 | 22,369 |
| Revaluation Reserve | (297,123) | (55,692) | 20,649 | 0 | 0 | (332,166) |
| Total Unusable Reserves | (480,337) | (410,097) | 65,650 | (17,580) | (30,789) | (873,153) |

Purpose of Main Unusable Reserves

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Collection Fund Adjustment Account

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

DSG Adjustment Account

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

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains arising from increases in the value of the Council's investments that have been elected as Fair Value through Other Comprehensive Income. Further details of the investments are given in note 22c.

Pensions Reserve

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

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

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised.

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

15. Movements in 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 contributed from earmarked reserves to meet General Fund expenditure in 2022/23 and 2023/24.

| 1 April 2022 | Contributions (to)/ from 2022/23 | 31 March 2023 | | 1 April 2023 | Contributions (to)/ from 2023/24 | 31 March 2024 |
|--------------|--|---------------|--|--------------|--|---------------|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| (12,682) | (90) | (12,772) | Schools | (12,772) | 1,769 | (11,003) |
| (3,547) | (2,034) | (5,581) | Grants Unapplied without Conditions - non Covid-19 | (5,581) | (630) | (6,211) |
| (6,104) | 15 | (6,089) | External Debt Interest | (6,089) | (75) | (6,164) |
| (4,796) | (134) | (4,930) | Insurance | (4,930) | (384) | (5,314) |
| (3,172) | (2,107) | (5,279) | Integrated Care Systems Fairer Futures Fund | (5,279) | 270 | (5,009) |
| (4,815) | 253 | (4,562) | Future Capital Spending | (4,562) | 961 | (3,601) |
| (1,169) | (926) | (2,095) | Property Investment Board Portfolio | (2,095) | (701) | (2,796) |
| (1,546) | (2,363) | (3,909) | Economy and Infrastructure Risk Reserve | (3,909) | 1,138 | (2,771) |
| (1,833) | (98) | (1,931) | Commuted Sums - Highways | (1,931) | (22) | (1,953) |
| (231) | (724) | (955) | Early Years | (955) | (788) | (1,743) |
| (2,259) | (345) | (2,604) | Severance | (2,604) | 1,092 | (1,512) |
| (300) | (400) | (700) | Family Hubs | (700) | (669) | (1,369) |
| (1,512) | 112 | (1,400) | Exploitation & Safeguarding | (1,400) | 151 | (1,249) |
| (361) | (207) | (568) | Public Health Contingency | (568) | (558) | (1,126) |
| (907) | (223) | (1,130) | School Catering | (1,130) | 87 | (1,043) |
| (1,917) | 395 | (1,522) | Public Health Grant | (1,522) | 595 | (927) |
| (2,386) | 1,026 | (1,360) | Leisure | (1,360) | 446 | (914) |
| (560) | (108) | (668) | Dry-mixed recycling contract: pre sub-regional MRF | (668) | (209) | (877) |
| (774) | 0 | (774) | Homelessness | (774) | (68) | (842) |
| (873) | (121) | (994) | Highways Section 106 Agreements | (994) | 213 | (781) |
| (1,852) | (491) | (2,343) | Tenant Works | (2,343) | 1,581 | (762) |
| (645) | (150) | (795) | Commuted Sums - Parks and Open Spaces | (795) | 48 | (747) |
| (310) | (113) | (423) | Civil Parking Enforcement | (423) | (228) | (651) |
| (56) | (86) | (142) | Licensing | (142) | (374) | (516) |
| (1,127) | 560 | (567) | Children's Services Operational Reserve | (567) | 222 | (345) |
| (32,577) | 29,827 | (2,750) | Business Rates Volatility Reserve | (2,750) | 2,409 | (341) |

| 1 April 2022 | Contributions (to)/ from 2022/23 | 31 March 2023 | | 1 April 2023 | Contributions (to)/ from 2023/24 | 31 March 2024 |
|------------------|--|-----------------|--|-----------------|--|-----------------|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| (217) | (313) | (530) | Environmental Services contingency reserve | (530) | 266 | (264) |
| (491) | (1,486) | (1,977) | Pensions | (1,977) | 1,926 | (51) |
| (2,242) | 1,511 | (731) | Resources Directorate | (731) | 731 | 0 |
| (13,421) | 9,859 | (3,562) | Grants Unapplied without Conditions – Covid-19 | (3,562) | 3,562 | 0 |
| (305) | (591) | (896) | Hospital Discharge | (896) | 896 | 0 |
| (12,328) | 1,075 | (11,253) | Other | (11,253) | 2,738 | (8,515) |
| (117,315) | 31,523 | (85,792) | Sub-total: Revenue Reserves | (85,792) | 16,395 | (69,397) |
| (7,340) | 6,232 | (1,108) | Budget Strategy ¹ | (1,108) | (5,876) | (6,984) |
| (9,934) | 29 | (9,905) | Adult Social Care Risk | (9,905) | 3,190 | (6,715) |
| (207) | 207 | 0 | Public Health | 0 | 0 | 0 |
| (9,095) | 6,607 | (2,488) | Business Rates Windfall ² | (2,488) | 2,488 | 0 |
| (26,576) | 13,075 | (13,501) | Sub-total: Earmarked Balances | (13,501) | (198) | (13,699) |
| (143,891) | 44,598 | (99,293) | Total Earmarked Revenue Reserves | (99,293) | 16,197 | (83,096) |

¹ The net contribution to the Budget Strategy Reserve during 2023/24 comprises budgeted contributions to the reserve of £9.699 million, offset by budgeted use of the reserve of £2.485 million and further use approved in the year of £1.338 million.

² The net contribution from the Business Rates Windfall Reserve during 2023/24 includes a budgeted contribution of £8.364 million.

Disclosure notes – notes supporting the Balance Sheet

16. Movements on Balances for Property, Plant and Equipment

| 2023/24 | Council Dwellings | Other Land and Buildings | Surplus Assets | Vehicles, Plant and Equipment | Community Assets | Assets Under Construction | Infrastructure Assets | Total Property Plant and Equipment |
|---|-------------------|--------------------------|----------------|-------------------------------|------------------|---------------------------|-----------------------|------------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Net Book Value at 31 March 2023 | 499,144 | 559,298 | 0 | 16,674 | 15,500 | 18,609 | 147,933 | 1,257,158 |
| Additions | 17,807 | 7,613 | 8 | 1,448 | 341 | 7,681 | 7,085 | 41,983 |
| Revaluations recognised in the revaluation reserve | 5,988 | 35,331 | 320 | 0 | (9) | 0 | 0 | 41,630 |
| Revaluations recognised in the provision of services | 0 | (8,316) | (161) | 0 | 0 | 0 | 0 | (8,477) |
| Disposals | (1,573) | (20,616) | 0 | (1) | 0 | 0 | 0 | (22,190) |
| Reclassifications | 0 | (2,305) | 4,655 | 0 | 23 | (3,573) | 675 | (525) |
| Depreciation | (10,571) | (20,308) | 0 | (3,875) | 0 | 0 | (5,512) | (40,266) |
| Impairment losses recognised in the revaluation reserve | 0 | (634) | 0 | 0 | 0 | 0 | 0 | (634) |
| Impairment losses recognised in the provision of services | 0 | (1,369) | 0 | (475) | 0 | 0 | 0 | (1,844) |
| Net Book Value at 31 March 2024 | 510,795 | 548,694 | 4,822 | 13,771 | 15,855 | 22,717 | 150,181 | 1,266,835 |

The Net Book Value at 31 March 2024 is analysed as follows:

| 2023/24 | Council Dwellings | Other Land and Buildings | Surplus Assets | Vehicles, Plant and Equipment | Community Assets | Assets Under Construction | Total Property Plant and Equipment (excluding infrastructure assets) |
|---|-------------------|--------------------------|----------------|-------------------------------|------------------|---------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Carrying Value at 31 March 2024 | 510,795 | 573,932 | 4,822 | 21,927 | 15,855 | 22,717 | 1,150,048 |
| Accumulated Depreciation and Impairment | 0 | (25,238) | 0 | (8,156) | 0 | 0 | (33,394) |

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

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

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

17. Capital Commitments

As at 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 with future years' expenditure budgeted to exceed £16.300 million (including commitments relating to the HRA totalling £7.034 million). Similar commitments at 31 March 2023 were £10.500 million (including the HRA: £2.808 million). The major commitments are:

- HRA High Rise Block Programme: £5.833 million
- Kingshurst Village Centre Construction: £4.161 million
- Streetlight CMS System: £1.925 million
- Social Housing Decency Fund: £1.548 million
- UK Shared Prosperity Fund: £0.938 million

18. Capital Expenditure and Capital Financing

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

| 2022/23 | | 2023/24 |
|----------|--|----------|
| £000 | | £000 |
| 468,589 | Opening Capital Financing Requirement | 474,521 |
| | Capital Investment | |
| 56,045 | Property, Plant & Equipment | 41,983 |
| 3,838 | Intangible assets | 2,494 |
| 7,409 | Revenue expenditure funded by capital under statute (REFCUS) | 8,459 |
| 4,079 | Loans | 1,346 |
| 71,371 | Total Capital Investment | 54,282 |
| | Sources of Finance | |
| (6,800) | Capital receipts | (3,648) |
| (24,499) | Government grants and other contributions | (26,673) |
| (34,140) | Sums set aside from revenue | (28,211) |
| (65,439) | Total Sources of Finance | (58,532) |
| 474,521 | Closing Capital Financing Requirement | 470,271 |
| | | |
| | Explanation of Movements in year | |
| (2,398) | Decrease in underlying need to borrow (supported by government financial assistance) | (2,398) |
| 10,295 | Increase in underlying need to borrow (not supported by government financial assistance) | 140 |
| (1,936) | Reductions in assets under PFI contracts | (1,962) |
| (29) | Assets acquired/ (disposed of) under finance leases | (30) |
| 5,932 | Increase/(decrease) in Capital Financing Requirement | (4,250) |

19. Revaluations

The Council carries out a rolling revaluation programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years, with the exception of HRA assets which are revalued every year. In addition to the usual programme of revaluations, it was decided this year that a number of the other asset categories should also be revalued in order to keep pace with expected material changes in current value.

All valuations were carried out internally by the Council's Strategic Land and Property Team and the valuations were certified by a Royal Institution of Chartered Surveyors (RICS) qualified surveyor. The effective date of the revaluations carried out during 2023/24 was 31 December 2023, except for HRA assets which were valued as at 31 March 2024. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. None of the valuations are reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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

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

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

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

| 2023/24 | Carried at Historical Cost | Valued at Current Value | | | | Total |
|--------------------------------|----------------------------|-------------------------|---------------|----------------|----------------|------------------|
| | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | |
| | | £000 | £000 | £000 | £000 | |
| Council Dwellings | 0 | 0 | 0 | 0 | 510,795 | 510,795 |
| Other Land and Buildings | 0 | 963 | 21,737 | 147,153 | 378,841 | 548,694 |
| Surplus Assets | 0 | 0 | 0 | 0 | 4,822 | 4,822 |
| Vehicles, Plant and Equipment | 13,771 | 0 | 0 | 0 | 0 | 13,771 |
| Community Assets | 15,855 | 0 | 0 | 0 | 0 | 15,855 |
| Assets Under Construction | 22,717 | 0 | 0 | 0 | 0 | 22,717 |
| Infrastructure Assets | 150,181 | 0 | 0 | 0 | 0 | 150,181 |
| Total Cost or Valuation | 202,524 | 963 | 21,737 | 147,153 | 894,458 | 1,266,835 |

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

20. Investment Property

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property but does fund repairs and maintenance with a view to maximising income and proceeds of disposal.

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

| 2022/23 | | 2023/24 |
|---------|--|---------------|
| £000 | | £000 |
| 17,495 | Balance at 1 April | 15,940 |
| (1,555) | Net gains/(losses) from fair value adjustments | (94) |
| 15,940 | Balance at 31 March | 15,846 |

Fair value reviews are conducted on all investment properties on an annual basis by our internal valuers – these valuations are as at 31 December 2023, except for HRA investment properties which are as at 31 March 2024. Fair values are calculated by multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of assets has been ranked into three level groups. All of the Council's investment properties have been assessed as level two and are valued annually. There has been no change in the valuation techniques used during the year for investment properties.

21. Intangible Assets

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

| 2022/23 | | 2023/24 |
|---------|----------------------------|----------------|
| £000 | | £000 |
| 10,064 | Balance at 1 April | 11,414 |
| 3,838 | Purchases | 2,494 |
| (2,488) | Amortisation for the year | (3,180) |
| 11,414 | Balance at 31 March | 10,728 |
| | Comprising: | |
| 15,941 | Gross carrying amounts | 17,250 |
| (4,527) | Accumulated Amortisation | (6,522) |
| 11,414 | | 10,728 |

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £3.180 million charged to revenue in 2023/24 was included in the Resources, Children and Education, Climate Change and Planning, and Housing Cabinet lines in the CI&ES.

22. Financial Instruments

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

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

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

a. Financial Assets

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

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

| | Long-Term | | Short-Term | |
|---|------------------|------------------|------------------|------------------|
| | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 |
| | £000 | £000 | £000 | £000 |
| Financial assets held at amortised cost: | | | | |
| Investments | 0 | 0 | 83,457 | 61 |
| Debtors and other receivables | 42,803 | 45,288 | 46,484 | 48,752 |
| Cash and Cash Equivalents | 0 | 0 | 6,659 | 5,427 |
| | | | | |
| FVOCI - designated equity instruments | 57,822 | 57,822 | 0 | 0 |
| Total financial assets | 100,625 | 103,110 | 136,600 | 54,240 |

b. Financial Liabilities

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

| | Long-Term | | Short-Term | |
|---|------------------|------------------|------------------|------------------|
| | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 |
| | £000 | £000 | £000 | £000 |
| Financial Liabilities at amortised cost: | | | | |
| Borrowing | (318,060) | (316,428) | (21,282) | (22,755) |
| PFI and finance lease liabilities | (41,496) | (39,347) | (1,992) | (2,149) |
| Creditors and other payables | (1,236) | (1,236) | (34,909) | (33,391) |
| Total financial liabilities | (360,792) | (357,011) | (58,183) | (58,295) |

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

Designation to Fair Value through Other Comprehensive Income (FVOCI)

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

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

23. Fair values of Assets and Liabilities

a. Financial Assets measured at Fair Value

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

| | Input Level in fair value hierarchy | Valuation technique used to measure fair value | 31 March 2023 | 31 March 2024 |
|--|-------------------------------------|--|---------------|---------------|
| | | | £000 | £000 |
| Birmingham Airport Holdings Ltd | Level 3 | Earning based valuation | | |
| - Ordinary Shares | | | 20,500 | 22,500 |
| - Preference Shares | | | 1,176 | 1,176 |
| The Coventry and Solihull Waste Disposal Company Ltd | Level 3 | Earning based valuation | | |
| - Ordinary Shares | | | 36,000 | 34,000 |
| Mell Square Ltd | Level 3 | Earning based valuation | | |
| - Ordinary Shares | | | 0 | 0 |
| Solihull Energy Ltd | Level 3 | Historic Cost | | |
| - Ordinary Shares | | | 0 | 0 |
| Sherbourne Recycling Ltd | Level 3 | Historic Cost | | |
| - Ordinary Shares | | | 146 | 146 |
| Total | | | 57,822 | 57,822 |

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

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.

Birmingham Airport Holdings Ltd (BAH)

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

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

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

The Council's valuation of its shareholding reduced significantly in 2019/20 and stayed at a reduced level until the end of 2021/22. However, the 2022/23 valuation increased to £20.500 million, which is an increase above pre-pandemic levels. Owing to a further increase in the future EBITDA, the valuation for 2023/24 has increased by £2.000 million to £22.500 million.

If there was a +/-5% change in the forecast Earnings Before Interest, Tax, Depreciation and Amortisation, the impact on the valuation would be +/-£1.8 million.

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

The valuation seeks to forecast passenger numbers multiplied by an average income per passenger based on past information. For 2023/24, as in previous years, management accounts for the first 11 months of the year were used to estimate the full year income and expenditure, to arrive at a forecast annual position. During 2022/23, all pandemic restrictions were eased and passenger numbers recovered towards pre-pandemic levels and this level of activity continued into 2023/24.

The Council conducted a desktop valuation which has been verified by a qualified independent valuer who has agreed that the valuation as at 31 March 2024 has resulted in an increase in the fair value of the Council's shareholding. There has been far more optimism in the industry since the start of 2022/23 and this is reflected in both the industry outlook and BAH's future forecasts. In arriving at this valuation, the key drivers are:

- An increase in passenger numbers;
- The continued assumption by the Civil Aviation authority that passenger numbers will continue to increase globally;
- BAH expect future passenger numbers to be up to 4% higher than 2023/24 numbers.

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

BAH was incorporated on 4 February 1997 and commenced trading on 26 March 1997. The BAH Group accounts incorporate Birmingham International Airport Ltd, Euro Hub (Birmingham) Ltd, Birmingham Airport Developments Ltd, First Castle Developments Ltd, Birmingham Airport (Finance) plc and BHX Fire and Rescue Ltd. The principal activity of the Group is the operation and management of Birmingham International Airport and the provision of facilities and services associated with those operations. During this year dividends of £0.074 million (2022/23: £0.074 million) and ground rent of £0.082 million (2022/23: £0.073 million) were receivable.

A copy of BAH's accounts is available from:

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

The Coventry and Solihull Waste Disposal Company Ltd

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

Solihull Council has a one third ownership of the 99 £1 Ordinary Shares with Coventry City Council owning the majority of the remaining two thirds – there are two other minority interests totalling 2%. The two main shareholders benefit from any surpluses made and will contribute to any liabilities or losses the company

cannot meet. These shares are not quoted on any Stock Exchange. During this year dividend income of £6.150 million (2022/23: £4.100 million) was receivable.

The Council's valuation of its shareholding has been reviewed by an independent external provider who has deemed that the valuation as at 31 March 2024 has resulted in a reduction in the fair value of the Council's shareholding from £36.000 million to £34.000 million, which is reflected in the Council's Balance Sheet.

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

The small decrease in company valuation this year is primarily driven by the reduction in mid to long-term earnings, primarily as a result of events during 2023/24. However, an IBISWorld report highlighted that the waste industry in the UK has performed strongly recently with particular drivers such as:

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

The reduction in valuation is calculated based on the above factors and considers the future earnings against comparable company multiples resulting in the change in valuation at 31 March 2024.

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

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

Mell Square Ltd

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

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

During 2023/24, Mell Square Ltd repaid £0.116 million of this loan and the accounts now show a Long-Term Debtor of £32.383 million and a Short-Term Debtor of £0.123 million due to be re-paid in 2024/25. The Expected Credit Loss value has remained unchanged from 2022/23.

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

All other elements of the Balance Sheet are calculated at fair value and therefore the Council includes the net assets/(liabilities) position of the Company as the fair value for this investment. As at 31 December 2023, Mell Square Ltd had a Net Liabilities balance and so the Council continues to hold the investment at a fair value of £0.

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

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

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

Sherbourne Recycling Ltd

On 1 April 2021, the Council entered into a number of key legal agreements including, but not limited to, the Shareholders' Agreement and Loan Facility Agreement in relation to Sherbourne Recycling Ltd. This is a cross-authority owned Materials Recycling facility designed to process each council's kerbside collected recyclate. As one of 8 local authority shareholders, the Council made an equity investment of £0.146 million for a 14.6% share in Sherbourne Recycling Ltd (SRL).

The Council, along with its partners, concluded all loan payments to the company totalling £8.828 million to fund the construction work that has now been finalised. As the site became operational during 2023/24, the valuation will need to move to an earnings-based approach for 2024/25, but as at 31 March, the fair value of the Council's investment in SRL has remained at historic cost of £0.146 million.

A copy of SRL's accounts is available from:

Financial Controller
Sherbourne Recycling Ltd
Sherbourne Resource Park
255 London Road
Coventry
CV3 4AR

Solihull Energy Ltd

During 2023/24, Solihull Energy Ltd was established by Solihull Council to deliver certain projects across the borough. As part of this agreement, the Council transferred an £8.860 million grant that was received by the Council but passported to this separate entity as accountable body.

The company is not yet operational, but the balance sheet shows a net assets figure, meaning that the company is a going concern. The Council has, to date, invested £1 share capital in this Company and therefore, this £1 valuation is included in the accounts.

b. Transfers between levels of the Fair Value Hierarchy

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

c. Changes in Valuation Technique

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

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

| 2022/23 | | | | 2023/24 | | |
|-----------------|-------|--------|---|-----------------|-------|--------|
| Unquoted Shares | Other | Total | | Unquoted Shares | Other | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 40,427 | 0 | 40,427 | Opening balance at 1 April | 57,822 | 0 | 57,822 |
| 0 | 0 | 0 | Transfers into Level 3 | 0 | 0 | 0 |
| 0 | 0 | 0 | Transfers out of Level 3 | 0 | 0 | 0 |
| 17,395 | 0 | 17,395 | Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure | 0 | 0 | 0 |
| 0 | 0 | 0 | Additions | 0 | 0 | 0 |
| 0 | 0 | 0 | Disposals | 0 | 0 | 0 |
| 57,822 | 0 | 57,822 | Closing Balance at 31 March | 57,822 | 0 | 57,822 |

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

Except for the financial assets carried at fair value (as detailed within Note 23a), all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), prevailing rates for new PWLB borrowing have been applied to provide the fair value (Level 2). As an alternative, an assessment has been made to the fair value measurement applying the premature repayment rate, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates, based on wider market discussions, have been applied to provide the fair value (level 2);
- For PFI liabilities and similar contracts, due to limited market comparable instruments, prevailing PWLB rates have been applied as a reasonable proxy, to provide the fair value (level 2). A review of market rates for public sector bodies found the price differential to PWLB rates to be negligible (as most commercial markets will attempt to match PWLB terms when dealing with the public sector), therefore PWLB rates have been used as these rates are published and readily available;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of the financial assets are as follows:

| 31 March 2023 | | | 31 March 2024 | |
|---------------------|----------------|---|---------------------|----------------|
| Balance sheet value | Fair value | | Balance sheet value | Fair value |
| £000 | £000 | | £000 | £000 |
| | | Long-Term Financial Assets | | |
| 57,822 | 57,822 | Financial assets measured at fair value | 57,822 | 57,822 |
| 42,803 | 42,803 | Long-term debtors ¹ | 45,288 | 45,288 |
| 100,625 | 100,625 | Sub-total: Long-Term Financial Assets | 103,110 | 103,110 |
| | | Short-Term Financial Assets | | |
| 6,659 | 6,659 | Cash and cash equivalents | 5,427 | 5,427 |
| 83,396 | 83,396 | Money market loans (< 1 year) | 0 | 0 |
| 61 | 61 | Insurance liability fund | 61 | 61 |
| 46,484 | 46,484 | Short-term debtors ² | 48,752 | 48,752 |
| 136,600 | 136,600 | Sub-total: Short-Term Financial Assets | 54,240 | 54,240 |
| 237,225 | 237,225 | Total Financial Assets | 157,350 | 157,350 |

¹ The Long-Term Debtors balance is comprised largely of the two loan commitments relating to Mell Square Ltd (£32.383 million) and Sherbourne Recycling Ltd (£8.828 million). Further information regarding these arrangements is included in Note 23a.

² Short-term debtors in the above table include only those balances which the Council considers are due under a contractual arrangement, as per the Code, and will therefore differ to the figures in the Balance Sheet.

The fair values of the financial liabilities are as follows:

| 31 March 2023 | | | 31 March 2024 | |
|---------------------|------------------|---|---------------------|------------------|
| Balance sheet value | Fair value | | Balance sheet value | Fair value |
| £000 | £000 | | £000 | £000 |
| | | Long-Term Financial Liabilities | | |
| | | Long-Term Borrowing | | |
| (290,174) | (234,038) | Borrowing - PWLB ¹ | (289,765) | (210,694) |
| (2,403) | (2,428) | Borrowing - Dudley MBC debt ² | (1,259) | (1,265) |
| (216) | (218) | Borrowing - Walsall MBC debt | (141) | (142) |
| (25,267) | (24,738) | Borrowing - other long-term loans ³ | (25,263) | (23,085) |
| (318,060) | (261,422) | Sub-total: Long-Term Borrowing | (316,428) | (235,186) |
| | | Other Long-Term Liabilities | | |
| (38,026) | (48,508) | PFI liabilities and similar contracts | (35,909) | (44,166) |
| (3,470) | (3,470) | Finance lease liabilities | (3,438) | (3,438) |
| (1,236) | (1,236) | Long-Term Creditors | (1,236) | (1,236) |
| (42,732) | (53,214) | Sub-total: Other Long-Term Liabilities | (40,583) | (48,840) |
| (360,792) | (314,636) | Sub-total: Long-Term Financial Liabilities | (357,011) | (284,026) |
| | | Short-Term Financial Liabilities | | |
| | | Short-Term Borrowing | | |
| (2,650) | (2,650) | PWLB | (2,728) | (2,728) |
| (1,040) | (1,040) | Dudley MBC debt ² | (1,145) | (1,145) |
| (72) | (72) | Walsall MBC debt | (75) | (75) |
| (106) | (106) | Other short-term loans ³ | (107) | (107) |

| 31 March 2023 | | 31 March 2024 | | |
|---------------------|------------|--|---------------------|------------------|
| Balance sheet value | Fair value | | Balance sheet value | Fair value |
| £000 | £000 | | £000 | £000 |
| | | Long-Term Financial Liabilities | | |
| (3,868) | (3,868) | Sub-total: Short-Term Borrowing | (4,055) | (4,055) |
| | | Other Short-Term Liabilities | | |
| (17,414) | (17,414) | Bank overdraft | (18,700) | (18,700) |
| (1,992) | (1,992) | PFI and finance lease liabilities | (2,149) | (2,149) |
| (34,909) | (34,909) | Short-term creditors ⁴ | (33,391) | (33,391) |
| (54,315) | (54,315) | Sub-total: Other Short-Term Liabilities | (54,240) | (54,240) |
| (58,183) | (58,183) | Sub-total: Short-Term Financial Liabilities | (58,295) | (58,295) |
| (418,975) | (372,819) | Total Financial Liabilities | (415,306) | (342,321) |

¹ The Council has used a transfer value for the fair value of the PWLB financial liabilities. The Council has also calculated an exit price fair value of £246.082 million, which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

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

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

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

24. Nature and Extent of Risks Arising from Financial Instruments

a. Key Risks

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

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

b. Overall Procedures for Managing Risk

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

Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the TM Code;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving, annually in advance, prudential and treasury indicators for the following ten years limiting:
 - the Council's overall borrowing;

- its maximum and minimum exposures to fixed and variable rates;
- its maximum and minimum exposures to the maturity structure of its debt;
- its maximum annual exposures to investments maturing beyond a year;
- by approving an Annual Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

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

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

c. Credit Risk

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

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

A summary of the credit quality of the Council's Treasury Management investments at 31 March 2024 is shown as follows:

| 31 March 2023 | Current rating (Fitch or equivalent) | 31 March 2024 |
|---------------|--------------------------------------|---------------|
| £000 | | £000 |
| 5,037 | AAA | 0 |
| 0 | AA+ | 0 |
| 0 | AA | 0 |
| 83,487 | AA- | 0 |
| 1,505 | A+ | 5,400 |
| 87 | N/A | 88 |
| 90,116 | Total | 5,488 |

Allowances for impairment losses are calculated for investments held at 31 March 2024, applying the expected credit losses model. The expected credit loss model results in a notional loss of less than £0.001 million. Given the low value of this calculation, no adjustment has been made to the carrying value of these instruments in the Council's accounts.

The risk of credit exposure from the Council's customers arises from the possibility that debts raised by the Council are not collected. At 31 March 2024, £24.409 million of trade debtors were held on the Accounts Receivable system awaiting payment (£22.061 million at 31 March 2023). These are analysed by age as shown in the following table:

| 31 March 2023 | | 31 March 2024 |
|---------------|--|---------------|
| £000 | | £000 |
| 15,219 | Less than three months | 18,581 |
| 3,267 | Three to six months | 2,104 |
| 2,229 | Six months to one year | 2,465 |
| 3,755 | More than one year | 3,972 |
| 24,470 | Outstanding trade debtors | 27,122 |
| (2,409) | Less cash received but not yet allocated | (2,713) |
| 22,061 | Total trade debtors ¹ | 24,409 |

¹ The trade debtors figure in the table above is split between short-term debtors of £21.353 million and £3.056 million of long-term debtors.

The Council has an impairment allowance of £3.031 million in place to mitigate against this risk (£3.004 million as at 31 March 2023).

d. Liquidity Risk

The Council manages its liquidity position through the risk management procedures detailed in Note 24b (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the TM Code. This seeks to ensure that cash is available when it is needed.

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

e. Refinancing and Maturity Risk

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

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

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

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

| 31 March 2023 | | 31 March 2024 |
|---------------|-------------------------|----------------|
| £000 | | £000 |
| 394 | Less than 1 year | 409 |
| 409 | Between 1 and 2 years | 424 |
| 5,320 | Between 2 and 5 years | 5,369 |
| 6,547 | Between 5 and 10 years | 6,642 |
| 36,419 | Between 10 and 20 years | 36,668 |
| 46,112 | Between 20 and 30 years | 55,295 |
| 132,566 | Between 30 and 40 years | 122,566 |
| 87,800 | Between 40 and 50 years | 87,800 |
| 315,567 | Total | 315,173 |

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

f. Market Risk (Interest Rate Risk)

The Council is exposed to interest rate movements on its borrowings and investments. Of the £315.173 million debt held as at 31 March 2024, £15.000 million was at variable interest rates and £300.173 million was at fixed interest rates. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the CI&ES would rise;
- borrowings at fixed rates – the fair value of the borrowing liability would fall;
- investments at variable rates – the interest income credited to the CI&ES would rise;
- investments at fixed rates – the fair value of the assets would fall.

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

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

If all interest rates had been 1% higher during 2023/24 (with all other variables held constant) the financial effect would be:

| | £000 |
|--|---------------|
| Increase in interest payable on variable rate borrowings | 150 |
| Increase in interest receivable on variable rate investments | (95) |
| Impact on (surplus)/deficit on the provision of services in the CI&ES | 55 |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the (surplus)/deficit on the provision of services or other comprehensive income and expenditure) | 32,496 |

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

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

g. Price Risk

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

h. Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

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

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

| 2022/23 | | | 2023/24 | |
|--|-------------|---|--|-------------|
| (Surplus)/deficit on the provision of services | Other CI&ES | | (Surplus)/deficit on the provision of services | Other CI&ES |
| £000 | £000 | | £000 | £000 |
| 0 | (17,395) | Net (gain)/ loss on investments in equity instruments designated at FVOCI | 0 | 0 |
| (2,835) | 0 | Interest income on financial assets measured at amortised cost | (6,980) | 0 |
| (4,174) | 0 | Interest income on financial assets measured at FVOCI | (6,224) | 0 |
| 15,526 | 0 | Interest expense | 15,444 | 0 |
| 8,517 | (17,395) | Net (gain)/loss for the year | 2,240 | 0 |

26. Leases

a. Council as Lessee

Finance Leases

The Council acquired a number of assets under finance lease arrangements. The assets acquired under these arrangements that are above our de minimis level for capital spending are carried in the Balance Sheet at the following net amounts:

| 31 March 2023 | | 31 March 2024 |
|---------------|---|---------------|
| £000 | | £000 |
| 11,427 | Property Plant and Equipment - Land and Buildings | 14,277 |
| 1,339 | Investment Property | 1,190 |
| 12,766 | Total | 15,467 |

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

| 31 March 2023 | | | 31 March 2024 | |
|---------------|-------------------|--|---------------|-------------------|
| Cash Amount | Net Present Value | | Cash Amount | Net Present Value |
| £000 | £000 | | £000 | £000 |
| | | Finance lease liabilities: | | |
| 30 | 30 | Current | 32 | 32 |
| 3,470 | 1,038 | Non-current | 3,438 | 1,066 |
| | | | | |
| 4,746 | 2,457 | Finance costs payable in future years | 4,559 | 2,400 |
| 8,246 | 3,525 | Total future minimum lease payments | 8,029 | 3,498 |

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

| 31 March 2023 | | | 31 March 2024 | |
|------------------------|---------------------------|---|------------------------|---------------------------|
| Minimum Lease Payments | Finance Lease Liabilities | | Minimum Lease Payments | Finance Lease Liabilities |
| £000 | £000 | | £000 | £000 |
| 217 | 30 | Not later than one year | 217 | 32 |
| 868 | 137 | Later than one year and not later than five years | 868 | 144 |
| 7,161 | 3,333 | Later than five years | 6,944 | 3,294 |
| 8,246 | 3,500 | | 8,029 | 3,470 |

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

| 31 March 2023 | | | 31 March 2024 | |
|------------------------|---------------------------|---|------------------------|---------------------------|
| Minimum Lease Payments | Finance Lease Liabilities | | Minimum Lease Payments | Finance Lease Liabilities |
| £000 | £000 | | £000 | £000 |
| 217 | 30 | Not later than one year | 217 | 32 |
| 757 | 119 | Later than one year and not later than five years | 757 | 125 |
| 2,551 | 919 | Later than five years | 2,524 | 941 |
| 3,525 | 1,068 | | 3,498 | 1,098 |

Operating Leases

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

| 31 March 2023 | | 31 March 2024 |
|---------------|---|---------------|
| £000 | | £000 |
| 633 | Not later than one year | 658 |
| 1,079 | Later than one year and not later than five years | 1,228 |
| 971 | Later than five years | 692 |
| 2,683 | | 2,578 |

The minimum lease payment expenditure charged to the CI&ES during the year in relation to these leases was £0.888 million (2022/23: £0.952 million).

b. Council as Lessor

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 2023 | | 31 March 2024 |
|---------------|---|---------------|
| £000 | | £000 |
| (3,233) | Not later than one year | (3,299) |
| (11,572) | Later than one year and not later than five years | (11,291) |
| (88,986) | Later than five years | (90,281) |
| (103,791) | | (104,871) |

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 2023/24 contingent rents of £2.992 million were receivable by the Council (£2.790 million in 2022/23).

27. Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council is deemed to control the services that are provided under its schemes and ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge.

a. Building Schools for the Future (BSF) PFI

In 2023/24 the Council made contractual payments of £9.816 million (2022/23: £9.317 million) under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Castlewood School, Park Hall Academy and Smith's Wood Academy. In future years the actual payments will vary in line with inflation. The contract expires in 2035/36. There have been no changes to the arrangement during 2023/24.

The payments due to the PFI contractor are as follows:

| | | Repayment of liability | Interest | Service Charge | Total |
|--------------------------|-------------------|------------------------|---------------|----------------|----------------|
| | | £000 | £000 | £000 | £000 |
| Payments due to be made: | | | | | |
| Within 1 year | 2024/25 | 2,117 | 3,046 | 4,747 | 9,910 |
| Within 2 - 5 years | 2025/26 - 2028/29 | 11,364 | 10,562 | 18,858 | 40,784 |
| Within 6 - 10 years | 2029/30 - 2033/34 | 18,163 | 4,844 | 30,765 | 53,772 |
| Within 11 - 12 years | 2034/35 - 2035/36 | 6,382 | 245 | 7,960 | 14,587 |
| Total | | 38,026 | 18,697 | 62,330 | 119,053 |

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

| | 31 March 2022 | Net payments during the year | 31 March 2023 | Net payments during the year | 31 March 2024 |
|--------------------------|-----------------|------------------------------|-----------------|------------------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Castlewood School | (5,450) | 252 | (5,198) | 255 | (4,943) |
| Park Hall Academy School | (18,027) | 832 | (17,195) | 844 | (16,351) |
| Smith's Wood Academy | (18,447) | 852 | (17,595) | 863 | (16,732) |
| Total | (41,924) | 1,936 | (39,988) | 1,962 | (38,026) |

b. PFI Estimates and Judgements

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

As shown in the table above, the total value of the payments due to the PFI Contractor over the remaining 12 years of the contract is £119.053 million. The BSF PFI unitary payments includes costs for utilities.

28. Short-Term Debtors

| 31 March 2023 | | 31 March 2024 |
|---------------|--|---------------|
| £000 | | £000 |
| 32,312 | Amounts receivable from trade customers | 34,493 |
| 14,172 | Amounts receivable from related parties | 14,259 |
| 2,794 | Payments in advance from trade customers | 2,208 |
| 3,091 | Payments in advance from related parties | 3,003 |
| 52,369 | Total Trade Debtors | 53,963 |
| 8,557 | Amounts receivable from central government | 9,788 |
| 4,947 | Other debtors (council tax and business rates) | 7,337 |
| 65,873 | Total Short-Term Debtors | 71,088 |

29. Debtors for Local Taxation

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

| 31 March 2023 | | 31 March 2024 |
|---------------|----------------------------|---------------|
| £000 | | £000 |
| 3,901 | Less than one year | 5,118 |
| 1,046 | Over one year ¹ | 2,219 |
| 4,947 | | 7,337 |

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

30. Cash and Cash Equivalents (including Bank Overdraft)

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

| 31 March 2023 | | 31 March 2024 |
|---------------|-----------------------------------|-----------------|
| £000 | | £000 |
| 26 | Cash floats held by the Council | 27 |
| 6,633 | Cash equivalents and cash at bank | 5,400 |
| 6,659 | Cash and cash equivalents | 5,427 |
| (17,414) | Bank overdraft | (18,700) |
| (10,755) | Total | (13,273) |

31. Short-Term Creditors

| 31 March 2023 | | 31 March 2024 |
|---------------|--|-----------------|
| £000 | | £000 |
| (33,678) | Amounts payable to trade customers | (30,326) |
| (1,231) | Amounts payable to related parties | (3,065) |
| (3,190) | Receipts in advance from trade customers | (2,853) |
| (136) | Receipts in advance from related parties | (825) |
| (38,235) | Total Trade Creditors | (37,069) |
| (12,315) | Amounts payable to central government | (17,219) |
| (11,268) | Other receipts in advance (council tax and business rates) | (15,816) |
| (7,832) | Other creditors | (6,860) |
| (69,650) | Total Short-Term Creditors | (76,964) |

32. Provisions

| | Business Rates Appeals | Other Provisions | Total |
|--|------------------------|------------------|----------------|
| | £000 | £000 | £000 |
| Short-Term Provisions | | | |
| Balance at 1 April 2023 | (3,524) | (862) | (4,386) |
| Provisions made in 2023/24 | (270) | (663) | (933) |
| Amounts used in 2023/24 | 2,957 | 639 | 3,596 |
| Balance at 31 March 2024 | (837) | (886) | (1,723) |
| Long-Term Provisions | | | |
| Balance at 1 April 2023 | (2,030) | (682) | (2,712) |
| Provisions made in 2023/24 | (539) | 0 | (539) |
| Amounts used in 2023/24 | 958 | 9 | 967 |
| Balance at 31 March 2024 | (1,611) | (673) | (2,284) |
| Total Provisions at 31 March 2024 | (2,448) | (1,559) | (4,007) |

The main provision relates to business rates appeals as follows:

Business Rates Appeals

Through the enhanced business rates retention arrangements applicable in the West Midlands, 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 2017 list, this best estimate has been based on the checks and challenges lodged, but as very few checks and challenges have yet been lodged against the 2023 rating list, that element of the provision is based on the assumed loss from appeals inherent in the business rates scheme. All appeals against the 2010 list have now been settled.

33. Pension Schemes accounted for as Defined Contribution Schemes

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

The Teachers' Pension Scheme

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

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

The scheme has in excess of 12,357 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme, the Council's own contributions equate to approximately 0.12% (2022/23: 0.12%).

In 2023/24 £7.249 million was payable to the Teachers' Pensions Scheme in respect of teachers' pension costs, which represents 23.68% of teachers' pensionable pay for the period 1 April 2023 to 31 March 2024 (2022/23 £8.002 million and 23.68%). £0.589 million of the contributions remained payable at the year-end. The contributions due to be paid in 2024/25 are estimated to be £7.394 million.

In addition to the Teachers' Pension Scheme, the Council makes pension payments for teachers relating to added years it has awarded, together with related increases. These discretionary payments form a separate, unfunded scheme and in 2023/24 these payments amounted to £0.974 million (2022/23: £0.910 million).

The National Health Service (NHS) Pension Scheme

A number of adult social care and public health employees are covered by the provisions of the NHS Pensions Scheme, which was established on 5 July 1948. Details of the benefits payable under these provisions can be obtained from the NHS Pensions Business Services Authority. The scheme is an unfunded defined benefit final salary scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The scheme is not run in a way that would enable NHS bodies to identify their share of their underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. As a proportion of the total contributions into the NHS Pension Scheme, the Council's own contributions equate to approximately 0.04%.

The employer rate has remained at 20.68% in 2023/24, although as in 2022/23 3.8% of these contributions were funded by the Department of Health and Social Care. £0.231 million was payable in 2023/24 to the NHS Pensions Scheme in respect of NHS pension costs, which represents 16.88% of the pensionable pay of the staff in the scheme (2022/23: £0.272 million). £0.014 million of the contributions remained payable at the year-end.

The contributions due to be paid by the Council in 2024/25 are estimated to be £0.236 million. The Council is not responsible for any retirement top-up payments outside of the NHS scheme.

34. Defined Benefit Pension Schemes

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

The Local Government Pension Scheme

The Council participates in one defined benefit post-employment scheme, the Local Government Pension Scheme, administered locally by The West Midlands Pension Fund (WMPF). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme is administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

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

Risks Associated with the scheme

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

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

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

Transactions relating to post-employment benefits

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

| 2022/23 | Transactions in the CI&ES | 2023/24 |
|------------------|---|-----------------|
| £000 | | £000 |
| | <i>Cost of services comprising:</i> | |
| 48,451 | Current service cost | 20,668 |
| 0 | Past service cost, including curtailments | 5 |
| (4,445) | Effect of settlements | (1,789) |
| | <i>Financing and investment income and expenditure:</i> | |
| 9,894 | Net interest expense | (146) |
| 53,900 | Sub-total: post-employment benefit charged to the (surplus)/deficit on the provision of services | 18,738 |
| | | |
| | <i>Other post-employment benefits charged to Other Comprehensive Income and Expenditure:</i> | |
| | Remeasurement of the net defined benefit liability comprising: | |
| 39,304 | Return on assets excluding amounts included in net interest | (22,369) |
| 50,430 | Other experience | 27,084 |
| (2,521) | Actuarial (gains)/losses arising on changes in demographic assumptions | (5,038) |
| (424,223) | Actuarial (gains)/losses arising on changes in financial assumptions | (47,315) |
| 0 | Adjustment to meet the requirements of IFRIC14 ¹ | 89,902 |
| (337,010) | Sub-total: post-employment benefits charged to other comprehensive income and expenditure | 42,264 |
| | | |
| (283,110) | Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement | 61,002 |
| | | |
| 2022/23 | Transactions in the MIRS | 2023/24 |
| £000 | | £000 |
| (53,900) | Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code | (18,738) |
| | <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | |
| 20,902 | Employer's contributions payable to scheme for current year | 25,713 |
| (32,998) | Total Post Employment Benefit charged to the Movement in Reserves Statement | 6,975 |

¹ The Council's funded obligations moved into a net asset position at the end of 2023/24, however in line with International Financial Reporting Interpretations Committee guidance (IFRIC14), an asset ceiling calculation has been applied which has reduced the net funded pension liability to nil.

Pensions 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:

| 2022/23 | | 2023/24 |
|-----------|---|-----------------|
| £000 | | £000 |
| (802,523) | Present value of funded obligations | (806,827) |
| (12,577) | Present value of unfunded obligations ¹ | (13,058) |
| 792,731 | Fair value of fund assets | 896,729 |
| 0 | Adjustment to meet the requirements of IFRIC14 ² | (89,902) |
| (22,369) | Net pensions liability | (13,058) |

¹ The unfunded obligations comprise of £3.030 million in respect of LGPS unfunded pensions (£3.179 million in 2022/23) and £10.028 million in respect of Teachers' unfunded pensions (£9.398 million in 2022/23).

² The Council's funded obligations moved into a net asset position at the end of 2023/24, however in line with International Financial Reporting Interpretations Committee guidance (IFRIC14), an asset ceiling calculation has been applied which has reduced the net funded pension liability to nil.

Reconciliation of the present value of the defined benefit obligation

| 2022/23 | | 2023/24 |
|-------------|--|------------------|
| £000 | | £000 |
| (1,118,308) | Present value of funded obligations | (802,523) |
| (15,447) | Present value of unfunded obligations | (12,577) |
| (1,133,755) | Opening balance at 1 April | (815,100) |
| (48,451) | Current service cost (including administration cost) | (20,668) |
| 0 | Past service cost, including curtailments | (5) |
| 7,144 | Effect of settlements | 4,579 |
| (31,251) | Interest cost | (38,518) |
| (6,425) | Participants' contributions | (6,276) |
| 24,481 | Benefits paid | 29,581 |
| 1,149 | Unfunded benefits paid | 1,253 |
| 424,223 | Changes in financial assumptions | 47,315 |
| 2,521 | Changes in demographic assumptions | 5,038 |
| (54,736) | Other experience | (27,084) |
| (815,100) | Closing balance at 31 March | (819,885) |
| | | |
| (802,523) | Closing present value of funded obligations | (806,827) |
| (12,577) | Closing present value of unfunded obligations | (13,058) |
| (815,100) | Closing balance at 31 March | (819,885) |

Reconciliation of the fair value of the Fund assets

| 2022/23 | | 2023/24 |
|----------------|---|-----------------|
| £000 | | £000 |
| 826,374 | Opening fair value of fund assets at 1 April | 792,731 |
| (2,699) | Effect of settlements | (2,790) |
| 21,357 | Interest income | 38,664 |
| 6,425 | Participants' contributions | 6,276 |
| 753 | Employer contributions including unfunded for current year | 24,460 |
| 0 | Employer contributions including unfunded for future years | 44,600 |
| (24,481) | Benefits paid | (29,581) |
| (1,149) | Unfunded benefits paid | (1,253) |
| 1,149 | Contributions in respect of unfunded benefits paid | 1,253 |
| 4,306 | Other experience | 0 |
| (39,304) | Return on assets excluding amounts included in net interest | 22,369 |
| 792,731 | Closing value of fund assets at 31 March | 896,729 |

An approximate allowance for the transfer of staff to academies during the year has been made and the adjustment is shown within the effect of settlements figures above. The estimated return on scheme assets in the year was a surplus of £61.033million. (2022/23: loss of £17.947million).

Analysis of the fair value of the plan assets at the reporting date

| 31 March 2023 | | | 31 March 2024 | |
|----------------------------|----------------|----------------------------------|----------------------------|----------------|
| Percentage of total assets | Total assets | | Percentage of total assets | Total assets |
| % | £000 | | % | £000 |
| 21 | 162,777 | Debt Securities | 29 | 261,720 |
| 8 | 60,927 | Private Equity | 8 | 67,953 |
| 7 | 55,628 | Real Estate | 7 | 60,390 |
| 61 | 488,665 | Investment Funds and Unit Trusts | 51 | 459,395 |
| 3 | 24,734 | Cash and Cash Equivalents | 5 | 47,271 |
| 100 | 792,731 | Total Assets | 100 | 896,729 |

Basis for estimating assets and liabilities

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

| 31 March 2023 | | | 31 March 2024 | |
|---|---|--|-------------------|--|
| Life expectancy assumptions at age 65: | | | | |
| Current Pensioners: | | | | |
| 21.4 years | Males | | 21.2 years | |
| 24.3 years | Females | | 24.1 years | |
| Future Pensioners: | | | | |
| 22.4 years | Males | | 22.2 years | |
| 25.6 years | Females | | 25.4 years | |
| Financial assumptions: | | | | |
| 2.95% | Pension increase/revaluation rate (CPI) | | 2.75% | |
| 3.95% | Salary increase rate | | 3.75% | |
| 4.75% | Discount rate | | 4.85% | |

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

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Impact on the Defined Benefit Obligation in the Scheme | | |
|---|---|--------------|
| Change in assumptions at 31 March 2024: | Approximate increase to Defined Benefit Obligation | |
| | £000 | % |
| 0.1% decrease in real discount rate | (15,252) | (1.9) |
| 1 year increase in member life expectancy | (32,795) | 4.0 |
| 0.1% increase in the salary increase rate | (674) | (0.1) |
| 0.1% increase in the pension increase/revaluation rate (CPI) | (14,856) | (1.8) |

Impact on the Council's Cashflows

Contributions are set every three years as a result of the actuarial valuation of the West Midlands Pension Fund required by the Regulations. The latest actuarial valuation of the Fund was carried out as at 31 March 2022 and this set contributions for the period from 1 April 2023 to 31 March 2026. The Council paid pension contributions of £67.100 million in April 2023; £22.500 million of this related to 2023/24, £22.300 million relating to each of the 2024/25 and 2025/26 years. The Pension Fund performs an annual reconciliation of this, so the Council will also be required to pay any additional contributions for 2023/24 as a result of a higher than forecast payroll for the year.

There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. As at the most recent valuation date of 31 March 2022, the average duration of the funded obligations is 18 years.

Disclosure notes – notes supporting the Cash Flow Statement

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

| 2022/23 | | 2023/24 |
|-----------|--|-----------------|
| £000 | | £000 |
| (45,077) | Depreciation and impairment | (45,288) |
| 873 | Revaluations | (8,477) |
| (51,998) | Net movement in pension liability | 51,575 |
| (30,672) | Carrying amount of non-current assets sold or derecognised | (22,192) |
| 8,516 | Increase/(decrease) in debtors from operating activities | 21,599 |
| (2,162) | (Increase)/decrease in creditors from operating activities | (6,441) |
| (825) | Other non-cash items charged to the net (surplus)/deficit on the provision of services | (13,601) |
| (121,345) | Total | (22,825) |

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

| 2022/23 | | 2023/24 |
|---------|--|---------------|
| £000 | | £000 |
| 5,312 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 2,065 |
| 28,336 | Capital grants credited to the (surplus)/deficit on the provision of services | 31,772 |
| (6,728) | Any other items for which the cash effects are investing or financing cash flows | (9,438) |
| 26,920 | Total | 24,399 |

37. Operating Activities

The cash flows from operating activities include the following items:

| 2022/23 | | 2023/24 |
|---------|---|--------------|
| £000 | | £000 |
| (2,437) | Interest received | (7,407) |
| 15,530 | Interest paid | 15,383 |
| (4,321) | Dividends received | (5,500) |
| 8,772 | Included within cash flows from operating activities | 2,476 |

38. Reconciliation of Liabilities arising from Financing Activities

The movements in financial liabilities are made up as follows:

| 2023/24 | | | | |
|--|----------------------------|----------------------|------------------------|-----------------------------|
| | Opening balance 1 April | Financing cash flows | Other non-cash changes | Closing balance 31 March |
| | £000 | £000 | £000 | £000 |
| Long-term borrowings | (318,060) | 0 | 1,632 | (316,428) |
| Short-term borrowings | (3,868) | 1,501 | (1,688) | (4,055) |
| Lease liabilities | (3,500) | 30 | 0 | (3,470) |
| PFI liabilities and similar contracts | (39,988) | 1,962 | 0 | (38,026) |
| Other liabilities | (888) | 306 | (84) | (666) |
| Total liabilities from financing activities | (366,304) | 3,799 | (140) | (362,645) |

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

Disclosure notes – other

39. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

| | 31 March 2024 | | | | | |
|--|----------------|-----------------|---------------|---------------|----------------|------|
| | Dividends | Other Income | Expenditure | Debtors | Creditors | Note |
| | £000 | £000 | £000 | £000 | £000 | |
| Members | 0 | (3) | 0 | 1 | 0 | |
| Other Public Bodies (subject to common control by central government) | | | | | | |
| West Midlands Combined Authority | 0 | (4,177) | 11,603 | 4,795 | (860) | |
| Entities Controlled or Significantly Influenced by the Council | | | | | | |
| Coventry and Solihull Waste Disposal Company Ltd (CSWDC) | (6,150) | (21) | 3,532 | 3,241 | 0 | 23 |
| Mell Square Ltd | 0 | (7,405) | 79 | 33,543 | 0 | 23 |
| Solihull Community Housing | 0 | (8,582) | 50,989 | 6,697 | (2,898) | |
| Urban Growth Company | 0 | (872) | 1,618 | 706 | (132) | |
| Other Entities in which the Council has an Interest | | | | | | |
| Sherbourne Recycling Ltd | 0 | (994) | 2,052 | 9,822 | 0 | 23 |
| West Midlands Growth Company (WMGC) | 0 | 0 | 9 | 0 | 0 | |
| Total | (6,150) | (22,054) | 69,882 | 58,805 | (3,890) | |

| | 31 March 2023 | | | | | |
|--|----------------|-----------------|---------------|---------------|----------------|------|
| | Dividends | Other Income | Expenditure | Debtors | Creditors | Note |
| | £000 | £000 | £000 | £000 | £000 | |
| Members | 0 | (2) | 0 | 0 | 0 | |
| Other Public Bodies (subject to common control by central government) | | | | | | |
| West Midlands Combined Authority | 0 | (6,895) | 10,825 | 6,772 | (485) | |
| Entities Controlled or Significantly Influenced by the Council | | | | | | |
| Coventry and Solihull Waste Disposal Company Ltd (CSWDC) | (4,100) | (18) | 2 | 3,113 | 0 | 23 |
| Mell Square Ltd | 0 | (11,564) | 203 | 36,502 | 0 | |
| Solihull Community Housing Ltd | 0 | (7,511) | 46,313 | 2,838 | (1,769) | |
| Urban Growth Company Ltd | 0 | (436) | 10,283 | 1,885 | (525) | 23 |
| Other Entities in which the Council has an Interest | | | | | | |
| Sherbourne Recycling Ltd | 0 | (459) | 4,079 | 7,941 | 0 | 23 |
| West Midlands Growth Company (WMGC) | 0 | 0 | 19 | 0 | 0 | |
| Total | (4,100) | (26,885) | 71,724 | 59,051 | (2,779) | |

UK Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. There were transactions with one organisation in which members had a controlling interest in 2023/24 (one in 2022/23). Members' allowances, which are not included in this note, are disclosed in Note 8.

Officers

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

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

The Council has a pooled budget arrangement with Birmingham and Solihull Integrated Care Board (ICB) for the provision of adult social services and health services across the borough. More details are provided in Note 11.

The Council receives grant income from the West Midlands Combined Authority (WMCA) both in its own right and also as accountable body for grant claims from the WMCA relating to the Urban Growth Company (UGC) Ltd's costs. All money owed to the UGC by the Council in respect of such grant funding has been paid during 2023/24. However, a net debtor of £1.516 million (2022/23: £0.973 million) in respect of the grant claim made to the WMCA on behalf of the UGC is included within the net debtor as at 31 March 2024. The transactions above exclude the annual levy paid by the Council to Transport for West Midlands, the transport arm of the WMCA, which was £8.838 million in 2023/24 (2022/23: £8.656 million).

Entities Controlled or Significantly Influenced by the Council

The organisations under this heading are those in which the Council has a financial interest, or which are wholly owned subsidiaries. Debtors in respect of Mell Square Ltd include a long-term loan of £32.383 million.

Other Entities in which the Council has an Interest

Debtors in respect of Sherbourne Recycling Ltd include a long-term loan of £8.828 million.

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

40. Contingent Liabilities

A contingent liability is:

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

The following contingent liabilities have been identified for 2023/24:

a. Grant Funded Projects

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

b. HRA Water Rates

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

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

41. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. No contingent assets have been identified for 2023/24.

42. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Resources on 16 December 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and the notes have been adjusted, where material, to reflect the impact of this information.

The following events occurred between 31 March 2024 and the authorised for issue date but are considered to be non-adjusting events as they do not reflect conditions that existed as at 31 March 2024:

On 1 May 2024, Yorkswood Primary School converted to Academy status (joining a pre-existing Academy Trust), and therefore the Council was required to transfer the school buildings to the Academy Trust, resulting in a loss on disposal of £8.697 million. This will be recognised in the 2024/25 accounts.

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2024 for 2023/24).

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

IFRS 16 Leases

CIPFA/LASAAC has deferred the implementation of IFRS 16 Leases in the public sector until the 2024/25 financial year, with an effective date of 1 April 2024.

The largest implication of the change in standard is that the concept of “operating lease” no longer exists for lessees. Instead, any arrangement where the Council leases an asset or is deemed to have a right of use asset as part of a contractual arrangement, will see the assets reflected within fixed assets in the Council’s balance sheet. The net present value of the future lease payments will be reflected in the balance sheet under the classification of finance lease liabilities.

This will see the Council recognising additional fixed assets and finance lease liabilities. Where fixed assets have no associated lease obligations there will be recognition of donation income in respect of the asset value brought into the balance sheet. The impact on the financial statements cannot be estimated on a reasonable basis at this time.

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

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.

The amendments:

- specify that an entity’s right to defer settlement must exist at the end of the reporting period
- clarify that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement
- clarify how lending conditions affect classification, and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add additional measurement requirements for sale and leaseback transactions.

Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer the settlement of a liability for at least 12 months is subject to compliance with covenants.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- assess how supplier finance arrangements affect an entity’s liabilities and cash flows, and
- understand the effect of supplier finance arrangements on an entity’s exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

44. Statement of Accounting Policies

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

i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2023/24 and its position at the year end of 31 March 2024. The Council is required under the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and the Service Reporting Code of Practice 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

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

ii. Accruals of Expenditure and Income

Activity is accounted for in the financial year that it takes place, not when money is paid or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Revenue from council tax and business rates is recognised when the amount of revenue can be measured reliably, and it is probable the revenue will be received by the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Dividends are deemed to be receivable when the Council's right to receive payment has been established;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

iii. Business Improvement District (BID)

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

iv. Cash and Cash Equivalents

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

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

v. Charges to Revenue for Non-Current Assets

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

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

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

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

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

vi. Community Infrastructure Levy

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

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

vii. Employee Benefits

Benefits Payable during Employment:

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

Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and

are charged on an accruals basis to the relevant service line in the CI&ES. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. Therefore, in the MIRS, allocations are required to and from the Pensions Reserve to remove the accounting entries for pension enhancement termination benefits and replace them with accounting entries for the cash payable to the pension fund and pensioner in the year.

Post-Employment Benefits:

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

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

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

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

- The liabilities of the West Midlands Pension Fund (WMPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate derived from the "Hymans Robertson" corporate bond yield curve;
- The assets of WMPF attributable to the Council are included in the Balance Sheet at their fair value.

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CI&ES to the services for which the employees worked;
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to Resources in the Cost of Services in the CI&ES;
- net interest on the net defined benefit liability – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Resources line in the Cost of Services in the CI&ES.

Remeasurements comprising:

- return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return charged to the Pensions reserve as Other Comprehensive Income and Expenditure in the CI&ES;
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated their assumptions - charged to the Pensions reserve as Other Comprehensive Income and Expenditure in the CI&ES.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. Therefore, accounting entries to and from the Pensions Reserve are reflected in the MIRS to remove the accounting entries for retirement benefits and replace them with the cash payable to the pension fund and pensioners. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

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

viii. Events after the Balance Sheet Date

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

ix. Material Items and Prior Period Adjustments

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

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

x. Fair Value Measurement

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

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

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

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;

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

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

| Criteria | Level |
|---|-------|
| <ul style="list-style-type: none"> • Comparable evidence that is identical to the asset that is being measured in terms of physical location, condition, orientation, levels of natural light, view, access and visibility, tenure and covenant, construction type and cost, size and layout, facilities, lease options, obsolescence | 1 |
| <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 (i.e. yields) for similar asset types available • Comparable evidence corroborated by observable market evidence • Implied and non-implied covenants within the lease negating the need for comparable evidence • Transparency of market data • Minimal principal adjustment of comparable evidence, non-significant adjustment • Comparable analysis | 2 |
| <ul style="list-style-type: none"> • No comparable evidence available • Unobservable inputs • Comparable evidence requires significant adjustment from the principal market | 3 |

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

Three widely used valuation techniques are:

- market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (i.e. a business);
- cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost);
- income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

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

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

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

xi. Financial Instruments

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 CI&ES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

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

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the (surplus)/deficit on the provision of services.

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

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

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

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

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

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI).

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

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

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the (surplus)/deficit on the provision of services.

Financial Liabilities:

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

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

xii. Grants, Contributions and Donations

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

- the Council will comply with any 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 any conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not yet been satisfied are carried in the Balance Sheet as creditors (shown in the lines Revenue/Capital Grants Receipts in Advance on the Balance Sheet). When conditions are satisfied or there are no conditions, the grant or contribution is credited to the relevant service line (for ring-fenced revenue grants and contributions) or to Taxation and Non-Specific Grant Income (for non-ring-fenced revenue grants and all capital grants) in the CI&ES.

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

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

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

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

xiii. Heritage Assets

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

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

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

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

xiv. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CI&ES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure section in the CI&ES.

xv. Interests in Companies and Other Entities

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

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

xvi. Inventories

Inventories over the capital de minimis limit of £20,000 are included in the Balance Sheet at the lower of cost and net realisable value.

xvii. Investment Property

Investment property is that which is used solely to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

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

Gains and losses on revaluation and disposal are posted to the Financing and Investment section in the CI&ES. However, regulations do not allow revaluation and disposal gains and losses to have an impact on the General Fund balance. The gains and losses are therefore reversed via the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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

xviii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

(a) The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases with an original fair value over the capital de minimis level of £20,000 is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent rent increases (contingent rents) are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability;
- a finance charge (debited to the Financing and Investment Income and Expenditure section in the CI&ES).

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

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.

xix. Property Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

The Council has set a de minimis level of £20,000. This means that any expenditure below this level that otherwise meets the definition of capital expenditure as outlined above can be charged to a revenue budget.

Valuation

Assets included in the Balance Sheet at current value that are above the de minimis level of £20,000 are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end and. At a minimum, a valuation is carried out every five years. All valuations are undertaken by the Council's in-house valuation team and are carried out in line with current RICS guidance.

The effective date for valuations carried out in the year is 31 December, except for HRA assets which are valued at 31 March.

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

- Infrastructure and Vehicles, Plant and Equipment - depreciated historical cost.
- Community assets and assets under construction – historical cost
- Council Dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

Where decreases in value are identified, they are accounted for in the following ways:

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets with a finite useful life. The length of this life is determined at the point of acquisition or revaluation according to the following policy:

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

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

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

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

Component Accounting

Where the non-land element of an asset is deemed material (valued at over £2.000 million) and has major components whose cost is significant to the total cost of the asset and which have markedly different useful lives, components are separately identified and depreciated. The objective is to ensure that the financial value of the assets is fairly reflected in the Balance Sheet and that the CI&ES appropriately reflects the consumption of economic benefits inherent in those assets.

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

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

Impairment

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

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

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

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

Disposals

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

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the MIRS.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council makes provisions for insurance risks not covered by the Council's policies where the potential costs have been estimated.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.

Contingent Liabilities and Contingent Assets

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

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

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

xxi. Expected Credit Loss

The Council is required to consider how current and future economic conditions impact the amount recoverable against its financial assets held at historic cost. Impairment losses are calculated, where applicable, to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. The Council operates two approaches for this:

- a) Long-Term Debtors / Loans – Where possible, the Council will use an organisation's credit rating to assess the likely risk of default (based on historic default information supplied by its Treasury advisors) and apply a percentage likelihood of default against the value of the investment held. Where this results in a significant value (either in totality or when compared to the original value) then a loss allowance charge is made to the Council's revenue account.

In the event that the company does not have a credit rating, or is a new company, the Council will consider factors such as shareholding, value of debt, review of financial statements, representation on the Board and formal agreements. The Council will then form an opinion as to the credit rating and follow the above methodology to provide a likelihood of default rating.

- b) Short-Term Debtors / Trade Receivables – a loss allowance is measured at initial recognition and throughout the life of the debt at an amount equal to the lifetime expected credit loss. The Council uses a provision matrix to calculate the expected credit loss, based on historical experience modified by other intelligence, for example in respect of wider economic conditions, as appropriate.

xxii. 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.

xxiii. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Eligible capital expenditure incurred during the year that does not result in the creation of a non-current asset for the Council is classified as REFCUS. This includes grants paid to individuals such as disabled facilities grants. This is charged as expenditure to the relevant service line in the CI&ES in the year but must be funded from existing capital resources or by borrowing in line with statutory provisions. Therefore, a transfer equal to the expenditure in the CI&ES is made from the Capital Adjustment Account in the MIRS.

This also includes revenue costs funded in line with the Council's policy on the flexible use of capital receipts.

xxiv. Schools

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

xxv. Service Concession Arrangements - Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. In accordance with the latest recommended practice in the Code, based on IFRIC12 the Council is deemed to control the services that are provided under its PFI schemes for three schools. However, as these schools have transferred to academy status the building assets are not included in the Council's Balance Sheet and the land has been subject to revaluation. The unitary charge payment liability for the schools remains with the Council.

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

The amounts payable to the PFI operator 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.

xxvi. Value Added Tax (VAT)

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

Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2023/24 and are included on the following pages. Subsidiary accounts are fully consolidated and joint ventures are consolidated on an equity basis within the Council's Group Accounts.

Consolidated Group Entities

Solihull Community Housing Ltd (SCH)

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

The Coventry and Solihull Waste Disposal Company Ltd

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

The Urban Growth Company Ltd (UGC)

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

Mell Square Ltd

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

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

Solihull Energy Ltd

Solihull Energy Ltd was established during 2023/24 as a separate delivery vehicle for Council projects and as a fully owned subsidiary of the Council, its accounts have been consolidated on a line by line basis.

Unconsolidated Group Entities

Sherbourne Recycling Ltd

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

Group Comprehensive Income and Expenditure Statement (CI&ES)

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

| 2022/23 Reclassified ¹ | | | | 2023/24 | | | |
|-----------------------------------|------------------|-----------------|--|-------------------|------------------|------------------|--------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure | Notes ² |
| £000 | £000 | £000 | | £000 | £000 | £000 | |
| 133,699 | (68,242) | 65,457 | Adult Social Care and Health | 148,902 | (76,926) | 71,976 | |
| 231,278 | (164,528) | 66,750 | Children and Education | 233,247 | (160,936) | 72,311 | |
| 3,487 | (2,536) | 951 | Climate Change and Planning | 5,070 | (2,789) | 2,281 | |
| 25,212 | (15,886) | 9,326 | Communities and Leisure | 23,128 | (15,994) | 7,134 | |
| 54,541 | (21,270) | 33,271 | Environment and Infrastructure ³ | 53,310 | (11,123) | 42,187 | |
| 49,029 | (53,607) | (4,578) | Housing ³ | 52,549 | (65,721) | (13,172) | |
| 89,433 | (55,440) | 33,993 | Resources ³ | 92,772 | (45,043) | 47,729 | |
| 5,213 | (2,904) | 2,309 | Wellbeing, Skills and Inclusion | 4,195 | (3,733) | 462 | |
| 591,892 | (384,413) | 207,479 | Cost of Services | 613,173 | (382,265) | 230,908 | 5 |
| | | 1,517 | Parish precepts | | | 1,586 | |
| | | 8,750 | Levies payable | | | 8,933 | |
| | | 25,359 | (Gain)/ loss on disposal of non-current assets | | | 20,126 | 5 |
| | | 35,626 | Sub-total: Other Operating Expenditure | | | 30,645 | |
| | | 15,586 | Interest payable and similar charges | | | 15,280 | |
| | | 10,308 | Net interest on the net defined benefit liability | | | (751) | G12 |
| | | (2,842) | Investment interest income | | | (7,018) | |
| | | (74) | Other investment income | | | (74) | |
| | | 2,485 | Income, expenditure and changes in the fair value of investment properties | | | (5,566) | |
| | | 1,857 | Impairment Losses | | | 1,403 | |
| | | 27,320 | Sub-total: Financing and Investment Income & Expenditure | | | 3,274 | |
| | | (121,377) | Council tax income | | | (128,519) | C4 |

| 2022/23 Reclassified ¹ | | | | 2023/24 | | | |
|-----------------------------------|--------------|-----------------|--|-------------------|--------------|-----------------|--------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure | Notes ² |
| £000 | £000 | £000 | | £000 | £000 | £000 | |
| | | (43,499) | Business rates income & expenditure | | | (37,338) | C4 |
| | | (18,455) | Non ring-fenced government grants | | | (17,663) | 9 |
| | | (21,280) | Recognised capital grants and contributions | | | (23,577) | 9 |
| | | (204,611) | Sub-total: Taxation and non-specific grant income | | | (207,097) | |
| | | 65,814 | (Surplus)/deficit on the provision of services | | | 57,730 | |
| | | (6,107) | Share of the (surplus)/deficit on the provision of services by joint ventures | | | (8,752) | G3 |
| | | (367) | Taxation of group entities | | | 232 | G3 |
| | | 1,144 | Share of taxation of joint ventures | | | 3,334 | G3 |
| | | 60,484 | Group (surplus)/deficit | | | 52,544 | |
| | | (56,404) | (Surplus)/deficit on revaluation of non-current assets | | | (41,630) | 16 |
| | | 712 | Impairment losses on non-current assets charged to the revaluation reserve | | | 634 | 16 |
| | | (10,395) | (Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income | | | (2,000) | 23 |
| | | (366,954) | Remeasurement of the net defined benefit liability | | | 59,071 | G12 |
| | | (433,041) | Other comprehensive income and expenditure | | | 16,075 | |
| | | (372,557) | Total comprehensive income and expenditure | | | 68,619 | |

¹ In May 2023, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2022/23 figures have been reclassified.

² The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, Group disclosure notes are provided.

³ Group adjustments relating to SCH are included in the Housing line, those relating to the UGC are in the Environment and Infrastructure line and those relating to Mell Square are in the Resources line.

Group Movement in Reserves Statement (MIRS)

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

| 2023/24 ¹ | General Fund Balance | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Council Usable Reserves | Total Council Unusable Reserves | Group Adjustment to Council Unusable Reserves ² | Total adjusted Council Unusable Reserves | Total Group Reserves | Authority's share of Reserves of Subsidiaries, Associates and joint ventures | Total Reserves |
|--|----------------------|-------------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|---------------------------------|--|--|----------------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2023 | (107,099) | (9,645) | (16,747) | (2,545) | (30,416) | (166,452) | (873,153) | 36,000 | (837,153) | (1,003,605) | (27,405) | (1,031,010) |
| Total comprehensive income and expenditure | 63,814 | (7,124) | 0 | 0 | 0 | 56,690 | 1,268 | 0 | 1,268 | 57,958 | 10,661 | 68,619 |
| Adjustments between group accounts and council accounts ³ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2,000) | (2,000) | (2,000) | 2,000 | 0 |
| Net (increase)/decrease before transfers | 63,814 | (7,124) | 0 | 0 | 0 | 56,690 | 1,268 | (2,000) | (732) | 55,958 | 12,661 | 68,619 |
| Adjustments between accounting basis and funding basis under regulations (Note 12) | (46,325) | 7,480 | 5,701 | (1,023) | (5,099) | (39,266) | 39,266 | 0 | 39,266 | 0 | 0 | 0 |
| (Increase)/decrease in 2023/24 | 17,489 | 356 | 5,701 | (1,023) | (5,099) | 17,424 | 40,534 | (2,000) | 38,534 | 55,958 | 12,661 | 68,619 |
| Balance at 31 March 2024 | (89,610) | (9,289) | (11,046) | (3,568) | (35,515) | (149,028) | (832,619) | 34,000 | (798,619) | (947,647) | (14,744) | (962,391) |

¹ The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, Group disclosure notes are provided.

² The MIRS above adjusts the Council Unusable Reserves for the investments in the Coventry and Solihull Waste Disposal Company and Mell Square Ltd. A breakdown of the Reserves can be found in Note G7.

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

| 2022/23 ¹ | General Fund Balance | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Council Usable Reserves | Total Council Unusable Reserves | Group Adjustment to Council Unusable Reserves ² | Total adjusted Council Unusable Reserves | Total Group Reserves | Authority's share of Reserves of Subsidiaries, Associates and joint ventures | Total Reserves |
|--|----------------------|-------------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|---------------------------------|--|--|----------------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2022 | (152,147) | (9,884) | (18,300) | (5,132) | (26,320) | (211,783) | (480,337) | 29,000 | (451,337) | (663,120) | 4,667 | (658,453) |
| Total comprehensive income and expenditure | 63,154 | (3,376) | 0 | 0 | 0 | 59,778 | (410,097) | 7,000 | (403,097) | (343,319) | (29,238) | (372,557) |
| Adjustments between group accounts and council accounts ³ | 2,834 | 0 | 0 | 0 | 0 | 2,834 | 0 | 0 | 0 | 2,834 | (2,834) | 0 |
| Net (increase)/decrease before transfers | 65,988 | (3,376) | 0 | 0 | 0 | 62,612 | (410,097) | 7,000 | (403,097) | (340,485) | (32,072) | (372,557) |
| Adjustments between accounting basis and funding basis under regulations (Note 12) | (20,940) | 3,615 | 1,553 | 2,587 | (4,096) | (17,281) | 17,281 | 0 | 17,281 | 0 | 0 | 0 |
| (Increase)/decrease in 2022/23 | 45,048 | 239 | 1,553 | 2,587 | (4,096) | 45,331 | (392,816) | 7,000 | (385,816) | (340,485) | (32,072) | (372,557) |
| Balance at 31 March 2023 | (107,099) | (9,645) | (16,747) | (2,545) | (30,416) | (166,452) | (873,153) | 36,000 | (837,153) | (1,003,605) | (27,405) | (1,031,010) |

¹ The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, Group disclosure notes are provided.

² The MIRS above adjusts the Council Unusable Reserves for the investments in the Coventry and Solihull Waste Disposal Company and Mell Square Ltd. A breakdown of the Reserves can be found in Note G7.

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

Group Balance Sheet

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

| 31 March 2023 | | 31 March 2024 | Notes ¹ |
|---------------|------------------------------------|---------------|--------------------|
| £000 | | £000 | |
| 1,259,373 | Property, Plant and Equipment | 1,269,008 | 16 19 |
| 950 | Heritage Assets | 950 | |
| 43,147 | Investment Property | 42,300 | G4, 20 |
| 11,414 | Intangible Assets | 10,728 | 21 |
| 21,822 | Long-term Investments | 23,822 | 23 |
| 11,020 | Investments in Joint Ventures | 10,288 | |
| 9,925 | Long-term Debtors | 12,573 | 23 |
| 1,357,651 | Long-term Assets | 1,369,669 | |
| | | | |
| 83,457 | Short-term Investments | 61 | 23 |
| 1,625 | Inventories | 1,523 | |
| 69,301 | Short-term Debtors | 72,794 | 28 |
| 25,164 | Cash and Cash Equivalents | 28,394 | 30 |
| 179,547 | Current Assets | 102,772 | |
| | | | |
| (17,414) | Bank Overdraft | (18,700) | 30 |
| (3,868) | Short-term Borrowing | (4,055) | 23 |
| (84,243) | Short-term Creditors | (80,029) | 31 |
| (4,386) | Short-term Provisions | (1,723) | 32 |
| (9,032) | Capital Grants Receipts in Advance | (8,106) | 9 |
| (6,526) | Revenue Grants Receipts in Advance | (6,766) | 9 |
| (125,469) | Current Liabilities | (119,379) | |
| | | | |
| (1,744) | Long-term Creditors | (1,931) | 23 |
| (2,712) | Long-term Provisions | (2,284) | 32 |
| (318,060) | Long-term Borrowing | (316,428) | 23 |
| (9,462) | Net Pensions Liability | (16,691) | G12 |
| (41,496) | Other Long-term Liabilities | (39,347) | 23 |
| (7,245) | Capital Grants Receipts in Advance | (13,990) | 9 |
| (380,719) | Long-term Liabilities | (390,671) | |
| | | | |
| 1,031,010 | Net Assets | 962,391 | |
| | | | |
| (166,452) | Usable Reserves | (149,028) | MIRS |
| (837,153) | Unusable Reserves | (798,619) | G7 |
| (27,405) | Group Income & Expenditure Reserve | (14,744) | G8 |
| (1,031,010) | Total Reserves | (962,391) | |

¹ The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, Group disclosure notes are provided.

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.

| 2022/23 | | 2023/24 | Notes ¹ |
|-----------------|---|------------------|--------------------|
| £000 | | £000 | |
| 60,484 | Net group (surplus)/deficit | 52,544 | Group CI&ES |
| (129,738) | Adjustments to net (surplus)/deficit on the provision of services for non-cash movements | (14,768) | G5 |
| 26,920 | Adjustments for items in the net (surplus)/deficit on the provision of services that are investing/financing activities | 24,399 | |
| (42,334) | Net cash flows from operating activities | 62,175 | |
| 61,985 | Purchase of property, plant and equipment, investment property and intangible assets | 43,325 | |
| 573,794 | Purchase of short-term and long-term investments | 403,828 | |
| 7,410 | Other payments for investing activities | 8,461 | |
| (5,312) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,065) | |
| (27,943) | Capital grants received | (35,753) | |
| (576,201) | Proceeds from short-term and long-term Investments | (486,037) | |
| (192) | Other receipts from investing activities | (163) | |
| 33,541 | Net cash flows from investing activities | (68,404) | |
| 94 | Other receipts from financing activities | 145 | |
| 1,964 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts | 1,992 | |
| 7,563 | Repayments of short and long-term borrowing | 2,148 | |
| 9,621 | Net cash flows from financing activities | 4,285 | |
| 828 | Net (increase)/decrease in cash and cash equivalents | (1,944) | |
| | Overall Movement in cash and cash equivalents | | |
| 8,578 | Cash and cash equivalents at the beginning of the reporting period | 7,750 | |
| (828) | Net increase/ (decrease) in cash and cash equivalents | 1,944 | |
| 7,750 | Cash and cash equivalents at the end of the reporting period ² | 9,694 | |

¹ The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, Group disclosure notes are provided.

² At 31 March 2024, the Council's net cash and cash equivalents totalled (£13.273 million), Solihull Community Housing Ltd held cash and cash equivalents of £12.550 million, the Urban Growth Company Ltd held £0.586 million, Solihull Energy Ltd held £8.860 million and Mell Square Ltd held £0.971 million (31 December 2023), resulting in a total cash and cash equivalent figure of £9.694 million.

Disclosure notes – notes supporting the Council's Group Accounts

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

G1. Group Segmental Analysis

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

| 2022/23 Reclassified ¹ | | | | 2023/24 | | |
|-----------------------------------|-------------------|------------------------------------|---|------------------------------|-------------------|------------------------------------|
| Net expenditure in the CI&ES | Group Adjustments | Net expenditure in the Group CI&ES | | Net expenditure in the CI&ES | Group Adjustments | Net expenditure in the Group CI&ES |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 65,457 | 0 | 65,457 | Adult Social Care and Health | 71,976 | 0 | 71,976 |
| 66,750 | 0 | 66,750 | Children and Education | 72,311 | 0 | 72,311 |
| 951 | 0 | 951 | Climate Change and Planning | 2,281 | 0 | 2,281 |
| 9,326 | 0 | 9,326 | Communities and Leisure | 7,134 | 0 | 7,134 |
| 36,699 | (3,428) | 33,271 | Environment and Infrastructure ² | 40,953 | 1,234 | 42,187 |
| (7,220) | 2,642 | (4,578) | Housing ² | (7,647) | (5,525) | (13,172) |
| 36,088 | (2,095) | 33,993 | Resources ² | 48,493 | (764) | 47,729 |
| 2,309 | 0 | 2,309 | Wellbeing, Skills and Inclusion | 462 | 0 | 462 |
| 210,360 | (2,881) | 207,479 | Net cost of services | 235,963 | (5,055) | 230,908 |
| (147,748) | 753 | (146,995) | Other income and expenditure | (179,273) | 909 | (178,364) |
| 62,612 | (2,128) | 60,484 | Group (surplus)/deficit | 56,690 | (4,146) | 52,544 |

¹ In May 2023, the Council's cabinet structure was changed and therefore in order to provide meaningful comparative information, the 2022/23 figures have been reclassified.

² Group adjustments relating to SCH are included in the Housing line, those relating to the UGC are included in the Environment and Infrastructure line and those relating to Mell Square are included in the Resources line.

G2. Group Prior Period Adjustment

Any Prior Period Adjustment or Reclassifications are explained in Note 2 to the single entity accounts.

G3. Expenditure & Income Analysed by Type

| 2022/23 | | 2023/24 |
|-----------|--|------------------|
| £000 | | £000 |
| | Expenditure | |
| 215,940 | Employee benefits expenses | 190,593 |
| 7,918 | Employee benefits expenses for voluntary aided schools | 7,604 |
| 293,209 | Other service expenses | 318,668 |
| 44,596 | Depreciation, amortisation, impairment and revaluation losses | 54,301 |
| 15,586 | Interest payable | 15,280 |
| 10,267 | Precepts & levies | 10,519 |
| 2,485 | Loss on investment properties including fair value adjustments | 0 |
| 25,359 | Loss on disposal of non-current assets | 20,126 |
| 34,294 | Housing benefits | 34,426 |
| 8,100 | Revenue expenditure funded from capital under statute (REFCUS) | 8,984 |
| 1,144 | Share of taxation of joint ventures | 3,334 |
| (367) | Taxation of group entities | 232 |
| 658,531 | Total expenditure | 664,067 |
| | Income | |
| (94,013) | Fees, charges and other service income ^(Note G3a) | (92,090) |
| (44,858) | HRA rental Income ^(Note G3a) | (46,921) |
| 0 | Gain on investment properties including fair value adjustments | (5,566) |
| (2,916) | Interest and investment income | (7,843) |
| (164,876) | Income from council tax and business rates | (165,857) |
| (285,277) | Grants, contributions and donations | (284,494) |
| (6,107) | (Surplus)/deficit from joint ventures | (8,752) |
| (598,047) | Total income | (611,523) |
| 60,484 | Group (surplus)/deficit | 52,544 |

G3a. Revenue from external customers

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

| 2022/23 | | 2023/24 |
|-----------|---|------------------|
| £000 | | £000 |
| (131,173) | Total Council revenue from external customers (Note 6a) | (126,210) |
| (1,898) | Revenue from group entities | (9,130) |
| (2,442) | Mell Square income (excluding income from the Council) | (1,230) |
| (910) | SCH income (excluding income from the Council) | (424) |
| (2,448) | UGC Income (excluding income from the Council) | (2,017) |
| (138,871) | Total fees, charges and other service income | (139,011) |

G4. Investment Properties

| 2022/23 | | 2023/24 |
|---------|--|---------|
| £000 | | £000 |
| 46,218 | Balance at 1 April ¹ | 43,147 |
| (3,071) | Net gains/losses from fair value adjustments | (847) |
| 43,147 | Balance at 31 March | 42,300 |

¹ The Balance of Investment Property held in the single entity accounts compared to the Group Accounts is due to the consolidation of Mell Square Ltd and the line by line consolidation of their Investment Property valuation.

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

| 2022/23 | | 2023/24 |
|-----------|--|-----------------|
| £000 | | £000 |
| (45,469) | Depreciation and amortisation | (45,669) |
| (647) | Impairments and revaluations | (8,632) |
| (54,948) | Net movement in pension liability/asset | 51,842 |
| (30,672) | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (22,192) |
| 2,916 | Increase/(decrease) in debtors from operating activities | 21,012 |
| (8,793) | (Increase)/decrease in creditors from operating activities | (2,682) |
| 7,875 | Other non-cash items charged to the (surplus)/deficit on the provision of services | (8,447) |
| (129,738) | Total | (14,768) |

G6. Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

| 2022/23 | | 2023/24 |
|---------|--|--------------|
| £000 | | £000 |
| (3,775) | Interest received | (7,407) |
| 16,670 | Interest paid | 15,383 |
| (480) | Dividends received | 0 |
| 12,415 | Included within cash flow from Operating Activities | 7,976 |

G7. Unusable Reserves

The Group unusable reserves are summarised in the following table:

| 31 March 2023 | | 31 March 2024 |
|---------------|--|------------------|
| £000 | | £000 |
| 3,084 | Accumulated Absences Account | 2,139 |
| (527,185) | Capital Adjustment Account | (524,622) |
| (7,460) | Collection Fund Adjustment Account | 8,639 |
| 16,357 | Dedicated Schools Grant Adjustment Account | 20,740 |
| 2,525 | Financial Instruments Adjustment Account | 2,462 |
| (14,677) | Financial Instruments Revaluation Reserve ¹ | (16,677) |
| 22,369 | Pensions Reserve | 57,658 |
| (332,166) | Revaluation Reserve | (348,958) |
| (837,153) | Total Unusable Reserves | (798,619) |

¹ The single entity accounts include a valuation of £34.000 million for The Coventry and Solihull Waste Disposal Company Ltd, as detailed in Note 23 – Fair Value of Assets and Liabilities which is classified as a Long-Term Investment on the Balance Sheet. However, due to our interest in this company being a joint venture, we are required to remove the valuation from the Group balance sheet and the Financial Instruments Revaluation Reserve in the table above reflects the removal of that valuation. The Council's interest in the joint venture has been consolidated into the Group balance sheet under the equity method and is shown in the Investments in Joint Ventures line.

G8. Group Income & Expenditure Reserve

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

| 31 March 2023 | | 31 March 2024 |
|---------------|--|-----------------|
| £000 | | £000 |
| (19,997) | Solihull Community Housing Ltd | (9,295) |
| (2,292) | Urban Growth Company Ltd | (1,058) |
| (11,020) | The Coventry and Solihull Waste Disposal Company Ltd | (10,288) |
| 0 | Solihull Energy Ltd | 0 |
| 5,904 | Mell Square Ltd | 5,897 |
| (27,405) | Total Group Income & Expenditure Reserve | (14,744) |

G9. Adjustments between Group Accounts and Council Accounts

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

| 2023/24 | General Fund Balance | Total Council Usable Reserves | Total Council Unusable Reserves | Group adjustment to Council Unusable Reserves | Total adjusted Council Unusable Reserves | Total Group Reserves | Authority's share of Reserves of Subsidiaries, Associates and Joint Ventures | Total Reserves |
|---|----------------------|-------------------------------|---------------------------------|---|--|----------------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Dividends receivable from joint ventures | (6,150) | (6,150) | 0 | 0 | 0 | (6,150) | 6,150 | 0 |
| (Surplus)/deficit from shares in group entities | 0 | 0 | 0 | (2,000) | (2,000) | (2,000) | 2,000 | 0 |
| Purchases of goods and services from subsidiaries | (2,980) | (2,980) | 0 | 0 | 0 | (2,980) | 2,980 | 0 |
| Income receivable from subsidiaries | 9,130 | 9,130 | 0 | 0 | 0 | 9,130 | (9,130) | 0 |
| Total adjustment between group accounts and council accounts | 0 | 0 | 0 | (2,000) | (2,000) | (2,000) | 2,000 | 0 |

| 2022/23 | General Fund Balance | Total Council Usable Reserves | Total Council Unusable Reserves | Group adjustment to Council Unusable Reserves | Total adjusted Council Unusable Reserves | Total Group Reserves | Authority's share of Reserves of Subsidiaries, Associates and Joint Ventures | Total Reserves |
|--|----------------------|-------------------------------|---------------------------------|---|--|----------------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Dividends receivable from joint ventures | (4,100) | (4,100) | 0 | 0 | 0 | (4,100) | 4,100 | 0 |
| (Surplus)/deficit from shares in group entities | 0 | 0 | 0 | 7,000 | 7,000 | 7,000 | (7,000) | 0 |
| Purchases of goods and services from subsidiaries | 5,036 | 5,036 | 0 | 0 | 0 | 5,036 | (5,036) | 0 |
| Income receivable from subsidiaries | 1,898 | 1,898 | 0 | 0 | 0 | 1,898 | (1,898) | 0 |
| Total adjustment between group accounts and council accounts | 2,834 | 2,834 | 0 | 7,000 | 7,000 | 9,834 | (9,834) | 0 |

G10. Subsidiaries

Solihull Community Housing Ltd (SCH)

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

SCH has recognised one contingent liability during the last financial year in relation to HRA water rates. This is already disclosed as a contingent liability for the Council, as any loss would be funded from the Council's HRA. As at 31 March 2024 SCH, as a separate entity, had no outstanding capital commitments. (2022/23: no capital commitments).

The Urban Growth Company (UGC)

UGC was created as an arm's length company during 2016 to deliver the elements of the UKC Programme.

UGC has not disclosed any contingent liabilities during the last financial year. As at 31 March 2024 UGC, as a separate entity, had no outstanding capital commitments (2022/23: no capital commitments).

Mell Square Ltd

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

Mell Square has not disclosed any contingent liabilities during the last financial year. As at 31 December 2023 Mell Square, as a separate entity, had no outstanding capital commitments (2022: no capital commitments).

Solihull Energy Ltd

Solihull Energy Ltd was set up to create sustainable energy sources across the borough. As at 31 March, the company holds cash only and therefore has no current outstanding capital commitments.

G11. Joint Ventures

The Coventry and Solihull Waste Disposal Company Ltd

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

The Council (as reporting authority) does not have any capital commitments in relation to its interest in CSWDC. The company has declared capital commitments of £0.957 million as at 31 March 2024 (2022/23: £0.654 million).

G12. Defined Benefit Pension Schemes

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

Solihull Community Housing Ltd (SCH)

Employees of SCH are entitled to membership of the Local Government Pension Scheme, the details of which are included within Note 34.

Group Comprehensive Income and Expenditure Statement

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

| 2022/23 | | 2023/24 |
|-----------|---|-----------------|
| £000 | | £000 |
| | <i>Cost of services comprising:</i> | |
| 52,326 | Current service cost | 22,595 |
| 0 | Past service cost, including curtailments | 5 |
| (4,445) | Effect of settlements | (1,789) |
| | <i>Financing and investment income and expenditure:</i> | |
| 10,308 | Net interest expense | (751) |
| 58,189 | Sub-total: post-employment benefit charged to (surplus)/deficit on the provision of services | 20,060 |
| | <i>Other post-employment benefits charged to Other Comprehensive Income and Expenditure:</i> | |
| | <i>Remeasurement of the net defined benefit liability comprising:</i> | |
| 42,976 | Return on assets excluding amounts included in net interest | (26,487) |
| 53,587 | Other experience | 29,267 |
| (3,113) | Actuarial (gains)/losses arising on changes in demographic assumptions | (5,459) |
| (460,404) | Actuarial (gains)/losses arising on changes in financial assumptions | (51,374) |
| 0 | Adjustment to meet the requirements of IFRIC14 ¹ | 113,124 |
| (366,954) | Sub-total: post-employment benefits charged to other comprehensive income and expenditure | 59,071 |
| (308,765) | Total post-employment benefits charged to the comprehensive income and expenditure statement | 79,131 |

¹ Both the Council and SCH's funded obligations moved into a net asset position at the end of 2023/24, however in line with International Financial Reporting Interpretations Committee guidance (IFRIC14), asset ceiling calculations have been applied which has reduced the Council's net funded pension liability to nil and SCH's net funded pension liability to £3.633 million.

Pensions Liabilities Recognised in the Balance Sheet

The following amounts include the balances of Solihull Community Housing Ltd and reflect the full group position:

| 2022/23 | | 2023/24 |
|-----------|--|------------------|
| £000 | | £000 |
| (872,806) | Present value of funded obligations | (877,918) |
| (12,577) | Present value of unfunded obligations | (13,058) |
| 875,921 | Fair value of fund assets | 987,409 |
| 0 | Adjustment to meet the requirements of IFRIC14 | (113,124) |
| (9,462) | Net pensions liability | (16,691) |

The net liability position of the group reported above of £16.691 million comprises the Council's net liability position of £13.058 million and Solihull Community Housing Ltd's net liability position of £3.633 million. See Note 34 for further information on the Council's net liability position.

Reconciliation of the present value of the defined benefit obligation

| 2022/23 | | 2023/24 |
|--------------------|--|------------------|
| £000 | | £000 |
| (1,216,534) | Present value of funded obligations | (872,806) |
| (15,447) | Present value of unfunded obligations | (12,577) |
| (1,231,981) | Opening balance at 1 April | (885,383) |
| (52,326) | Current service cost (including administration cost) | (22,595) |
| 0 | Past service cost, including curtailments | (5) |
| 7,144 | Effect of settlements | 4,579 |
| (33,936) | Interest cost | (41,851) |
| (6,973) | Participants' contributions | (6,824) |
| 26,303 | Benefits paid | 32,284 |
| 1,149 | Unfunded benefits paid | 1,253 |
| 460,404 | Changes in financial assumptions | 51,374 |
| 3,113 | Changes in demographic assumptions | 5,459 |
| (58,280) | Other experience | (29,267) |
| (885,383) | Closing balance at 31 March | (890,976) |
| | | |
| (872,806) | Closing present value of funded obligations | (877,918) |
| (12,577) | Closing present value of unfunded obligations | (13,058) |
| (885,383) | Closing balance at 31 March | (890,976) |

Reconciliation of the fair value of the Fund assets

| 2022/23 | | 2023/24 |
|----------------|---|----------------|
| £000 | | £000 |
| 910,513 | Opening value of fund assets at 1 April | 875,921 |
| (2,699) | Effect of settlements | (2,790) |
| 23,628 | Interest income | 42,602 |
| 6,973 | Participants' contributions | 6,824 |
| 2,092 | Employer contributions including unfunded for current year | 26,049 |
| 0 | Employer contributions including unfunded for future years | 44,600 |
| (26,303) | Benefits paid | (32,284) |
| (1,149) | Unfunded benefits paid | (1,253) |
| 1,149 | Contributions in respect of unfunded benefits paid | 1,253 |
| 4,693 | Other experience | 0 |
| (42,976) | Return on assets excluding amounts included in net interest | 26,487 |
| 875,921 | Closing value of fund assets at 31 March | 987,409 |

Analysis of the scheme assets at the reporting date

| 31 March 2023 | | | 31 March 2024 | |
|------------------|--------------|----------------------------------|------------------|--------------|
| Percentage share | Total assets | | Percentage share | Total assets |
| % | £000 | | % | £000 |
| 21 | 179,859 | Debt Securities | 29 | 288,186 |
| 8 | 67,321 | Private Equity | 8 | 74,825 |
| 7 | 61,466 | Real Estate | 7 | 66,497 |
| 61 | 539,946 | Investment Funds and Unit Trusts | 51 | 505,850 |
| 3 | 27,329 | Cash and Cash Equivalents | 5 | 52,051 |
| 100 | 875,921 | Total Assets | 100 | 987,409 |

The sensitivity of the overall pension liability to changes

| Impact on the Defined Benefit Obligation in the Scheme | | |
|--|--|-----|
| Change in assumptions at 31 March 2024: | Approximate increase to Defined Benefit Obligation | |
| | £000 | % |
| 0.1% decrease in real discount rate | (16,510) | 1.9 |
| 1 year increase in member life expectancy | (35,639) | 4.0 |
| 0.1% increase in the salary increase rate | (789) | 0.1 |
| 0.1% increase in the pension increase/revaluation rate (CPI) | (16,021) | 1.8 |

Supplementary Statements

Housing Revenue Account

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

HRA Income and Expenditure Statement

| 2022/23 | | 2023/24 |
|-----------------|---|-----------------|
| £000 | | £000 |
| | Expenditure | |
| 9,189 | Repairs and maintenance | 12,957 |
| 13,655 | Supervision and management | 12,992 |
| 1,469 | Rents, rates, taxes and other charges | 2,275 |
| 14,090 | Depreciation and amortisation | 11,146 |
| (42) | Revaluation (gain)/losses of non-current assets | 0 |
| 66 | Debt management costs | 68 |
| 846 | Movement in the impairment allowance for bad debts | 447 |
| 39,273 | Total Expenditure | 39,885 |
| | Income | |
| (43,693) | Dwelling rents | (45,733) |
| (1,165) | Non-dwelling rents | (1,188) |
| (2,534) | Charges for services and facilities | (2,923) |
| (47,392) | Total Income | (49,844) |
| (8,119) | Net income from HRA services as included in the CI&ES | (9,959) |
| 154 | HRA services' share of corporate and democratic core | 166 |
| (7,965) | Net income for HRA services | (9,793) |
| | | |
| | HRA share of the operating income and expenditure included in the CI&ES: | |
| (1,825) | (Gain)/loss on sale of HRA non-current assets | (410) |
| 6,933 | Interest payable and similar charges | 6,917 |
| (491) | Interest and investment income | (512) |
| (13) | Income, expenditure and changes in fair value of investment properties | (13) |
| (15) | Capital grants and contributions receivable | (3,313) |
| (3,376) | (Surplus)/deficit for the year on the HRA Income and Expenditure Statement | (7,124) |

Movement on the HRA Statement

| 2022/23 | | 2023/24 |
|----------------|--|----------------|
| £000 | | £000 |
| (9,884) | Balance on the HRA at 1 April | (9,645) |
| (3,376) | (Surplus)/deficit for the year on the HRA Income and Expenditure Statement | (7,124) |
| 3,615 | Adjustments between accounting basis and funding basis under statute (Note 13) | 7,480 |
| 239 | (Increase)/ decrease in year on the HRA | 356 |
| (9,645) | Balance on the HRA at 31 March | (9,289) |

Disclosure notes – notes supporting the Housing Revenue Account

H1. Housing Stock

On 31 March 2024 the Council held 9,797 dwellings. There was a net decrease of 51 dwellings during the year (65 sales and 14 acquisitions) compared to an increase of 3 dwellings in 2022/23.

| 31 March 2023 | | 31 March 2024 |
|---------------|--------------|---------------|
| 3,132 | Houses | 3,126 |
| 4,887 | Flats | 4,856 |
| 1,762 | Bungalows | 1,762 |
| 67 | Maisonettes | 53 |
| 9,848 | Total | 9,797 |

H2. Balance Sheet Value

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

| 31 March 2023 | | 31 March 2024 |
|---------------|-------------------------------------|----------------|
| £000 | | £000 |
| 479,023 | Dwellings | 490,240 |
| 20,121 | Garages | 20,555 |
| 499,144 | Sub-total: Council Dwellings | 510,795 |
| 2,779 | Other Land and Buildings | 2,742 |
| 1,133 | Vehicles, Plant and Equipment | 849 |
| 309 | Assets Under Construction | 404 |
| 1,988 | Investment Property | 1,988 |
| 341 | Intangible Assets | 293 |
| 505,694 | Total Balance Sheet value | 517,071 |

H3. Vacant Possession Value of Dwellings

As at 1 April 2024 the vacant possession value of dwellings within the Council's HRA was £1.206 billion, valued in accordance with the Guidance on Stock Valuation for Resource Accounting (£1.178 billion as at 1 April 2023). The difference between this figure and the £490.240 million valuation in the Balance Sheet shows the economic cost of providing council housing at less than market rents.

H4. Capital Financing

| 31 March 2023 | | 31 March 2024 |
|---------------|---|-----------------|
| £000 | | £000 |
| | Expenditure on Capital during the year | |
| 20,853 | Council Dwellings | 17,807 |
| 385 | Other Land and Buildings | 0 |
| 223 | Vehicles, Plant and Equipment | 111 |
| 83 | Intangible Assets | 75 |
| 243 | Assets Under Construction | 95 |
| 21,787 | Total | 18,088 |
| | Funded by: | |
| (3,948) | Usable Capital Receipts | (1,679) |
| (140) | Prudential Borrowing | (1,886) |
| (15) | Capital Grants and Contributions | (1,256) |
| (1,125) | Revenue and Reserve Contributions | (242) |
| (16,559) | Major Repairs Reserve | (13,025) |
| (21,787) | Total | (18,088) |

H5. Capital Receipts

| 31 March 2023 | | 31 March 2024 |
|---------------|--|----------------|
| £000 | | £000 |
| (5,117) | Sale of Council Dwellings ¹ | (1,983) |
| 65 | Administration costs | 38 |
| (5,052) | Total | (1,945) |

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

H6. HRA Depreciation and Amortisation

| 31 March 2023 | | 31 March 2024 |
|---------------|--|---------------|
| £000 | | £000 |
| 9,219 | Dwellings | 9,842 |
| 4,331 | Garages | 729 |
| 45 | Other Land and Buildings | 56 |
| 376 | Equipment | 395 |
| 119 | Intangible Assets (amortisation) | 124 |
| 14,090 | Total depreciation and amortisation | 11,146 |

H7. Rent Arrears

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

| At 31 March 2023 | | At 31 March 2024 |
|------------------|-------------------------------|------------------|
| 2,624 | Total Rent Arrears (£000) | 2,383 |
| 5.54 | % of total income due in year | 4.84 |

H8. Other HRA Arrears

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

| 31 March 2023 | | 31 March 2024 |
|---------------|-------------------------------|---------------|
| 1,869 | Total Other Arrears (£000) | 1,846 |
| 3.94 | % of total income due in year | 3.75 |

H9. Housing Debt Impairment Allowance

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

| 31 March 2023 | | 31 March 2024 |
|----------------|--------------------------------------|----------------|
| £000 | | £000 |
| (2,733) | Balance at 1 April | (3,516) |
| (11) | Arrears reinstated | (21) |
| (846) | Contribution to impairment allowance | 557 |
| 74 | Net write offs | (447) |
| (3,516) | Balance at 31 March | (3,427) |

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 of council tax and business rates.

Collection Fund Income and Expenditure Statement

| 2022/23 | | | | 2023/24 | | |
|--|----------------|-----------|--|------------------|------------------|------------------|
| Council Tax | Business Rates | Total | | Council Tax | Business Rates | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| Amounts required by statute to be credited to the Collection Fund | | | | | | |
| (142,655) | (114,643) | (257,298) | Income receivable (net of exemptions and reliefs) | (151,383) | (106,115) | (257,498) |
| 0 | 1,836 | 1,836 | Transitional protection payments/(receipts) | 0 | (3,827) | (3,827) |
| Contributions towards previous year's estimated Collection Fund deficit | | | | | | |
| (408) | (29,970) | (30,378) | Solihull MBC | (408) | 7,189 | 6,781 |
| (18) | (303) | (321) | West Midlands Fire & Rescue Authority | (18) | 73 | 55 |
| (46) | 0 | (46) | West Midlands Police & Crime Commissioner | (46) | 0 | (46) |
| (143,127) | (143,080) | (286,207) | Total amounts required by statute to be credited to the Collection Fund | (151,855) | (102,680) | (254,535) |
| Amounts required by statute to be debited to the Collection Fund | | | | | | |
| Precepts, demands and shares | | | | | | |
| 120,235 | 107,372 | 227,607 | Solihull MBC | 127,680 | 119,409 | 247,089 |
| 14,677 | 0 | 14,677 | West Midlands Police & Crime Commissioner | 16,035 | 0 | 16,035 |
| 5,323 | 1,085 | 6,408 | West Midlands Fire & Rescue Authority | 5,780 | 1,206 | 6,986 |
| Charges to the Collection Fund | | | | | | |
| 1,084 | (127) | 957 | Increase/(reduction) in allowance for impairment of debts | 905 | 852 | 1,757 |
| 0 | (4,545) | (4,545) | Increase/(reduction) in business rates appeals provision | 0 | (3,138) | (3,138) |
| 0 | 252 | 252 | Charge for allowable collection costs for business rates | 0 | 246 | 246 |
| Contributions towards previous year's estimated Collection Fund surplus | | | | | | |
| 1,477 | 0 | 1,477 | Solihull MBC | 1,612 | 0 | 1,612 |

| 2022/23 | | | | 2023/24 | | |
|-------------|----------------|----------|---|----------------|----------------|----------------|
| Council Tax | Business Rates | Total | | Council Tax | Business Rates | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 63 | 0 | 63 | West Midlands Fire & Rescue Authority | 71 | 0 | 71 |
| 177 | 0 | 177 | West Midlands Police & Crime Commissioner | 197 | 0 | 197 |
| 143,036 | 104,037 | 247,073 | Total amounts required by statute to be debited to the Collection Fund | 152,280 | 118,575 | 270,855 |
| (91) | (39,043) | (39,134) | Movement on the Collection Fund balance ¹ | 425 | 15,895 | 16,320 |
| (1,118) | 32,551 | 31,433 | Opening balance at 1 April | (1,209) | (6,492) | (7,701) |
| (1,209) | (6,492) | (7,701) | Closing Balance at 31 March | (784) | 9,403 | 8,619 |

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

Disclosure notes – notes supporting the Collection Fund

C1. Council Tax

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

The council tax base, which represents the number of domestic properties in the borough expressed as equivalent to Band D properties, can be broken down as follows for 2023/24:

| Dwellings as Band D equivalents 2022/23 | Band | Number of dwellings on Valuation List | Dwellings for council tax purposes | Multiplier | Dwellings as Band D equivalents 2023/24 |
|---|--|---------------------------------------|------------------------------------|------------|---|
| 5,657 | A | 14,550 | 8,703 | 6/9 | 5,802 |
| 6,584 | B | 12,373 | 8,636 | 7/9 | 6,717 |
| 16,656 | C | 23,175 | 18,958 | 8/9 | 16,851 |
| 15,137 | D | 17,476 | 15,291 | 9/9 | 15,291 |
| 13,315 | E | 12,030 | 10,916 | 11/9 | 13,342 |
| 12,219 | F | 9,125 | 8,552 | 13/9 | 12,352 |
| 8,839 | G | 5,685 | 5,375 | 15/9 | 8,957 |
| 791 | H | 444 | 404 | 18/9 | 809 |
| 79,198 | Total Band D equivalents (tax base) | | | | 80,121 |
| (942) | Adjustment for collection rate of 98.81% | | | | (953) |
| 78,256 | Net tax base (Band D equivalents) | | | | 79,168 |

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 2023/24, the average Band D council tax including police, fire and parish precepts was £1,888.34 (2022/23: £1,792.01).

The actual gross income in 2023/24 was £151.383 million, which in council tax base terms would be 80,167. The effect of this higher than anticipated tax base, combined with a lower than anticipated impairment allowance, was a council tax surplus in the year of £0.982 million (2022/23: £1.336 million surplus), as shown in the following table:

| 2022/23 | | 2023/24 |
|-----------|--|------------------|
| £000 | | £000 |
| 141,924 | Anticipated gross income from council tax <i>(from multiplying the gross tax base by the average council tax)</i> | 151,296 |
| (142,655) | Actual gross income | (151,383) |
| (731) | (Surplus)/deficit for the year before allowance for impairment | (87) |
| (1,689) | Anticipated allowance for impairment <i>(from multiplying the adjustment for collection rate by the average council tax)</i> | (1,799) |
| 1,084 | Actual allowance for impairment of debts | 904 |
| (605) | (Surplus)/deficit for the year in relation to the allowance for impairment | (895) |
| (1,336) | (Surplus)/deficit for the year | (982) |

C2. Business Rates

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

The government determines the level of business rates payable, which was set at 51.2 pence per pound of rateable value in 2023/24 (2022/23: 51.2 pence). There is also a small business rate multiplier which was set at 49.9 pence per pound of rateable value in 2023/24 (2022/23: 49.9 pence). The Valuation Office Agency sets the rateable value of each property and periodically undertakes a national revaluation exercise, the most recent of which resulted in a valuation list which took effect from April 2023. As at 31 March 2024, the total rateable value for properties in Solihull was £278.040 million (31 March 2023: £268.036 million).

| 2022/23 | | 2023/24 |
|-----------|---|------------------|
| £000 | | £000 |
| (133,751) | Gross business rates income <i>(from multiplying the total rateable value at 31 March by the small business rate multiplier)</i> | (138,748) |
| 3,982 | less reduction in income due to rateable value changes throughout year | 14,192 |
| (129,769) | Gross business rates income | (124,556) |
| 15,126 | less mandatory, discretionary and unoccupied property reliefs | 18,441 |
| (114,643) | Net business rates income receivable | (106,115) |

C3. Analysis of the movement on Collection Fund balance

| 2022/23 | | 2023/24 | | |
|----------|--|--------------|----------------|----------------|
| Total | | Council Tax | Business Rates | Total |
| £000 | | £000 | £000 | £000 |
| 31,433 | Balance at 1 April | (1,209) | (6,492) | (7,701) |
| (29,028) | Declared surplus/(deficit) distributed in-year | 1,407 | 7,263 | 8,670 |
| | In-year (surplus)/deficit for year: | | | |
| (9,824) | Solihull MBC | (839) | 8,546 | 7,707 |
| (140) | West Midlands Fire & Rescue Authority | (38) | 86 | 48 |
| (142) | West Midlands Police & Crime Commissioner | (105) | 0 | (105) |
| (7,701) | Balance at 31 March | (784) | 9,403 | 8,619 |

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

Council tax income credited to the CI&ES of £128.519 million comprises the Council's precept of £127.680 million plus the Council's share of the in-year surplus of £0.839 million shown in note C3. Business rates income credited to the CI&ES of £37.338 million comprises the Council's share of budgeted business rates income of £119.409 million plus the Council's share of the in-year deficit of £8.546 million shown in note C3, less the share of growth paid to the West Midlands Combined Authority of £1.210 million and the tariff payment paid to the government of £72.315 million.

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

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Solihull Metropolitan Borough Council (the 'Authority') and its subsidiaries and joint venture (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Local Government and Housing Act 1989, and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

We enquired of management and the Audit Committee concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls,

including the use of accounting estimates, assumptions and judgements, the risk of fraudulent expenditure recognition and the risk of improper revenue recognition. We determined that the principal risks were in relation to large and unusual journals which were designed to change financial performance, for example, moving amounts between the Balance Sheet and Comprehensive Income and Expenditure Statement.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large year end manual journals, journals posted by senior officers, large and unusual journals which were designed to change financial performance and journals posted by users with admin access;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.

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

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditors':

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

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except:

- On 12 November 2024 we identified a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to the use of significant reserves over the medium term with limited substantiated savings proposals and continued high levels of investment in Children's Services required. We recommended that the Authority continues and accelerates its current package of activities to address the significant structural budget deficit and reach a sustainable financial position in the medium-term. The Council must identify substantiated ongoing, long-term savings proposals to reduce its reliance on short term measures such as one-off savings or use of reserves. These savings proposals must be deliverable and subject to a robust governance structure. This will support careful management of the financial position over the immediate term. The Council should consider planning for the replenishment of these reserves, which may be achievable in three to five years.
- On 18 March 2024 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. This was in relation to the Authority's services for children in the area which continue to be rated inadequate by Ofsted and the Council has been following an Improvement Plan which has had significant input from the Commissioner appointed by the Department for Education. Progress has been made since our report last year, as reported by Ofsted in their latest monitoring visit summary from May 2024 but further work and investment is required to deliver an appropriate service to children in Solihull. We recommended that the Council should continue to progress, at pace over the coming months, the improvements required to Children's Services noted in Ofsted's recent inspection reports and by the Department for Education (DfE) appointed Commissioner, Sir Alan Wood. This includes effective monitoring and reporting on progress to members – and all associated risks – on a regular basis.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Solihull Metropolitan Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

AVTAR SOHAL

Avtar Sohal
Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham
18 December 2024

Glossary and Contact Details

Academy

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

Accounting Standards

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

Accruals

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

Agent Transactions

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

Actuarial Assumptions

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

Amortisation

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

Asset

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

Budget

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

Business Rates

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

Statement of Accounts 2023/24

Capital Adjustment Account

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

Capital Programme

The plan of approved spending on non-current assets.

Capital Receipts

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

Carrying Value

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

CIPFA

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

Collection Fund

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

Contingent Assets

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

Contingent Liabilities

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

Community Assets

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

Core Council

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

Council Tax

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

Creditors

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

Debtors

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

Dedicated Schools Grant (DSG)

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

Deficit

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

Depreciation

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

Earmarked Reserves

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

Expected Credit Loss

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

Fair Value

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

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Year

The Council's financial year runs from 1 April to the following 31 March.

General Fund

The account that summarises the revenue cost of providing services by the Council.

Impairment Allowance

The Council sets aside an amount in an impairment allowance for debts it believes may not be repaid.

Impairment of Asset

An asset has been impaired when it is judged to have lost value other than through normal use.

Infrastructure assets

Assets held by the Council such as highways and footpaths.

Intangible Assets

An item which does not have physical substance (for example, software licenses) but can be identified and used by the Council over a number of years.

Inventories

Items of stock owned by the Council which have not been used by the end of the financial year.

Investment Properties

Interest in land and/or buildings which are held for their investment potential rather than for operational purposes.

Housing Revenue Account (HRA)

A statutory account that contains all expenditure and income relating to the provision of council housing for rent. The HRA is a ring-fenced account outside the General Fund.

Lease

A finance lease is an agreement to pay for an asset, for example a vehicle, in regular instalments where the person paying the lease (the lessee) is deemed to own the asset. In contrast, an operating lease occurs when the lessee is not considered to own the asset.

Levy

A payment made by the Council for another local service, for example, local transport and the Environment Agency.

Liability

Money the Council will have to pay to other people or organisations in the future.

LOBO

Lender's Option Borrower's Option. A form of loan, where the lender can change certain conditions of the loan, such as the dates and the interest rate. If this occurs the borrower, then has the option of either continuing with the loan or redeeming it in full without a penalty.

Long-term Borrowing

Debts which are not due within the forthcoming financial year.

Major Repairs Reserve

A reserve to pay for large scale repairs to Council housing.

Materiality

An item is material if its inclusion in the financial statements would influence or change the judgment of a reasonable person. If the information would have no impact on the decision-maker, it is deemed not material.

Net Asset Value

The value of the Council's assets less its liabilities.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or fair value, less the cumulative amount provided for depreciation.

Net Spending

The amount spent on a service after taking into account income that a service has received.

Non-current Assets

An asset which is not easily converted into cash or expected to become cash within the next year.

Non-operational Assets

This is an asset held by the Council over a number of years but not actively used by a service within the Council. An example of this would be investment properties (see also Operational Assets).

Operational Assets

This is an asset held by the Council over a number of years and actively used in the provision of services, such as office buildings or vehicles (see also Non-operational Assets).

Outturn

The final position in terms of expenditure incurred or income receivable for a financial year.

Payments in Advance

Payments made in the current financial year for goods and services to be received in the following financial year.

Precept

Council tax income collected by the Council on behalf of other local bodies, for example the Police and Crime Commissioner and Fire and Rescue Authority.

Principal Transactions

Principal transactions are those where the Council is acting in its own right and not on behalf of another body (see also Agent Transactions).

Prior Period Adjustments

Changes made to the previous year's accounts to show things that were not known about until after that year's accounts were produced.

Private Finance Initiative (PFI)

Government initiative under which the Council buys the service of a private sector supplier to design, build, finance and operate a public facility.

Provisions

Money set aside for a debt that is likely to arise in the future, for example insurance claims.

Receipts in Advance

Money received before the end of the financial year, which relates to the following financial year.

Reserves

Amounts put aside by the Council to provide for known future expenditure, e.g. replacement of an asset.

Revaluation Reserve

When the value of an asset owned by the Council changes, the increase or decrease in value is transferred to this reserve.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Spending on assets that have a lasting value but are not owned by the Council, e.g. disabled facilities grant expenditure.

Revenue Spending

Spending on the day-to-day running of services. This includes, for example, salaries or running expenses for the Council's buildings and equipment.

Revenue Support Grant (RSG)

The main government grant which helps support local authority services. Allocations of RSG are incorporated into the funding the Council receives through business rates under the West Midlands enhanced business rates retention arrangements.

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).

Surplus Assets

Assets that are not being used to deliver services, but that do not meet the criteria to be classified as either investment properties non-current assets held for sale.

Third Party

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

Usable Capital Receipts Reserve

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

Useful Life

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

Variance

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

Contact Details and Other Sources of Information

Enquiries or comments about this publication should be made to:

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

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

Council Tax Leaflet 2024/25
Medium Term Financial Strategy 2024/25 - 2026/27

Paper copies are available on request. Electronic versions can be accessed from the Solihull Council website.

More detailed statistical information about Solihull and all other local councils is contained in a wide range of publications produced by CIPFA. Some of these publications are available in the Core Library, Solihull, or alternatively from CIPFA itself:

Chartered Institute of Public Finance and Accountancy
77 Mansell Street
London
E1 8AN

Further information about the finances of the Fire and Rescue Authority, Police and Crime Commissioner and West Midlands Combined Authority can be obtained from the following addresses:

The Chief Finance Officer
Police Headquarters
West Midlands Police
Lloyd House
Colmore Circus
Birmingham
B4 6AT

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

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

