Solihull Metropolitan Borough Council
Accounting Statement
2017/18

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NARRATIVE REPORT

This Narrative Report provides information on the Council and the environment in which it operates, to set the Accounting Statement into context. In addition to describing the borough of Solihull and its particular strengths and challenges, the Narrative Report summarises some of the key risks and opportunities for the Council and explains how the Council's approach to budgeting contributes to its financial resilience. The Narrative Report provides an overview of the Council's financial performance in 2017/18 to complement the key financial statements and highlights some of the Council's achievements against the 2017/18 priorities. It further outlines the main priorities of the Council Plan and sets out the key objectives for the year ahead.

ORGANISATIONAL OVERVIEW AND OPERATING ENVIRONMENT

Solihull: population and place

The Council serves a broadly affluent borough, characterised by above-average levels of income, employment and home ownership. The living environment, with a mix of urban and rural communities, key strategic sites and transport infrastructure, and large amounts of green space, is one of Solihull's main strengths, as evidenced by high levels of resident satisfaction with the area (85% in the 2016 Place Survey).

The population of the borough has increased at a much slower rate than nationally over recent years but is expected to grow by around 10% by 2033. This growth will put considerable pressure on transport, housing, education and public service infrastructure and there is a widespread shortage of affordable homes and homes which are suitable for older people, especially the increasing numbers living alone. Our community is becoming increasingly diverse, with an increasing proportion from a Black, Asian or other Minority Ethnic (BAME) group (11% in the 2011 census). We expect that this trend will continue and our service design needs to be sensitive to this diversity.

The Office for National Statistics projections suggest that the relative ageing of Solihull's population will continue and by 2033 those aged 65 and over will account for one in four of the population. The growth in numbers of residents aged 85 and over in particular represents a significant and growing challenge in terms of health and social care.

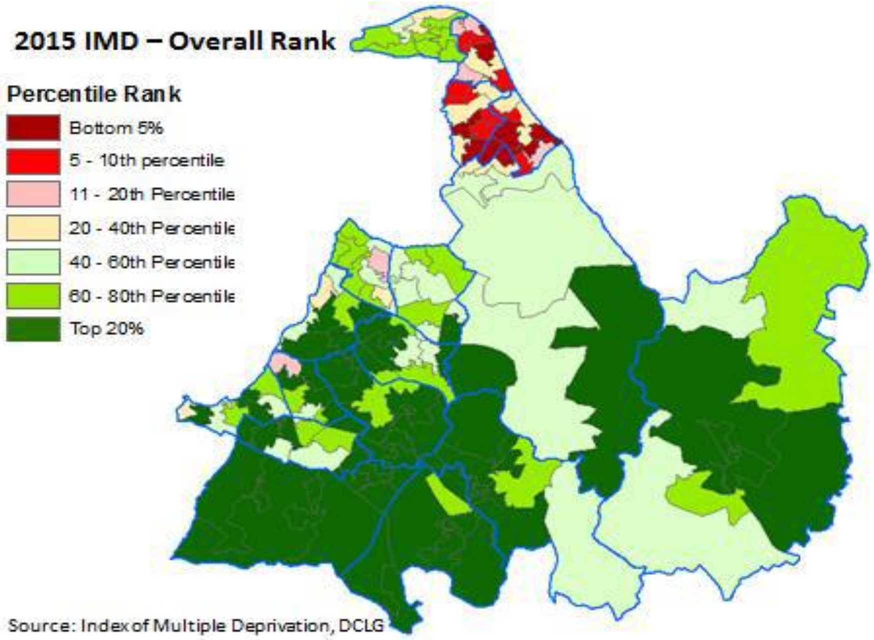
Population forecast to grow by 0.6% p.a. between 2016 & 2033

No. of households forecast to grow by 6,000 over 10 years

People aged 65+ with dementia forecast to grow by 39% by 2030

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

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



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

The impacts of this are felt across a broad range of outcomes including educational attainment, employment, crime and health. Although life expectancy in the borough is above the national average, those in the borough's affluent neighbourhoods can expect to live around 11 years longer than those in the more deprived wards. Furthermore, projections suggest that an increasing number of our residents will experience financial pressures as a result of changes to the benefits system and low income growth among lower earners. When set against relatively high housing costs, this will represent a particular challenge for the Council.

Solihull: the council

The Council's vision for Solihull is that it will be a place where everyone has an equal chance to be healthier, happier, safer and prosperous. We are one of 36 metropolitan district councils, on the fringe of the West Midlands conurbation but with a distinct identity and strong rural roots, as characterised by the motto “Urbs in Rure”. A unitary authority since 1986, the Council is led by a Conservative administration which holds 32 out of the 51 seats. The borough covers two parliamentary wards, Solihull and Meriden.

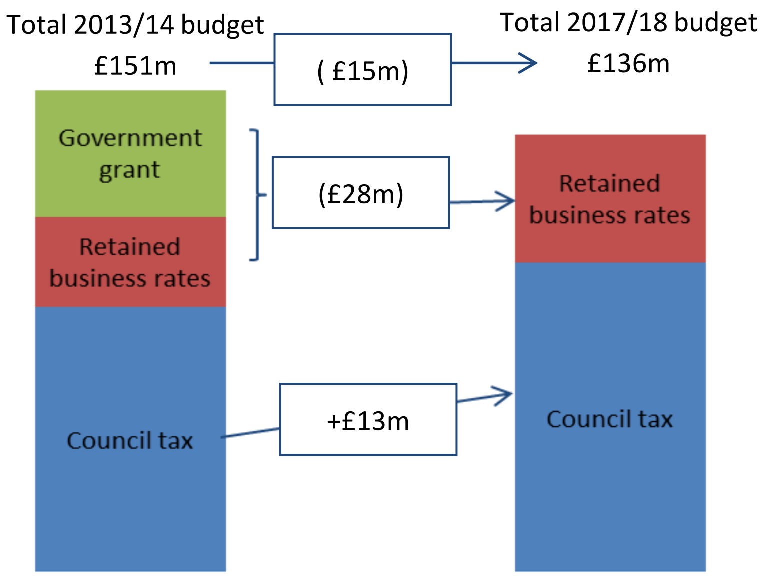
The Council employs 4,200 full time equivalent staff, approximately half of whom work in the borough’s schools (excluding academies), organised into five directorates – Adult Care and Support, Children’s Services and Skills, Managed Growth and Communities, Public Health and Resources – under the management of the Corporate Leadership Team. The number of full time equivalent staff has fallen by 11% over the past five years, and we recognise the pressure this has put on our committed workforce. One of the Council’s strengths is the positive working relationships between officers and elected members, which facilitates effective decision making and strong leadership. This is underpinned by our core values, which are to be open, honest, clear, approachable and keep our promises.

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

Our purpose, as set out in the Council Plan, is to improve lives by delivering great services. The Council Plan sets out the direction we want to go in as a Council (our vision and purpose), how we aim to travel that journey and what we want to see at the end of it. It covers those major steps that we need to take in order to achieve our vision. It does not cover the ‘business as usual’ of the Council, which, of course, also has a vital role in the success of our vision and purpose. The Council Plan for 2014-2020 was approved in April 2014 and has been refreshed annually since then. A new plan that looks forward to 2025 was approved in April 2018, with what were previously described as our four priorities (improving health and wellbeing, building stronger communities, managing growth and delivering value) now being key themes that run through the plan.

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

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



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

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

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

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

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

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

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

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

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

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

The Council has interests and relationships in other entities which are included in the Council's group accounts. Solihull Community Housing Limited, which is our arm's length management organisation (ALMO) for our housing stock, Blythe Valley Innovation Centre Limited and the Urban Growth Company are consolidated as wholly owned subsidiaries of the Council. The Coventry and Solihull Waste Disposal Company Limited is included as a joint venture. The Council intends to take the operation of the Blythe Valley Innovation Centre in-house during the course of 2018/19.

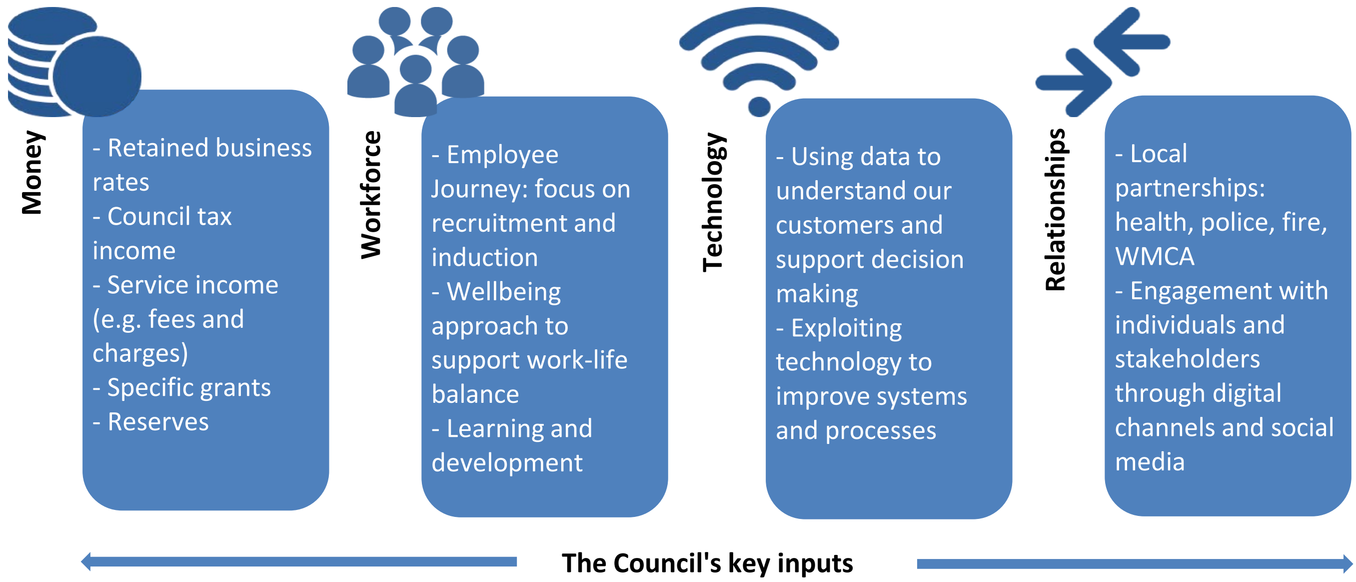
OPERATIONAL MODEL AND PERFORMANCE

Business Operating Model

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

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

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



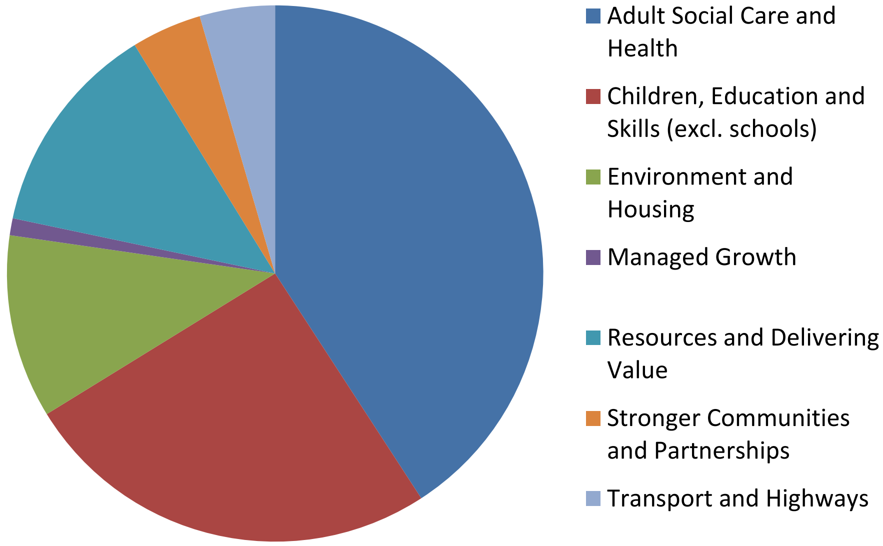
Review of 2017/18

Our budget for 2017/18 was £136.462 million, an overall decrease in the net budget of £1.4 million compared to the 2016/17 budget of £137.884 million. The budget was approved on 1 March 2017, with net planned expenditure on services and corporate commitments increasing by £8.8 million over the 2016/17 base budget, of which £7.1 million related to service pressures and £1.7 million to inflation.

This increase in expenditure was offset by savings totalling (£9.4 million) and funding from reserves, working balances and contingencies totalling (£0.8 million).

The budget of £136.462 million was funded from retained business rates of £39.987m and council tax income of £96.475m. Solihull increased its element of the council tax charge by 4.99% in 2017/18. This included a charge of 3.0% specifically to support adult social care which generated £4.5 million for the service (£2.7m more than in 2016/17). Council tax income continues to be the most significant funding source for the authority, reflecting the proportion of higher-banded homes in the borough, and comprises 71% of the total funding for 2017/18.

This chart shows our net spending across our cabinet portfolios in 2017/18.



The table below highlights some significant outcomes under each of the 2017/18 Council Plan priorities.

Improve health and wellbeing	Build stronger communities	Manage growth	Deliver value
Improved delayed transfer of care performance	£1.5m improvements to Robin Hood cemetery and crematorium	Achieved approval of £3.4m for initial UKC Infrastructure Package	Reprocurement of new Leisure contract
Opened new care home in Chelmund's Cross village centre for older people with dementia	Achieved injunction in relation to unauthorised encampments	On track to deliver Habitat & Nature Improvement project	Piloted Oracle business intelligence reporting tool
Exceeded target to convert Statements of SEN to Education, Health & Care Plans	Draft Volunteering strategy completed for consultation	Delivery of ERDF Enterprise project	Employee Journey microsite for new starters
		Roll out of Life Ready programme	Procurement of new social care information system

During 2017/18 the Council has been working closely with its counterparts across the West Midlands through the combined authority, now under the leadership of elected mayor Andy Street, to progress the funding needed to deliver the Council's vision for UK Central. 2017/18 also marked the first year of the West Midlands business rates retention pilot, through which the combined authority has secured a share of business rates growth to support the investment programme. In addition, our involvement in the pilot has resulted in windfall resources of £5.1 million which will be invested by the Council in local priorities.

On 31 July 2017, the Council terminated the public private partnership (PPP) with Rivendell Leisure Ltd for the delivery of leisure services. The original PPP was due to run until 2038, but in the context of increasingly challenging savings targets and increasing running costs, the existing contract, which did not oblige the contractor to deliver savings, was no longer considered to provide good value for money.
As the contract did not allow for the renegotiation of terms it was agreed to terminate the contract, on the payment of a one-off lump sum, in order to deliver ongoing savings. Parkwood Leisure Ltd, who had been subcontracted by Rivendell to operate Tudor Grange and North Solihull leisure centres, agreed to deliver the leisure services under a new operator-only interim contract with the Council from 1 August 2017 to 31 May 2018 and the Council took over responsibility for maintaining the buildings. The Council has since concluded a retender process for the operation of the leisure concession which will take effect from 1 June 2018. The new arrangements are expected to deliver annual savings and represent better value for council tax payers.

Academisation

During 2017/18 Smith's Wood Sports College converted to academy status. The transfer of the schools buildings resulted in a loss on disposal of £48.231 million being recognised in the Comprehensive Income and Expenditure Statement (CI&ES). The land was revalued downwards by £2.194 million resulting in a charge against the Children's and Education services line in the CI&ES.

There are currently two schools in the process of converting to academy status for 2018/19: St Margaret's Church of England Primary School (Voluntary Aided) and Ulverley School. The associated land will be revalued down, and the buildings will be transferred, resulting in a reduction in value of approximately £10.547 million in 2018/19.

Pension liabilities

There is currently a net deficit attributable to the Council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Barnett Waddingham). Steps have been taken to address this deficit within the medium and long-term financial strategy of the Council.

In April 2017 the Council made an advance payment of £50 million in respect of pension contributions for the three years from 2017/18 to 2019/20 in order to save a net £4 million over those three financial years. The full payment has been accounted for as a reduction in the Council's net pension liability, however, accounting regulations require that only the amount due in relation to 2017/18 of £16 million is recognised as a cost to the General Fund this year.

Cash flows

The Cash Flow Statement, on page 31, shows how the movement in resources has been reflected in cash flows. During 2017/18, net cash and cash equivalents decreased by £9.631 million, from (£0.587 million) to (£10.218 million), as shown in the table below.

	31 March 2017 £000	31 March 2018 £000
Opening cash and cash equivalents	(8,344)	(587)
Movement during the year	7,757	(9,631)
Closing cash and cash equivalents	(587)	(10,218)

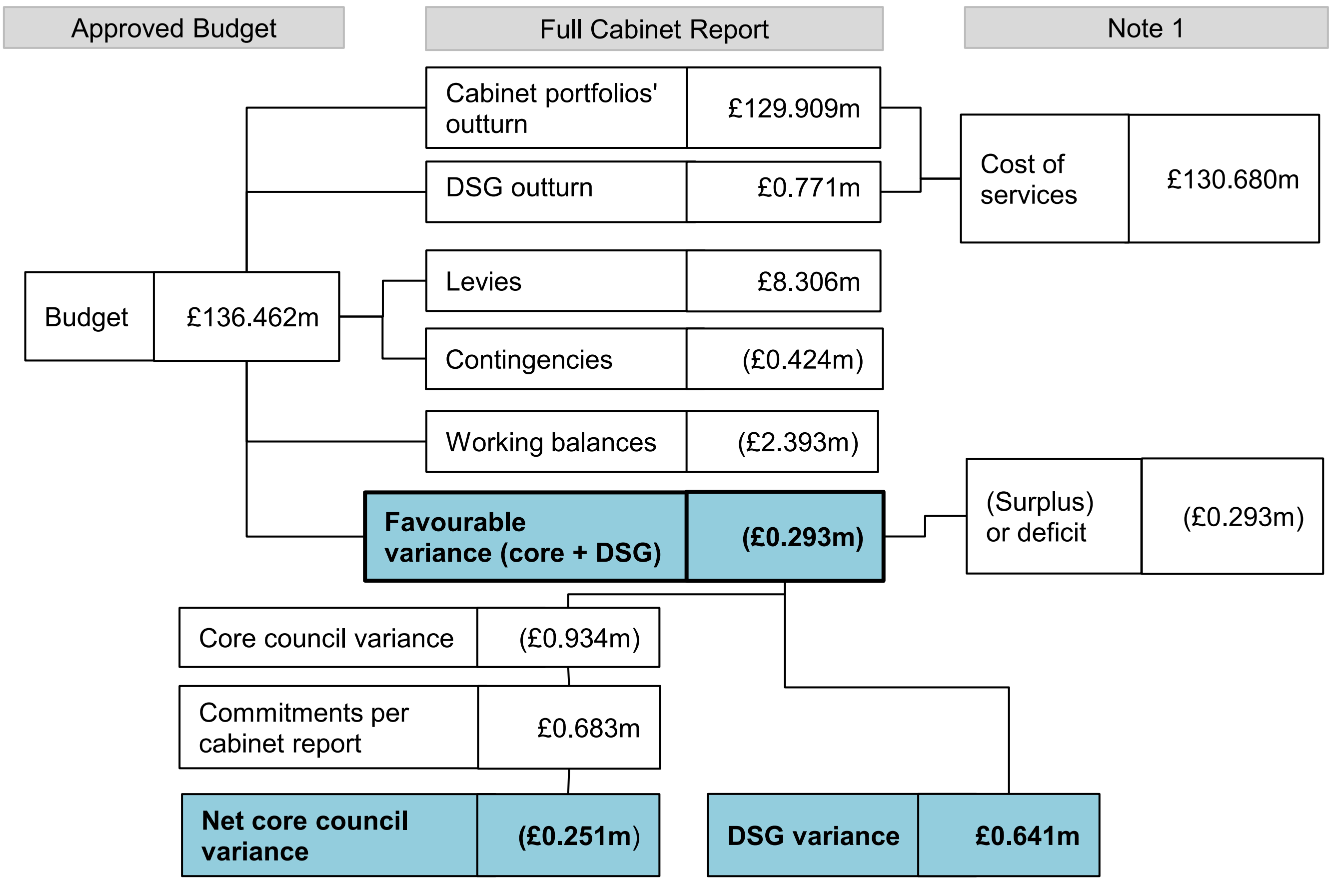
The cash and cash equivalents figure was higher in 2016/17 as a result of the need to maintain a more liquid position in order to fund the upfront payment of pension contributions as described in Note 5 - Material Items of Income and Expenditure.

Financial performance - revenue outturn

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

The outturn position on the General Fund and Dedicated Schools Grant (DSG) for the year will be presented to Full Cabinet on 21 June 2018. The favourable variance on the General Fund has been contributed to working balances pending Full Cabinet's approval of the requests outlined in the report to contribute £0.683 million to earmarked reserves and to fund future year commitments. The final position on the General Fund, subject to this approval, will see the Council (£0.251 million) ahead of the financial position set out in the approved medium term financial strategy. Members will be asked to approve the contribution of this amount to the Budget Strategy Reserve, in order to provide further financial resilience for future years' planning.

Note 1 in the Accounting Statement provides a breakdown of the total income and expenditure by cabinet portfolio. This note also shows the adjustments required in order to arrive at the figures in the CI&ES. The diagram below shows how the outturn figures in the Full Cabinet report compare to the approved budget, and the resulting net favourable variance of (£0.293 million), which is then further broken down to show the final position after the proposed contributions to specific reserves and future years' commitments. It also demonstrates how the figures in Note 1 are derived from the figures in the Full Cabinet report.



Pressures in adults' services were mitigated during the year, in part by early delivery of budgeted savings and through deployment of the Better Care Fund agreed with NHS partners, resulting in a balanced position for the service at the year end. However, at the year end the outturn position for children's services was a net adverse variance, resulting from pressures on services such as children's placements, home to school transport, special educational needs and disabilities and unaccompanied asylum seeking children, which it was not possible to fully offset with the use of reserves.

The net remaining pressures in children's services were offset by a favourable variance in support services, resulting in the final outturn variance of (£0.293 million). Key factors which contributed to this position included lower than forecast spending on salaries and corporate property, higher than budgeted income from investment properties and Birmingham International Airport dividends and a business rates refund in respect of the Council House.

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.

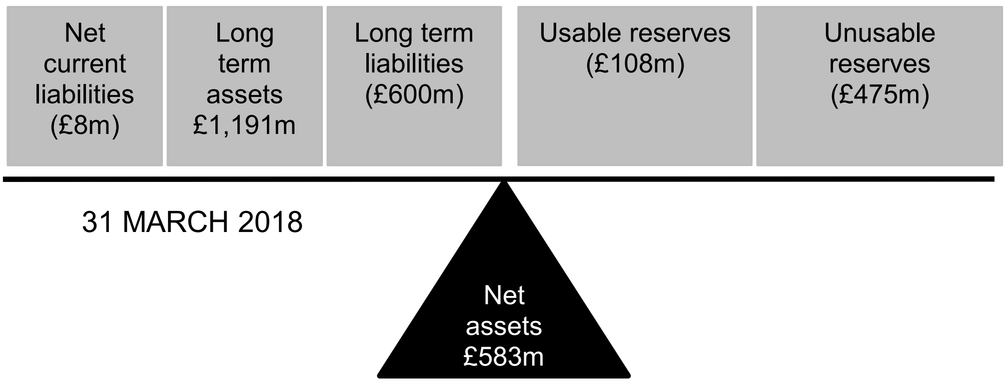
The total spending on the capital programme for 2017/18, including the Housing Revenue Account (HRA), was £41.548 million compared with a revised budget of £49.230 million, giving a net variance in year of (£7.682 million). Re-phasing of £5.388 million will be added into the capital programme for 2018/19.

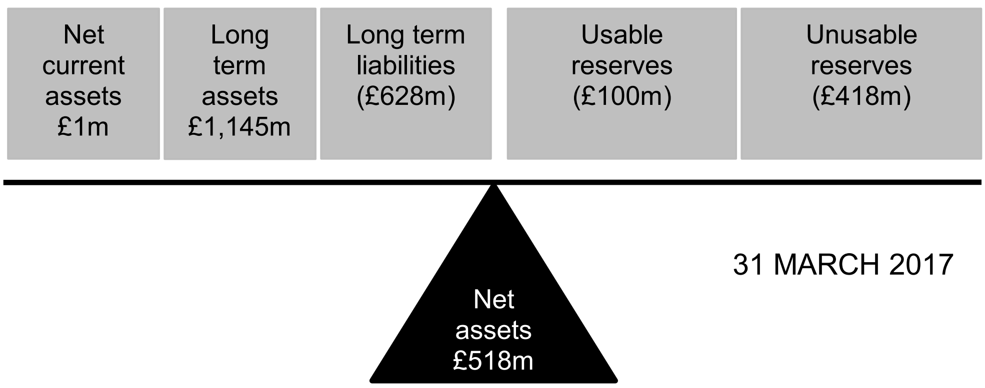
A summary of the Council's internal and external sources of funds available to meet its capital expenditure and other financial commitments including Private Finance Initiatives (PFI) / Public-Private Partnership (PPP) schemes is included in Note 41 - Capital Expenditure and Capital Financing.

The disposal of assets resulted in total gross capital receipts for the Council during the year of £13.350 million. These included the part disposal of a site at Haslucks Green Road for £4.367 million and HRA right to buy properties totalling £3.526 million.

Net assets

The Council is in a robust financial position at the end of 2017/18 and continues to maintain a strong balance sheet.



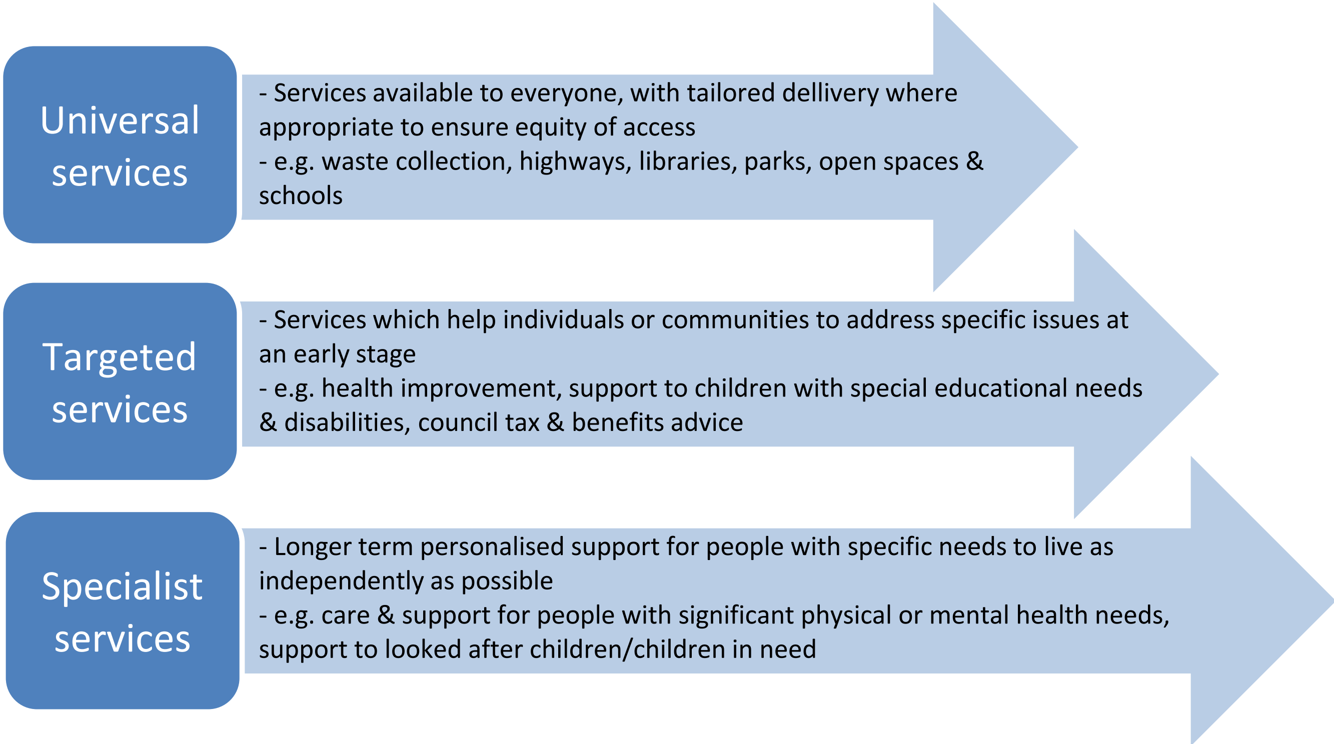


STRATEGY AND RESOURCE ALLOCATION

Council Plan

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

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

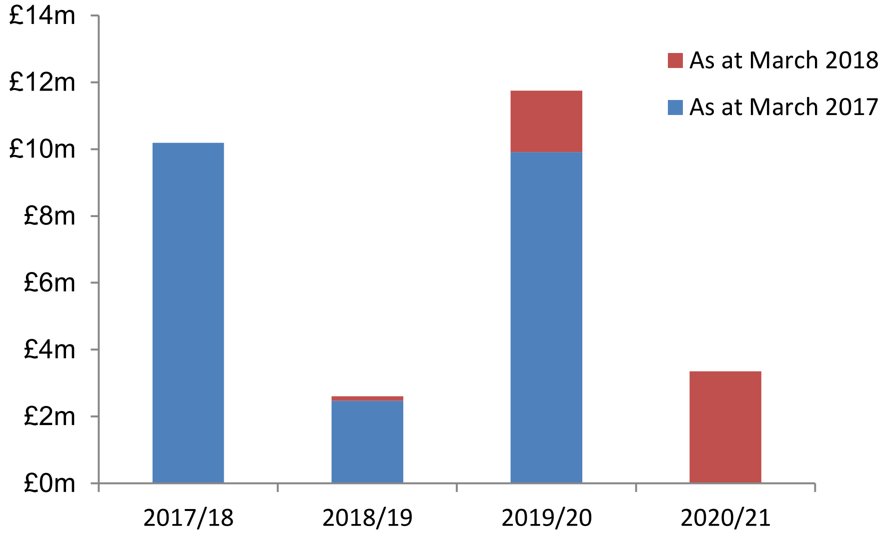


Our role as a Council will be increasingly centred on leading through collaboration. This approach is reflected in the new Council Plan, approved by Full Council in April 2018.

Medium Term Financial Strategy

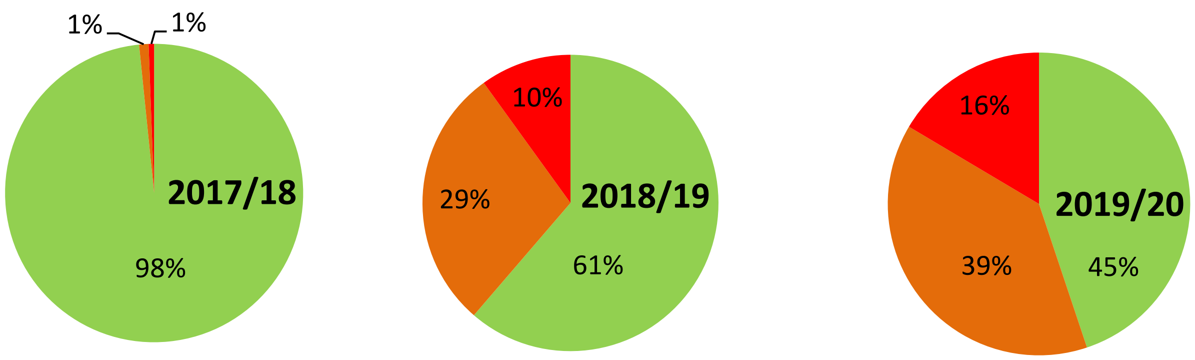
The Council Plan is supported by our medium term financial strategy (MTFS), which covers the period to March 2021. Our MTFS is approved by members in March each year but is kept under review throughout the year, with updates reported to members through the Budget Strategy Group, members' seminar, scrutiny and Full Cabinet. Where these updates result in changes to the financial planning assumptions in the first two years of the MTFS, we use a budget strategy reserve to smooth the impact into the third year. The focus of the annual budget setting process is on identifying savings for the third year of the MTFS, with those for the upcoming financial year having been approved two years previously.

This is illustrated in the chart below, which shows (in blue) £22.6 million of savings identified as at March 2017 for the period from 2017/18 to 2019/20. During 2017/18, the budget process for 2018/19 focused on the identification of savings for 2020/21, some of which could be delivered in earlier years - these are shown as red in the chart below and bring the total targeted over the four years to £28 million.



This process provides us with the time required to plan effectively and realistically for the implementation of savings and means that we are able to avoid hasty reactions to any unexpected financial shocks. Underpinned by our budget strategy reserve, our three-year budgeting approach is an important factor in the continued resilience of our financial position.

A group of senior officers (the Aligning our Resources to our Priorities (ARTOP) Board) closely monitors the delivery of savings and supports the management and mitigation of any anticipated shortfalls. The ARTOP Board categorises each saving as red, amber or green depending on their assessment of deliverability - the piecharts below show the proportions of savings in each year in each category, as at March 2018.



Treasury management and borrowing strategy

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

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

LOOKING AHEAD: RISKS AND OPPORTUNITIES

Across the local government sector, councils are grappling with the challenges of rising demand, particularly in adults' and children's services, and scarce resources, set against a backdrop of economic uncertainty and a short-term horizon for national policy development. The devolution agenda and the increased retention of business rates that has accompanied it in areas like the West Midlands has brought new freedoms and flexibilities, but with them increased risk and the challenge of negotiating complex local and regional partnerships.

Service pressures

Solihull is not alone in experiencing significant increases in demand for specialist services such as domiciliary care, looked after children and home to school transport. The strain on adult social care services in particular is well-documented (the Local Government Association estimates the funding gap will be at least £2.6 billion by 2020) but there is also an emerging consensus on the pressures facing children’s social care across the country. For example, Solihull has experienced an increase in the number of looked after children – from 361 in care in March 2016 to 416 in March 2018 – and we are also seeing an increase in the proportion of those children with higher needs.

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

Economic Uncertainty

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

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

We continue to monitor the progress of the Brexit negotiations and will update our strategic and financial plans as necessary as and when further information emerges.

Local government funding

As the dominant issue on the national agenda, Brexit continues to take up much of central government’s attention. However, the pressing need for reform to the system of local government finance is attracting increasing attention outside the sector.

In addition to the pressures on adult social care in particular, recent reporting of the financial pressures experienced by some local authorities have shone a spotlight on the stresses felt more widely across the sector, and although we are confident in the resilience of our medium term financial strategy, there is no doubt that the lack of clarity over central government funding from April 2020 is hampering councils' ability to plan effectively.

The published allocations of central government funding only cover the period to 2019/20, beyond which point local authorities have little information on which to base their funding projections. The government intends to introduce a reformed business rates retention system from April 2020, underpinned by new funding formulae which, informed by the government's ongoing Fair Funding Review, will update the assessment of relative need and relative resources. It is anticipated that the effect of the resulting reset of baselines in the business rates retention scheme will be to shift resources away from councils such as Solihull which are considered to be relatively affluent, but at this stage it is not possible to quantify the possible impact. This highlights the vulnerability of the sector to changes in national policy, particularly where such policy setting is often short-term.

Inclusive economic growth

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

The planned High Speed 2 (HS2) railway and the related development plans for UK Central provide an unprecedented prospect for accelerated economic growth, and to ensure that good opportunities will be available to all our residents. Inclusive economic growth will mean supporting residents to access new employment opportunities and ensuring the provision of appropriate and affordable housing, already an issue for first time buyers in particular. We also want to manage economic growth to minimise the impact on the attractive living environment which is so important to our residents. We know that securing economic growth is not an end in itself, but is a means of achieving wellbeing, inclusion and shared prosperity – it is two sides of the same coin, a metaphor and principle we have put at the heart of our policy making.

In future, many new jobs will require higher level skills and we recognise that some of our residents will require support to access these new employment opportunities. School attainment varies, with only 57% of pupils attending secondary school in the north of the borough achieving grades A* to C in GCSE English and Maths, compared to 71% of pupils in the south of the borough. Employment rates for those with lower skills, ill health (particularly for those with a mental health issue), carers and lone parents are much lower than the rest of the population.

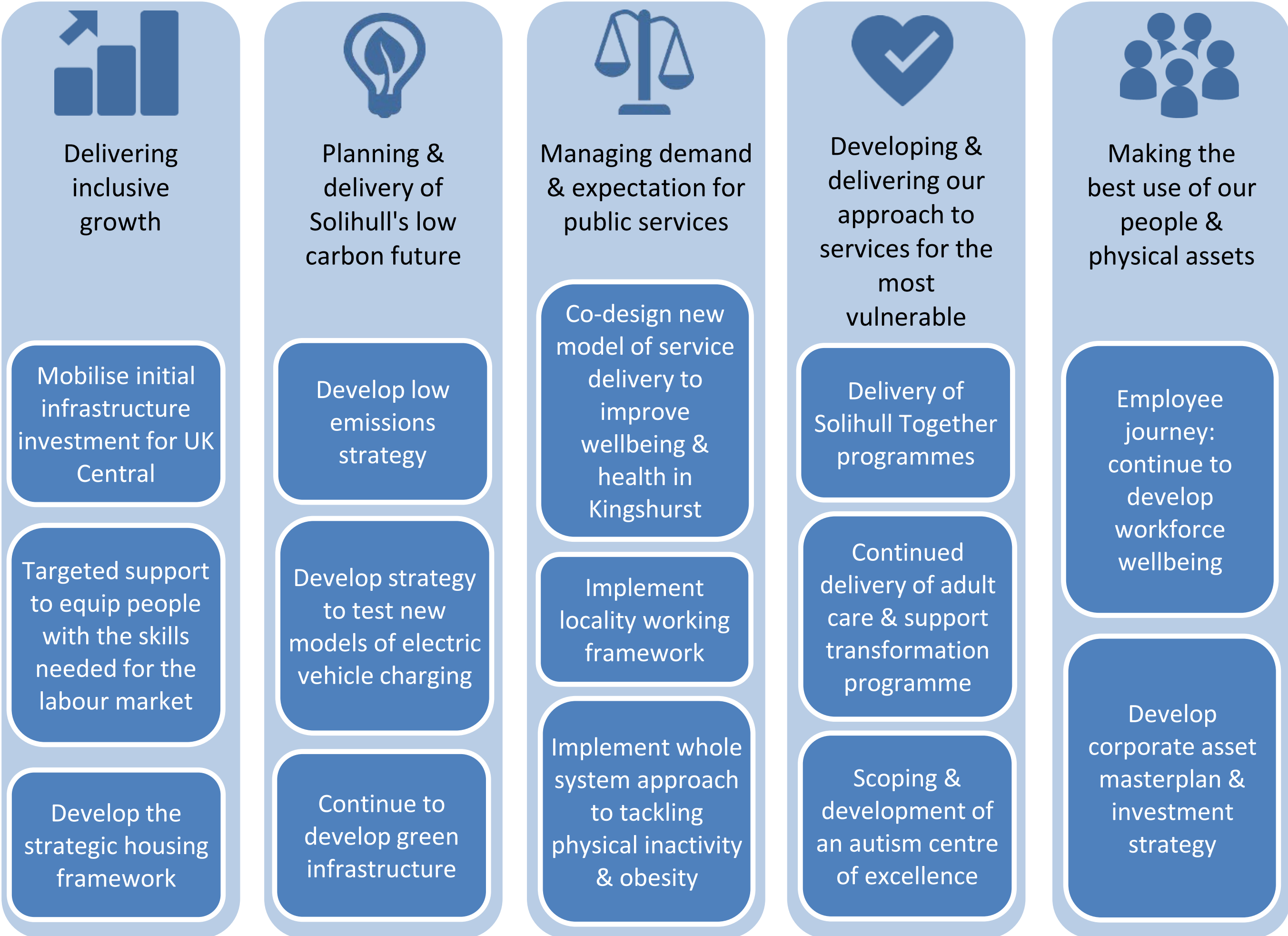
We also want to manage economic growth to minimise the impact on the attractive living environment which is so important to our residents. Among the challenges we face is how to adapt our local transport system to cope with current and forecast demand, and how to increase the proportion of people who commute by public transport, walking or cycling. Maximising public transport connectivity is also essential in linking our major employment sites to where people live.

OUTLOOK

Key service developments

To address the challenges and opportunities facing us and to achieve our future service offers, five new priorities (major steps we need to take) have been identified.

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

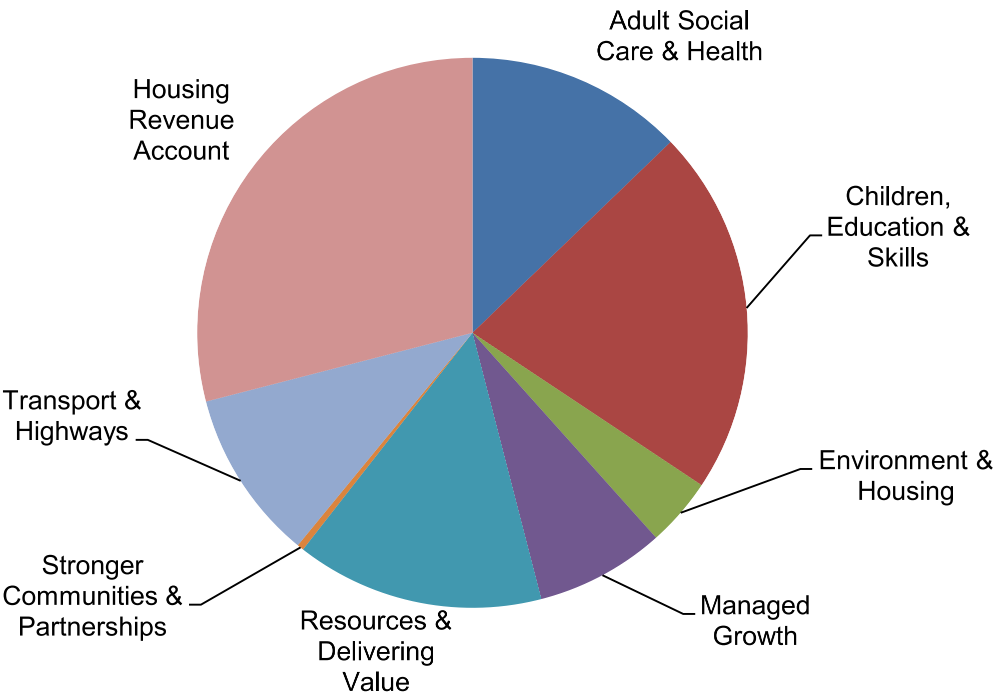


This activity will be supported by the financial resources set out in the MTFS, which are summarised in the table below.

	2018/19 £000	2019/20 £000	2020/21 £000
Base budget	136,462	141,605	142,544
Funding commitments	6,290	8,127	8,211
Savings	(2,556)	(11,749)	(3,355)
Government grants	375	24	422
Contributions (to)/ from reserves	1,034	4,537	(370)
Indicative budget	**141,605**	**142,544**	**147,452**

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 2018/19 totals £61.509 million (subject to Full Cabinet approval of rephasing in June 2018), divided between cabinet portfolios as shown in the chart below.



Significant items within the capital programme for 2018/19 include a programme of works totalling £17.851m within the Housing Revenue Account (the highest value element of which is £5.401 million for new build and acquisition of properties), £4.110 million for the North Solihull primary school programme, £6.292 million for the schools improvement programme, £5.710 million for ICT projects and £6.172 million for the local transport plan and highways initiatives.

Looking ahead, the total projected value of the capital programme between 2018/19 and 2020/21 is circa £128 million. This will be funded from the following internal and external sources: prudential borrowing (£44 million), capital receipts (£5 million), revenue and contributions (£46 million) and external grants (£33 million).

Adequacy of reserves

The Council holds working balances to meet unforeseen spending requirements and to provide certainty for medium term financial planning. The level of working balances takes into account the strategic, operational and financial risks facing the Council and is reviewed each year as part of the budget process. The Director of Resources and Deputy Chief Executive recommends that working balances are maintained at a minimum level of £6.0 million. As at 31 March 2018, working balances stood at £6.293 million, which includes the temporary contribution of £0.293 million of net favourable variances against the 2017/18 core council and DSG budgets before the final position is agreed by Full Cabinet.

In addition, since 2015/16, the Council has held further working balances, known as the budget strategy reserve, specifically to meet budget risks in order that the Council can continue to focus on three-year budget planning. This reserve is considered to be particularly important to the Council given the uncertainty over central government funding post-2020. As at 31 March 2018, the balance on the budget strategy reserve was £5.162 million, with the forecast balances to 2020/21 shown in the table below. These figures do not include the contribution of the net favourable variance against the 2017/18 core council budget of £0.251 million which is subject to Full Cabinet approval in June 2018.

	2018/19 £000	2019/20 £000	2020/21 £000
Forecast (use of)/ contribution to reserve	(1,078)	2,953	2,583
Forecast balance at year end	**4,084**	**7,037**	**9,620**

In addition, we have been prudent in our treatment of the windfall income which we anticipate receiving as a result of our involvement in the West Midlands business rates retention pilot. The first call on any such income would be to make good the financial position of any of the members of the pilot, under the agreed principle of “no detriment”. The 2017/18 windfall income that will be available for 2018/19 and future years is £5.1 million, the allocation of which will be considered by Full Cabinet in June 2018.

Further information on the movements in the earmarked general fund balances, which includes the budget strategy reserve, the windfall contingency and specific contingencies for adults' and children's services, is provided in Note 12.
Taken together, the level of the general fund earmarked and working balances contributes to the financial resilience of the Council and supports the MTFS, which continues to serve us well in balancing the many and complex demands on our budget and resourcing framework. These are difficult times for local government, but Solihull is on a sound footing to meet the challenges ahead.

Paul Johnson

Paul Johnson CPFA
Director of Resources and
Deputy Chief Executive
26 July 2018

Statement of Responsibilities

The Council's Responsibilities:

The Council is required to:

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

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

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

In preparing this Accounting Statement, the Director of Resources and Deputy Chief Executive has:

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

The Director of Resources and Deputy Chief Executive has also:

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

Certification by the Director of Resources and Deputy Chief Executive:

I, the Director of Resources and Deputy Chief Executive of Solihull Metropolitan Borough Council, certify that the Accounting Statement gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2018.

Paul Johnson

Paul Johnson CPFA
Director of Resources and Deputy Chief Executive
Authorised for issue date: 26 July 2018

Approval by Governance Committee

The audited Accounting Statement was approved by the Governance Committee on 26 July 2018.

Peter Hogarth

Councillor Peter Hogarth MBE
Chair of Governance Committee
26 July 2018

Comprehensive
Income and Expenditure Statement

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

The CI&ES is prepared in accordance with the Code, which differs from the legal rules used to calculate budgets and available balances.

These differences are adjusted for in the Movement in Reserves Statement. It is the General Fund Working Balance increase or decrease shown in the Movement in Reserves Statement which shows the overall revenue position for the Council.

Comprehensive Income and Expenditure Statement (CI&ES)

	Year ended 31 March 2018			
	Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Notes**
Adult Social Care and Health	99,420	(42,446)	56,974	
Children, Education and Skills	183,803	(140,979)	42,824	5
Environment and Housing	38,309	(47,814)	(9,505)	5
Exceptional revaluation gain on council dwellings	0	0	0	5
Managed Growth	5,674	(4,470)	1,204	
Resources and Delivering Value	90,461	(68,841)	21,620	
Stronger Communities and Partnerships	24,411	(6,220)	18,191	5
Transport and Highways	16,653	(6,588)	10,065	
Cost of Services	**458,731**	**(317,358)**	**141,373**	
Parish precepts			1,240	
Levies payable			9,090	
Amounts payable into the housing capital receipts pool			1,407	
Loss on disposal of non-current assets			45,804	5
Total Other Operating Expenditure			**57,541**	
Interest payable on debt			10,910	
Interest payable on finance leases, PFI and similar contracts			6,402	
Net interest on the net defined benefit liability			7,529	45
Investment interest income			(358)	22
Other investment income			(4,067)	22
(Surplus)/ deficit of trading operations not allocated to services			265	7
Changes in fair value of investment properties			(591)	
Rents received on investment properties			(491)	
Expenses incurred on investment properties			54	
Total Financing and Investment Income & Expenditure			**19,653**	
Council tax			(97,393)	C3
Business rates			(45,835)	5, C3
Non-ringfenced government grants			(8,869)	8
Recognised capital grants and contributions			(19,733)	8
Total Taxation and Non-Specific Grant Income			**(171,830)**	
(Surplus)/ Deficit on the Provision of Services			**46,737**	
(Surplus) on revaluation of non-current assets			(91,205)	5
Impairment losses on non-current assets charged to the revaluation reserve			0	
(Surplus) or deficit on revaluation of available-for-sale financial assets			(2,107)	20
Remeasurement of the net defined benefit liability			(18,392)	5 & 45
Any other (gains)/losses			(29)	
Other Comprehensive Income and Expenditure			**(111,733)**	
Total Comprehensive Income and Expenditure			**(64,996)**	

Comprehensive Income and Expenditure Statement (CI&ES)

Prior year comparatives — **Year ended 31 March 2017**

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes
Adult Social Care and Health	96,499	(39,161)	57,338	
Children, Education and Skills	175,188	(141,936)	33,252	5
Environment and Housing[1]	54,682	(47,722)	6,960	5
Exceptional revaluation gain on council dwellings	(81,583)	0	(81,583)	5
Managed Growth	7,139	(5,214)	1,925	
Resources and Delivering Value	99,883	(75,351)	24,532	
Stronger Communities and Partnerships	13,777	(6,776)	7,001	5
Transport and Highways	15,838	(5,857)	9,981	
Cost of Services	**381,423**	**(322,017)**	**59,406**	
Parish precepts			1,188	
Levies payable			9,414	
Amounts payable into the housing capital receipts pool			1,420	
Loss on disposal of non-current assets			2,142	5
Total Other Operating Expenditure			**14,164**	
Interest payable on debt			10,810	
Interest payable on finance leases, PFI and similar contracts			5,629	
Net interest on the net defined benefit liability			8,058	45
Investment interest income			(598)	22
Other investment income			(3,117)	22
(Surplus)/ deficit of trading operations not allocated to services			(42)	7
Changes in fair value of investment properties			(355)	
Rents received on investment properties			(1,051)	
Expenses incurred on investment properties			562	
Total Financing and Investment Income & Expenditure			**19,896**	
Council tax			(91,064)	C3
Business rates			(28,104)	5, C3
Non-ringfenced government grants			(25,334)	8
Recognised capital grants and contributions			(21,370)	8
Total Taxation and Non-Specific Grant Income			**(165,872)**	
(Surplus)/ Deficit on the Provision of Services			**(72,406)**	
(Surplus) on revaluation of non-current assets			(93,104)	5
Impairment losses on non-current assets charged to the revaluation reserve			491	
(Surplus) or deficit on revaluation of available-for-sale financial assets			(3,490)	
Remeasurement of the net defined benefit liability			64,342	5 & 45
Any other (gains)/losses			(293)	
Other Comprehensive Income and Expenditure			**(32,054)**	
Total Comprehensive Income and Expenditure			**(104,460)**	

[1] This Cabinet was previously Environment, Housing and Regeneration. The 2016/17 balances have not been restated as there has been no material change.

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.
This statement shows how the movements in the year of the Council’s reserves are broken down between gains and losses shown in the CI&ES and the statutory adjustments required to return to be charged to the General Fund Balance and the Housing Revenue Account for council tax and dwellings rent setting purposes.
The Net (Increase)/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement (MIRS)

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

Movement in Reserves Statement (MIRS) prior year comparatives

2016/17	General Fund Working Balance £000	Earmarked General Fund Balance (Note 12) £000	Earmarked Revenue Reserves (Note 11) £000	Subtotal General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
	Revenue reserves					Capital Reserves					
Balance at 31 March 2016	**(11,902)**	**(3,762)**	**(48,909)**	**(64,573)**	**(11,857)**	**(4,982)**	**(1,440)**	**(7,607)**	**(90,459)**	**(322,982)**	**(413,441)**
<u>Movement in reserves during 2016/17</u>											
Total comprehensive income and expenditure (CI&ES)	15,768	0	0	**15,768**	(88,174)	0	0	0	(72,406)	(32,054)	(104,460)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(15,254)	0	0	**(15,254)**	88,986	(8,451)	(586)	(2,002)	62,693	(62,693)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**514**	**0**	**0**	**514**	**812**	**(8,451)**	**(586)**	**(2,002)**	**(9,713)**	**(94,747)**	**(104,460)**
Other transfers (to)/ from earmarked reserves	2,994	(4,528)	1,534	0	0	0	0	0	**0**	0	**0**
(Increase)/ Decrease in 2016/17	**3,508**	**(4,528)**	**1,534**	**514**	**812**	**(8,451)**	**(586)**	**(2,002)**	**(9,713)**	**(94,747)**	**(104,460)**
Balance at 31 March 2017	**(8,394)**	**(8,290)**	**(47,375)**	**(64,059)**	**(11,045)**	**(13,433)**	**(2,026)**	**(9,609)**	**(100,172)**	**(417,729)**	**(517,901)**

Balance Sheet

The Balance Sheet shows the overall financial position of the Council at the year end, by detailing how much is owned by the Council and how much it owes.

The net assets of the Council (what is owned less what is owed) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council and Schools may use to provide services. The second category, unusable reserves, are those that the Council is not able to use to provide services.

Balance Sheet

31 March 2017 £000		31 March 2018 £000	Notes
400,941	Council Dwellings	**417,196**	H2
510,019	Other Land and Buildings	**548,431**	
17,216	Vehicles, Plant and Equipment	**16,131**	
123,956	Infrastructure Assets	**129,215**	
12,290	Community Assets	**12,290**	
19,129	Assets under Construction	**9,740**	
1,083,551	**sub-total Property, Plant & Equipment**	**1,133,003**	13
950	Heritage Assets	**950**	
10,488	Investment Property	**10,603**	16
639	Intangible Assets	**632**	17
5,000	Long-Term Investments - Money market loans	**0**	
42,813	Long-Term Investments - Available for sale financial assets	**44,920**	19d
1,316	Long-Term Debtors	**1,219**	23
1,144,757	**Long-Term Assets**	**1,191,327**	
29,626	Short-Term Investments	**30,060**	18
734	Inventories	**737**	
33,649	Short-Term Debtors	**30,342**	24
14,523	Cash and Cash Equivalents	**6,852**	25
5,282	Payments in Advance	**5,941**	26
238	Carbon Allowances	**200**	
84,052	**Current Assets**	**74,132**	
(15,110)	Bank Overdraft	**(17,070)**	25
(2,738)	Short-Term Borrowing	**(2,908)**	19e
(42,052)	Short-Term Creditors	**(33,908)**	27
(6,420)	Short-Term Provisions	**(10,494)**	28
(16,959)	Receipts in Advance	**(18,547)**	29
(83,279)	**Current Liabilities**	**(82,927)**	
(1,487)	Long-Term Provisions	**(5,864)**	28
(246,822)	Long-Term Borrowing	**(255,788)**	19e
(311,174)	Net Pensions Liability	**(274,014)**	45
(62,669)	Other Long-Term Liabilities	**(57,159)**	19e
(5,477)	Capital Grants Receipts in Advance	**(6,810)**	8
(627,629)	**Long-term Liabilities**	**(599,635)**	
517,901	**Net Assets**	**582,897**	
(100,172)	**Usable Reserves**	**(108,343)**	MIRS
(417,729)	**Unusable Reserves**	**(474,554)**	10
(517,901)	**Total Reserves**	**(582,897)**	

Cash Flow Statement

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

The Cash Flow Statement summarises the movement of cash and cash equivalents during the year regardless of which year they relate to, whereas the other core statements are based on any transaction or change in value that is relevant to 2017/18.

Cash Flow Statement

31 March 2017 £000		**31 March 2018 £000**	**Notes**
(72,406)	Net (surplus)/ deficit on the provision of services	46,737	CI&ES
13,203	Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	(74,985)	30
30,498	Adjustments for items in the net (surplus)/ deficit on the provision of services that are investing and financing activities	31,961	31
(28,705)	**Net cash flows from operating activities**	**3,713**	
17,260	Investing activities	8,715	33
3,688	Financing activities	(2,797)	34
(7,757)	**Net (increase) / decrease in cash and cash equivalents**	**9,631**	
	Overall movement in cash and cash equivalents		
(8,344)	Cash and cash equivalents at the beginning of the reporting period	(587)	
7,757	Net increase / (decrease) in cash and cash equivalents	(9,631)	
(587)	**Cash and cash equivalents at the end of the reporting period**	**(10,218)**	25

Disclosure notes to the Accounts

1. Expenditure and Funding Analysis

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

2017/18	Cabinet Report £000	Total adjustments (Note 1a) £000	Net expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between the funding and accounting basis (Note 1a) £000	Net expenditure in the Comprehensive Income & Expenditure Statement £000
Adult Social Care and Health	53,034	558	53,592	3,382	56,974
Children, Education and Skills	32,982	(3,902)	29,080	13,744	42,824
Children, Education and Skills - Dedicated Schools Grant (DSG)	771	(771)	0	0	0
Environment and Housing	14,382	(4,417)	9,965	(19,470)	(9,505)
Exceptional revaluation gain on Council Dwellings	0	0	0	0	0
Managed Growth	1,328	306	1,634	(430)	1,204
Resources and Delivering Value	16,788	(263)	16,525	5,095	21,620
Stronger Communities and Partnerships	5,503	(217)	5,286	12,905	18,191
Transport and Highways	5,892	(1,265)	4,627	5,438	10,065
Cost of services	**130,680**	**(9,971)**	**120,709**	**20,664**	**141,373**
Other income and expenditure (incl. levies)	(130,973)	8,671	(122,302)	27,666	(94,636)
(Surplus) or deficit	**(293)**	**(1,300)**	**(1,593)**	**48,330**	**46,737**

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

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

1. Expenditure and Funding Analysis (continued)

Prior year comparatives

2016/17 (restated)	Cabinet Report[1] £000	Total adjustments (Note 1a) £000	Net expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between the funding and accounting basis (Note 1a) £000	Net expenditure in the Comprehensive Income & Expenditure Statement £000
Adult Social Care and Health	55,621	786	56,407	931	57,338
Children, Education and Skills	33,023	(6,592)	26,431	6,821	33,252
Children, Education and Skills - Dedicated Schools Grant (DSG)	(1,144)	1,144	0	0	0
Environment and Housing [2]	14,544	(1,113)	13,431	(6,471)	6,960
Exceptional revaluation gain on Council Dwellings	0	0	0	(81,583)	(81,583)
Managed Growth	1,506	403	1,909	16	1,925
Resources and Delivering Value	20,011	(10,320)	9,691	14,841	24,532
Resources and Delivering Value - contribution from services to replenish working balances	(695)	695	0	0	0
Stronger Communities and Partnerships	5,706	26	5,732	1,269	7,001
Transport and Highways	6,203	516	6,719	3,262	9,981
Cost of services	**134,775**	**(14,455)**	**120,320**	**(60,914)**	**59,406**
Other income and expenditure (incl. levies)	(137,168)	18,174	(118,994)	(12,818)	(131,812)
(Surplus) or deficit	**(2,393)**	**3,719**	**1,326**	**(73,732)**	**(72,406)**

The following table shows how the net expenditure chargeable to the General Fund and HRA balances of (£1.326m) is represented in the Movement in Reserves Statement:

	Subtotal General Fund Balance £000	Housing Revenue Account (HRA) £000	Total General Fund and Housing Revenue Account (HRA) £000
Opening General Fund and HRA Balance at 1 April 2016	(64,573)	(11,857)	(76,430)
Add (surplus)/deficit on General Fund and HRA Balance in Year	514	812	1,326
Closing General Fund and HRA Balance at 31 March 2017	**(64,059)**	**(11,045)**	**(75,104)**

[1] The 2016/17 Expenditure and Funding Analysis has been restated to show the Cabinet report variance before the use of contingencies and working balances. The use of contingencies and movements in working balances are now included in the adjustments shown in Note 1a. This has been done in order to more clearly link the figures in this note to the outturn figures in the narrative report and the Movement in Reserves Statement.

[2] This Cabinet was previously Environment, Housing and Regeneration. The 2016/17 balances have not been restated as there has been no material change.

1a. Note to the Expenditure and Funding Analysis

2017/18	Housing Revenue Account £000	Earmarked Revenue Reserves £000	General Fund Earmarked Balance £000	General Fund Working Balances £000	Move DSG balance to Children, Education and Skills £000	Items reported at Cabinet level but which sit below the Net Cost of Services £000	**Total adjustments to arrive at amount charged to the general fund and HRA £000**	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	**Total adjustment between funding and accounting basis £000**
Note	(i)	(ii)	(iii)	(iv)	(v)	(vi)		(vii)	(viii)	(ix)	
Adult Social Care and Health	0	558	0	0	0	0	**558**	1,888	1,494	0	**3,382**
Children, Education and Skills	0	766	0	0	771	(5,439)	**(3,902)**	9,068	4,676	0	**13,744**
Children, Education and Skills - Dedicated Schools Grant (DSG)	0	0	0	0	(771)	0	**(771)**	0	0	0	**0**
Environment and Housing	(2,109)	411	0	0	0	(2,719)	**(4,417)**	(19,791)	275	46	**(19,470)**
Exceptional revaluation gain on Council Dwellings	0	0	0	0	0	0	**0**	0	0	0	**0**
Managed Growth	0	(566)	0	0	0	872	**306**	(829)	399	0	**(430)**
Resources and Delivering Value	0	3,157	0	0	0	(3,420)	**(263)**	(2,466)	7,269	292	**5,095**
Stronger Communities and Partnerships	0	(313)	129	0	0	(33)	**(217)**	12,137	768	0	**12,905**
Transport and Highways	0	(1,357)	0	0	0	92	**(1,265)**	5,087	351	0	**5,438**
Net cost of services	**(2,109)**	**2,656**	**129**		**0**	**(10,647)**	**(9,971)**	**5,094**	**15,232**	**338**	**20,664**
Other income and expenditure	0	(119)	(4,251)	2,394	0	10,647	**8,671**	31,214	0	(3,548)	**27,666**
Total	**(2,109)**	**2,537**	**(4,122)**	**2,394**	**0**	**0**	**(1,300)**	**36,308**	**15,232**	**(3,210)**	**48,330**

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

2016/17 (restated)	Housing Revenue Account £000	Earmarked Revenue Reserves £000	General Fund Earmarked Balance £000	General Fund Working Balances[1] £000	Move DSG balance to Children, Education and Skills and move contribution from services to Resources and Delivering Value £000	Items reported at Cabinet level but which sit below the Net Cost of Services £000	**Total adjustments to arrive at amount charged to the general fund and HRA £000**	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	**Total adjustment between funding and accounting basis £000**
Note	(i)	(ii)	(iii)	(iv)	(v)	(vi)		(vii)	(viii)	(ix)	
Adult Social Care and Health	0	786	0	0	0	0	**786**	835	98	(2)	**931**
Children, Education and Skills	0	243	0	0	(1,144)	(5,691)	**(6,592)**	6,951	(314)	184	**6,821**
Children, Education and Skills - Dedicated Schools Grant (DSG)	0	0	0	0	1,144	0	**1,144**	0	0	0	**0**
Environment and Housing[2]	812	1,116	0	0	0	(3,041)	**(1,113)**	(6,543)	18	54	**(6,471)**
Exceptional revaluation gain on Council	0	0	0	0	0	0	**0**	0	0	(81,583)	**(81,583)**
Managed Growth	0	62	0	0	0	341	**403**	(8)	24	0	**16**
Resources and Delivering Value	0	(5,718)	0	0	(695)	(3,907)	**(10,320)**	1,495	13,275	71	**14,841**
Resources and Delivering Value -	0	0	0	0	695	0	**695**	0	0	0	**0**
Stronger Communities and Partnerships	0	242	0	0	0	(216)	**26**	1,221	51	(3)	**1,269**
Transport and Highways	0	443	0	0	0	73	**516**	3,242	20	0	**3,262**
Net cost of services	**812**	**(2,826)**	**0**	**0**	**0**	**(12,441)**	**(14,455)**	**7,193**	**13,172**	**(81,279)**	**(60,914)**
Other income and expenditure	0	4,360	(4,528)	5,901	0	12,441	**18,174**	(13,401)	0	583	**(12,818)**
Total	**812**	**1,534**	**(4,528)**	**5,901**	**0**	**0**	**3,719**	**(6,208)**	**13,172**	**(80,696)**	**(73,732)**

[1]The 2016/17 Note to the Expenditure and Funding Analysis has been restated to include the use of contingencies and movements in working balances, which were previously included within the Cabinet column in the Expenditure and Funding Analysis (EFA). This has been done in order to more clearly link the figures in the EFA to the outturn figures in the narrative report and the Movement in Reserves Statement.

[2]This Cabinet was previously Environment, Housing and Regeneration. The 2016/17 balances have not been restated as there has been no material change.

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

(i) The net contribution to the Housing Revenue Account is reported to the Council within the Environment and Housing cabinet portfolio. Therefore, this needs to be removed as it is part of the (surplus) or deficit on the General Fund and HRA Balances.

(ii) For resource management purposes, the Council includes contributions (to)/ from earmarked revenue reserves in its cabinet reporting. Therefore, these need to be removed as they are part of the (surplus) or deficit on the General Fund and HRA Balances.

(iii) During 2016/17, The Budget Strategy reserve was redesignated for the purpose of the Accounting Statement as an earmarked working balance. However, as it is included within the Cabinet report figures, this amount must be removed as forms part of the (surplus) or deficit on the General Fund and HRA Balances. The 2016/17 figure has been restated in 2017/18 to include transfers (to)/from earmarked working balances, which were previously included within the Cabinet column in Note 1.

(iv) The use of General Fund Working Balances are included in the council's cabinet reporting. However, these balances form part of the (surplus) or deficit on the General Fund and HRA balances and must therefore be removed in this note. In 2016/17, the General Fund Working Balances were included within the Cabinet column in note 1. However, this has now been restated to show as an adjustment between the figures reported to Cabinet and the amount charged to the General Fund and HRA.

(v) In the Cabinet report, the amount funded by the Dedicated Schools Grant (DSG) within the Children, Education & Skills cabinet is shown separately. However, as this is within the same cabinet, it is all in one line in the CI&ES. Similarly in 2016/17, the contribution from services to replenish working balances in relation to the temporary funding of the upfront payment of pension contributions is shown separately in the Cabinet report but is included within the Resources and Delivering Value cabinet in the CI&ES.

(vi) A number of items that are reported to management (e.g. interest payable, investment income and some non-ringfenced grants) are reported in the financial statements below the cost of services, therefore, this column shows the items being reallocated.

(vii) This column adds in depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off. The provision for the repayment of debt is deducted because it is not chargeable under generally accepted accounting practices. Adjustments are also made to recognise capital grant income.

(viii) This is the removal of pension contributions charged under statute and replacement with those charged under IAS 19 in the CI&ES.

(ix) 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; and business rates and council tax income.

2. Prior Period Adjustments

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

No prior period adjustments have been required in the 2017/18 Accounting Statement.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 50, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Accounting Statement are highlighted below.

Private Finance Initiative (PFI) and Similar Contracts

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

Accounting for Local Authority Maintained Schools

The accounting policies for Property, Plant & Equipment, including Recognition of School Assets, have been applied to school assets and the list of maintained schools held on/off the Council's Balance Sheet at 31 March 2018 is shown below:

	On Balance Sheet	Off Balance Sheet
Maintained Schools:		
Community	36	0
Voluntary Controlled	1	0
Voluntary Aided	0	17
Total Maintained Schools	**37**	**17**
Academies	0	24
Total Schools	**37**	**41**

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

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

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

Group Boundaries

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

The accounting policies for Interests in companies and other entities have been applied.

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

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Contingent Liabilities	The Council has the following contingent liabilities in the Accounting Statement, further detail is given in Note 47 - Contingent Liabilities: 1. Grant Funded Projects There is uncertainty around this contingent liability as it is based on future events. 2. HRA Water Rates This contingent liability is considered to be low risk. 3. Payment of National Minimum or National Living Wage for Sleep-In Shifts There is uncertainty around this contingent liability as it is based on future events.	The effects on the contingent liabilities in the Accounting Statement can vary due to uncertain future events.
PFI Contracts	At March 2018 the Council is committed to making unitary payments of £241.008m over the remaining contracted life of PFI schemes (see Note 43). The contract payments are subject to inflationary changes and other contract variations that may arise after this date.	The value of future unitary payments could increase or decrease if the current assumed inflationary factors for these projects are inaccurate.

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if Actual Results Differ from Assumptions</th></tr>
<tr><td>Provisions</td><td>The Council has made the following provisions in the Accounting Statement that are deemed to be uncertain:
1. Business rates appeals provision of £15.145m based on the best estimate of the expenditure that will be required to settle the successful appeals. The provision for the appeals relating to the 2005 and 2010 ratings lists is based on the appeals which have been lodged, while the provision for the appeals against the 2017 list is based on the assumed loss from appeals inherent in the business rates scheme;
2. Insurance provision of £0.987m based on the number of self insurance risk claims that are not covered by the Council's external insurance policies;
3. Other provisions totalling £0.226m.
Further detail is given in Note 28 - Provisions.</td><td>A change over the forthcoming year in the calculation basis of each provision would have the effect of increasing or decreasing the contribution to or from each of the provisions.</td></tr>
<tr><td>Pensions Liability</td><td>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.
During 2017/18, the upfront payment of future years' pension contributions, along with the updating of assumptions by the Council's actuaries has led to a decrease in the net pension liability of £37.160m.
Further detail is given in Note 45 - Defined Benefit Pension Schemes.</td><td>Any change in the level of the net pension liability is reflected in the CI&ES and the balance sheet, through an equal increase in the Pensions Reserve.</td></tr>
<tr><td>Arrears</td><td>At 31 March 2018, the Council had the following balances of debtors outstanding for which appropriate impairment allowances have been made:-
<table>
<tr><th></th><th>Arrears</th><th>Impairment Allowance</th></tr>
<tr><td>Accounts receivable</td><td>£14.305m</td><td>£1.918m (13%)</td></tr>
<tr><td>Council tax</td><td>£5.270m</td><td>£4.003m (76%)</td></tr>
<tr><td>Housing benefit</td><td>£3.565m</td><td>£2.547m (71%)</td></tr>
<tr><td>HRA (rent & service charges)</td><td>£3.601m</td><td>£2.818m (78%)</td></tr>
<tr><td>Business rates</td><td>£2.816m</td><td>£2.038m (72%)</td></tr>
<tr><td>Other</td><td>£15.947m</td><td>£0.619m (4%)</td></tr>
<tr><td></td><td>£45.504m</td><td>£13.943 (31%)</td></tr>
</table>
Levels of impairment allowance are kept under review to ensure their continued adequacy.</td><td>If collection rates were to deteriorate, an additional amount of impairment allowance would be required, which would be a charge in the CI&ES.</td></tr>
</table>

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:

Children, Education and Skills
Expenditure for 2017/18 includes entries in the CI&ES that relate to valuation adjustments to school buildings, including a charge of £2.194m relating to a loss on revaluation of the land at Smith's Wood Sports College (where schools convert to academy status the Council reduces the value of the land held on our balance sheet to a nominal value).

In addition, an increase in the value of school building assets in 2016/17 on the balance sheet has resulted in a decrease in the 2017/18 depreciation charge of approximately £1.380m compared to 2016/17.

Furthermore, the current service pension cost for the service has increased by £4.697m in 2017/18, as a result of the increase in the current service cost, as detailed in Note 45.

Environment and Housing and Exceptional revaluation gain on council dwellings
During 2016/17 the council dwellings had been revalued which, combined with an increase in the existing use value from 34% to 40%, resulted in an exceptional increase in valuation in the fair value of council dwellings. This required specific disclosure due to the value of the revaluation gain (£81.583m). It also required a different technical accounting treatment compared to the (Surplus) on revaluation of non-current assets. In 2010/11 the Council dwellings were revalued downwards and £141.622m charged against the CI&ES as an exceptional item. Any revaluation gains of the Council's dwellings up to the value of £141.622m have to be accounted for in the CI&ES rather than the revaluation reserve.

During 2017/18 the Council dwellings have been revalued and a revaluation gain of £14.010m has to be accounted for in the CI&ES rather than the revaluation reserve. In line with previous years, as this is not considered to be an exceptional item, it is included within the Environment and Housing Cabinet portfolio and explains the reduction in gross expenditure in 2017/18 compared to 2016/17.

Stronger Communities and Partnerships
The increase in gross expenditure of £10.634m between 2016/17 and 2017/18 is primarily due to the revenue costs associated with the termination of the public private partnership (PPP) with Rivendell Leisure Ltd for the delivery of leisure services, as highlighted in the Narrative Report.

Loss on disposal of non-current assets
The net loss on the disposal of assets in 2017/18 was mainly attributable to the conversion of Smith's Wood Sports College to academy status, the subsequent transfer of the buildings resulted in a loss of £48.231m. By comparison in 2016/17, the net loss on disposal totalled £2.142m.

Business Rates
The Council, together with the six other West Midlands metropolitan districts, is part of a 100% business rates retention pilot which began on 1 April 2017. As a result, the share of business rates retained by the pilot authorities in 2017/18 has increased from 50% to 99%, with a share of growth since April 2016 payable to the WMCA to support its investment programme. This increase in the retained business rates has been partly offset by the removal of revenue support grant for the pilot authorities and an increase in the tariff paid by the Council to the government for resource equalisation purposes. Further information is provided in the Collection Fund statement and accompanying notes. In addition, as a result of its involvement in the pilot, the Council now bears an increased share of the cost of successful business rates appeals and the provision for such appeals has increased accordingly, as shown in Note 28 - Provisions.

(Surplus) on revaluation of non-current assets
During 2017/18 the school properties have been revalued. This has resulted in a significant increase in valuation due to an increase in the depreciated replacement cost of school buildings.

Remeasurement of the net defined benefit liability
This line within Other Comprehensive Income and Expenditure recognises the variations in the actuarial assumptions provided by the Pension Fund's actuary. In 2017/18, the application of the assumptions in line with the updated valuation of the scheme has led to a credit to the CI&ES of £18.392m (2016/17: charge of £64.342m).
Further information can be found within Note 45 - Defined Benefit Pension Schemes.

Pension Contributions for 2017/18 - 2019/20
In April 2017 the Council made an upfront payment of £50m in respect of pension contributions for the three years from 2017/18 to 2019/20 in order to save a net £4m over those three financial years. The full payment has been accounted for as a reduction in the Council’s net pension liability, however, accounting regulations require that only the amount due in relation to 2017/18 of £16m is recognised as a cost to the General Fund this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and also in the Defined Benefit Pension Schemes note (Note 45).

This means that until 2019/20, there will be a difference between the net pension liability and the pension reserve, equal to the amount that has been paid in relation to future years. This difference will remain until the 2019/20 accounts when all payments have been recognised, when these will be equal.

6. Expenditure and Income analysed by Type

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

2016/17 £000		**2017/18** **£000**
	Expenditure	
150,790	Employee benefits expenses	**152,910**
20,133	Employee benefits expenses for Voluntary Aided schools	**21,444**
263,568	Other service expenses	**270,519**
36,780	Depreciation, amortisation, impairment and revaluation losses	**21,706**
(81,583)	Exceptional revaluation gain on Council Dwellings [Note 5]	**0**
16,439	Interest payments	**17,312**
10,602	Precepts & levies	**10,330**
1,420	Payments to the housing capital receipts pool	**1,407**
2,142	Loss on disposal of non-current assets	**45,804**
420,291	**Total Expenditure**	**541,432**
	Income	
(108,881)	Fees, charges and other service income [Note 6a]	**(108,081)**
(1,051)	Rent received on investment properties	**(491)**
(3,715)	Interest and investment income	**(4,425)**
(119,168)	Income from council tax and business rates	**(143,228)**
(259,882)	Government grants and contributions	**(238,470)**
(492,697)	**Total Income**	**(494,695)**
(72,406)	**(Surplus)/ Deficit on the Provision of Services**	**46,737**

6a. Revenue from external customers

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

2016/17 £000		**2017/18** **£000**
(22,470)	Adult Social Care and Health	**(17,520)**
(9,256)	Children, Education and Skills	**(14,592)**
(46,333)	Environment, Housing and Regeneration	**(46,356)**
(4,164)	Managed Growth	**(2,383)**
(15,850)	Resources and Delivering Value	**(15,087)**
(5,697)	Stronger Communities and Partnerships	**(6,002)**
(5,111)	Transport and Highways	**(6,141)**
(108,881)	**Total fees, charges and other service income**	**(108,081)**

7. Trading Operations

Solihull Catering provides a catering service at 111 unit locations. This comprises of catering within a range of Council services, the provision of member meals, civic hospitality catering and a school meal service with some Solihull maintained schools, academies and schools in Coventry. The service has generated a trading surplus of £0.578m. (2016/17: £0.290m). There are a number of challenges facing the services in the coming year with volatility in the food market and increases in labour costs.

The trading position for the catering service for 2017/18 and 2016/17 is shown in the tables below:

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

The total shown in the CI&ES for the deficit of trading operations not allocated to services is £0.265m (surplus of £0.042m in 2016/17), in respect of the trading position for Solihull academy schools and trading with other authorities. The additional pension charge is an adjustment required for the CI&ES only and is reversed out in the MIRS, so this is not a real cost for the catering service.

2016/17	**Internal Trading**	**External Trading**	**Total**
Number of Units	*59*	*55*	*114*
	£000	**£000**	**£000**
Turnover	(5,053)	(5,824)	(10,877)
Expenditure	4,825	5,762	10,587
Total surplus	**(228)**	**(62)**	**(290)**
Additional current service cost pension charge	19	20	39
Total (surplus)/ deficit included within the Council's CI&ES	**(209)**	**(42)**	**(251)**

8. Grant Income

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2016/17 and 2017/18:

	2016/17		**2017/18**	
	£000	£000	**£000**	**£000**
Credited to Taxation and Non- specific Grant Income				
Non-ringfenced government grants				
Revenue Support Grant [1]	(19,200)		**0**	
New Homes Bonus	(4,051)		**(3,223)**	
Section 31 business rates grants	(1,123)		**(3,811)**	
Transition Grant	(960)		**(961)**	
Adult Social Care Support Grant [2]	0		**(874)**	
		(25,334)		**(8,869)**
Capital Grants and Contributions				
Basic Need Grant (Schools Capital) [3]	(5,439)		**(6,871)**	
Local Transport Plan	(3,224)		**(3,214)**	
Highways Challenge Fund	(2,342)		**(1,624)**	
A45 Bridge [4]	(1,906)		**0**	
Affordable Housing Section 106 contributions	(1,822)		**(1,320)**	
Condition Grant	(1,440)		**(1,298)**	
Highways Local Growth Fund	(1,286)		**(1,112)**	
Highways Section 106 contributions	(1,200)		**(550)**	
Other Capital Grants, Contributions and Donations	(2,711)		**(3,744)**	
		(21,370)		**(19,733)**
Credited to Services				
Dedicated Schools Grant (DSG)		(104,246)		**(102,046)**
Housing Benefit Subsidy		(56,820)		**(51,965)**
Public Health Grant		(11,508)		**(11,224)**
Better Care Fund [5]		(7,877)		**(11,502)**
PFI credits		(6,522)		**(6,673)**
Pupil Premium		(6,264)		**(5,793)**
Universal Infant Free School Meals		(2,235)		**(2,624)**
Asylum Seekers		(2,351)		**(2,436)**
Revenue expenditure funded by capital under statute (REFCUS)		(2,317)		**(2,214)**
Sixth Form Funding		(2,425)		**(1,812)**
Housing Benefit and Localised Council Tax Support Administration		(918)		**(820)**
Independent Living Fund [6]		(847)		**(819)**
PE and Sports Grant [6]		(512)		**(799)**
Education Services Grant		(2,244)		**(568)**
Other Revenue Grants, Contributions and Donations		(6,092)		**(8,573)**
		(213,178)		**(209,868)**
Total		(259,882)		**(238,470)**

[1] Revenue Support Grant (RSG) - this is the general government grant given to the Council for funding council services. As a member of the West Midlands 100% business rates retention pilot, the Council did not receive this grant in 2017/18. Instead, other payments to and from the government under the business rates retention scheme were adjusted to ensure that the pilot authorities were in a revenue neutral position at the outset of the pilot.

[2] Adult Social Care Support Grant was introduced in 2017/18 to provide additional short-term support to local authorities with social care responsibilities.

Note 8 continued

[3] Basic Need Grant is primarily received in order to support the capital requirement for providing new pupil places within the borough.

[4] The A45 bridge project is now complete so no further funding was received in 2017/18.
[5] For 2017/18 the Better Care Fund figure includes £3.049m in respect of the Improved Better Care Fund (iBCF). Further detail is provided in Note 38 (Pooled Budgets).

6 The Independent Living Fund and PE and Sports Grant were included within the Other Revenue Grants, Contributions and Donations line in the 2016/17 Accounting Statement.

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

	31 March 2017 £000	**31 March 2018** **£000**
Capital Grants Receipts in Advance		
Various Section 106 Contributions	(4,050)	**(5,326)**
Early Years Grant	(450)	**(182)**
Devolved Formula Capital	(186)	**(211)**
Other Grants and Contributions	(791)	**(1,091)**
Total	(5,477)	**(6,810)**

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017/18	Usable Reserves					
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CI&ES:						
Charges for depreciation and impairment of non-current assets	(23,023)	(9,241)	0	0	0	32,264
Revaluation gains /(losses) on Property, Plant and Equipment [1]	(3,068)	14,010	0	0	0	(10,942)
Movements in the fair value of investment property	93	498	0	0	0	(591)
Amortisation of intangible assets	(292)	(92)	0	0	0	384
Capital grants and contributions applied	10,877	1,433	0	0	0	(12,310)
Revenue expenditure funded from capital under statute	(3,269)	(4)	0	0	0	3,273
Flexible use of capital receipts	(11,121)	0	0	0	0	11,121
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(54,885)	(4,201)	0	0	0	59,086
Insertion of items not debited or credited to the CI&ES:						
Provision for the repayment of debt	8,240	920	0	0	0	(9,160)
Capital expenditure charged to the General Fund and HRA balances	3,888	170	0	0	0	(4,058)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CI&ES statement	9,290	348	0	0	(9,638)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,023	(4,023)
Adjustments primarily involving the Capital Receipts Reserve:						
Credits to the Capital Receipts Reserve to repay debt	0	0	(69)	0	0	69
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	7,778	5,504	(13,282)	0	0	0
Use of Flexible Capital Receipts to fund service reform [2]	0	0	11,121	0	0	(11,121)
Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	0	0	107	0	0	(107)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(82)	0	82	0	0	0
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(1,407)	0	1,407	0	0	0
Balance c/fwd	**(56,981)**	**9,345**	**(634)**	**0**	**(5,615)**	**53,885**

Note 9 continued

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

[1] Revaluation gains /(losses) on Property, Plant and Equipment includes the revaluation gain of £14.010m on the Council's dwellings. Further details are given in Note 5 - Material Items of Income and Expenditure.

[2] For further information on the flexible use of capital receipts see Note 41 - Capital Expenditure and Capital Financing.

Note 9 continued

2016/17	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
	Usable Reserves					
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CI&ES:						
Charges for depreciation and impairment of non-current assets	(19,935)	(10,598)	0	0	0	30,533
Revaluation losses on Property, Plant and Equipment	(5,388)	81,256	0	0	0	(75,868)
Movements in the fair value of investment property	318	37	0	0	0	(355)
Amortisation of intangible assets	(394)	(138)	0	0	0	532
Capital grants and contributions applied	17,328	2,068	0	0	0	(19,396)
Revenue expenditure funded from capital under statute	(3,201)	0	0	0	0	3,201
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(9,583)	(2,572)	0	0	0	12,155
Insertion of items not debited or credited to the CI&ES:						
Provision for the repayment of debt	8,172	956	0	0	0	(9,128)
Capital expenditure charged to the General Fund and HRA balances	2,429	3,225	0	0	0	(5,654)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied debited/ (credited) to the CI&ES	4,290	0	0	0	(4,290)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,288	(2,288)
Adjustments primarily involving the Capital Receipts Reserve:						
Credits to the Capital Receipts Reserve to repay debt	0	0	(67)	0	0	67
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6,235	3,778	(10,013)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	0	0	109	0	0	(109)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(100)	0	100	0	0	0
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(1,420)	0	1,420	0	0	0
Balance c/fwd	**(1,249)**	**78,012**	**(8,451)**	**0**	**(2,002)**	**(66,310)**

Note 9 continued

2016/17	Usable Reserves: General Fund Working Balance £000	Usable Reserves: Housing Revenue Account £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Major Repairs Reserve £000	Usable Reserves: Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Balance b/fwd	**(1,249)**	**78,012**	**(8,451)**	**0**	**(2,002)**	**(66,310)**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	11,028	0	(11,028)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,442	0	(10,442)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	98	(54)	0	0	0	(44)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(24,569)	0	0	0	0	24,569
Employer's contributions payable to scheme	11,397	0	0	0	0	(11,397)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NDR income credited to the CI&ES is different from that calculated for the year in accordance with statutory requirements	(754)	0	0	0	0	754
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(177)	0	0	0	0	177
Total Adjustments	**(15,254)**	**88,986**	**(8,451)**	**(586)**	**(2,002)**	**(62,693)**

Note 9 continued

Usable Reserves

The purpose of each usable reserve is detailed below:

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

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

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

Housing Revenue Account
This reserve holds funds that are available to meet future costs relating to the Council's housing stock.

Capital Receipts Reserve

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

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

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

10. Unusable Reserves

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

31 March 2017 £000		**31 March 2018 £000**	Note
(225,980)	Revaluation Reserve	**(282,275)**	10a
(470,104)	Capital Adjustment Account	**(462,157)**	10b
(37,457)	Available for Sale Financial Instruments Reserve	**(39,564)**	10c
(210)	Financial Instruments Adjustment Account (FIAA)	**(91)**	
311,174	Pensions Reserve	**308,014**	10d
2,678	Collection Fund Adjustment Account	**(870)**	
2,170	Accumulated Absences Account	**2,389**	
(417,729)	Total Unusable Reserves	**(474,554)**	

10a. Revaluation Reserve

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

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

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

2016/17 £000		**2017/18 £000**	**£000**
(161,323)	**Balance at 1 April**		**(225,980)**
(93,732)	Upward revaluation of assets [1]	**(92,966)**	
1,119	Downward revaluation of assets and impairment losses not charged to the (Surplus)/ Deficit on the Provision of Services in the CI&ES	**1,761**	
			(91,205)
21,682	In-year adjustment [2]		**0**
4,583	Difference between fair value depreciation and historical cost depreciation		**9,746**
1,691	Disposals and transfers to investment property [3]		**25,164**
(225,980)	**Balance at 31 March**		**(282,275)**

[1] Further details of revaluations are given in Note 5 - Material Items of Income and Expenditure.

[2] The in-year adjustment in 2016/17 is a one-off technical adjustment between the revaluation reserve and the capital adjustment account to reflect the treatment of revaluation gains following a revaluation loss on Council dwellings in 2010/11.

[3] Smith's Wood Sports College converted to academy status during 2017/18. The balance contained within the revaluation reserve of £24.823 million in respect of the derecognised asset is written off to the capital adjustment account and is included in the disposals and transfers to investment property line.

10b. Capital Adjustment Account

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

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

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

2016/17 £000		**2017/18 £000**	**2017/18 £000**
(365,103)	**Balance at 1 April**		**(470,104)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
30,053	Charges for depreciation on non-current assets	**31,495**	
480	Charges for impairment on non-current assets	**769**	
(75,868)	Revaluation (gains) /losses on Property, Plant and Equipment	**(10,942)**	
532	Amortisation of intangible non-current assets	**384**	
3,201	Revenue expenditure funded from capital under statute	**3,273**	
0	Revenue expenditure funded from capital under statute - flexible use of capital receipts	**11,121**	
12,155	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the CI&ES	**59,086**	
(29,447)			**95,186**
	Adjusting amounts written out of the Revaluation Reserve		
(4,583)	Write down of the Revaluation Reserve - depreciation	**(9,746)**	
(1,691)	Write down of the Revaluation Reserve - disposals	**(25,164)**	
(6,274)	Net amount written out of the cost of non-current assets consumed in the year		**(34,910)**
	Capital Financing applied in the year:		
(109)	Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	**(107)**	
(10,442)	Use of the Major Repairs Reserve to finance new capital expenditure	**(10,998)**	
(19,396)	Use of capital grants and contributions credited to the CI&ES	**(12,310)**	
(2,288)	Application of grants from the Capital Grants Unapplied Account to fund capital expenditure	**(4,023)**	
(5,654)	Capital expenditure funded from revenue and reserves	**(4,058)**	
(9,128)	Provision for the repayment of debt	**(9,160)**	
(47,017)			**(40,656)**
	Other Movements		
(21,682)	In-year adjustment [1]	**0**	
(355)	Movements in the market value of investment properties debited or credited to the CI&ES	**(591)**	
0	Flexible use of capital receipts	**(11,121)**	
(293)	Removal of liability relating to the disposal of leased assets	**(29)**	
33	Transferred debt	**33**	
34	Loan repayment	**35**	
(22,263)			**(11,673)**
(470,104)	**Balance at 31 March**		**(462,157)**

[1] The in-year adjustment in 2016/17 is a one-off technical adjustment between the revaluation reserve and the capital adjustment account to reflect the treatment of revaluation gains following a revaluation loss on Council dwellings in 2010/11.

10c. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

2016/17 £000		**2017/18** **£000**
(33,967)	**Balance at 1 April**	**(37,457)**
(3,490)	(Upward) or downward revaluation of investments	**(2,107)**
(37,457)	**Balance at 31 March**	**(39,564)**

10d. Pensions Reserve

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

The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. As detailed in Note 5, the difference between the net pension liability and the pensions reserve as at 31 March 2018 is as a result of the advance payment of £34m for the employer's contributions for 2018/19 and 2019/20.

2016/17 £000		**2017/18** **£000**	 **£000**
233,660	**Balance at 1 April**		**311,174**
64,342	Remeasurement of the net defined benefit liability	**(18,392)**	
24,569	Reversal of items relating to retirement benefits debited to the (Surplus)/ Deficit on the Provision of Services in the CI&ES	**32,198**	
(11,397)	Employer’s pensions contributions and direct payments to pensioners payable in the year	**(16,966)**	
			(3,160)
311,174	**Balance at 31 March**		**308,014**

11. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund expenditure in 2016/17 and 2017/18.

General Fund Earmarked Revenue Reserves	Balance at 1 April 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000
Schools [1]	(10,852)	1,793	(2,488)	**(11,547)**	2,800	(2,527)	**(11,274)**
Future Capital Spending	(4,239)	302	(1,176)	**(5,113)**	335	(30)	**(4,808)**
Insurance	(2,587)	31	(787)	**(3,343)**	1,480	(1,406)	**(3,269)**
Grants unapplied with no conditions	(4,059)	931	(607)	**(3,735)**	1,692	(851)	**(2,894)**
External Debt Interest	(2,366)	3,185	(6,275)	**(5,456)**	4,076	(1,442)	**(2,822)**
Development, Investment and Growth (DIG Fund)	(1,443)	0	(207)	**(1,650)**	0	0	**(1,650)**
Schools Catering	(445)	17	(329)	**(757)**	53	(579)	**(1,283)**
Leisure	(212)	47	(76)	**(241)**	0	(967)	**(1,208)**
Street Lighting Services	(893)	1,407	(981)	**(467)**	183	(580)	**(864)**
Resources Directorate	(423)	0	0	**(423)**	0	(440)	**(863)**
Recycling Projects	(2,129)	1,104	(99)	**(1,124)**	288	0	**(836)**
POS Commuted Sums	0	0	0	**0**	0	(808)	**(808)**
Section 38	0	0	0	**0**	0	(730)	**(730)**
Solihull Families First	(950)	118	(31)	**(863)**	156	0	**(707)**
S106 agreements - Highways Maintenance	0	0	0	**0**	17	(657)	**(640)**
Severance	(1,603)	764	(469)	**(1,308)**	1,226	(469)	**(551)**
Business Rates Deficit Reserve	(670)	1,701	(2,152)	**(1,121)**	1,616	(861)	**(366)**
Superfast Broadband Reserve	(578)	190	0	**(388)**	190	0	**(198)**
Unaccompanied Asylum Seeking Children	(1,463)	690	0	**(773)**	643	0	**(130)**
Adult Social Care	(923)	901	(40)	**(62)**	0	0	**(62)**
Bereavement Services	(645)	212	(141)	**(574)**	715	(141)	**0**
Budget Strategy [2]	(3,479)	10,723	(7,244)	**0**	0	0	**0**
Sub Total	**(39,959)**	**24,116**	**(23,102)**	**(38,945)**	**15,470**	**(12,488)**	**(35,963)**
Other	(8,950)	2,076	(1,556)	**(8,430)**	991	(1,436)	**(8,875)**
Total	**(48,909)**	**26,192**	**(24,658)**	**(47,375)**	**16,461**	**(13,924)**	**(44,838)**

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

[2] The Budget Strategy reserve was redesignated for the purpose of the Accounting Statement as an earmarked working balance during 2016/17 and is included in Note 12 - Transfers (to)/ from Earmarked General Fund balance.

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

This note sets out the amounts set aside from the General Fund in earmarked contingencies to provide financing for future expenditure plans and the amounts transferred from earmarked contingencies to meet General Fund expenditure in 2016/17 and 2017/18.

Earmarked General Fund Balance	Balance at 1 April 2016	Transfers out 2016/17	Transfers in 2016/17	Balance at 31 March 2017	Transfers out 2017/18	Transfers in 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	(644)	644	0	**0**	0	0	**0**
Adult Social Care Investment	(1,000)	1,000	0	**0**	0	(2,497)	**(2,497)**
Budget Strategy [1]	0	0	(6,450)	**(6,450)**	1,288	0	**(5,162)**
Business Rates Windfall	0	0	0	**0**	871	(5,417)	**(4,546)**
Children's Services	(1,911)	278	0	**(1,633)**	1,633	0	**0**
Public Health	(207)	0	0	**(207)**	0	0	**(207)**
Total	**(3,762)**	**1,922**	**(6,450)**	**(8,290)**	**3,792**	**(7,914)**	**(12,412)**

[1] As shown in note 11, the Budget Strategy reserve was redesignated for the purpose of the Accounting Statement as an earmarked working balance during 2016/17 and is shown above as being transferred from an earmarked revenue reserve. The balance transferred of £6.450m is included within the figure of £10.723m shown as a transfer out of the reserve in Note 11.

13. Movements on Balances for Property, Plant and Equipment

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

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

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

Explanations for significant movements:

The increase in the value of Council dwellings is as a result of the year on year increase in the vacant possession fair value for HRA stock. Other land and buildings value has increased due to the revaluation of assets, primarily schools, as the cost to replace these assets has increased. The termination of the PPP contract has reduced the value of assets classified as PFI assets in the memo item categorisation. The Council recognise these assets on the balance sheet in Other Land and Buildings both before and after the termination so no movement has occurred in the balance sheet of the Council.

Note 13 continued

2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	**Total Property Plant and Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Certified Valuation at 31 March 2016	319,279	466,031	19,000	140,178	12,265	19,131	**975,884**	61,054
Accumulated Depreciation and Impairment	0	(27,105)	(7,564)	(36,357)	0	0	**(71,026)**	(8,092)
Net Book Value at 31 March 2016	**319,279**	**438,926**	**11,436**	**103,821**	**12,265**	**19,131**	**904,858**	**52,962**
Additions	12,067	6,046	2,302	11,933	34	13,198	**45,580**	25
Other adjustments	0	0	7,045	0	0	0	**7,045**	7,045
Revaluations recognised in the revaluation reserve	458	92,655	0	0	(9)	0	**93,104**	21,925
Revaluations recognised in the (surplus)/ deficit on the provision of services	81,583	(5,715)	0	0	0	0	**75,868**	0
Disposals	(2,572)	(9,583)	0	0	0	0	**(12,155)**	0
Reclassifications	417	988	365	11,706	0	(13,200)	**276**	0
Depreciation on cost	(9,543)	(8,492)	(3,932)	(3,504)	0	0	**(25,471)**	(2,823)
Depreciation written out to revaluation reserve	(748)	(3,835)	0	0	0	0	**(4,583)**	(466)
Impairment losses recognised in the revaluation reserve	0	(491)	0	0	0	0	**(491)**	0
Impairment losses recognised in the (surplus)/ deficit on the provision of services	0	(480)	0	0	0	0	**(480)**	0
Net Book Value at 31 March 2017	**400,941**	**510,019**	**17,216**	**123,956**	**12,290**	**19,129**	**1,083,551**	**78,668**

The Net Book Value at 31 March 2017 is analysed as follows:

Certified Valuation at 31 March 2017	400,941	526,537	24,394	163,811	12,290	19,129	**1,147,102**	80,933
Accumulated Depreciation and Impairment	0	(16,518)	(7,178)	(39,855)	0	0	**(63,551)**	(2,265)

14. Capital Commitments

As at 31 March 2018, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. The major commitments are listed in the table below.

	2016/17	**2017/18**
	£000	**£000**
HRA Acquisitions & New Build	7,355	**4,707**
HRA Low Rise Block Programme	3,718	**2,794**
HRA Minor Structural & Other Minor Works	1,693	**1,528**
HRA Heating	731	**1,500**
HRA Re-Roofing	499	**798**
HRA Lifts	443	**634**
HRA High Rise Block Programme	624	**570**
Yorkswood Primary School	0	**5,600**
Greening the Grey - Cycle Schemes	0	**1,578**
Sharman's Cross - Additional Form Entry	0	**746**
Marshall Lake left turn	0	**470**
Solihull Train Station to Town Centre Accessibility	0	**345**
Chelmund's Cross Village Centre	240	**71**
Greswold School	438	**59**
Windy Arbor Regeneration	2,022	**57**
Blossomfield Infant School	657	**37**
Kingshurst Primary School Extension	417	**10**
Total	18,837	**21,504**

15. Revaluations

The freehold and leasehold properties which comprise the Council's portfolio were originally valued as at 31 March 1994 and are re-valued on a rolling programme using the under-mentioned bases. This has been done in accordance with the practice statement in the Appraisal of Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). The valuer is an internal RICS-qualified surveyor, all valuations were carried out internally. Not all the properties were inspected as this was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Since then all non-current assets have been re-valued over a five year rolling programme. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly, and as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year-end. Fair value is determined as the amount that would be paid for the asset in its existing use (existing use value).

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

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

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

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

2016/17	**Valued at Historical Cost**	**Valued at Current/ Fair Value**					
		2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Council Dwellings	0	0	0	0	0	400,941	**400,941**
Other Land and Buildings	276	21,391	73	6,806	63,693	417,780	**510,019**
Vehicles, Plant and Equipment	17,216	0	0	0	0	0	**17,216**
Infrastructure Assets	123,956	0	0	0	0	0	**123,956**
Community Assets	12,290	0	0	0	0	0	**12,290**
Assets Under Construction	19,129	0	0	0	0	0	**19,129**
Heritage Assets	950	0	0	0	0	0	**950**
Investment Property	117	0	0	0	0	10,371	**10,488**
Intangible Assets	639	0	0	0	0	0	**639**
TOTAL	**174,573**	**21,391**	**73**	**6,806**	**63,693**	**829,092**	**1,095,628**

16. Investment Property

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

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

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

2016/17 £000		**2017/18 £000**
10,409	**Balance at 1 April**	**10,488**
0	Additions	**36**
0	Disposals	**(512)**
355	Net gains from fair value adjustments	**591**
(276)	Reclassifications	**0**
10,488	**Balance at 31 March**	**10,603**

For all properties where a fair value review has been conducted, fair values were based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of assets has been ranked into three tier groups. All assets have been assessed as tier level two. There has been no change in the valuation techniques used during the year for investment properties. In estimating the fair value of the Council's investment properties, the highest and best use is their current use. The table below is a breakdown of the tier two valuations between recurring and non-recurring.

	2016/17 £000	**2017/18 £000**
Recurring Level 2 Fair Value	10,371	**10,486**
Non-recurring Level 2 Fair Value	117	**117**
Balance at 31 March	10,488	**10,603**

17. 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 is not therefore 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. The useful lives assigned to the major software suites used by the Council are normally between 3 and 10 years.

The movement on intangible asset balances during the year is as follows:

2016/17 Total Software Licences £000		**2017/18 Total Software Licences £000**
1,684	Certified Valuation at 31 March	**1,304**
(654)	Accumulated Amortisation and Impairment	**(665)**
1,030	**Net book value of assets at start of the year**	**639**
141	Purchases	**377**
(532)	Amortisation	**(384)**
639	**Net book value of assets at end of the year**	**632**

The carrying amount of intangible assets is amortised on a straight line basis.

18. Financial Instruments - Summary

Financial Instruments, as defined by the Code, include only amounts due under a contractual arrangement. Therefore, the debtors, creditors, payments in advance and receipts in advance figures included within the summary below, and in Note 19 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 financial instruments carried in the balance sheet are summarised as follows:-

	Long-Term		Short-term	
	31 March 2017 £000	**31 March 2018 £000**	31 March 2017 £000	**31 March 2018 £000**
Financial assets				
Investments	47,813	**44,920**	29,626	**30,060**
Debtors and other receivables	1,316	**1,219**	44,298	**35,454**
Total financial assets	49,129	**46,139**	73,924	**65,514**
Financial liabilities				
Borrowings	(246,822)	**(255,788)**	(17,848)	**(19,978)**
PFI and finance lease liabilities	(62,669)	**(57,159)**	(2,746)	**(2,355)**
Creditors and other payables	0	**0**	(30,544)	**(28,082)**
Total financial liabilities	(309,491)	**(312,947)**	(51,138)	**(50,415)**

19. Fair values of Assets and Liabilities

19a. 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, these are disclosed within Note 20 to the accounts.

19b. Transfers between levels of the Fair Value Hierarchy

The fair value hierarchy is defined within Note 50 - Accounting Policies, policy number 12 - Fair Value Measurement.
There were no transfers between input levels during the year.

19c. Changes in Valuation Technique

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

19d. Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

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

2016/17	Unquoted Shares	Other	**Total**
	£000	£000	**£000**
Opening balance at 1 April	39,323	0	**39,323**
Transfers into Level 3	0	0	**0**
Transfers out of Level 3	0	0	**0**
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure *	3,490	0	**3,490**
Additions	0	0	**0**
Disposals	0	0	**0**
Closing Balance at 31 March	**42,813**	**0**	**42,813**

* Gains or (losses) included in Other Comprehensive Income and Expenditure relate to the unquoted shares in Birmingham Airport Ltd and Coventry and Solihull Waste Disposal Company, and are taken to the Available for Sale Financial Instruments Adjustment Account. These are reported in the (surplus) or deficit on revaluation of available-for-sale financial assets line in the Comprehensive Income and Expenditure Statement.

A more detailed analysis of the amounts reported here is provided in Notes 20a and 20b which follow.

19e. The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value (as detailed within Note 20), all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer, it is appropriate to disclose the exit price (Level 2). As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on the Balance Sheet date (which could be viewed as a proxy for transfer value);

- For non-PWLB loans, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures (Level 2);
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of the financial assets are as follows:

	31 March 2017		**31 March 2018**	
	Balance sheet value	Fair value	**Balance sheet value**	**Fair value**
	£000	£000	**£000**	**£000**
Long-term financial assets				
Loans and receivables - long-term				
Money market loans (> 1 year)	5,000	5,000	**0**	**0**
Available-for-sale financial assets:				
- No active market: valuation	42,610	42,610	**44,717**	**44,717**
- No active market: equity instruments	203	203	**203**	**203**
sub-total available-for-sale financial assets	42,813	42,813	**44,920**	**44,920**
Other long-term receivables				
Long-term debtors	1,316	1,316	**1,219**	**1,219**
Sub-total long-term financial assets	49,129	49,129	**46,139**	**46,139**
Short Term Financial Assets [1]				
Loans and receivables - short-term				
Cash and cash equivalents	14,523	14,523	**6,852**	**6,852**
Money market loans (< 1 year)	29,581	29,581	**30,033**	**30,033**
Insurance liability fund	45	45	**27**	**27**
Sub-total loans and receivables - short-term	44,149	44,149	**36,912**	**36,912**
Other short-term receivables				
Short-term debtors [2]	24,493	24,493	**22,661**	**22,661**
Payments in advance [2]	5,282	5,282	**5,941**	**5,941**
Sub-total short-term receivables	29,775	29,775	**28,602**	**28,602**
Sub-total short-term financial assets	73,924	73,924	**65,514**	**65,514**
Total financial assets	**123,053**	**123,053**	**111,653**	**111,653**

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

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

The fair values of the financial liabilities are as follows:

	31 March 2017 Balance sheet value	31 March 2017 Fair value	**31 March 2018 Balance sheet value**	**31 March 2018 Fair value**
	£000	£000	**£000**	**£000**
Long-term financial liabilities				
Financial liabilities at amortised cost				
Borrowing - PWLB [1]	(203,539)	(352,329)	**(213,210)**	**(357,445)**
Borrowing - Dudley MBC debt [2]	(7,388)	(9,105)	**(6,743)**	**(7,779)**
Borrowing - Walsall MBC debt	(606)	(747)	**(550)**	**(635)**
Borrowing - other long term loans [3]	(35,289)	(60,989)	**(35,285)**	**(60,746)**
Sub-total long-term financial liabilities at amortised cost	(246,822)	(423,170)	**(255,788)**	**(426,605)**
Financial liabilities at fair value through profit and loss				
PFI liabilities and similar contracts	(59,039)	(111,584)	**(53,553)**	**(92,328)**
Finance lease liabilities	(3,630)	(3,630)	**(3,606)**	**(3,606)**
Sub-total long-term financial liabilities at fair value through profit and loss	(62,669)	(115,214)	**(57,159)**	**(95,934)**
Sub-total long-term financial liabilities	(309,491)	(538,384)	**(312,947)**	**(522,539)**
Short-term financial liabilities				
Financial liabilities at amortised cost				
PWLB	(1,924)	(1,924)	**(2,030)**	**(2,030)**
Dudley MBC debt [2]	(588)	(588)	**(646)**	**(646)**
Walsall MBC debt	(53)	(53)	**(56)**	**(56)**
Other short term loans [3]	(173)	(173)	**(176)**	**(176)**
Sub-total short-term financial liabilities at amortised cost	(2,738)	(2,738)	**(2,908)**	**(2,908)**
Financial liabilities at fair value through profit and loss				
Bank overdraft	(15,110)	(15,110)	**(17,070)**	**(17,070)**
PFI and finance lease liabilities	(2,746)	(2,746)	**(2,355)**	**(2,355)**
Short-term creditors [4]	(24,369)	(24,369)	**(20,573)**	**(20,573)**
Receipts in advance [4]	(6,175)	(6,175)	**(7,509)**	**(7,509)**
Sub-total short-term financial liabilities at fair value through profit and loss	(48,400)	(48,400)	**(47,507)**	**(47,507)**
Sub-total short-term financial liabilities	(51,138)	(51,138)	**(50,415)**	**(50,415)**
Total financial liabilities	**(360,629)**	**(589,522)**	**(363,362)**	**(572,954)**

[1] The fair value of the long-term PWLB liabilities of £357.445m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £213.210m would be valued at £292.922m. But, if the Council was to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £144.235m for the additional interest that will not now be paid. The exit price for the long-term PWLB liabilities including the penalty charge would be £357.445m.

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

[3] Other loans are a mixture of fixed and variable rate market and LOBO (Lender Option, Borrower Option) loans. These loans were taken out to take the opportunity of advantageous borrowing rates over that offered by the PWLB at that time, and also to mitigate refinancing risk.

4 Short-term creditors and receipts in advance 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.

20. Available-for-sale Financial Assets

20a. No active market (Valuation)

	Input Level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2017 £000	**31 March 2018 £000**
Birmingham Airport Holdings Ltd				
- Ordinary Shares *	Level 3	Earning based valuation	18,101	**17,708**
- Preference Shares			1,176	**1,176**
Coventry & Solihull Waste Disposal Company Ltd				
- Ordinary Shares *	Level 3	Earning based valuation	23,333	**25,833**
- Preference Shares			0	**0**
Total			42,610	**44,717**

* In line with the accounting policy on the valuation of assets, a full valuation is required for the Council's shareholding investment in Birmingham Airport Holdings Ltd and the Coventry and Solihull Waste Disposal Company Ltd every five years. An annual desktop valuation exercise is carried out in the interim years to assess whether there has been a material change in the valuation. There has been no change in the valuation technique used during the financial year for these financial instruments. Interim valuations have been carried out for both shareholdings in 2017/18 and are reflected in the 31 March 2018 figures.

Birmingham Airport Holdings Ltd (BAH)

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

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

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

The desktop valuation undertaken in March 2018 resulted in a decrease in the value of the Council's shareholding from £19.277m to £18.884m, which is reflected in the Council's Balance Sheet.

BAH was incorporated on 4 February 1997 and commenced trading on 26 March 1997. The BAH Group accounts incorporate Birmingham International Airport Ltd, Euro Hub (Birmingham) Ltd, Birmingham Airport Developments Ltd, First Castle Developments Ltd, Birmingham Airport (Finance) plc and BHX Fire and Rescue Ltd. The principal activity of the Group is the operation and management of Birmingham International Airport and the provision of facilities and services associated with those operations. During this year the Council received dividends of £1.229m (2016/17: £1.146m) and ground rent of £0.060m (2016/17: £0.059m).

A copy of BAH's accounts is available from:

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

Coventry & Solihull Waste Disposal Company Ltd

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

The Company was vested on 31 March 1994 with a total share capital of £14.925m made up of 99 £1 ordinary shares and 14,925,000 £1 preference shares, of which 4,975,000 were issued to Solihull Council. During the years 2012/13 to 2015/16 all of these preference shares were redeemed resulting in total capital receipts of £4.975m to the Council. Dividend income of £2.833m (2015/16: £1.845m) was receivable for 2017/18.

Solihull Council has 1/3 ownership of the ordinary shares of the company with Coventry City Council owning 2/3. These two shareholders benefit from any surpluses made and will contribute to any liabilities or losses the company cannot meet. These shares are not quoted on any Stock Exchange.

The desktop valuation undertaken in March 2018 resulted in a increase in the value of the Council's shareholding from £23.333m to £25.833m, which is reflected in the Council's Balance Sheet.

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

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

20b. No active market (Equity Instruments)

	Input Level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2017 £000	31 March 2018 £000
Blythe Valley Innovation Centre Ltd - Ordinary Shares	Level 3	Historic Cost	203	**203**

Blythe Valley Innovation Centre Ltd (BVIC)

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

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

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

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

This change is due to take place during 2018/19 and will mean that in the 2018/19 Accounting Statement the assets of Blythe Valley will be included within the Council's single entity accounts and there will be no group account disclosures.

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

The Company Secretary
Blythe Valley Innovation Centre Ltd
Council House
Manor Square
Solihull
B91 3QB

21. Nature and Extent of Risks Arising from Financial Instruments

21a. 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.

21b. Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the TM Code;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council’s overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an Annual Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting Investment counterparties in compliance with the Government guidance.

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

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

21c. 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.

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 2018, £12.065m of trade debtors (£14.304m 31 March 2017) were held on the Accounts Receivable system awaiting payment, these are analysed by age as shown in the table below:

	31 March 2017 £000	**31 March 2018 £000**
Less than three months	11,300	**8,526**
Three to six months	461	**661**
Six months to one year	584	**645**
More than one year	1,959	**2,233**
Total trade debtors	14,304	**12,065**

The Council has an impairment allowance in place of £1.918m to mitigate against this risk.

21d. Liquidity Risk

The Council manages its liquidity position through the risk management procedures detailed in Note 21b (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the TM Code. This seeks to ensure that cash is available when it is needed.

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

21e. Refinancing and Maturity Risk

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

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

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

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

	31 March 2017 £000	**31 March 2018 £000**
Less than 1 year	317	**329**
Between 1 and 2 years	329	**341**
Between 2 and 5 years	5,062	**5,101**
Between 5 and 10 years	6,047	**6,123**
Between 10 and 20 years	13,402	**13,602**
Between 20 and 30 years	38,471	**43,759**
Between 30 and 40 years	85,661	**96,717**
Between 40 and 50 years	89,566	**82,566**
More than 50 years	0	**0**
Total	238,855	**248,538**

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.

21f. Market Risk (Interest Rate Risk)

The Council is exposed to interest rate movements on its borrowings and investments. Of the £249m debt held as at 31 March 2018, £25m was at variable interest rates and £224m was at fixed interest rates. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

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

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

If all interest rates had been 1% higher during 2017/18 (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	113
Increase in interest receivable on variable rate investments	(564)
Impact on (Surplus)/ Deficit on Provision of Services in CI&ES	**(451)**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	76,459

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 19 - Fair values of Assets and Liabilities.

21g. Price Risk

The shares held in Birmingham Airport Holdings Ltd and Coventry and Solihull Waste Disposal Company Ltd are classified as 'available-for-sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income & Expenditure.

21h. Foreign Exchange Risk in relation to Icelandic Deposits

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.

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

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments for 2017/18 and 2016/17 are made up as follows:

	2017/18			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for sale	**Total**
	£000	£000	£000	**£000**
Total interest expense in the (Surplus)/ Deficit on the Provision of Services	17,312	0	0	**17,312**
Total investment interest and other investment income in the (Surplus)/ Deficit on the Provision of Services	0	(358)	(4,067)	**(4,425)**
(Surplus) or deficit arising on revaluation of financial assets in Other CI&ES	0	0	(2,107)	**(2,107)**
Net (gain)/loss for the year on Financial Instruments	**17,312**	**(358)**	**(6,174)**	**10,780**

	2016/17			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for sale	**Total**
	£000	£000	£000	**£000**
Total interest expense in the (Surplus)/ Deficit on the Provision of Services	16,439	0	0	**16,439**
Total investment interest and other investment income in the (Surplus)/ Deficit on the Provision of Services	0	(598)	(3,117)	**(3,715)**
(Surplus) or deficit arising on revaluation of financial assets in Other CI&ES	0	0	(3,490)	**(3,490)**
Net (gain)/loss for the year on Financial Instruments	**16,439**	**(598)**	**(6,607)**	**9,234**

23. Long-term Debtors (greater than one year)

31 March 2017 £000		£000	31 March 2018 £000
0	Mortgages		**0**
61	Transferred debt		**28**
2,039	Other entities and individuals	**1,975**	
(784)	Impairment allowance	**(784)**	
	Other entities and individuals (net of impairment allowance)		**1,191**
1,316	**Total**		**1,219**

24. Short-term Debtors (less than one year)

31 March 2017 £000		£000	31 March 2018 £000
8,000	Central government bodies		**6,429**
4,442	Other local authorities		**5,857**
4,801	NHS bodies		**2,787**
26,092	Other entities and individuals	**28,428**	
(9,686)	Impairment allowance	**(13,159)**	
	Other entities and individuals (net of impairment allowance)		**15,269**
33,649	**Total**		**30,342**

25. 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 2017 £000		£000	31 March 2018 £000
35	Cash floats held by the Council	**34**	
14,488	Cash equivalents and cash at bank	**6,818**	
14,523	**Cash and cash equivalents**		**6,852**
(15,110)	Bank Overdraft		**(17,070)**
(587)	**Total**		**(10,218)**

26. Payments in Advance

31 March 2017 £000		31 March 2018 £000
213	Other local authorities	**23**
5,069	Other entities and individuals	**5,918**
5,282	**Total**	**5,941**

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

31 March 2017 £000		31 March 2018 £000
(10,318)	Central government bodies	**(7,286)**
(3,547)	Other local authorities	**(3,038)**
(838)	NHS bodies	**(293)**
(12)	Public corporations and trading funds	**0**
(27,337)	Other entities and individuals	**(23,291)**
(42,052)	**Total**	**(33,908)**

28. Provisions

	Business Rates Appeals £000	Insurance £000	Other Provisions £000	Total £000
Balance at 31 March 2017	(6,574)	(1,054)	(279)	**(7,907)**
Balance at 1 April 2017 *	(13,283)	(1,054)	(279)	**(14,616)**
Provisions made in 2017/18	(6,064)	(715)	(2)	**(6,781)**
Amounts used in 2017/18	4,202	782	55	**5,039**
Balance at 31 March 2018	**(15,145)**	**(987)**	**(226)**	**(16,358)**
Likely year of defrayment				
2018/19	(9,753)	(725)	(16)	**(10,494)**
Total short-term provisions	**(9,753)**	**(725)**	**(16)**	**(10,494)**
2019/20	(1,386)	(150)	(9)	**(1,545)**
2020/21	(1,113)	(60)	(9)	**(1,182)**
2021/22	(1,113)	(52)	(9)	**(1,174)**
2022/23	(1,113)	0	(9)	**(1,122)**
2023/24 - 2042/43	(667)	0	(174)	**(841)**
Total long-term provisions	**(5,392)**	**(262)**	**(210)**	**(5,864)**
Total defrayment	**(15,145)**	**(987)**	**(226)**	**(16,358)**

* The opening balance on the business rates provision is £6.709m higher than the closing balance as at 31 March 2017. This represents what was previously the government's share (50%) of the provision for successful business rates appeals which, under the 100% business rates retention pilot, became the responsibility of the Council from 1 April 2017.

28. Provisions (continued)

Further details of the main provisions are given below:

Business Rates Appeals

As part of the business rates retention scheme, the Council assumed 49% of the liability for refunding any business rate payers who successfully appeal against the rateable value of their properties on the rating list, for appeals relating to the period from 1 April 2013 to 31 March 2017. Since 1 April 2017, as a result of the Council's involvement in the West Midlands 100% Business Rates Retention Pilot, the Council's share of this liability has increased to 99%.
The provision is in in place to meet this liability, based on the best estimate of the expenditure that will be required to settle the successful appeals. For the appeals relating to the 2005 and 2010 ratings lists, this best estimate has been based on the appeals which had been lodged, but for appeals against the 2017 rating list the Council has adopted a different methodology in recognition of the fact that the appeals process has changed and so very few such appeals have been received as yet. The provision for the appeals against the 2017 list is therefore based on the assumed loss from appeals inherent in the business rates scheme.

Insurance

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

A scheme of arrangement was put in place by the administrators of the Municipal Mutual Insurance company (MMI). The scheme was triggered in November 2012. This allows payments made on the Council’s behalf since October 1993 to be recovered by the administrator to ensure the run off company has sufficient funds to pay ongoing legacy claims that are incurred. An initial payment was made in February 2014 for £320,000 and a further payment was made in April 2016 for £220,000. Both payments include the residual liability of the former West Midlands County Council. This levy payments now represent 25% of claims paid. The Council has a dedicated MMI fund which has been set aside to ensure that we can fulfil our likely commitments to the scheme administrator up to a total recovery value of 60% of all claims paid including the 25% the Council is liable for claims currently being handled by the scheme administrator.

29. Receipts in Advance

31 March 2017 £000		31 March 2018 £000
(7,676)	Central government bodies	**(7,970)**
(93)	Other local authorities	**(267)**
(235)	NHS bodies	**(685)**
(3,108)	Council tax payers	**(3,068)**
(2,612)	Business rates payers	**(4,427)**
(3,235)	Other entities and individuals	**(2,130)**
(16,959)		**(18,547)**

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

2016/17 £000		2017/18 £000
(30,585)	Depreciation and amortisation	**(31,879)**
75,388	Impairments and revaluations	**10,173**
(13,172)	Net movement in pension liability *	**18,768**
(12,155)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(59,084)**
5,990	Increase/(decrease) in debtors from operating activities	**(6,018)**
(12,428)	(Increase) in creditors from operating activities	**3,356**
(736)	(Increase)/decrease in short term provisions	**(4,074)**
1,098	(Increase)/decrease in long term provisions	**(4,377)**
(197)	Other non-cash items charged to the (surplus)/ deficit on the provision of services	**(1,850)**
13,203		**(74,985)**

* The movement in the pension liability includes the advance payment to the West Midlands Pension Fund of £49.6m. For further details, please see note 5.

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

2016/17 £000		2017/18 £000
10,013	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**13,282**
23,686	Capital grants credited to the (surplus)/ deficit on the provision of services	**21,948**
(3,201)	Any other items for which the cash effects are investing or financing	**(3,269)**
30,498		**31,961**

32. Cash Flow Statement – Operating Activities

The cash outflows for operating activities total £3.713m (2016/17: cash inflows £28.705m). The Code requires separate disclosures to be made in respect of interest and dividends received and paid, these are shown in the table below:-

2016/17 £000		**2017/18 £000**
(602)	Interest received	**(371)**
16,614	Interest paid	**17,312**
(5,941)	Dividends received	**(4,062)**
10,071	**Included within cash flows from operating activities**	**12,879**

33. Cash Flow Statement – Investing Activities

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

2016/17 £000		**2017/18 £000**
51,119	Purchase of property, plant and equipment, investment property and intangible assets	**46,671**
61,598	Purchase of short-term and long-term investments	**122,500**
3,201	Other payments for investing activities	**3,269**
(10,013)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(13,282)**
(25,297)	Capital grants received	**(23,296)**
(63,281)	Proceeds from short-term and long-term investments	**(127,079)**
(67)	Other receipts from investing activities	**(68)**
17,260	**Net cash flows from investing activities**	**8,715**

34. Cash Flow Statement – Financing Activities

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

2016/17 £000		**2017/18 £000**
0	Cash receipts of short and long-term borrowing	**(40,000)**
(240)	Other movements from financing activities	**29**
2,979	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	**6,153**
949	Repayments of short and long-term borrowing	**31,021**
3,688	**Net cash flows from financing activities**	**(2,797)**

35. Members' Allowances

The total of Members' allowances paid in the year was £0.617m (£0.614m in 2016/17).
The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

36. Officers' Remuneration

This note contains the following three disclosures relating to officers' remuneration:-
a. Remuneration of senior officers;
b. Remuneration of officers where greater than £50,000;
c. Exit packages

Under section 38(1) of the Localism Act 2011, each Local Authority is required to produce a Pay Policy Statement for each financial year. The Council's Pay Policy Statement which is relevant to this financial year's Accounts was approved by Full Council on 6 February 2018 and can be accessed on the Council's website.
The notes that follow should be read in conjunction with the Pay Policy Statement 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 (with reference to notes overleaf where applicable):

Post		Salary, Fees and Allowances £	Pension Contribution (employer's) [1] £	Other Emoluments £	Compensation for Loss of Office £	Total Remuneration £
Chief Executive [2]	**2017/18**	**148,934**	**22,018**	**15,448**	**0**	**186,400**
	2016/17	143,798	19,413	11,768	0	174,979
Director of Children's Services and Skills	**2017/18**	**120,323**	**16,905**	**0**	**0**	**137,228**
	2016/17	118,527	16,002	0	0	134,529
Director of Adult Care and Support (incoming) [4]	**2017/18**	**114,768**	**16,125**	**0**	**0**	**130,893**
	2016/17	58,300	7,871	0	0	66,171
Director of Communities and Adult Social Care (outgoing) [3]	**2017/18**	**0**	**0**	**0**	**0**	**0**
	2016/17	6,870	975	0	27,096	34,941
Director of Managed Growth and Communities	**2017/18**	**117,545**	**16,515**	**0**	**0**	**134,060**
	2016/17	112,715	15,216	0	0	127,931
Director of Public Health	**2017/18**	**132,330**	**19,030**	**0**	**0**	**151,360**
	2016/17	132,330	18,923	0	0	151,253
Director of Resources and Deputy Chief Executive	**2017/18**	**126,492**	**17,772**	**0**	**0**	**144,264**
	2016/17	121,453	16,396	0	0	137,849

[1] Where applicable, the 2016/17 pension contributions have been restated to exclude the element that relates to past service cost and is therefore not directly attributable to the cost of the senior officers.

[2] In addition to the normal duties, the Chief Executive was Returning Officer for the Parliamentary General Election held in June 2017 and the West Midlands Mayoral Election held in May 2017 , for which he received payments included in the emoluments section above. In 2016/17, the Chief Executive was Returning Officer at the Police and Crime Commissioner election in May 2016 and the European referendum in June 2016.

[3] The Director of Communities and Adult Social Care left the Council on 24 April 2016.

[4] The Director of Adult Care and Support started on 20 September 2016.

36b. Remuneration of officers receiving more than £50,000

The number of Council employees (including teachers but excluding senior officers included within Note 36a) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the table below:

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

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

2016/17	Total number of employees in band			Employees receiving exit packages (included in total) *
Remuneration band	**TOTAL**	Voluntary Aided and Foundation schools	Core Council and other schools	
£50,000 - £54,999	**74**	8	66	**2**
£55,000 - £59,999	**46**	4	42	**0**
£60,000 - £64,999	**32**	3	29	**1**
£65,000 - £69,999	**22**	3	19	**2**
£70,000 - £74,999	**14**	4	10	**1**
£75,000 - £79,999	**9**	0	9	**1**
£80,000 - £84,999	**7**	0	7	**0**
£85,000 - £89,999	**4**	1	3	**0**
£90,000 - £94,999	**0**	0	0	**0**
£95,000 - £99,999	**0**	0	0	**0**
£100,000 - £104,999	**0**	0	0	**0**
Total	**208**	23	185	**7**

* None of the individuals in receipt of a termination package in 2016/17 were employees at Voluntary Aided schools.

36c. Exit packages

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

Exit package cost (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17 £000	**2017/18 £000**
£0 - £20,000	15	**15**	38	**17**	53	**32**	458	**319**
£20,001 - £40,000	6	**3**	14	**5**	20	**8**	581	**248**
£40,001 - £80,000	1	**2**	3	**11**	4	**13**	209	**686**
£80,001 - £100,000	0	**1**	0	**2**	0	**3**	0	**279**
Total	22	**21**	55	**35**	77	**56**	1,248	**1,532**

During 2017/18 the Council agreed a number of voluntary and compulsory redundancies. These were primarily as a result of operational changes, legislative changes, transformation of services and in order to realise savings to meet the Council's Medium Term Financial Strategy (MTFS).

The service changes highlighted below are some of the main areas where exit costs have been incurred during the financial year:

Adult Care and Support - Reablement Team

The Adult Care and Support directorate's savings target for the 'Redesign of Day Care' was £0.441m in 2017/18, with a further £0.274m in 2018/19 and £0.326m in 2019/20. This included the co-location of day services for people with physical disabilities to the Park View site (formerly used solely for learning disabilities services) in June 2017. As reported to the Cabinet Portfolio Holder for Adult Social Care and Health in March 2018, the move provided the opportunity to restructure management and administrator posts, enabled by the efficiencies of providing day care opportunities from one site, reducing the size of the team required to deliver the service. Further staffing rationalisation was made around co-ordination posts, in part enabled by a more outward-looking, community based approach to day opportunities for people with Learning Disabilities.

In addition, the 'Small Homes Review' MTFS savings target was £0.375m in 2017/18, with a further £0.147m in 2018/19. Phase 1 of the review began in January 2017, following approval from the Cabinet Portfolio Holder for Adult Social Care and Health, and has now concluded. This involved the consolidation of 13 former homes down to 9 registered homes and 1 supported living provision, and included the cessation of the in house short breaks service, which is now delivered by alternative specialist external providers. This has resulted in a reduction in the size of the internal team.

Children's Services & Skills

In Children's Services and Skills, there are significant savings targets as part of the Medium Term Financial Strategy for the period 2017/18 to 2019/20.

These include savings in the School Improvement service of £0.7m and in the Early Help service of £1.5m. The severance costs have been incurred as a result of reducing the staffing establishment as part of the reviews of service to meet the savings targets.

Restructures/Re-shaping
The integration project undertaken by the Managed Growth & Communities Directorate has reviewed the service delivery of the Environmental Services and Neighbourhood & Regulatory Services teams across 2016/17 and 2017/18. The total Medium Term Financial Strategy target to be achieved between 2017/18 and 2019/20 is £1.123m and as a result of this a number of posts have been removed from the establishment.

An additional reshaping across the Growth and Development service has been undertaken to ensure the service is equipped to manage the opportunities and challenges ahead including the delivery of the UK Central project. A cost neutral structure was designed with some posts being removed from the establishment and other posts added.

Solihull Schools
2017/18 has seen a number of redundancies take place at schools within the Borough, the cost of which totalled £0.102m (2016/17: £0.164m).

37. External Audit Costs

The Council has incurred the following fees in relation to external audit and inspection:

	Restated 2016/17 * £000	**2017/18 £000**
Fees payable to the Auditors with regard to external audit services carried out by the appointed auditor for the year	134	**134**
Rebate received from the Public Sector Audit Appointments	0	**(20)**
Fees payable to the Auditors for the certification of grant claims and returns for the year	25	**25**
Fees payable in respect of other services provided by the Auditors during the year	28	**21**
Total	187	**160**

* The 2016/17 figures have been restated to include additional fees in respect of grant certification and other services provided by the auditors.

38. Pooled Budgets

The Council has established partnership agreements with Solihull Clinical Commissioning Group (CCG), formerly Solihull NHS Care Trust, 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.

38a. Better Care Fund

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

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

The Council as Commissioner

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

	2016/17 £000	**2017/18** **£000**
Section 256 NHS transfer	(4,170)	**0**
Section 256 additional NHS transfer - Better Care Fund implementation	0	**0**
Protecting adult social care	(763)	**0**
Care Act - implementation of new duties	(537)	**0**
Carers' strategy	(350)	**(292)**
CCG Minimum Contribution - SMBC	(139)	**0**
Reablement	0	**(2,000)**
Domiciliary Care at Home	0	**(1,692)**
Residential and Nursing Home Care	0	**(1,118)**
Primary Prevention/Early Intervention	0	**(640)**
Information Advice and Wellbeing	0	**(600)**
Front Door Services	0	**(350)**
Intermediate Care Aviary House	0	**(105)**
Commissioning and Market Management	0	**(94)**
Intermediate Care High Impact Changes	0	**(83)**
iBCF - Children to Adult Services Transition	0	**(1,366)**
iBCF - Embed Support U Home Model/Maintain responsiveness to referrals	0	**(459)**
iBCF - New Care Home Build	0	**(350)**
iBCF - Spot Contract Rates - Bedding In Costs	0	**(334)**
iBCF - Contribution to Support U Home Beds (Currently St Giles)	0	**(300)**
iBCF - Contribution to Supported Integrated Discharge Service	0	**(200)**
iBCF - Bursary for Providers	0	**(40)**
sub-total Revenue grants [1]	(5,959)	**(10,023)**
Disabled Facilities Grants	(1,696)	**(1,863)**
sub-total Capital grants	(1,696)	**(1,863)**
Total	(7,655)	**(11,886)**

[1] Revenue grants received through the Better Care Fund included within the Council's CI&ES are credited to gross income - Adult social care and health.

The Council and Solihull CCG as Joint Commissioners

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

	2016/17 £000	**2017/18** **£000**
Local Authority: Community Equipment and Wheelchair Services (CEWS)	(1,126)	**(1,126)**
Local Delivery Resource Plan	(792)	**(353)**
Total	(1,918)	**(1,479)**

Solihull CCG as Commissioner

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

	2016/17 £000	**2017/18** **£000**
Integrated Community Teams	(2,996)	**0**
Contingency	(1,000)	**0**
Delayed Transfer of Care	(505)	**0**
Facilitated Discharge	(400)	**0**
Care Navigation	(360)	**0**
Support to Care Homes	(334)	**0**
Falls Prevention	(286)	**0**
Dementia Diagnosis	(100)	**0**
CCG Minimum Contribution - CCG	(139)	**0**
Heart of England Foundation Trust (HEFT) - Rapid Response	0	**(1,404)**
HEFT - Integrated Care Teams/Supported Integrated Discharge	0	**(982)**
HEFT - Macmillan/Palliative Care	0	**(629)**
HEFT - Out of Hospital Liaison - Specialist CHC Service	0	**(322)**
HEFT - Support to Care Homes Pilot	0	**(230)**
HEFT - Falls Service	0	**(94)**
HEFT - Falls Service	0	**(89)**
HEFT - Geriatric Medicine	0	**(25)**
Birmingham Community Healthcare Foundation Trust (BCHC) - Integrated Care Team	0	**(398)**
BCHC - Intermediate Care & Community Wards	0	**(285)**
BCHC - Rehabilitation Moore Green Clinic	0	**(95)**
BCHC - Rehabilitation Coronary Heart Disease	0	**(65)**
BCHC - Rapid Response	0	**(62)**
BCHC - Community Equipment Stores	0	**(48)**
BCHC - Geriatric Medicine	0	**(42)**
BCHC - Stroke Services	0	**(18)**
BCHC - Occupational Therapy	0	**(14)**
BCHC - Respite	0	**(10)**
BCHC - Falls	0	**(8)**
BCHC - Macmillan/Palliative Care	0	**(7)**
Charity - Marie Curie - End of Life	0	**(916)**
Charity - Stroke Association	0	**(59)**
Charity - Falls Service	0	**(46)**
Private - Ardenlea Court	0	**(843)**
Primary Care - Dementia	0	**(50)**
Birmingham & Solihull Mental Health Foundation Trust (BSMHFT) - Care at Home (Dementia)	0	**(36)**
Total	(6,120)	**(6,777)**

Better Care Fund Total	(15,693)	**(20,142)**

38b. Other Pooled Budgets

	2016/17 £000	**2017/18 £000**
Funding		
Solihull Metropolitan Borough Council	(3,176)	**(3,094)**
Solihull CCG	(2,153)	**(2,371)**
Other Income	(749)	**(592)**
Total Funding	(6,078)	**(6,057)**
Spending		
Transforming Community Services [1]	5,489	**5,254**
Locally Determined Resources Plan [2]	589	**803**
Total Spending	6,078	**6,057**

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

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

38c. Joint Commissioning Pooled Fund

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

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

38d. Contributions to Voluntary Organisations

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

	2016/17 £000	**2017/18 £000**
Alzheimer's Society	134	**134**
Ashram	59	**59**
Independent Advocacy	53	**53**
Solihull Bereavement Counselling	16	**16**
Total	262	**262**

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.

<u>UK Government</u>

The UK Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 8 on grant income.

<u>Members</u>

Members of the Council have direct control over the Council’s financial and operating policies. The total of members’ allowances paid in 2017/18 is shown in Note 35. During 2017/18, there were income transactions of £0.691m and expenditure transactions of £5.165m with sixteen organisations in which members had an interest. As at 31 March 2018, the Council's accounts include a net debtor of £0.168m in respect of these organisations. Contracts were entered into in full compliance with the Council’s standing orders.

<u>Officers</u>

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

<u>Other Public Bodies (subject to common control by central government)</u>

The Council has a pooled budget arrangement with Solihull Clinical Commissioning Group (CCG) for the provision of adult social services and health services across the borough. Transactions and balances outstanding are detailed in Note 38 on pooled budgets.

The West Midlands Police and Crime Commissioner and West Midlands Fire and Rescue Authority levy precepts on the Council, details of which can be found within the Collection Fund.

Levy payments of £0.086m to the Environment Agency and £9.005m to Transport for West Midlands, the transport arm of the West Midlands Combined Authority (WMCA), were made in 2017/18. In addition, expenditure of £0.117m was paid to the Environment Agency and £0.515m was payable to the WMCA during 2017/18, £0.005m of which is included within the Council's creditors.
Income of £0.243m was receivable from the WMCA during the year, of which £0.239m was outstanding as at 31 March 2018 and is included within the Council's debtors. In addition, the Council acts as accountable body for grant claims relating to the Urban Growth Company's (UGC) costs and also receives grant from the WMCA for its own costs. The Council's debtors include £2.952m of such income outstanding at 31 March 2018.

Entities Controlled or Significantly Influenced by the Council

The Council made net payments to voluntary organisations amounting to £0.667m in 2017/18. In certain instances they represent a significant element of grant funding to voluntary organisations, without which they would be unable to carry out their activities.

The Coventry and Solihull Waste Disposal Company Ltd (CSWDC) is a company set up by Solihull Metropolitan Borough Council and Coventry City Council for the disposal of waste arising from the two authorities. During the year, the Council made net payments to CSWDC of £2.258m and as at 31 March 2018 owes £0.033m net to the CSWDC, which is included within the Council's creditors. The Council also received dividends of £2.833m during 2017/18.

Solihull Community Housing Ltd (SCH), an arm's length company set up to manage the Council's housing stock, is a wholly owned subsidiary of the Council. Income of £3.683m was receivable from Solihull Community Housing Ltd (2016/17: £3.200m) and expenditure of £36.669m (2016/17: £39.293m) was payable to SCH during 2017/18. This includes management fees of £32.803m (2016/7: £36.167m). At 31 March 2018, £0.687m net was owed by the Council to Solihull Community Housing (31/03/17: £0.008m owed by SCH to the Council). In addition, the Council made a payment in advance of £0.154m to SCH in relation to the next 3 years' running costs of a newly opened facility at Ipswich House.

Blythe Valley Innovation Centre Ltd is a wholly owned subsidiary of the Council. Income of £0.018m was due during the year, all of which was outstanding at 31 March 2018 and is included in the Council's debtors. In addition, the Council has accounted for dividends receivable of £0.005m in 2017/18, which alongside a dividend of £0.025m is still outstanding and is included within the Council's debtors.

UGC, an arm's length company set up to deliver projects within the UK Central programme, is a wholly owned subsidiary of the Council. The UGC claims back its costs from the WMCA but the reimbursement is made to the Council as the accountable body. As at 31 March 2018, the Council has a debtor of £1.122m and a creditor of £0.343m in relation to this role.
Prior to May 2017, all transactions for UK Central were made through the Council's bank account. These transactions are reflected in the payments to and from the UGC made during 2017/18 (income of £1.465m (of which £0.688m is still outstanding and is included within the Council's debtors) and expenditure of £2.281m).

Other Entities in which the Council has an interest

The Council incurred expenditure of £0.012m to North Solihull Partnership during the year in relation to regeneration in the north of the borough, and supplied services to a value of £0.241m.

Payments of £0.607m were made to Rivendell Leisure Ltd in 2017/18 for the operation of two swimming pools and sports centres within the borough.

Net income of £0.155m was receivable during 2017/18 from Birmingham International Airport Ltd, of which £0.010m was outstanding at 31 March 2018 and is included within the Council's debtors. In addition, a dividend of £1.229m was received.

40. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools budget, as defined in the School Finance (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 and 2016/17 are as follows:

2017/18	Individual Schools Budget (ISB)	Central Expenditure	**Total**
	£000	£000	**£000**
Final DSG for 2017/18 before academy recoupment			**184,231**
Academy figure & High Needs places recouped for 2017/18			**(81,529)**
In-year adjustments - Early Years funding			**(656)**
Total DSG after Academy recoupment & direct funding of High Needs places by Education & Skills Funding Agency for 2017/18	68,304	33,742	**102,046**
Brought forward from 2016/17	0	1,546	**1,546**
Final budgeted distribution for 2017/18	**68,304**	**35,288**	**103,592**
Actual central expenditure	0	(35,929)	**(35,929)**
Actual ISB deployed to schools	(68,304)	0	**(68,304)**
Carry forward to 2018/19	**0**	**(641)**	**(641)**

2016/17	Individual Schools Budget (ISB)	Central Expenditure	**Total**
	£000	£000	**£000**
Final DSG for 2016/17 before academy recoupment			**176,806**
Academy figure & High Needs places recouped for 2016/17			**(73,470)**
In-year adjustments - Early Years funding			**910**
Total DSG after Academy recoupment & direct funding of High Needs places by Education & Skills Funding Agency for 2016/17	77,833	26,413	**104,246**
Brought forward from 2015/16	0	1,803	**1,803**
Final budgeted distribution for 2016/17	**77,833**	**28,216**	**106,049**
Actual central expenditure	0	(26,670)	**(26,670)**
Actual ISB deployed to schools	(77,833)	0	**(77,833)**
Carry forward to 2017/18	**0**	**1,546**	**1,546**

41. Capital Expenditure and Capital Financing

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

	2016/17		**2017/18**	
	£000	£000	**£000**	**£000**
Opening Capital Financing Requirement		397,501		**406,167**
Capital Investment				
Property, Plant & Equipment	45,580		**37,871**	
Investment Property	0		**36**	
Intangible assets	141		**377**	
Revenue expenditure classified as capital	3,201		**3,264**	
Total Capital Investment		48,922		**41,548**
Sources of Finance				
Capital receipts *	(76)		**(71)**	
Government grants and other contributions	(21,684)		**(16,333)**	
Sums set aside from revenue	(18,496)		**(24,009)**	
		(40,256)		**(40,413)**
Closing Capital Financing Requirement		406,167		**407,302**
Explanation of Movements in Year				
Decrease in underlying need to borrow (supported by government financial assistance)		(2,410)		**(2,409)**
Increase in underlying need to borrow (not supported by government financial assistance)		7,345		**9,446**
Reductions in assets under PFI/PPP contracts		(1,713)		**(4,914)**
Assets acquired/ (disposed of) under finance leases		5,444		**(988)**
Increase in Capital Financing Requirement		8,666		**1,135**

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

42. Leases

42a. Council as Lessee

Finance Leases

The Council has acquired the Bluebell Centre, two car parks, one of its libraries and a number of photocopiers under finance leases. The majority of these photocopiers are however under the Council's de minimis level for capital spending and are not included within our Balance Sheet (see Note 50 - Accounting Policies for further details). The assets acquired under these leases that are above our de minimis level for capital spending are carried in the Balance Sheet at the following net amounts:

	31 March 2017 £000	**31 March 2018 £000**
Property, Plant and Equipment		
Land and Buildings	8,776	**8,846**
Vehicles, Plant and Equipment	3	**1**
Investment Property	1,360	**1,360**
	10,139	**10,207**

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

	31 March 2017	**31 March 2018**	31 March 2017	**31 March 2018**
	Cash Amount		Net Present Value	
	£000	**£000**	£000	**£000**
Finance lease liabilities:				
• current	25	**24**	25	**24**
• non-current	3,630	**3,606**	875	**901**
Finance costs payable in future years	5,898	**5,702**	2,768	**2,719**
Total future minimum lease payments	9,553	**9,332**	3,668	**3,644**

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

	31 March 2017		**31 March 2018**	
	Minimum Lease Payments	Finance Lease Liabilities	**Minimum Lease Payments**	**Finance Lease Liabilities**
	£000	£000	**£000**	**£000**
Not later than one year	220	25	**218**	**24**
Later than one year and not later than five years	869	101	**868**	**106**
Later than five years	8,464	3,529	**8,246**	**3,500**
	9,553	3,655	**9,332**	**3,630**

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

	31 March 2017		**31 March 2018**	
	Minimum Lease Payments	Finance Lease Liabilities	**Minimum Lease Payments**	**Finance Lease Liabilities**
	£000	£000	**£000**	**£000**
Not later than one year	220	25	**218**	**24**
Later than one year and not later than five years	758	88	**757**	**92**
Later than five years	2,690	787	**2,669**	**809**
	3,668	900	**3,644**	**925**

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

Operating Leases

The Council has entered into lease agreements for land & property, motor vehicles and I.T. equipment.

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

	31 March 2017	**31 March 2018**
	£000	**£000**
Not later than one year	881	**962**
Later than one year and not later than five years	1,397	**1,552**
Later than five years	925	**1,211**
	3,203	**3,725**

The minimum lease payment expenditure charged to the CI&ES during the year in relation to these leases was £1.020m (2016/17: £0.968m).

<u>42b. Council as Lessor</u>

Finance Leases

The Council has leased out the following property on finance leases as at 31 March 2018:

	Remaining lease term
Smith's Wood Sport College	124 years
Damson Wood Nursery & Infant School	124 years
Streetsbrook Infant & Nursery School	124 years
Lyndon Academy	123 years
Northern House (Solihull) School	122 years
Smith's Wood Community Primary School	122 years
Marston Green Infant School	121 years
Balsall Common Primary	120 years
Hockley Heath Primary	120 years
Heart of England Academy	119 years
Alderbrook Academy	119 years
Langley Academy	119 years
Light Hall Academy	119 years
Lode Heath Academy	119 years
Hall Meadow Land	118 years
Arden Academy	118 years
Tudor Grange Academy	118 years
Park Hall Academy	117 years

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

Operating Leases

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

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

	31 March 2017 £000	**31 March 2018 £000**
Not later than one year	1,841	**1,716**
Later than one year and not later than five years	5,484	**5,219**
Later than five years	52,990	**51,319**
	60,315	**58,254**

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 2017/18 contingent rents of £3.027m were receivable by the Council (£3.042m in 2016/17).

43. 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.

<u>43a. Building Schools for the Future (BSF) PFI</u>

In 2017/18 the Council made contractual payments of £8.490m (2016/17: £8.441m) under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Northern House School, Park Hall Academy and Smith’s Wood Sports College. In future years the actual payments will vary in line with inflation. The contract expires in 2035/36. There have been no changes to the arrangement during 2017/18, although Smith's Wood Sports College converted to an academy on 1 April 2017.

The payments due to the PFI contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	**Total £000**
Payments due to be made:					
Within 1 year	2018/19	1,440	4,149	3,160	**8,749**
Within 2 - 5 years	2019/20 - 2022/23	7,468	15,345	13,026	**35,839**
Within 6 - 10 years	2023/24 - 2027/28	12,503	14,818	19,542	**46,863**
Within 11 - 15 years	2028/29 - 2032/33	16,995	7,259	25,184	**49,438**
Within 16 - 18 years	2033/34 - 2035/36	10,489	594	12,661	**23,744**
Total		48,895	42,165	73,573	**164,633**

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

	31 March 2016	Net Payments during the year	31 March 2017	Net Payments during the year	**31 March 2018**
	£000	£000	£000	£000	**£000**
Northern House School	6,722	(182)	6,540	(184)	**6,356**
Park Hall Academy School	22,237	(603)	21,634	(609)	**21,025**
Smith's Wood Sports College	22,753	(616)	22,137	(623)	**21,514**
Total	51,712	(1,401)	50,311	(1,416)	**48,895**

43b. Similar Contract: Leisure Public-Private Partnership (PPP) Contract

In 2017/18 the Council made contractual payments of £0.394m (2016/17: £1.137m) to Rivendell Leisure Ltd in respect of the unitary charge element of the Leisure PPP contract for the operation of two swimming pools and sports centres within the borough. Solihull Council terminated its Public Private Partnership (PPP) contract with Rivendell Leisure Ltd to deliver its leisure services on 31 July 2017 and future liabilities in relation to this contract of £3.467m have been removed from the balance sheet.

Parkwood Leisure Ltd, who had been subcontracted by Rivendell to operate Tudor Grange and North Solihull leisure centres agreed to continue to deliver leisure services under a new operator-only interim contract with the Council from 1 August 2017 to 31 May 2018 and the Council took over responsibility for maintaining the buildings.

The Council has also concluded a retender process in order to secure a better financial arrangement for its tax payers. The new operator will commence the new management contract for the centres with effect from 1 June 2018.

PFI Estimates and Judgements

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

Initial development costs not directly related to construction of £2.854m in the BSF have been classed as revenue expenditure in line with Council capitalisation policies and therefore excluded as a capital cost. If these costs had been classed as capital expenditure then the initial balance sheet asset valuation would have increased and the remaining future liability repayment would be approximately £1.4m higher but offset by an equal reduction in future interest payments.

The BSF PFI contract unitary payments are reduced by £0.051m per annum due to third party income received by the contractor. The Council does not share demand risk on this third party income and is not liable to pay the contractor any shortfall if income does not meet annual targets so this is not shown as a liability within the Council's accounts.

The BSF PFI unitary payments includes costs for utilities.

43c. Similar contract: Strategic Environment Services Contract

In 2008/09, the Council engaged Enterprise Management Services Ltd (subsequently acquired by Amey PLC) to provide Strategic Environment Services in a 7 year contract, which is extendable by up to 21 years. An initial 7 year extension was subsequently approved. In 2017/18 the Council made contractual payments of £9.922m (2016/17: £9.608m) to cover the provision of Waste Collection and Recycling, Street Cleansing and Ground Maintenance. The actual payment will vary over the life of the contract in line with inflation and any negotiated service changes. Within the contract there is provision for additional variable works, which by their nature are not yet known amounts and are therefore not included in the payment figures below.

		Repayment of liability £000	Interest £000	Service Charge £000	**Total £000**
Payments due to be made:					
Within 1 year	2018/19	890	1,693	7,326	**9,909**
Within 2 - 5 years	2019/20 - 2022/23	4,721	4,521	33,662	**42,904**
Within 6 - 7 years	2023/24 - 2024/25	1,377	278	21,907	**23,562**
Total		6,988	6,492	62,895	**76,375**

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

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

	31 March 2016 £000	Net Additions/ (disposals) in year £000	31 March 2017 £000	Payments in year £000	Capital additions/ (disposals) in year £000	**31 March 2018 £000**
Vehicles and Plant	2,441	5,510	7,951	(1,214)	251	**6,988**
Total	2,441	5,510	7,951	(1,214)	251	**6,988**

44. Pension Schemes accounted for as Defined Contribution Schemes

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

The Teachers' Pension Scheme

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

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

The scheme has in excess of 8,762 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Accounting Statement, it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme, the Council's own contributions equate to approximately 0.17%.

In 2017/18 the Council paid £5.777m (2016/17: £6.558m) to Teachers' Pensions in respect of teachers' pension costs, which represents 16.48% of teachers' pensionable pay for the full period (2016/17: 16.48%). There were no contributions remaining payable at the year-end. The contributions due to be paid in 2018/19 are estimated to be £7.156m.

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 0.10%.

In 2017/18 the Council paid £0.424m (2016/17: £0.472m) to the NHS Pension Scheme in respect of NHS pension costs and this represents 14.4% (2016/17: 14.3%) of the pensionable pay of the staff in the scheme. There were no contributions remaining payable at the year-end. The contributions due to be paid in 2018/19 are estimated to be £0.400m.

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

In addition to the Teachers' Pension Scheme, the Council makes pension payments for teachers relating to added years it has awarded, together with related increases. These discretionary payments form a separate, unfunded scheme and in 2017/18 these payments amounted to £0.932m (2016/17: £1.027m).

45. Defined Benefit Pension Schemes

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

The Local Government Pension Scheme

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

In addition, the Council makes pension payments for staff (including teachers) relating to added years it has awarded, together with related increases. The discretionary payments for staff (excluding teachers) are included within the Staff figures in the following tables. The discretionary payments for teachers form a separate, unfunded scheme shown separately in the following tables.

The Council has not made any discretionary post retirement benefit awards during 2016/17 or 2017/18.

Risks Associated with the scheme

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

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

Transactions relating to post-employment benefits

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

Comprehensive Income and Expenditure Statement	2016/17 £000	**2017/18** **£000**
Cost of Services:		
Service cost comprising:		
• current service cost *	17,230	**27,793**
• past service costs	145	**161**
• (Gains)/losses from settlements	(1,106)	**(3,541)**
• Administration costs	242	**256**
Financing and Investment Income and Expenditure:		
• Net interest expense	8,058	**7,529**
Sub-total post-employment benefit charged to the (Surplus)/ Deficit on the Provision of Services	24,569	**32,198**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount charged in the net interest expense)	(83,775)	**15,749**
• Experience (gains)/losses	(29,255)	**(1,103)**
• Other actuarial (gains)/losses	(18,824)	**0**
• Actuarial (gains)/losses arising on changes in demographic assumptions	(18,322)	**0**
• Actuarial (gains)/losses arising on changes in financial assumptions	214,518	**(33,038)**
Sub-total post-employment benefits charged to Other Comprehensive Income and Expenditure	64,342	**(18,392)**
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	88,911	**13,806**

* The current service cost has increased by £10.563m in 2017/18 as a result of changes in financial assumptions made by the actuary.

Movement in Reserves Statement		
Reversal of net charges made to the (Surplus)/ Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(24,569)	**(32,198)**
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employer's contributions payable to scheme for current year	11,397	**16,966**
Total post-employment benefits charged to the Movement in Reserves Statement	(13,172)	**(15,232)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Teachers 2016/17 £000	Staff 2016/17 £000	**Teachers** **2017/18** **£000**	**Staff** **2017/18** **£000**
Present value of the defined benefit obligation	(14,133)	(879,950)	**(12,087)**	**(876,726)**
Fair value of plan assets	0	582,909	**0**	**614,799**
Net liability arising from defined benefit obligation	(14,133)	(297,041)	**(12,087)**	**(261,927)**
	Total	(311,174)	**Total**	**(274,014)**

Reconciliation of the present value of the scheme liabilities (defined benefit obligation)	Teachers 2016/17 £000	Staff 2016/17 £000	**Teachers 2017/18 £000**	**Staff 2017/18 £000**
Opening balance at 1 April	(14,505)	(689,884)	**(14,133)**	**(879,950)**
Current service cost	0	(17,230)	**0**	**(27,793)**
Interest expense	(378)	(24,501)	**(273)**	**(23,393)**
Contributions from employees into the scheme	0	(4,791)	**0**	**(4,785)**
Remeasurement gains/(losses):				
Experience gains/(losses)	0	29,255	**1,103**	**0**
Changes in demographic assumptions	913	17,409	**0**	**0**
Changes in financial assumptions	(1,190)	(213,328)	**284**	**32,754**
Past service costs	0	(145)	**0**	**(161)**
Benefits paid	1,027	22,118	**932**	**21,055**
Settlements	0	1,147	**0**	**5,547**
Closing value at 31 March	(14,133)	(879,950)	**(12,087)**	**(876,726)**

Reconciliation of the movements in the fair value of the scheme assets	Teachers 2016/17 £000	Staff 2016/17 £000	**Teachers 2017/18 £000**	**Staff 2017/18 £000**
Opening fair value of scheme assets at 1 April	0	470,729	**0**	**582,909**
Interest Income	0	16,821	**0**	**16,137**
Remeasurement gains/(losses):				
Return on plan assets (excluding interest expense)	0	83,775	**0**	**(15,749)**
Administration expenses	0	(242)	**0**	**(256)**
Contributions from employer for current year	1,027	10,370	**932**	**16,034**
Contributions from employer for future years	0	0	**0**	**34,000**
Other actuarial gains/(losses)	0	18,824	**0**	**0**
Contributions from employees into the scheme	0	4,791	**0**	**4,785**
Benefits paid	(1,027)	(22,118)	**(932)**	**(21,055)**
Settlements	0	(41)	**0**	**(2,006)**
Closing fair value of scheme assets at 31 March	0	582,909	**0**	**614,799**

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

The actual return on scheme assets in the year was a surplus of £0.388m. (2016/17: surplus of £100.596m).

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

Analysis of the scheme assets at the reporting date:

	Percentage share		Fair value of assets	
	2016/17	**2017/18**	2016/17	**2017/18**
	%	**%**	£000	**£000**
Equity instruments	64.4	**63.9**	375,453	**392,946**
Government bonds	8.1	**7.3**	47,312	**44,925**
Other bonds	4.1	**3.8**	24,153	**23,519**
Property	7.7	**7.7**	44,904	**47,336**
Cash/ liquidity	2.9	**2.5**	16,637	**15,130**
Other assets	12.8	**14.8**	74,450	**90,943**
Average Return / Total Assets	100.0	**100.0**	582,909	**614,799**

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

	Teachers	Staff	**Teachers**	**Staff**
	at 31 March 2017	at 31 March 2017	**at 31 March 2018**	**at 31 March 2018**
Life expectancy assumptions from age 65:				
Retiring today:				
Men	21.8 years		**21.9 Years**	
Women	24.2 years		**24.3 Years**	
Retiring in 20 years:				
Men	n/a	23.9 years	**n/a**	**24.0 years**
Women	n/a	26.5 years	**n/a**	**26.6 years**
Financial assumptions:				
Discount rate	2.00%	2.70%	**2.40%**	**2.55%**
Pension increases	2.20%	2.70%	**2.35%**	**2.35%**
Salary increases	n/a	4.20%	**n/a**	**3.85%**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption analysed changes, while all the other assumptions remain constant.
The assumptions in life expectancy, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.
The long-term salary increase valuation has changed from 1% for 4 years to the 0.1% in the table below to fall in line with the percentage changes for the other assumptions.

Impact on the Defined Benefit Obligation in the Scheme (Staff and Teachers)

Change in Assumption	Impact on Council liability/ deficit £000	Impact on Council liability %	Impact on Council deficit %
Life expectancy assumptions (increase by 1 year)	33,149	3.8	12.1
Pension increase and deferred revaluations (increase by 0.1%)	14,518	1.7	5.3
Long-term salary increase (increase by 0.1%)	1,540	0.2	0.6
Discount rate (increase by 0.1%)	(15,743)	(1.8)	(5.7)

Impact on the Council's Cashflows

Contributions are set every three years as a result of the actuarial valuation of the West Midlands Pension Fund required by the Regulations. The 2016 revaluation sets contributions for the period 1 April 2017 to 31 March 2020 and has resulted in an upfront payment being made in 2017/18 to cover this period. The Council will not therefore make any payments in relation to this in 2018/19.

The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The estimate of the Council's past service liability duration is 18 years as at 31 March 2018 (31 March 2017: 18 years).

In 2018/19 it is expected that the Council will pay contributions of approximately £0.890m for the Teachers' Added Years scheme.

46. Contingent Assets

The following contingent asset has not been recognised in the CI&ES or on the Balance Sheet because the Council does not have full control over the outcome:

Blythe Valley

The Council has retained a financial interest in land at Blythe Valley through an existing legal agreement with its development partner. Effectively, it has the right to a share of future land value receipts as and when individual plots of land are disposed of.

Disclosure of an estimate of value in the accounts may affect the negotiations in the sale of plots and be prejudicial to both the Council and its development partner’s commercial interests. It might also lead to an expectation which would prejudice the working relationship with the Council's partner. For these reasons, no estimate of value has been disclosed.

47. Contingent Liabilities

The following items have not been accrued for within the accounts for 2017/18 because the amount of potential liability cannot be accurately determined or the probability of the event occurring is thought to be low:

47a. Grant Funded Projects

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

47b. HRA Water Rates

Solihull Community Housing receives 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 our relationship with Severn Trent, we could be liable to repay the annual commission backdated over a number of years.

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

47c. Payment of National Minimum Wage or National Living Wage for sleep-in shifts

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

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

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

48. Events after the Reporting Date

The draft Accounting Statement was authorised for issue by the Director of Resources and Deputy Chief Executive on 25 May 2018. This is then subject to audit and may be amended following the audit. The Council has updated the accounts for any information received after the 31 March but before this date, in relation to conditions that existed at 31 March.

The following non-adjusting events have occurred between 31 March and the authorised for issue date:

Academy Schools

The following Council schools buildings are due to transfer to Academy status, at no cost, following the Balance Sheet date of 31 March 2018. This subsequent transfer of the school buildings will result in a loss on disposal in the CI&ES of £6.383m. The associated land will be revalued resulting in a reduction in asset values of £4.164m in 2018/19. N.B. The voluntary aided (VA) school has no value in the balance sheet but is included in Disclosure Note 3 Accounting for Local Authority Maintained Schools as Off Balance Sheet.

	Expected Transfer	Buildings £000	Land £000	Total £000
St Margaret's CE Primary School (VA)	1 September 2018	0	0	**0**
Ulverley School	1 January 2019	6,383	4,164	**10,547**
	Total	6,383	4,164	**10,547**

Blythe Valley Innovation Centre

With effect from 1 July 2018 the ownership of Blythe Valley Innovation Centre transferred from Blythe Valley Innovation Centre Limited to the Council. The Company has no other assets and the Council will begin the process of winding up the Company which it anticipates will be completed within the 2018 calendar year. This will mean that in the 2018/19 Accounting Statement the assets of Blythe Valley Innovation Centre Limited will be included within the Council's single entity accounts and there will be no group account disclosures.

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The accounting standards that are to be introduced in the 2018/19 CIPFA Code of Practice include:

1) IFRS 9 Financial Instruments - This standard introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement or impairment of financial assets. It is anticipated that the available for sale financial instrument reserve will be replaced by a specific reserve for each of the instruments held by the authority.

2) IFRS 15 Revenue from Contracts with Customers - This standard changes the requirements of revenue recognition, based on a control-based model. The Council does not have any material revenue streams which will be affected by this change, and therefore, does not anticipate that the introduction of this model will result in any changes in the revenue figures recognised in the Council's accounts.

3) IAS 7 Statement of Cash Flows (Disclosure Initiative) - This will require some additional analysis of the change in liabilities arising from financing activities in future years. The Council will include an additional disclosure note in the 2018/19 Accounting Statement to meet these requirements.

4) IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) - This applies to deferred tax assets related to debt instruments measured at fair value. The Council is not aware that any of its subsidiary companies in the Group Accounts has such debt instruments.

50. Statement of Accounting Policies

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

1. General Principles

The Accounting Statement summarises the Council's transactions for the financial year 2017/18 and its position at the year end of 31 March 2018. The Council is required under the Accounts and Audit Regulations 2015 to prepare an annual Accounting Statement, in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21(2) of the Local Government Act 2003. The accounting convention adopted in the Accounting Statement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. International Reporting Standard IAS 8 requires entities to disclose the expected impact of new standards that have been issued but not yet adopted and these have been included within the Disclosure Notes to the Accounts.

2. Accruals of Expenditure and Income

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- 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 in place for all accruals of income and expenditure. This level is reviewed annually and is currently set at £10,000. Accruals are not required to be made for individual transactions under this value, with the exception of the following:

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

3. Acquired and Discontinued Operations
Activities are considered to be acquired only if they are taken on from outside the public sector. Activities are considered to be discontinued only if they cease entirely. They are not considered to be discontinued if they transfer to another public sector body. Any discontinued activities that are material to the accounts will be shown on the face of the CI&ES and prior period figures will be restated for comparison purposes.

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

5. Carbon Reduction Commitment
The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the third year of its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used) a liability and an expense are recognised in the accounts. The liability will be discharged by surrendering allowances. The liability was measured at the 2017/18 'buy to comply' price of £17.20 per tonne of carbon emitted and the best estimate of the number of allowances required to meet the liability at 31 March 2018. The cost to the authority is recognised and reported in the costs of the authority’s services and is apportioned to services on the basis of energy consumption.

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

7. Charges to Revenue for Non-Current Assets
Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

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

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

8. Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy, with the exception of amounts applied to meet administrative expenses in accordance with the CIL Regulations ,will be used to fund a number of infrastructure projects to support the development of the area (these include transport, schools and digital infrastructure). Where some or all of a chargeable development takes place in a parished area, 15% of the income is passed to the relevant parish/town council – the Council acts as an agent for these amounts.

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

9. Employee Benefits

Benefits Payable during Employment:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the CI&ES. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, allocations are required to and from the Pensions Reserve to remove the accounting entries for pension enhancement termination benefits and replace them with accounting entries for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits:

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

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The Local Government Scheme is accounted for as a defined benefits scheme as follows:
- The liabilities of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices;
- The assets of WMMAPF attributable to the Council are included in the Balance Sheet at their fair value.

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

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

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

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

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

Discretionary Benefits:

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

10. Events after the Balance Sheet Date

These are events that have happened after the Balance Sheet date. There are two types of event (adjusting and non-adjusting) and the treatment within the accounts depends on the nature of the event.

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.

11. Exceptional Items and Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. A material error is one that could influence the decisions or assessments of users made on the basis of the financial statements. Prior period adjustments are accounted for by restating the comparative figures for the preceding period in the Accounting Statement and notes and adjusting the opening balance of reserves for the cumulative effect.

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the CI&ES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

12. Fair Value Measurement

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

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

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

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

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

Criteria	Tier Level
Comparable evidence that is identical to the asset that is being measured in terms of: • Physical location • Condition • Orientation • Levels of natural light • View • Access and visibility • Tenure and covenants • Construction type and cost • Size and layout • Facilities • Lease options • Obsolescence	1
• Comparable evidence available within an active market of similar assets. • Comparable evidence for similar assets or liabilities in markets that are not active. • Non-value comparable evidence (e.g. yields) for similar asset types available. • Comparable evidence corroborated by observable market evidence. • Implied and non-implied covenants within the lease negating the need for comparable evidence. • Transparency of market data • Minimal principal adjustment of comparable evidence, non-significant adjustment. • Comparable analysis	2
• No comparable evidence available. • Unobservable inputs. • Comparable evidence requires significant adjustment from the principal market.	3

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

Three widely used valuation techniques are: (i) market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business); (ii) cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost); (iii) income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts. There has been no change in the valuation techniques used during the year for investment properties.

For all investment properties where a fair value review is conducted, fair values are based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of property has been ranked into three tier groups based upon the criteria below. All investment property fair value measurements have been assessed at tier level two and financial instruments have been assessed at tier level two or tier level three. The Council did not have any surplus assets in 2017/18.

It is considered rare for local authority valuations to transfer between the three levels of the hierarchy. No transfers have taken place in 2017/18. If our professional valuation advisors inform the Council that a transfer has taken place a suitable disclosure note would be published.

13. Financial Instruments

Financial Assets:

The Council's financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and carried at amortised cost;
- Financial Assets at fair value through the CI&ES - assets that are held for trading by an external fund manager. These assets are accounted for in the Balance Sheet at fair value and any changes in value would be taken to the CI&ES;
- Available-for-Sale Assets - examples include equity shareholdings and quoted investments. These assets are carried at their fair value with movements in fair value are posted to a revaluation reserve (the Available for Sale Financial Instruments Reserve)

Annual credits to the CI&ES for interest receivable are based on the carrying amount of the instrument multiplied by its effective rate of interest.

The Council has made a number of loans at less than market rates (known as soft loans), principally to individuals under the Chronically Sick and Disabled Persons Act. The financial effect of this concession is charged to the CI&ES, representing the interest foregone over the life of the loan. Since statutory provisions require that the impact of soft loans on the General Fund Balance is limited to the actual interest receivable for the year, a transfer from the Financial Instruments Adjustment Account is made to cover the difference in the MIRS.

Fixed or determinable payments such as interest receivable are credited to the CI&ES annually based on the amortised cost of the asset multiplied by the effective rate of interest. Other payments, such as dividends, are credited to the CI&ES when they become receivable.

Impairment of financial assets has been recognised where there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset.

In line with the Property, Plant and Equipment policy, the Council has set a de minimis level of £15,000 for the value of shares held. Any shares acquired at less than this value are not recognised on the Council's Balance Sheet.

Financial Liabilities:

These are initially measured at fair value and carried on the Balance Sheet at their amortised cost. Annual charges for interest payable are made to the CI&ES based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CI&ES in the year they occur. Any premium or discount arising on restructuring of the loan portfolio is respectively deducted from or added to the amortised cost of the new or modified loan and charged to the CI&ES over the life of the loan.

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 Council has a policy of spreading the gain/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 MIRS.

14. Government Grants and Contributions

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

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

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

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

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

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

15. Heritage Assets

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

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

Where the Council has information on the cost or value of a heritage asset the Council will include that value in its Balance Sheet, if it is above the £15,000 de minimis level for assets. Where this information is not available and the historical cost information cannot be obtained the asset can be excluded from the Balance Sheet.

Heritage assets (other than operational heritage assets) shall normally be included in the Balance Sheet at their current value. 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.

There will be no depreciation charged on the heritage assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation on the assets.

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.

16. Infrastructure assets

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

17. Intangible Assets

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

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

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

18. Interests in Companies and Other Entities

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

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

19. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

20. Investment Property

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

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

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

Properties are not depreciated but are revalued annually according to market conditions at the year-end. These are classified as recurring fair value measurements. There are three categories of investment property (Garden Extension Licences, Gas Governor Stations and Electricity Sub stations) that individually as sites are de minimis in value and are considered annually but are only valued on a non-recurring basis if the value is considered to have materially changed year on year. Gains and losses on revaluation are posted to the Financing and Investment section in the CI&ES. The same treatment is applied to gains and losses on disposal. Rental income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

21. Leases

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

(a) The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases with an original fair value over the capital de minimis level of £15,000, is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent rent increases (contingent rents) are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

Operating Leases

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

(b) The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, in line with the Council's policy on disposals.

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

Operating Leases

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

22. Overheads

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

23. Property Plant & Equipment

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

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

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

Assets are initially measured at cost, comprising:

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

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

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

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

Where gains are credited to the CI&ES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

The Council has set a de minimis level of £15,000. This means that any expenditure below this level that otherwise meets the definition of capital expenditure as outlined above can be charged to a revenue budget.

Recognition of School Assets

School assets are carried on the balance sheet in accordance with the legal status of ownership, or intended legal status and any other arrangements in place regarding the use of these schools. In line with the guidance provided in LAAP bulletin 101 ‘Accounting for Non-Current Assets Used by LA Maintained Schools’, school assets that are controlled by the Governing Body will be recognised on the Council's Balance Sheet - academy schools are excluded.

Valuation

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

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

The significant assumptions applied in estimating the fair values are:

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All valuations have been carried out by our in-house valuers. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service.

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

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

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

<u>Depreciation</u>

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

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

Assets that are not fully constructed are not depreciated until they are brought into use.

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

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

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

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

<u>Asset Life – Remaining Life</u>

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

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

Residual Values – Depreciation

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

Impairments

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the MIRS.

Component Accounting

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

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

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

The objective is to ensure that the financial value of the assets is fairly reflected in the Balance Sheet and that the CI&ES appropriately reflects the consumption of economic benefits inherent in those assets.

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

De Minimis Levels for componentisation:

As in previous years, the de minimis level of £2m has been set for component accounting. Any asset valued below this will not be considered for componentisation. This threshold was set following consultation with the valuers and after undertaking historical statistical analysis that highlighted if component accounting was applied to all assets the depreciation would only vary by approximately 0.09% of the current asset value. This de minimis level will continue to be reviewed on an regular basis.

Materiality Level of Assets:

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

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

Componentisation Principles:

The consideration of components is as a minimum required when one of the following triggers occurs:
(i) Any asset in the revaluation programme for 2017/18;
(ii) Properties that have undergone significant enhancement expenditure;
(iii) Properties that have undergone a change of use that materially affects the value;
(iv) Acquisition of a new asset.

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

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

Base Components:

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

The components identified are listed below:
Substructure;
Superstructure;
Internal Finishes;
Fittings & Furnishings;
Services;
External Works; and
Preliminaries.

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

Trigger points for componentisation: Revaluation

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

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

Trigger points for componentisation: Enhancement

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

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

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

Professional Involvement:

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

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

Housing Revenue Account (HRA) Properties:

The component accounting policy above does not apply to HRA properties. The Housing Revenue Account self-financing determinations issued in 2012 require local authorities to move to treating depreciation as a real charge to the HRA. The determinations allowed a transitional period up to and including 2016/17 whereby a transfer from the Major Repairs Reserve could be included to fund capital expenditure on dwellings.From 2017/18, component accounting has been applied to HRA properties as outlined below.

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

The components identified are listed below:
Roof;
Kitchen;
Bathroom;
Boilers;
Central Heating System;
Windows;
and Lifts.

Professional Involvement:

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

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

24. 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

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

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

Contingent Assets

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

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

25. Reclassifiable Transactions Within Other Comprehensive Income and Expenditure

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

26. 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.

27. Revenue Expenditure Funded from Capital under Statute

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

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

28. Schools

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

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

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

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

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

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

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

30. Surplus Assets

Surplus assets are assets that are surplus to service needs but do not meet the definition of either investment property or assets held for sale.

31. Trading Operations

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

32. Value Added Tax (VAT)

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

Housing Revenue Account

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

HRA Income and Expenditure Statement

31 March 2017 £000		31 March 2018 £000	£000
	Expenditure		
8,996	Repairs and maintenance	9,482	
12,751	Supervision and management	10,960	
910	Rents, rates, taxes and other charges	1,015	
10,736	Depreciation and amortisation	9,333	
(81,256)	Revaluation (gain) /losses of non-current assets [1]	(14,010)	
61	Debt management costs	62	
543	Movement in the impairment allowance	1,160	
(47,259)	**Total Expenditure**		**18,002**
	Income		
(41,703)	Dwelling rents	(41,197)	
(1,110)	Non-dwelling rents	(1,144)	
(1,995)	Charges for services and facilities	(1,925)	
(133)	Contributions towards expenditure	(203)	
(44,941)	**Total Income**		**(44,469)**
(92,200)	**Net income from HRA services as included in the CI&ES**		**(26,467)**
82	HRA services' share of corporate and democratic core		**82**
(92,118)	**Net income for HRA services**		**(26,385)**
	HRA share of the operating income and expenditure included in the CI&ES:		
(1,206)	Gain on sale of HRA non-current assets		(1,304)
7,358	Interest payable and similar charges		7,322
(103)	Interest and Investment Income		(90)
(37)	Changes in fair value of investment property		(498)
(2,068)	Capital grants and contributions receivable		(1,781)
(88,174)	**Surplus for the year on HRA services**		**(22,736)**

[1] Revaluation (gain)/ losses of non-current assets includes the revaluation gain for the increase in the value of dwellings. Further details are given in Note H2 - Balance Sheet Value, Note H7: Impairments and Revaluations and Note 5 - Material Items of Income and Expenditure.

Movement on the HRA Balance

31 March 2017 £000		31 March 2018 £000
(11,857)	Balance on the HRA at the end of the previous reporting period	**(11,045)**
(88,174)	Surplus for the year on HRA services	**(22,736)**
88,986	Adjustments between accounting basis and funding basis under statute (Note 9)	**20,627**
812	**(Increase) / decrease in year on the HRA**	**(2,109)**
(11,045)	**Balance on the HRA at the end of the current reporting period**	**(13,154)**

Disclosure Notes to the Housing Revenue Account

H1. Housing Stock

On 31 March 2018 the Council held 9,906 dwellings. There was a net decrease of 31 dwellings during the year (2 acquisitions, 2 conversions plus 29 new builds less 64 sales), compared to a decrease of 59 dwellings in 2016/17.

	31 March 2017	**31 March 2018**
Houses	3,257	**3,230**
Flats	4,849	**4,847**
Bungalows	1,762	**1,762**
Maisonettes	69	**67**
	9,937	**9,906**

H2. Balance Sheet Value

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

	31 March 2017 £000	**31 March 2018 £000**
Dwellings *	380,898	**396,910**
Garages	20,043	**20,286**
Sub-total Council Dwellings	400,941	**417,196**
Other Land and Buildings	2,378	**2,243**
Vehicles, Plant and Equipment	1,327	**1,149**
Assets Under Construction	3,285	**3,128**
Investment Property	1,465	**1,962**
Intangible Assets	252	**221**
	409,648	**425,899**

* The increase in the value of dwellings is as a result of the year on year increase in the vacant possession fair value for HRA stock.

H3. Vacant Possession Value of Dwellings

As at 1 April 2018 the vacant possession value of dwellings within the Council's HRA was £985.110m, compared to 1 April 2017 £946.277m, valued in accordance with the Guidance on Stock Valuation for Resource Accounting. The difference between this figure and the £396.910m valuation included within the Balance Sheet shows the economic and social cost to the government of providing council housing at less than market rents.

H4. Capital Financing

	31 March 2017 £000	**31 March 2018 £000**
Expenditure on Capital during the year		
Council Dwellings	12,067	**11,388**
Other Land and Buildings	(2)	**0**
Vehicles, Plant and Equipment	542	**157**
Intangible Assets	47	**60**
Assets Under Construction	3,136	**2,899**
Total	15,790	**14,504**
Funded by:		
Usable Capital Receipts	55	**71**
Prudential Borrowing	0	**1,832**
Capital Grants and Contributions	2,068	**1,433**
Revenue and Reserve Contributions	3,225	**170**
Major Repairs Reserve	10,442	**10,998**
Total	15,790	**14,504**

H5. Capital Receipts

Gross capital receipts of £4.092m were generated from the sale of land and houses during 2017/18. The position is summarised as follows;

Capital Receipts	31 March 2017	**31 March 2018**
	£000	**£000**
Sale of Council Dwellings	(3,778)	**(5,504)**
Discounts repaid	0	**0**
	(3,778)	**(5,504)**
Less:		
Pooling contributions	1,420	**1,407**
Administration Costs	99	**82**
Total	(2,259)	**(4,015)**

H6. HRA Depreciation

The depreciation and amortisation charged to the HRA is shown below:

	31 March 2017	**31 March 2018**
	£000	**£000**
Dwellings	8,095	**7,200**
Garages	2,196	**1,670**
Other Land and Buildings	52	**36**
Vehicles, Plant and Equipment	255	**335**
Intangible Assets (amortisation)	138	**92**
Total depreciation and amortisation	10,736	**9,333**

H7. Impairments and Revaluations

Under Resource Accounting, the value of stock has to be verified each year. This process identifies any impairment to be recorded in the accounts. No impairment was written back to the Revaluation Reserve during 2017/18 (2016/17: £0m). The value of Council dwellings increased in 2017/18, £14.010m of the upward revaluation is recognised in the CI&ES. The current valuation of Council dwellings was undertaken on a split between land and buildings whereas previously the valuation was attributed all to the buildings element.

H8. Rent Arrears

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

Date	**Total Rent Arrears**	**% of total income due in year**
	£000	%
At 31 March 2017	1,606	3.27
At 31 March 2018	**2,290**	**4.71**

H9. Other HRA Arrears

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

Date	Total Other Arrears	% of total income due in year
	£000	%
At 31 March 2017	1,100	2.24
At 31 March 2018	**1,311**	**2.70**

H10. Housing Debt Impairment Allowance

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

	31 March 2017	**31 March 2018**
	£000	**£000**
Balance at 1 April	(2,282)	**(2,034)**
Arrears reinstated	(30)	**(17)**
Contribution to impairment allowance	(543)	**(1,160)**
Net write offs	821	**393**
Balance at 31 March	(2,034)	**(2,818)**

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 Collection Fund statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to councils and the government of council tax and business rates.

Collection Fund Income and Expenditure Statement

2016/17 Council Tax £000	2016/17 Business Rates £000	2016/17 Total Collection Fund £000		**2017/18 Council Tax £000**	**2017/18 Business Rates £000**	**2017/18 Total Collection Fund £000**
			Amounts required by statute to be credited to the Collection Fund			
(104,129)	(116,102)	(220,231)	Income receivable (net of exemptions and reliefs)	(111,693)	(115,422)	**(227,115)**
0	1,953	1,953	Transitional protection payments	0	6,501	**6,501**
			Contributions towards previous year's estimated Collection Fund deficit			
0	(3,098)	(3,098)	Solihull MBC	0	(4,448)	**(4,448)**
0	(3,161)	(3,161)	Central Government	0	(4,539)	**(4,539)**
0	(63)	(63)	West Midlands Fire & Rescue Authority	0	(91)	**(91)**
(104,129)	(120,471)	(224,600)	**Total amounts required by statute to be credited**	**(111,693)**	**(117,999)**	**(229,692)**
			Amounts required by statute to be debited to the Collection Fund			
			Precepts, demands and shares			
89,982	58,904	148,886	Solihull MBC	96,388	105,532	**201,920**
8,194	0	8,194	West Midlands Police & Crime Commissioner	8,738	0	**8,738**
4,116	1,202	5,318	West Midlands Fire & Rescue Authority	4,284	1,065	**5,349**
0	60,106	60,106	Central Government [1]	0	0	**0**
			Charges to Collection Fund			
606	609	1,215	Increase in allowance for impairment of debts	1,141	779	**1,920**
0	1,488	1,488	Increase in allowance for impairment of business rate appeals	0	1,881	**1,881**
0	252	252	Charge for allowable collection costs for business rates	0	247	**247**
			Contributions towards previous year's estimated Collection Fund surplus			
811	0	811	Solihull MBC	1,327	0	**1,327**
38	0	38	West Midlands Fire & Rescue Authority	62	0	**62**
74	0	74	West Midlands Police & Crime Commissioner	122	0	**122**
103,821	122,561	226,382	**Total amounts required by statute to be debited**	**112,062**	**109,504**	**221,566**
(308)	2,090	1,782	**Movement on the fund balance**	**369**	**(8,495)**	**(8,126)**
(1,283)	6,228	4,945	Opening balance at 1 April	(1,591)	8,318	**6,727**
(1,591)	8,318	6,727	**Closing balance at 31 March** [2]	**(1,222)**	**(177)**	**(1,399)**

[1] In 2017/18 central government did not receive a share of business rates income, as explained in Note C2 to the Collection Fund.

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

Disclosure Notes to the Collection Fund

C1. Council Tax

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

The council tax base, which represents the number of domestic properties in the borough expressed as equivalent to Band D dwellings, can be broken down as follows for 2017/18:

Band	**Number of dwellings on Valuation List 2017/18**	**Dwellings for council tax purposes 2017/18**	**Multiplier**	**Dwellings as Band D equivalents 2017/18**	Dwellings as Band D equivalents 2016/17
A	14,133	7,861	6/9	5,240	4,830
B	11,907	8,109	7/9	6,307	6,022
C	22,067	17,821	8/9	15,841	15,467
D	16,549	14,433	9/9	14,433	14,195
E	11,743	10,703	11/9	13,081	12,880
F	8,752	8,203	13/9	11,849	11,774
G	5,331	5,054	15/9	8,423	8,352
H	378	350	18/9	700	678
Total Band D equivalents (tax base)				**75,874**	74,198
Adjustment for collection rate of 98.81% (99.00% in 2016/17)				(903)	(742)
Net tax base (Band D equivalents)				**74,971**	73,456

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 2017/18, the average Band D council tax including police, fire and parish precepts was £1,459.37 (2016/17: £1,392.56).

The actual gross income in 2017/18 was £111.693m (2016/17: £104.129m), which in council tax base terms would be 76,535 Band D equivalent dwellings (2016/17: 74,774 Band D dwellings). The effect of this higher than anticipated tax base was a council tax surplus in the year of £1.142m (2016/17: £1.231m surplus), as shown in the table below:

2016/17 £000		**2017/18 £000**	**£000**
103,325	Anticipated gross income from council tax (from multiplying the gross tax base by the average council tax)	110,728	
(104,129)	Actual gross income	(111,693)	
	Surplus for the year before allowance for impairment		(965)
(1,033)	Anticipated allowance for impairment (from multiplying the adjustment for collection rate by the average council tax)	(1,318)	
606	Actual allowance for impairment of debts	1,141	
	Surplus for the year in relation to the allowance for impairment		(177)
(1,231)	**Surplus for the year**		**(1,142)**

Notes to the Collection Fund (continued)

C2. Business Rates

Local businesses pay business rates to the Council. The Council belongs to a 100% business rates retention pilot, with the other members of the West Midlands Combined Authority (WMCA), and as a result retains 99% of the business rates it collects, with 1% being paid to the West Midlands Fire and Rescue Authority and a share of growth since April 2016 payable to the WMCA to support its investment programme. This means that the government no longer receives any share of the business rates income.The Council is also required to pay a tariff to the government out of its share in order for there to be equalisation of business rates income across the country, and also pays a voluntary levy on any growth in income above a government-set baseline level to the Greater Birmingham and Solihull business rates pool, which pools any levies payable by members to be spent in accordance with the priorities of the Greater Birmingham and Solihull Local Enterprise Partnership.

The government determines the level of business rates payable, which was set at 47.9 pence per pound of rateable value in 2017/18 (2016/17: 49.7 pence). There is also a Small Business Rate multiplier which was set at 46.6 pence per pound of rateable value in 2017/18 (2016/17: 48.4 pence). The Valuation Office Agency sets the rateable value of each property and periodically undertakes a national revaluation exercise, the most recent of which resulted in a new valuation list which took effect from April 2017. As at 31 March 2018, the total rateable value for properties in Solihull was £267.600m (31 March 2017: £272.284m).

2016/17		**2017/18**	
£000		**£000**	**£000**
(131,785)	**Gross business rates income (from multiplying the total rateable value as at 31 March by the small business rate multiplier)**	**(124,702)**	
9,401	less reduction in income due to rateable value changes throughout year	**8,036**	
(122,384)	Gross business rates income		**(116,666)**
6,282	less mandatory, discretionary and unoccupied property reliefs		**1,244**
(116,102)	**Net business rates income receivable**		**(115,422)**

C3. Analysis of the movement on Collection Fund balance

2017/18	Council Tax	Business Rates	**Total Collection Fund**
	£000	£000	**£000**
Opening balance as at 1 April 2017:	(1,591)	8,318	**6,727**
Declared surplus/ (deficit) distributed in 2017/18	1,511	(9,078)	**(7,567)**
In-year (surplus)/deficit for 2017/18:			
Solihull MBC	(1,005)	578	**(427)**
West Midlands Police & Crime Commissioner	(45)	5	**(40)**
West Midlands Fire & Rescue Authority	(92)	0	**(92)**
Central Government	0	0	**0**
Closing balance as at 31 March 2018	**(1,222)**	**(177)**	**(1,399)**

Council tax income credited to the CIES of £97.393m comprises the Council's precept of £96.388m plus the Council's share of the in-year surplus of £1.005m shown in note C3.
Business rates income credited to the CIES of £45.835m comprises the Council's share of net business rates income of £105.532m, less the Council's share of the in-year deficit of £0.578m shown in note C3, the share of growth due to the West Midlands Combined Authority of £0.311m and the tariff and levy payments due to the business rates pool of £58.808m.

2016/17	Council Tax £000	Business Rates £000	**Total Collection Fund £000**
Opening balance as at 1 April 2016:	(1,283)	6,228	**4,945**
Declared surplus/ (deficit) distributed in 2016/17	923	(6,322)	**(5,399)**
In-year (surplus)/deficit for 2016/17:			
Solihull MBC	(1,082)	4,122	**3,040**
West Midlands Fire & Rescue Authority	(99)	0	**(99)**
West Midlands Police & Crime Commissioner	(50)	84	**34**
Central Government	0	4,206	**4,206**
Closing balance as at 31 March 2017	**(1,591)**	**8,318**	**6,727**

Council tax income credited to the CIES of £91.064m comprises the Council's precept of £89.982m plus the Council's share of the in-year surplus of £1.082m shown in the table above.
Business rates income credited to the CIES of £28.104m comprises the Council's share of £58.904m and the Council's share of the in-year deficit of £4.122m (shown in the table above), less the tariff and levy payment due to the business rates pool of £26.678m.

Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2017/18 and are included on the following pages.

The organisations which are included within our group accounts are:
Solihull Community Housing Ltd;
Blythe Valley Innovation Centre Ltd;
Coventry and Solihull Waste Disposal Company Ltd;
Urban Growth Company.

Group Accounts

Consolidated Group Entities

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

<u>Blythe Valley Innovation Centre Ltd</u>
Blythe Valley Innovation Centre Ltd was set up in 2000, as a joint venture with Blythe Valley JV Sarl, in order to promote business enterprise. In July 2013, the Council acquired the shares owned by Blythe Valley JV Sarl, thereby becoming the sole shareholder in the business. The accounts of the Company have been consolidated, as a subsidiary, into the group accounts on a line by line basis. Blythe Valley Innovation Centre Ltd has a year end date of 31 December, so the accounts that have been used in the preparation of the Group Accounts are for the year ended 31 December 2017.

<u>Coventry and Solihull Waste Disposal Company Ltd</u>
The Council's interest in Coventry and Solihull Waste Disposal Company Ltd, whose business is the disposal of waste, is set out in Note 20a. The Council's interest in the joint venture has been consolidated into the group accounts under the equity method.

<u>The Urban Growth Company (UGC)</u>
The Urban Growth Company was set up in 2016 as an arm's length company to deliver projects within the UK Central programme. The accounts of the Company have been consolidated, as a subsidiary, into the group accounts on a line by line basis.
The Urban Growth Company was originally set up with a year end date of 31 December, so the published accounts used for the 2016/17 accounts was 31 December 2016. However, the financial year has now been revised to 31 March so accounts that have been used in the preparation of the 2017/18 Group Accounts are for a 15 month period ended 31 March 2018.

Unconsolidated Group Entities

<u>*North Solihull Partnership LP*</u>
Details of amounts owed to/ from NSP as at 31 March 2018 are included within Note 39 - Related Parties.
In addition, there is an agreement in place that NSP will part-fund the North Solihull Primary Programme up to a maximum value of £2.500m. There is a risk to the Council that this sum will not be received in full or in line with timescales.

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

<u>*Unity Trust Ltd*</u>
Unity Trust Ltd was incorporated on 23 July 2013 by a group of schools and academies within the locality of North Solihull. The company was established in order to work together to enhance opportunities for our young people, staff and the wider community.

The Council, as supervising authority, is responsible for providing some oversight to the activities and performance of the company.

There is no current financial risk to the Council from this arrangement. However, in the event of changes to any of the member schools' relationships with the company this would be reviewed.

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.

	Year ended 31 March 2018		
	Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**
Adult Social Care and Health	99,420	(42,446)	56,974
Children, Education and Skills	183,803	(140,979)	42,824
Environment and Housing	38,324	(48,032)	(9,708)
Exceptional revaluation gain on council dwellings	0	0	0
Managed Growth	7,593	(6,389)	1,204
Resources and Delivering Value	90,841	(69,474)	21,367
Stronger Communities and Partnerships	24,411	(6,220)	18,191
Transport and Highways	16,653	(6,588)	10,065
Cost of Services	**461,045**	**(320,128)**	**140,917**
Parish Precepts			1,240
Levies payable			9,090
Amounts payable into the housing capital receipts pool			1,407
Loss on disposal of non-current assets			45,804
Total Other Operating Expenditure			**57,541**
Interest payable on debt			10,936
Interest payable on finance leases, PFI and similar contracts			6,402
Net interest on the net defined benefit liability			7,913
Investment interest income			(358)
Other investment income			(1,228)
(Surplus)/ deficit of trading operations not allocated to services			265
Changes in fair value of investment properties			(591)
Rents received on investment properties			(491)
Expenses incurred on investment properties			54
Total Financing and Investment Income & Expenditure			**22,902**
Council tax			(97,393)
Business rates			(45,835)
Non-ringfenced government grants			(8,869)
Recognised capital grants and contributions			(19,733)
Total Taxation and Non-Specific Grant Income			**(171,830)**
(Surplus) / Deficit on Provision of Services			**49,530**
Joint venture accounted for on an equity basis			(3,597)
Taxation of group entities			472
Share of taxation of joint venture			695
Group (Surplus) / Deficit			**47,100**
(Surplus) on revaluation of non-current assets			(91,205)
Impairment losses on non-current assets charged to the revaluation reserve			0
(Surplus) or deficit on revaluation of available-for-sale financial assets			393
Remeasurement of the net defined benefit liability			(20,368)
Any other (gains)/losses			(114)
Other Comprehensive Income and Expenditure			**(111,294)**
Total Comprehensive Income and Expenditure			**(64,194)**

Group Comprehensive Income and Expenditure Statement (CI&ES)

Prior year comparatives

	Year ended 31 March 2017		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adult Social Care and Health	96,499	(39,161)	57,338
Children, Education and Skills	175,188	(141,936)	33,252
Environment and Housing[1]	52,355	(48,631)	3,724
Exceptional revaluation gain on council dwellings	(81,583)	0	(81,583)
Managed Growth	8,057	(6,132)	1,925
Resources and Delivering Value	100,237	(75,935)	24,302
Stronger Communities and Partnerships	13,777	(6,776)	7,001
Transport and Highways	15,838	(5,857)	9,981
Cost of Services	**380,368**	**(324,428)**	**55,940**
Parish Precepts			1,188
Levies payable			9,414
Amounts payable into the housing capital receipts pool			1,420
Loss on disposal of non-current assets			2,142
Total Other Operating Expenditure			**14,164**
Interest payable on debt			10,837
Interest payable on finance leases, PFI and similar contracts			5,629
Net interest on the net defined benefit liability			8,474
Investment interest income			(598)
Other investment income			(1,171)
(Surplus)/ deficit of trading operations not allocated to services			(42)
Changes in fair value of investment properties			(3,351)
Rents received on investment properties			(1,051)
Expenses incurred on investment properties			562
Total Financing and Investment Income & Expenditure			**19,289**
Council tax			(91,064)
Business rates			(28,104)
Non-ringfenced government grants			(25,334)
Recognised capital grants and contributions			(21,370)
Total Taxation and Non-Specific Grant Income			**(165,872)**
(Surplus) / Deficit on the Provision of Services			**(76,479)**
Joint venture accounted for on an equity basis			(2,709)
Taxation of group entities			78
Share of taxation of joint venture			529
Group (Surplus) / Deficit			**(78,581)**
(Surplus) on revaluation of non-current assets			(93,104)
Impairment losses on non-current assets charged to the revaluation reserve			491
(Surplus) or deficit on revaluation of available-for-sale financial assets			(3,490)
Remeasurement of the net defined benefit liability			66,475
Any other (gains)/losses			(247)
Other Comprehensive Income and Expenditure			**(29,875)**
Total Comprehensive Income and Expenditure			**(108,456)**

[1] This Cabinet was previously Environment, Housing and Regeneration. The 2016/17 balances have not been restated as there has been no material change.

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.

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

2016/17	Total Council Usable Reserves [1] £000	Total Council Unusable Reserves £000	**Total Council Reserves £000**	Council Share of Group Reserves £000	**Total Reserves (Incl Group) £000**
Balance at 31 March 2016	(90,459)	(322,982)	**(413,441)**	15,752	**(397,689)**
Total comprehensive income and expenditure [2]	(72,406)	(32,054)	**(104,460)**	(3,996)	**(108,456)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	62,693	(62,693)	**0**	0	**0**
(Increase)/decrease in 2016/17	(9,713)	(94,747)	**(104,460)**	(3,996)	**(108,456)**
Balance at 31 March 2017	(100,172)	(417,729)	**(517,901)**	11,756	**(506,145)**

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

[2] The MIRS has been restated to show Total Comprehensive Income and Expenditure on one line, rather than split between the Deficit on the Provision of Services and Other Comprehensive Income and Expenditure. It is still possible to determine the split, as the (surplus)/ deficit on the provision of services impacts on Total Usable Reserves, whereas Other Comprehensive Income and Expenditure impacts on Unusable Reserves.

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 2017 £000		**31 March 2018 £000**
1,085,603	Property, Plant and Equipment	**1,135,016**
950	Heritage Assets	**950**
16,239	Investment Property	**16,354**
639	Intangible Assets	**632**
5,000	Long-term Investments - Money market loans	**0**
19,277	Long-term Investments - Available for sale financial assets	**18,884**
11,677	Investments in Joint Ventures	**11,746**
734	Long-term Debtors	**669**
1,140,119	**Long-term Assets**	**1,184,251**
29,626	Short-term Investments	**30,060**
841	Inventories	**817**
32,113	Short-term Debtors	**29,010**
26,241	Cash and Cash Equivalents	**21,238**
5,282	Payments In Advance	**5,941**
238	Carbon Allowances	**200**
94,341	**Current Assets**	**87,266**
(15,110)	Bank Overdraft	**(17,070)**
(2,738)	Short-term Borrowing	**(2,908)**
(44,635)	Short-term Creditors	**(37,664)**
(6,420)	Short-term Provisions	**(10,494)**
(16,959)	Receipts in Advance	**(18,547)**
(85,862)	**Current Liabilities**	**(86,683)**
(1,487)	Long-term Provisions	**(6,278)**
(246,822)	Long-term Borrowing	**(255,788)**
(325,966)	Net Pensions Liability	**(288,419)**
(62,701)	Other Long-term Liabilities	**(57,200)**
(5,477)	Capital Grants Receipts in Advance	**(6,810)**
(642,453)	**Long-term Liabilities**	**(614,495)**
506,145	**Net Assets**	**570,339**
	Financed by:	
(100,164)	Usable Reserves (see Note G7)	**(108,907)**
(379,572)	Unusable Reserves (see Note G8)	**(434,316)**
(26,409)	Group Income & Expenditure Reserve	**(27,116)**
(506,145)	**Total Reserves**	**(570,339)**

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.

31 March 2017 £000		**31 March 2018 £000**
(78,581)	Net group (surplus)/ deficit on the provision of services	**47,100**
16,789	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note G3)	(78,093)
30,498	Adjustments for items in the net surplus or deficit on the provision of services that are investing and financing activities	32,008
(31,294)	**Net cash flows from operating activities**	**1,015**
17,252	Investing activities (Note G5)	8,715
3,716	Financing activities (Note G6)	(2,767)
(10,326)	**Net (increase) / decrease in cash and cash equivalents**	**6,963**
	Overall Movement in cash and cash equivalents	
805	Cash and cash equivalents at the beginning of the reporting period	11,131
10,326	Net increase/ (decrease) in cash and cash equivalents	(6,963)
11,131	**Cash and cash equivalents at the end of the reporting period**	**4,168**

Disclosure Notes to the Council's Group Accounts

G1. Group Segmental Analysis

The table below uses the segmental analysis given in the Expenditure and Funding Analysis (Note 1) as the starting point and shows the cabinet portfolio to which the Group adjustments have been applied, to give the net expenditure in the Group CI&ES.

2017/18	**Net expenditure in the CI&ES**	**Group Adjustments**	**Net expenditure in the Group CI&ES**
	£000	**£000**	**£000**
Adult Social Care and Health	56,974	0	56,974
Children, Education and Skills	42,824	0	42,824
Environment and Housing	(9,505)	(203)	(9,708)
Managed Growth	1,204	0	1,204
Resources and Delivering Value	21,620	(253)	21,367
Stronger Communities and Partnerships	18,191	0	18,191
Transport and Highways	10,065	0	10,065
Net cost of services	**141,373**	**(456)**	**140,917**
Other income and expenditure	(94,636)	819	(93,817)
Group (surplus) or deficit	**46,737**	**363**	**47,100**

2016/17	**Net expenditure in the CI&ES**	**Group Adjustments**	**Net expenditure in the Group CI&ES**
	£000	**£000**	**£000**
Adult Social Care and Health	57,338	0	57,338
Children, Education and Skills	33,252	0	33,252
Environment and Housing[1]	6,960	(3,236)	3,724
Exceptional revaluation gain on Council Dwellings	(81,583)	0	(81,583)
Managed Growth	1,925	0	1,925
Resources and Delivering Value	24,532	(230)	24,302
Stronger Communities and Partnerships	7,001	0	7,001
Transport and Highways	9,981	0	9,981
Net cost of services	**59,406**	**(3,466)**	**55,940**
Other income and expenditure	(131,812)	(2,709)	(134,521)
Group (surplus) or deficit	**(72,406)**	**(6,175)**	**(78,581)**

[1]This Cabinet was previously Environment, Housing and Regeneration. The 2016/17 balances have not been restated as there has been no material change.

Disclosure Notes to the Council's Group Accounts (continued)

G2. Expenditure & Income Analysed by Type

2016/17 £000		2017/18 £000
	Expenditure	
151,206	Employee benefits expenses	**153,294**
20,133	Employee benefits expenses - voluntary aided schools	**21,444**
259,779	Other service expenses	**272,794**
36,518	Depreciation, amortisation, impairment and revaluation losses	**21,745**
(81,583)	Exceptional revaluation gain on council dwellings	**0**
16,466	Interest payments	**17,338**
10,602	Precepts & levies	**10,330**
1,420	Payments to the housing capital receipts pool	**1,407**
2,142	Loss on disposal of non-current assets	**45,804**
529	Share of taxation of joint venture	**695**
78	Taxation of group entities	**472**
417,290	Total expenditure	**545,323**
	Income	
(111,292)	Fees, charges & other service income Note G2a	**(110,851)**
(1,051)	Rent received on investment properties	**(491)**
(2,709)	(Surplus) or deficit on joint venture	**(3,597)**
(1,769)	Interest and investment income	**(1,586)**
(119,168)	Income from council tax and business rates	**(143,228)**
(259,882)	Government grants and contributions	**(238,470)**
(495,871)	Total Income	**(498,223)**
(78,581)	**Group (surplus) / deficit**	**47,100**

G2a. Revenue from external customers

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

2016/17 £000		2017/18 £000
(108,881)	Total revenue from external customers (Council) Note 6a	**(108,081)**
(584)	BVIC rental income, service charge and insurance income	**(633)**
(909)	SCH income	**(218)**
(918)	UGC Income	**(1,919)**
(111,292)	**Total fees, charges and other service income**	**(110,851)**

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

2016/17 £000		**2017/18 £000**
(30,635)	Depreciation and amortisation	**(31,918)**
75,700	Impairments and revaluations	**10,173**
(14,122)	Net movement in pension liability	**17,179**
(12,155)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(59,084)**
6,768	Increase/(decrease) in debtors	**(7,399)**
(12,197)	(Increase)/decrease in creditors	**3,675**
736	(Increase)/decrease in short term provisions	**(4,074)**
1,098	(Increase)/decrease in long term provisions	**(4,377)**
1,596	Other non-cash items charged to the net (surplus)/ deficit on the provision of services	**(2,268)**
16,789		**(78,093)**

G4. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000		**2017/18 £000**
(602)	Interest received	**(371)**
16,642	Interest paid	**17,312**
(3,995)	Dividends received	**(1,223)**
12,045	**Included within cash flow from Operating Activities**	**15,718**

G5. Cash Flow Statement - Investing Activities

2016/17 £000		**2017/18 £000**
51,111	Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	**46,671**
61,598	Purchase of short-term and long-term Investments	**122,500**
3,201	Other payments for Investing Activities	**3,269**
(10,013)	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	**(13,282)**
(25,297)	Capital grants received	**(23,296)**
(63,281)	Proceeds from short-term and long-term Investments	**(127,079)**
(67)	Other receipts from Investing Activities	**(68)**
17,252	**Net cash flows from Investing Activities**	**8,715**

G6. Cash Flow Statement - Financing Activities

2016/17 £000		**2017/18 £000**
0	Cash receipts of short and long-term borrowing	**(40,000)**
(240)	Other movements from financing activities	**29**
2,979	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	**6,153**
977	Repayments of short-term and long-term borrowing	**31,051**
3,716	**Net cash flows from Financing Activities**	**(2,767)**

G7. Usable Reserves

The balance of the Group usable reserves are summarised in the following table:

31 March 2017 £000		**31 March 2018 £000**
(8,394)	General Fund Working Balance	**(6,293)**
(8,290)	General Fund Earmarked Balance	**(12,412)**
(47,375)	Earmarked Revenue Reserves	**(44,838)**
(11,037)	Housing Revenue Account (HRA)	**(13,718)**
(13,433)	Capital Receipts Reserve	**(14,067)**
(2,026)	Major Repairs Reserve	**(2,355)**
(9,609)	Capital Grants Unapplied Account	**(15,224)**
(100,164)	**Total Usable Reserves**	**(108,907)**

G8. Unusable Reserves

The balance of the Group unusable reserves are summarised in the following table:

31 March 2017 £000		**31 March 2018 £000**
(225,980)	Revaluation Reserve	**(282,275)**
(470,104)	Capital Adjustment Account	**(462,157)**
(14,124)	Available for Sale Financial Instruments Reserve	**(13,731)**
(210)	Financial Instruments Adjustment Account (FIAA)	**(91)**
325,998	Pensions Reserve	**322,419**
2,678	Collection Fund Adjustment Account	**(870)**
2,170	Accumulated Absences Account	**2,389**
(379,572)	**Total Unusable Reserves**	**(434,316)**

Disclosure Notes to the Council's Group Accounts (continued)

G9. Subsidiaries

Solihull Community Housing Ltd (SCH)

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

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

As at 31 March 2018 SCH, as a separate entity, had no outstanding capital commitments other than those reported within the Council's accounts (Note 14) (2016/17: no capital commitments).

Blythe Valley Innovation Centre Ltd (BVIC)

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

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

As at 31 March 2018 BVIC, as a separate entity, had no outstanding capital commitments (2016/17: no capital commitments).

The Urban Growth Company (UGC)

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

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

As at 31 March 2018 UGC, as a separate entity, had no outstanding capital commitments (2016/17: no capital commitments).

G10. Joint Ventures

Coventry & Solihull Waste Disposal Company Ltd (CSWDC)

The Council's interest in CSWDC is identified in Note 20a - Available for Sale Financial Assets.

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

The Council (as Reporting Authority) does not have any capital commitments in relation to its interest in CSWDC. The Company has declared capital commitments of £0.372m as at 31 March 2018 (2016/17: £0.393m).

Disclosure Notes to the Council's Group Accounts (continued)

G11. Defined Benefit Pension Schemes

Details of the Council's involvement in the Local Government Pension Scheme, Teachers Pension Scheme and NHS Pension Scheme are provided in Notes 44 and 45 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 45.
The most recent valuation of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2018.

Comprehensive Income and Expenditure Statement

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

	2016/17 £000	**2017/18** **£000**
Cost of Services:		
Service cost comprising:		
• Current service cost	1,484	**2,460**
• Administration costs	26	**28**
Financing and Investment Income and Expenditure:		
• Net interest on the net defined benefit liability	416	**384**
sub-total post-employment benefit charged to the (surplus) / deficit on the provision of services	1,926	**2,872**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount charged in the net interest expense)	(10,392)	**1,664**
• Actuarial (gains)/losses arising on changes in financial assumptions	12,525	**(3,640)**
sub-total post-employment benefit charged to Other Comprehensive Income and Expenditure	2,133	**(1,976)**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	4,059	**896**

Disclosure Notes to the Council's Group Accounts (continued)

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

	2016/17	**2017/18**
	£000	**£000**
Present value of the defined benefit obligation	(77,971)	**(77,624)**
Fair value of plan assets	63,179	**63,219**
Net liability arising from defined benefit obligation	(14,792)	**(14,405)**

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

Reconciliation of the present value of the scheme liabilities	2016/17	**2017/18**
	£000	**£000**
Opening balance at 1 April	(62,689)	**(77,971)**
Current service cost	(1,484)	**(2,351)**
Interest expense	(2,301)	**(2,090)**
Contributions from employees into the scheme	(416)	**(411)**
Remeasurement (gains)/losses:	(12,525)	**3,640**
Past service costs	0	**(109)**
Benefits paid	1,444	**1,668**
Closing balance at 31 March	(77,971)	**(77,624)**

Reconciliation of the movements in the fair value of the scheme assets	2016/17	**2017/18**
	£000	**£000**
Opening value of scheme assets as at 1 April	50,980	**63,179**
Interest income	1,885	**1,706**
Remeasurement gain/(loss)	10,392	**(1,664)**
Administration expenses	(26)	**(28)**
Contributions from employer	976	**1,283**
Contributions from employees into the scheme	416	**411**
Benefits paid	(1,444)	**(1,668)**
Closing value of scheme assets as at 31 March	63,179	**63,219**

Disclosure Notes to the Council's Group Accounts (continued)

Basis for estimating assets and liabilities

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

	at 31 March 2017	**at 31 March 2018**
Life expectancy assumptions from age 65:		
Retiring today:		
Men	21.8 years	**21.9 years**
Women	24.2 years	**24.3 years**
Retiring in 20 years:		
Men	23.9 years	**24 years**
Women	26.5 years	**26.6 years**
Financial assumptions:		
Discount rate	2.70%	**2.55%**
Pension increases	2.70%	**2.30%**
Salary increases	4.20%	**3.80%**

Analysis of the scheme assets at the reporting date:

	Percentage share		Fair value of assets	
	2016/17	**2017/18**	2016/17	**2017/18**
	%	**%**	£000	**£000**
Equity instruments	64.0	**64.0**	40,694	**40,405**
Debt instruments	12.0	**11.0**	7,746	**7,038**
Property	8.0	**8.0**	4,867	**4,868**
Cash/liquidity	3.0	**2.0**	1,803	**1,556**
Other assets	13.0	**15.0**	8,069	**9,352**
Average Return / Total Assets	100.0	**100.0**	63,179	**63,219**

The sensitivity of the overall pension liability to changes

Impact on the Defined Benefit Obligation in the Scheme	
Change in Assumption	**Impact on Pension liability £000**
Life expectancy assumptions (increase by 1 year)	**2,810**
Pension increase and deferred revaluations (increase by 0.1%)	**1,328**
Long-term salary increase (increase by 0.1%)	**145**
Discount rate (increase by 0.1%)	**(14,425)**

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solihull Metropolitan Borough Council (the ‘Authority’) and its subsidiaries (the ‘group’) for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

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 2018 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

- the Director of Resources and Deputy Chief Executive’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

The Director of Resources and Deputy Chief Executive is responsible for the other information. The other information comprises the information included in the Accounting Statement set out on pages 3 to 163, the Annual Governance Statement, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Accounting Statement, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Statement of Responsibilities set out on page 19, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources and Deputy Chief Executive. The Director of Resources and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Resources and Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources and Deputy Chief Executive is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

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

John Gregory

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
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27 July 2018

Glossary

Glossary
This glossary is an explanation of terms used throughout this document.

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

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

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

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

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

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

Balance Sheet
A Core Statement outlining the Council's financial position at year end, which shows:
· the balances and reserves at the Council's disposal
· long-term indebtedness (which is over one year)
· the long-term and net current assets employed in its operations
· summarised information on the long-term assets (held for more than one year) by category.

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

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

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

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

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

Cash Flow Statement
The Cash Flow Statement summarises the movement of cash and cash equivalents during the year regardless of which year they relate to.

CI&ES (Comprehensive Income & Expenditure Statement)
A Core Statement showing the income, expenditure and net cost during the year in relation to each service for which the Council is responsible.

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
Amounts that may become due to the Council, but their actual receipt depends on a future event happening.

Contingent Liabilities
Amounts that the Council may be, but is not definitely, liable for.

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.

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. The Council receives DSG direct from the Government, which is 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.

Escrow Account
A bank account where the balance is held by a third party on behalf of the two parties in a transaction.

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 (GF)
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 ringfenced 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 Loans
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.

MIRS (Movement in Reserves Statement)
A Core Statement showing the movement in the year on different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'.

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).

Payments in Advance
Payments made in the current financial year for goods and services to be received in the following financial year.

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

Prior Period Adjustments
Changes made to the previous year's accounts to show things that were not known about until after that year's accounts were produced.

Private Finance Initiative (PFI)
Government initiative under which the Council buys the service of a private sector supplier to Design, Build, Finance and Operate a public facility.

Provisions
Money set aside for a debt that is likely to arise in the future, for example insurance claims.

Receipts in Advance
Money received before the end of the financial year, which relates to the following financial year.

Reserves

Amounts put aside by the Council to provide for known future expenditure, e.g. replacement of an asset.

Revaluation Reserve
When the value of an asset owned by the Council changes, the increase or decrease in value is transferred to this reserve.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)
Spending on assets that have a lasting value but are not owned by the Council, e.g. disabled facilities grant expenditure.

Revenue Spending
Spending on the day-to-day running of services. This includes, for example, salaries or running expenses for the Council's buildings and equipment.

Revenue Support Grant (RSG)
The main government grant which helps support council services. RSG is being phased out and is expected to cease entirely by 2020. Provisional allocations of RSG up to that point have been incorporated into the funding the Council will receive through business rates under the West Midlands business rates retention pilot.

Ringfenced
Amounts which are ringfenced are only able to be spent on specific areas.

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

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

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

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

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

Contact Details and Other Sources of Information

Contact Details and Other Sources of Information

Enquiries or comments about this publication should be made to:

Director of Resources and Deputy Chief Executive
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 2018/19
Medium Term Financial Strategy 2018/19 - 2020/21

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

Further information about the Fire and Rescue Authority, Police and Crime Commissioner and West Midlands Combined Authority finances can be obtained at the following addresses:

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

The Treasurer of the Authority
West Midlands Fire and Rescue Authority
99 Vauxhall Road
Birmingham
B7 4HW

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

More detailed statistical information about Solihull and all other local councils is contained in a wide range of publications produced by CIPFA. Some of these publications are available in Solihull Central Library or alternatively from CIPFA itself:

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London
E1 8AN