



**Solihull Metropolitan Borough Council
Accounting Statement
2014/15**

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Page	Contents
3	Explanatory Foreword
8	Statement of Responsibilities
	Core Statements
9	Movement in Reserves Statement
13	Comprehensive Income & Expenditure Statement
17	Balance Sheet
19	Cash Flow Statement
	Disclosure notes to the Accounts
22	1 Prior Period Adjustments
25	2 Accounting Standards that have been Issued but not yet Adopted
	3 Critical Judgements in Applying Accounting Policies
26	4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
28	5 Material Items of Income and Expenditure
31	6 Adjustments between Accounting Basis and Funding Basis under Regulations
36	7 Transfers to/from Earmarked Reserves
37	8 Movements on Balances for Property, Plant and Equipment
39	9 Capital Commitments
	10 Revaluations
41	11 Investment Property
42	12 Intangible Assets
43	13 Financial Instruments - Summary
	14 Fair values of Assets and Liabilities
46	15 Available-for-sale Financial Assets
49	16 Nature and Extent of Risks Arising from Financial Instruments
54	17 Gains and Losses Recognised in the Comprehensive Income & Expenditure Statement
55	18 Short Term Debtors (less than one year)
	19 Long Term Debtors (greater than one year)
	20 Cash and Cash Equivalents (including Bank Overdraft)
56	21 Payments in Advance
	22 Short Term Creditors (less than one year)
	23 Receipts in Advance
57	24 Provisions
59	25 Pooled Budgets
60	26 Usable Reserves

Page	Contents
60	27 Unusable Reserves
64	28 Cash Flow Statement – Adjustments to Net Deficit on the Provision of Services for non-cash movements
	29 Cash Flow Statement – Operating Activities
65	30 Cash Flow Statement – Investing Activities
	31 Cash Flow Statement – Financing Activities
66	32 Amounts Reported for Resource Allocation Decisions
70	33 Members' Allowances
	34 Officers' Remuneration
72	35 External Audit Costs
73	36 Grant Income
75	37 Dedicated Schools Grant
76	38 Related Parties
77	39 Capital Expenditure and Capital Financing
78	40 Leases
80	41 Private Finance Initiatives (PFI) and Similar Contracts
83	42 Impairment Losses
84	43 Defined Benefit Pension Schemes
88	44 Contingent Assets
	45 Contingent Liabilities
89	46 Trust Funds
	47 Events after the Balance Sheet Date
	48 Unconsolidated Group Entities
90	49 Statement of Accounting Policies
	Supplementary Financial Statements
107	Housing Revenue Account
109	Notes to the Housing Revenue Account
113	Collection Fund
116	Notes to the Collection Fund
119	Group Accounts
126	Notes to the Council's Group Accounts
139	Independent Auditor's Report
143	Glossary
149	Contact Details and Other Sources of Information

Explanatory Foreword

Welcome to Solihull Metropolitan Borough Council's Statement of Accounts for the financial year 2014/15. These accounts set out, in accordance with approved guidelines, the financial results of the Council's activities for the year ended 31 March 2015.

The Council's ambition is to deliver high quality services for all its residents. More details on Council activities are available on our website: www.solihull.gov.uk

Review of 2014/15

Approving the Budget

The Council's budget for 2014/15 was £169.792m, excluding schools which are directly funded by the Dedicated Schools Grant (DSG) from central government. The budget was approved on 27 February 2014, with net planned expenditure on services and corporate commitments increasing by £4.643m over the 2013/14 base budget. Of this amount, £1.015m related to corporate commitments, £0.592m related to service pressures and policy developments and £3.036m to inflation.

This increase in expenditure was offset by efficiency savings totalling (£5.886m) and funding from reserves, working balances and contingencies totalling (£6.278m). There was an overall decrease in the net budget of £7.521m compared to 2013/14.

For 2014/15 the Council set a Band D council tax of £1,173.72 (excluding Police, Fire and Parish Precepts) which was the same as in the previous four years.

Financial Management

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.

Capital Spending Summary

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 2014/15, including the Housing Revenue Account (HRA), was £55.592m compared with a revised budget of £60.270m, giving a net variance in year of (£4.678m). Re-phasing of £4.393m will be added into the capital programme for 2015/16.

A summary of the Council's internal and external sources of funds available to meet its capital expenditure and other financial commitments including PFI/PPP schemes is included in Note 39.

During the year the Council acquired assets in the North of the Borough to the value of £0.855m and purchased seven properties within the HRA at a cost of £0.759m. The disposal of assets resulted in total capital receipts for the Council during the year of £7.790m. These included disposals of HRA right to buy properties amounting to £2.813m (net of administration costs) and further redemption of a proportion of preference shares in the Coventry & Solihull Waste Disposal Company resulted in a capital receipt of £1.100m.

Revenue Spending Summary

The final position on the General Fund for the year resulted in an increase of £115,000 to the forecast working balances figure at 31 March 2017 which is included within the Council's latest Medium Term Financial Strategy (MTFS), to £6.114m.

A report to Full Cabinet on the 18th June 2015 detailed the Final Accounts position for 2014/15 for the Council. Note 32 in the Accounting Statement gives the breakdown of the total Income and Expenditure by Cabinet portfolio. However there are some differences between what is reported in the Full Cabinet report and Note 32. The table below provides a reconciliation between the two in order to demonstrate how the Accounting Statement links to the Final Accounts position reported to Full Cabinet.

Reconciliation to Full Cabinet report dated 18th June 2015 - Final Accounts position for 2014/15	£000
Sub total Cabinet Portfolio actual expenditure as per the Full Cabinet report Appendix A	137,916
Dedicated Schools Grant actual expenditure position	(3,217)
Total expenditure as per the Amounts reported for resource allocation decisions in Note 32 page 66	134,699
Levies actual expenditure for 2014/15 (not included in any of the individual Cabinet Portfolios position)	36,660
Contributions from contingencies and working balances (also not included in any of the individual Cabinet Portfolios position)	(5,718)
Contributions to reserves and future year commitments amounts - approval being sought from Full Cabinet on the 18th June	1,641
DSG carry forward of the 2014/15 underspend into 2015/16	2,395
Revised total expenditure for 2014/15	169,677
Total Council budget for 2014/15	169,792
Increase in working balances as a result of the 2014/15 final accounts - referred to above	(115)

Statement of Accounts

The Statement of Accounts includes a Statement of Accounting Policies, which explains the way we have accounted for items in this document, and in the Core Financial Statements.

The Statement of Accounting Policies has been revised in 2014/15 to take account of any changes during the year.

Explanations of the Core Financial Statements included in the Statement of Accounts have been included at the beginning of each Core Financial Statement. These can be found on the following pages:-

Movement in Reserves Statement (MIRS)	page 9
Comprehensive Income and Expenditure Statement (CI&ES)	page 13
Balance Sheet	page 17
Cash Flow Statement	page 19

The Supplementary Financial Statements section contains the following statements:

Housing Revenue Account (HRA)	page 107
Collection Fund	page 113
Group Accounts	page 119

Other Areas to Highlight in 2014/15

Pension Liability

There is currently a net deficit attributable to the Council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Mercer Human Resource Consulting). Steps have been taken to address this deficit within the medium and long term financial strategy of the Council. Please refer to Note 43 for further details.

Upfront Payment of Pension Contributions

In April 2014 the Council made an upfront pension payment to the West Midlands Pension Fund of £17.217m covering the financial years 2014/15 to 2016/17, in order to save £1.222m in pension contributions over this period. At their Full Cabinet meeting on the 10th April 2014 Members agreed the funding of the payments relating to 2015/16 and 2016/17 from reserves which will subsequently be repaid from the Council budgets for pension payments in those following two years.

As a result of this payment this 2014/15 Accounting Statement includes the full cost of the payment of £17.217m and then reflects the fact that it uses £11.887m of reserves and working balances to fund the costs that relate to the 2015/16 and 2016/17 financial years. The Accounting Statement will make references to this in a number of places as it will affect some of the Core Statements and disclosure notes throughout the accounts.

Academy Schools

During 2014/15 three schools converted to Academy status, these were Marston Green Infants, Smithswood Primary and Northern House (Solihull). This change resulted in the need to revalue the land still in Council ownership relating to these schools, and to remove the school buildings from the Balance Sheet. The school buildings were disposed of, resulting in a loss on disposal of £17.699m being recognised in the CI&ES. The land was revalued downwards by £2.433m resulting in a charge against the Children's and Education services line in the CI&ES.

Currently, for 2015/16, Lyndon School is the only school in the process of becoming an Academy. The associated land will be revalued down, and the buildings will be disposed of, resulting in a reduction in value of £18.300m in 2015/16.

Accounting for Local Authority Maintained Schools

During 2014/15 the Council concluded its view on the accounting treatment for Non-Current Assets used by maintained schools, of which there are four types: Community schools which are controlled and run by the Council, Foundation or Trust schools run by their governing body, Voluntary Aided (VA schools), the majority of which are faith schools, and Voluntary Controlled (VC schools) which are like VA schools but are run by the Council.

This review concluded that one voluntary controlled school, Meriden Church of England Primary, and one foundation school, Lyndon School, would be added to the balance sheet of the Council. These two assets are valued at approximately £21.500m at 31st March 2015. The revised list of maintained schools on the balance sheet of the Council at 31st March 2015 is shown below.

	On Balance Sheet	Off Balance Sheet
Community Schools	40	0
Voluntary Controlled	1	0
Voluntary Aided	0	17
Foundation	1	0
Academy	0	20
	42	37

The Economy

The economic recovery of the UK continued throughout 2014/15, despite ongoing uncertainty in the eurozone and beyond, and the UK is currently the fastest growing economy in the G7. Against this backdrop, the coalition government's strategy of deficit reduction, with its focus on public sector spending restraint, continued to affect the Council's financial position.

The strategy of deficit reduction looks set to continue under the new Conservative administration, which has stated its intention to deliver £30 billion of savings over the course of this Parliament. The Chancellor of the Exchequer is due to deliver a second Budget in July 2015, and a comprehensive spending review is expected to follow later in the year. The implications of the government's plans, as set out in these two key announcements, will underpin the revision of the medium term financial strategy and the preparation of the 2016/17 budget.

Changes to Local Government Funding during 2014/15

Local government is funded from three main sources, council tax, revenue support grant and a share of business rates income. Solihull has frozen its element of the council tax charge since 2010/11 (at £1,173.72 for a Band D property) but council tax income continues to be the most significant funding source for the authority, comprising 49% of the total for 2014/15.

2014/15 was the second year of the business rates retention scheme, which allows local authorities to retain a proportion of the growth in their business rates income. The introduction of the scheme transferred significant risk to local authorities, as has become apparent in 2013/14 and 2014/15. In particular, backdated appeals have had a significant effect on the Collection Fund.

In addition to the above the Council received specific funding for 2014/15 in relation to a number of service areas, the details of which can be found in note 36.

Future Plans

The Council needs to manage unprecedented reductions in its resource base at a time when the increase in demand for some of its key services shows no sign of levelling off.

Our strategic response to this position is to employ three interventions - managing demand, maximising income generated locally and reducing costs - while delivering the four priorities outlined in the Council Plan for 2014 to 2020:

- Improve Health and Wellbeing
- Managed Growth
- Build Stronger Communities
- Deliver Value

Improve Health and Wellbeing

Solihull is using its policies, strategies and service models with the intention of eliminating what is classed as "avoidable demand". Avoidable demand for our services is caused by not doing something or not doing something right for the customer. By reducing avoidable demand the authority can concentrate on prevention and early help measures to ensure that the contact that we have with our customers is at the right time, for the right level of service in the future.

This is particularly relevant in social care. The Council has a shared commitment ("Solihull – Together for Better Lives") with the NHS to improve the coordination of health and care services in the borough. The initial focus of this joint working, which is being delivered through the Integrated Care and Support Solihull (ICASS) programme and partly funded through the Better Care Fund, is on Solihull's ageing population.

To support the delivery of the government's vision of improving health outcomes for children, responsibility for commissioning 0-5 children's public health services is transferring from NHS England to local government in October 2015. The Council will receive an additional ring-fenced Public Health grant as a result.

Managed Growth

Maximising the income generated locally - from retained business rates and council tax - is a key element of the Council's MTFs.

Solihull's unique concentration of strategic economic assets (the international airport, the National Exhibition Centre, Jaguar Land Rover, the business parks, the town centre, transport infrastructure and the environment/green belt) give it a critical role in the regional economy. The MTFs reflects the estimated additional business rates income that would be generated from anticipated new developments in the borough over the period to 2017/18. These include growth related to the borough's largest commercial organisations, as well as developments associated with the Council's regeneration activity in the north of the borough and in Shirley.

Council tax remains the authority's most significant source of income. Despite having been frozen since 2010/11, income from council tax continues to rise, thanks to sustained growth in the tax base. In addition, the MTFs assumes that council tax will increase by a maximum of 2.0% per annum from 2016/17. The Council also receives New Homes Bonus funding from central government for each new property that is built.

Build Stronger Communities

In April 2013, the Council adopted a local scheme for council tax support based on the one previously in operation nationally, and will be consulting on proposed revisions to the scheme during 2015/16. The Council has worked closely with the voluntary sector to support local residents through the introduction of welfare reform with the effect of encouraging less dependence on benefits, and has seen a fall in the number of residents eligible for council tax support.

Deliver Value

Solihull is a member of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP), which was created to increase economic output, create jobs and stimulate growth and investment across the sub-region. Solihull is part of a business rates pool with other LEP members and is also exploring wider regional working, with the Leader of the Council seeking approval to take forward detailed discussions in principle to support the creation of a combined authority for the West Midlands.

Historically low levels of funding have required the Council to adopt innovative approaches to improving efficiency. Despite the challenging climate for local government, Solihull is in a resilient financial position, with clear three-year savings plans set out to achieve a balanced budget up to 2017/18, and further provisional plans in place for the following two years.

Information on the Council's new priorities is available on the Council's website www.solihull.gov.uk

Paul Johnson CPFA
Director of Resources
22 September 2015

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.

The Director of Resources will:

- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director of Resources' Responsibilities:

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

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

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records that were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Director of Resources is required to sign and date the Accounting Statement, stating that it gives a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2015.

Chair of Governance Committee
22 September 2015

Paul Johnson CPFA
Director of Resources
22 September 2015

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 reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net (Increase)/Decrease before the 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)

2014/15	General Fund Working Balance £000	Earmarked General Fund Balance £000	Earmarked Revenue Reserves (Note 7) £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2014	(13,561)	(3,271)	(52,023)	(9,619)	(2,589)	(1,831)	(9,196)	(92,090)	(356,152)	(448,242)
Movement in Reserves during 2014/15										
(Surplus) or deficit on the provision of services	26,742	0	0	(8,391)	0	0	0	18,351	0	18,351
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	36,490	36,490
Total comprehensive income and expenditure	26,742	0	0	(8,391)	0	0	0	18,351	36,490	54,841
Adjustments between accounting basis & funding basis under regulations (Note 6)	(16,550)			9,240	(1,743)	(873)	2,732	(7,194)	7,194	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	10,192	0	0	849	(1,743)	(873)	2,732	11,157	43,684	54,841
Transfers to/(from) Earmarked Reserves in relation to pension cost upfront payment for 2015/16 and 2016/17 (Note 5)	(9,810)	0	9,810	0	0	0	0	0	0	0
Other transfers to/(from) Earmarked Reserves	2,994	269	(3,333)	70	0	0	0	0	0	0
(Increase)/Decrease in 2014/15 *	3,376	269	6,477	919	(1,743)	(873)	2,732	11,157	43,684	54,841
Balance at 31 March 2015	(10,185)	(3,002)	(45,546)	(8,700)	(4,332)	(2,704)	(6,464)	(80,933)	(312,468)	(393,401)

* £2.077m of the decrease in the General Fund Working Balance is in relation to the funding of the £11.887m upfront pension payment. The remainder of the funding of the pension payment (£9.810m) is from earmarked reserves.

Movement in Reserves Statement (MIRS) continued

2013/14	General Fund Working Balance £000	Earmarked General Fund Balance £000	Earmarked Revenue Reserves (Note 7) £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2013 Restated	(15,796)	(3,653)	(42,450)	(8,235)	(1,536)	(1,282)	(8,830)	(81,782)	(278,130)	(359,912)
Movement in Reserves during 2013/14										
(Surplus) or deficit on the provision of services	19,040	0	0	(7,185)	0	0	0	11,855	0	11,855
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(100,185)	(100,185)
Total comprehensive income and expenditure	19,040	0	0	(7,185)	0	0	0	11,855	(100,185)	(88,330)
Adjustments between accounting basis & funding basis under regulations (Note 6)	(25,996)			5,801	(1,053)	(549)	(366)	(22,163)	22,163	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(6,956)	0	0	(1,384)	(1,053)	(549)	(366)	(10,308)	(78,022)	(88,330)
Transfers to/(from) Earmarked Reserves (Note 7)	9,191	382	(9,573)	0	0	0	0	0	0	0
(Increase)/Decrease in 2013/14	2,235	382	(9,573)	(1,384)	(1,053)	(549)	(366)	(10,308)	(78,022)	(88,330)
Balance at 31 March 2014	(13,561)	(3,271)	(52,023)	(9,619)	(2,589)	(1,831)	(9,196)	(92,090)	(356,152)	(448,242)

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CI&ES) shows the income, expenditure and net cost on 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 entirely in accordance with International Financial Reporting Standards, which differ 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 (on page 10) which shows the overall revenue position for the Council.

Comprehensive Income and Expenditure Statement (CI&ES)

	Year ended 31 March 2015		
	Gross	Gross	Net
	Expenditure	Income	Expenditure
	£000	£000	£000
Adult social care	80,070	(19,907)	60,163
Central services	5,305	(3,439)	1,866
Children's and education services *	188,292	(148,117)	40,175
Cultural and related services	10,952	(3,407)	7,545
Environmental and regulatory services	17,215	(6,404)	10,811
Highways & transport services	24,268	(7,503)	16,765
Local authority housing (HRA)	32,192	(45,506)	(13,314)
Other housing services	63,875	(62,245)	1,630
Planning services *	14,527	(4,160)	10,367
Public health	9,945	(9,997)	(52)
Corporate & democratic core	4,468	(817)	3,651
Non distributed cost	491	(1,535)	(1,044)
Cost of Services	451,600	(313,037)	138,563
Payments of precepts to parishes			1,122
Levies payable			10,495
Amounts payable into the housing capital receipts pool			1,187
(Gain)/loss on disposal of non-current assets *			16,555
Total Other Operating Expenditure			29,359
Interest payable on debt			10,426
Interest payable on finance leases			211
Interest payable on PFI unitary payments			5,273
Pension interest costs			8,022
Investment interest income			(346)
Other investment income *			(1,169)
Changes in fair value of investment properties *			(3,900)
Rents received on investment properties			(4,547)
Expenses incurred on investment properties			420
Total Financing and Investment Income & Expenditure			14,390
Council tax			(85,756)
Non-domestic rates			(26,247)
Non ring-fenced government grants *			(38,266)
Recognised capital grants and contributions			(13,692)
Total Taxation and Non-Specific Grant Income			(163,961)
Deficit on Provision of Services			18,351
(Surplus) or deficit on revaluation of non current assets *			(15,445)
Impairment losses on non-current assets charged to revaluation reserve			41
(Surplus) or deficit on revaluation of available for sale financial assets *			491
Remeasurement of the net defined benefit liability *			51,403
Any other (gains)/losses			0
Other Comprehensive Income and Expenditure			36,490
Total Comprehensive Income and Expenditure			54,841

* Explanations for significant movements can be found in note 5 - Material items of income and expenditure

Comprehensive Income and Expenditure Statement (CI&ES)

Prior year comparatives (restated)	Year ended 31 March 2014		
	Gross	Gross	Net
	Expenditure £000	Income £000	Expenditure £000
Adult social care	77,711	(17,047)	60,664
Central services	4,810	(3,464)	1,346
Children's and education services *	201,839	(144,790)	57,049
Cultural and related services	10,624	(2,673)	7,951
Environmental and regulatory services	17,960	(6,153)	11,807
Highways & transport services	23,254	(5,974)	17,280
Local authority housing (HRA)	31,024	(44,513)	(13,489)
Other housing services	61,723	(59,982)	1,741
Planning services *	10,101	(3,933)	6,168
Public health	10,031	(9,734)	297
Corporate & democratic core	4,910	(848)	4,062
Non distributed cost	264	(937)	(673)
Cost of Services	454,251	(300,048)	154,203
Payments of precepts to parishes			1,121
Levies payable			11,069
Amounts payable into the housing capital receipts pool			1,153
(Gain)/loss on disposal of non-current assets *			(874)
Total Other Operating Expenditure			12,469
Interest payable on debt			10,273
Interest payable on finance leases			204
Interest payable on PFI unitary payments			5,779
Pension interest costs			8,768
Investment interest income			(456)
Other investment income *			(3,674)
Changes in fair value of investment properties *			(5,618)
Rents received on investment properties			(4,417)
Expenses incurred on investment properties			268
Total Financing and Investment Income & Expenditure			11,127
Council tax			(84,844)
Non-domestic rates			(24,380)
Non ring-fenced government grants *			(43,497)
Recognised capital grants and contributions			(13,223)
Total Taxation and Non-Specific Grant Income			(165,944)
Deficit on Provision of Services			11,855
(Surplus) or deficit on revaluation of non current assets *			(50,573)
Impairment losses on non-current assets charged to revaluation reserve			460
(Surplus) or deficit on revaluation of available for sale financial assets *			(23,333)
Remeasurement of the net defined benefit liability *			(23,097)
Any other (gains)/losses ¹			(3,642)
Other Comprehensive Income and Expenditure			(100,185)
Total Comprehensive Income and Expenditure			(88,330)

¹ Any other (gains)/ losses have been restated following the review of the Council's school assets - the effect of this is detailed within Note 1 - Prior Period Adjustments

* Explanations for significant movements can be found in note 5 - Material items of income and expenditure

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

1 April 2013	31 March 2014		31 March 2015	Notes
Restated ²	Restated ²		£000	
£000	£000			
286,224	290,622	Council Dwellings	310,582	
377,708	408,112	Other Land and Buildings	379,018	
17,244	12,268	Vehicles, Plant and Equipment	10,815	
89,202	93,067	Infrastructure	97,341	
11,594	11,681	Community Assets	12,205	
7,685	15,573	Assets under Construction	26,149	
789,657	831,323	sub-total Property, Plant & Equipment	836,110	8
950	950	Heritage Assets	950	
79,082	84,832	Investment Property	89,422	11
772	867	Intangible Assets	1,389	12
34,207	43,173	Long Term Investments	39,359	13-15
1,550	1,756	Long Term Debtors	1,612	19
906,218	962,901	Total Long Term Assets	968,842	
9,688	17,951	Short Term Investments	23,184	13/14
479	603	Inventories	660	
19,755	26,137	Short Term Debtors	25,147	18
2,551	6,040	Cash and Cash Equivalents	3,457	20
2,901	4,193	Payments in Advance	3,868	21
53	0	Carbon Allowances	219	
35,427	54,924	Current Assets	56,535	
(5,923)	(8,107)	Bank Overdraft	(8,937)	20
(5,068)	(8,342)	Short Term Borrowing	(2,603)	13/14
(42,159)	(34,214)	Short Term Creditors	(34,128)	22
(2,092)	(1,857)	Short Term Provisions	(3,570)	24
(9,512)	(13,879)	Receipts in Advance	(13,892)	23
(64,754)	(66,399)	Current Liabilities	(63,130)	
(57)	0	Long Term Creditors	0	
(2,332)	(2,836)	Long Term Provisions	(3,316)	24
(227,822)	(227,485)	Long Term Borrowing	(248,847)	13/14
(218,183)	(205,797)	Net Pensions Liability ¹	(251,620)	43
(66,232)	(63,652)	Other Long Term Liabilities	(60,900)	13/14
(2,353)	(3,414)	Capital Grants Receipts in Advance	(4,163)	36
(516,979)	(503,184)	Long Term Liabilities	(568,846)	
359,912	448,242	Net Assets	393,401	
Financed by:				
(81,782)	(92,090)	Usable Reserves ¹	(80,933)	MIRS (page 9)
(278,130)	(356,152)	Unusable Reserves	(312,468)	27
(359,912)	(448,242)	Total Reserves	(393,401)	

¹ The effect of the upfront pension payment in the statement of accounts is detailed within note 5 - material items of income and expenditure

² The Balance Sheet at 1 April 2013 and 31 March 2014 have been restated following the review of the Council's school assets - the effect of this is detailed within Note 1 - Prior Period Adjustments

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. The other core statements are based on any transaction or change in value that is relevant to 2014/15.

The Cash Flow Statement removes transactions that do not involve cash, for example, if the Council is owed money from a grant at the year end, it will be reflected in the CI&ES but not in the Cash Flow Statement. If a grant is received during the year in advance for the following year, it will be reflected in the Cash Flow Statement, but not in the CI&ES.

Cash Flow Statement

31 March 2014 £000	31 March 2015 £000
11,855 Net deficit on the provision of services	18,351
(47,827) Adjustments to net deficit on the provision of services for non cash movements (Note 28) *	(55,171)
13,766 Adjustments for items in the net deficit on the provision of services that are investing and financial activities	17,455
(22,206) Net cash flows from operating activities (Note 29)	(19,365)
16,714 Investing activities (Note 30)	35,416
4,187 Financing activities (Note 31)	(12,638)
(1,305) Net (increase)/ decrease in cash and cash equivalents	3,413
<u>Overall Movement in cash and cash equivalents</u>	
(3,372) Cash and cash equivalents at the beginning of the reporting period	(2,067)
1,305 Net increase/ (decrease) in cash and cash equivalents	(3,413)
(2,067) Cash and cash equivalents at the end of the reporting period (Note 20)	(5,480)

* Adjustments to net deficit on the provision of services for non cash movements includes the upfront payment of the pension contributions, further details can be found within Note 5 - Material Items of income and expenditure.

Disclosure notes to the Accounts

1. Prior Period Adjustments

Following updates to the Code of Practice for 2014/15, the Council has reviewed its treatment of Voluntary Aided, Voluntary Controlled and Foundation schools. This exercise has reviewed both the legal status and any other arrangements in place regarding the use of these schools within the borough on a case by case basis, in order to ensure that we are fully compliant with the Code of Practice and International Financial Reporting Standards (primarily IAS16 Property, plant and equipment and IAS17 Leases).

As a result of this exercise, the Council has decided to recognise the land and buildings of Lyndon School and Meriden CofE Primary School on its balance sheet for 2014/15.

The opening and closing balances for 2013/14 have been restated as follows:

Balance Sheet as at 1 April 2013 (only those lines which have changed are shown)

	Published 31 March 2013 £000	Restatement £000	Restated 1 April 2013 £000
<i>Other Land & Buildings</i>	358,143	19,565	377,708
sub-total Property, plant & equipment	770,092	19,565	789,657
Total Long term assets	886,653	19,565	906,218
Net Assets	340,347	19,565	359,912
Financed by:			
Capital adjustment account	(366,245)	(19,565)	(385,810)
Unusable reserves	(258,565)	(19,565)	(278,130)
Total Reserves	(340,347)	(19,565)	(359,912)

Balance Sheet as at 31 March 2014 (only those lines which have changed are shown)

	Published 31 March 2014 £000	Restatement £000	Restated 31 March 2014 £000
<i>Other Land & Buildings</i>	386,721	21,391	408,112
sub-total Property, plant & equipment	809,932	21,391	831,323
Total Long term assets	941,510	21,391	962,901
Net Assets	426,851	21,391	448,242
Financed by:			
Capital adjustment account	(365,884)	(21,391)	(387,275)
Unusable reserves	(334,761)	(21,391)	(356,152)
Total Reserves	(426,851)	(21,391)	(448,242)

Prior Period Adjustments (continued)

Restatement of the Council's Comprehensive Income and Expenditure Statement for 2013/14 has been made as follows (only those lines which have changed are shown):

	Published 31 March 2014 £000	Restatement £000	Restated 31 March 2014 £000
Any other (gains)/ losses	(1,816)	(1,826)	(3,642)
Other Comprehensive Income and Expenditure	(98,359)	(1,826)	(100,185)
Total Comprehensive Income and Expenditure	(86,504)	(1,826)	(88,330)

Restatement of the Council's Movement in Reserves Statement for 2013/14 has been made as follows (only those lines which have changed are shown):

	Published 31 March 2014 £000	Restatement £000	Restated 31 March 2014 £000
Balance at 1 April 2013 brought forward:			
Unusable Reserves	(258,565)	(19,565)	(278,130)
Total Council Reserves	(340,347)	(19,565)	(359,912)
Other comprehensive income & expenditure:			
Unusable Reserves	(98,359)	(1,826)	(100,185)
Total Council Reserves	(98,359)	(1,826)	(100,185)
Total comprehensive income and expenditure:			
Unusable Reserves	(98,359)	(1,826)	(100,185)
Total Council Reserves	(86,504)	(1,826)	(88,330)
Net increase before transfers to Earmarked Reserves:			
Unusable Reserves	(76,196)	(1,826)	(78,022)
Total Council Reserves	(86,504)	(1,826)	(88,330)
(Increase)/ Decrease in 2013/14			
Unusable Reserves	(76,196)	(1,826)	(78,022)
Total Council Reserves	(86,504)	(1,826)	(88,330)
Balance at 31 March 2014 carried forward:			
Unusable Reserves	(334,761)	(21,391)	(356,152)
Total Council Reserves	(426,851)	(21,391)	(448,242)

Prior Period Adjustments (continued)

Restatements of other notes to the Council's 2013/14 Accounts have been made as follows (only those lines which have changed are shown):

Note 8 - Movements on Balances for Property, Plant and Equipment in 2013/14:

	Published 31 March 2014 £000	Restatement £000	Restated 31 March 2014 £000
Net Book Value of Assets as at 31 March 2013:			
Other Land and Buildings	358,143	19,565	377,708
Total Property, Plant and Equipment	<u>770,092</u>	<u>19,565</u>	<u>789,657</u>
Additions			
Other Land and Buildings	5,040	1,826	6,866
Total Property, Plant and Equipment	<u>35,308</u>	<u>1,826</u>	<u>37,134</u>
Net Book Value of Assets as at 31 March 2014:			
Other Land and Buildings	386,721	21,391	408,112
Total Property, Plant and Equipment	<u>809,932</u>	<u>21,391</u>	<u>831,323</u>

Note 27(b) - Capital Adjustment Account:

	Published 31 March 2014 £000	Restatement £000	Restated 31 March 2014 £000
Balance at 1 April 2013	(366,245)	(19,565)	(385,810)
<u>Other Movements</u>			
Schools and other restatement	0	(1,826)	(1,826)
sub-total Other Movements	<u>(7,374)</u>	<u>(1,826)</u>	<u>(9,200)</u>
Balance at 31 March 2014	<u>(365,884)</u>	<u>(21,391)</u>	<u>(387,275)</u>

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

The Code of Practice requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

Under IAS8 there is the requirement for councils 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 - we have summarised the impact of changes to Accounting Standards in the following table:

Standard	Summary	Impact for Solihull MBC
IFRS13 - Fair Value Measurement	The CIPFA Code of Practice on Local Authority Accounting from 1st April 2015 will adopt certain requirements of IFRS 13. This will include a change in definition for fair value and the introduction of the term current value. Current value will apply to operational assets and can be Depreciated Replacement Cost (DRC) for specialised assets, Existing Use Value (EUV) for Non-Specialised Assets or Existing Use Value - Social Housing (EUV-SH). Fair Value - highest and best use will apply to investment assets, surplus assets and non-current assets held for sale. No change is anticipated for other categories of assets.	The Council's Finance and Valuation Staff will set up a project team to explore the implications of IFRS 13 and produce valuations and substantial disclosure notes that are code compliant.
IFRIC21 - Levies	IFRIC 21 relates to the disclosures made by entities who pay levies imposed by the Government. The Standard provides guidance on the recognition of a liability to pay a levy when the event takes place progressively or when a payment is triggered by a minimum threshold being reached.	This should not have any material impact on the Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Disclosure Note 49, 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 as follows:

- The Council is deemed to control the services provided under the Strategic Environment contract, the Building Schools for the Future (BSF) contracts and the Leisure contract. 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 Council has reviewed the accounting treatment for Non-Current Assets used by maintained schools. The accounting policies for Property, Plant & Equipment, including Recognition of School Assets, have been applied to assets that are recognised as Property, Plant and Equipment on the Council's Balance Sheet;

This review 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 LA 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 the assets of a school to be controlled by the LA or the Schools Governing Body for this criteria to be met, and for the assets to be included on the balance sheet of the LA.

Critical Judgements in Applying Accounting Policies (continued)

The LA has one voluntary controlled school, Meriden Church of England Primary. The Council provides funding to maintain the assets, as opposed to 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. The conclusion is the asset is added to the balance sheet.

The LA has one Foundation School Lyndon School. The assets are owned by Lyndon School Humanities College Trust. Of the twenty Governors only two represent the trust so the Governing Body is in control of the assets. As the assets of the school are controlled by the Governing Body, in line with LAAP bulletin 101 we have included this school on the balance sheet

The LA reviewed the seventeen voluntary aided (VA) schools within the borough and concluded that they are religious schools or 'faith' schools, the governing body is diocese controlled, employs the staff, and sets the admission criteria. Buildings and land are normally owned by a charitable foundation. The foundation retains greater influence over the school. Communications with the Archdiocese and our own school by school legal review confirms the VA schools are assets of the Diocese, not the Governing Bodies. The combination of these factors, in our opinion, suggest that we cannot be certain that the recognition criteria from IAS16 are met, specifically that the economic benefits (or service potential) of the assets will flow to the Council in the long-term. Currently the Council still holds legal title to three VA schools. Under Schedule 3, Paragraph 4(3) of the School Standards Framework Act, it is a requirement that the Council must transfer any interest in the site. The Council continues to work with the solicitors of the Diocesan Trustees to execute all three transfers. Prior to this review no VA schools buildings or associated footprints of land were recognised in the Council's balance sheet. We have concluded that all of our Voluntary Aided Schools should remain off the Council's balance sheet.

- The Council has interests and relationships in other entities which are included in the Council's group accounts. Solihull Community Housing Ltd and Blythe Valley Innovation Centre Ltd 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 Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Contingent Liabilities	<p>The Council has the following Contingent Liabilities in the Accounting Statement:</p> <ol style="list-style-type: none"> 1. Grant Funded Projects 2. Business Rates Appeals 3. Legal costs in relation to Local Plan appeals 4. Chelmund's Cross Enterprise Centre Build Contract <p>There is uncertainty around these Contingent Liabilities as they are based on future events, further detail on the Contingent Liabilities is given in Disclosure Note 45.</p>	<p>The effects on the Contingent Liabilities in the Accounting Statement can vary due to uncertain future events.</p>

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions																																
Contingent Asset	The Council has a Contingent Asset in the Accounting Statement for the financial interest held in the land at Blythe Valley. The Council has a right to receive a share of future land value receipts, yet there is uncertainty around the value and timing of these receipts. Further detail on the Contingent Assets is given in Disclosure Note 44.	Any future receipts could be affected by a change in the Blythe Valley land value.																																
Provisions	The Council has made the following provisions in the Accounting Statement that are deemed to be uncertain: 1. Insurance provision of £2.223m based on the number of self insurance risk claims that are not covered by the Council's external insurance policies; 2. Non-domestic rates (NDR) appeals provision of £4.217m based on the latest position of appeals lodged as at 31 March 2015 and the best estimate of the expenditure that will be required to settle the successful appeals; 3. Adoption Team provision of £0.027m based on fees due to outside agencies for successful adoption places; 4. Commercial Properties rent provision of £0.173m based on potential rebates due to tenants; 5. Closed Landfill Sites provision of £0.246m based on the expected future after care costs of a closed landfill site. Further detail on the provisions is given in Disclosure Note 24.	A change over the forthcoming year in the calculation basis of each provision would have the effect of increasing or decreasing the contribution to or from each of the provisions.																																
Pensions Liability	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, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. During 2014/15, the updating of assumptions by the Council's actuaries has led to an increase in the net pension liability of £45.823m. Further detail on the Pensions Liability is given in Disclosure Note 43.	The effects on the net pensions liability of changes in individual assumptions can be measured.																																
Arrears	At 31 March 2015, the Council had the following balances of debtors outstanding for which appropriate provisions have been made:- <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 40%;"></th> <th style="text-align: right; width: 20%;"><u>Arrears</u></th> <th style="text-align: right; width: 20%;"><u>Provision</u></th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Accounts receivable</td> <td style="text-align: right;">£8.739m</td> <td style="text-align: right;">£1.283m</td> <td>(15%)</td> </tr> <tr> <td>Council tax</td> <td style="text-align: right;">£3.706m</td> <td style="text-align: right;">£2.708m</td> <td>(73%)</td> </tr> <tr> <td>Housing benefit</td> <td style="text-align: right;">£2.759m</td> <td style="text-align: right;">£2.039m</td> <td>(74%)</td> </tr> <tr> <td>HRA (rent & service charges)</td> <td style="text-align: right;">£2.809m</td> <td style="text-align: right;">£2.187m</td> <td>(78%)</td> </tr> <tr> <td>Non-domestic rates</td> <td style="text-align: right;">£1.120m</td> <td style="text-align: right;">£0.739m</td> <td>(66%)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">£17.019m</td> <td style="text-align: right;">£0.437m</td> <td>(3%)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">£36.152m</td> <td style="text-align: right; border-top: 1px solid black;">£9.393m</td> <td style="border-top: 1px solid black;">(26%)</td> </tr> </tbody> </table> <p>Provisions are kept under review to ensure their continued adequacy.</p>		<u>Arrears</u>	<u>Provision</u>		Accounts receivable	£8.739m	£1.283m	(15%)	Council tax	£3.706m	£2.708m	(73%)	Housing benefit	£2.759m	£2.039m	(74%)	HRA (rent & service charges)	£2.809m	£2.187m	(78%)	Non-domestic rates	£1.120m	£0.739m	(66%)	Other	£17.019m	£0.437m	(3%)		£36.152m	£9.393m	(26%)	If collection rates were to deteriorate, an additional amount of bad debt provision would be required.
	<u>Arrears</u>	<u>Provision</u>																																
Accounts receivable	£8.739m	£1.283m	(15%)																															
Council tax	£3.706m	£2.708m	(73%)																															
Housing benefit	£2.759m	£2.039m	(74%)																															
HRA (rent & service charges)	£2.809m	£2.187m	(78%)																															
Non-domestic rates	£1.120m	£0.739m	(66%)																															
Other	£17.019m	£0.437m	(3%)																															
	£36.152m	£9.393m	(26%)																															

5. Material Items of Income and Expenditure

Children's and Education Services

The net expenditure for this service has reduced by £16.874m from 2013/14 (£57.049m) to 2014/15 (£40.175m). There are primarily two reasons for this:

Firstly, capital related costs are charged to the cost of services in the CI&ES representing the cost of using assets. There has been a reduction of £11.700m in these costs in 2014/15 compared to 2013/14. In 2013/14 a full valuation exercise, which occurs at least every five years, was undertaken on all schools. Where schools values were reduced, this resulted in a charge to Children's and Education Services of £10.700m. In 2014/15 only land values at those schools that became academies were devalued, as a result of which £1.900m was charged to the service. This accounts for a reduction in costs charged to the service of £8.800m between financial years.

The remaining variance in capital related costs is due to the reduction in costs classed as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This is when the Council has spent capital funds on assets not on the Council's balance sheet e.g. on Voluntary Aided and Academy Schools. This cost is also charged to the service revenue costs. The charges attributable to REFCUS were £4.300m in 2013/14 and £1.400m in 2014/15, a reduction of £2.900m.

Secondly, gross income has increased by £3.327m from £144.790m in 2013/14 to £148.117m in 2014/15. The total grant receivable against Special Grants Education has increased in 2014/15 as a result of the new 'Universal Infant Free School Meals' grant (£1.247m), which is allocated to schools to enable them to meet new legislation requiring all infant school pupils to receive a school meal free of charge. Also, the Pupil Premium grant has increased in 2014/15 by £1.649m, as a result of the rate receivable per eligible pupil having increased from £900 to £1,300 per pupil receiving free school meals, and £900 to £1,900 for 'Looked After' children, along with other changes regarding the eligibility of pupils.

Since 2009/10 a number of schools have left local authority control and have attained academy status. As the schools' status has changed this has resulted in a reduction in both income and expenditure within Children's and Education Services.

Planning Services

There has been a one off increase in the amount of revaluation loss (£2m) charged to revenue following the valuation of land and buildings within this portfolio. The remainder of the increase is mostly due to Revenue Expenditure Funded from Capital Under Statute (REFCUS) charged to revenue.

(Gain) / Loss on Disposal of Non-current Assets

There has been a net loss on the disposal of assets (£16.555m), primarily due to three schools attaining academy status and the buildings being removed from the asset register. The school buildings were transferred, resulting in a loss being recognised, offset by gains of £1.144m on other asset disposals.

<u>School buildings</u>	£000
Marston Green Infants School	3,706
Smithswood Primary School	5,830
Northern House (Solihull) School	8,163
	17,699

Material Items of Income and Expenditure (continued)

This compares to 2013/14 when the CI&ES showed a net gain on disposal of fixed assets (£0.874m), as a result of disposal of Right to Buy properties within the Housing Revenue Account. The buildings of the schools which attained academy status in 2013/14 were not assets on the Council asset register due to the legal ownership of the schools, so no loss on disposal was incurred.

Other Investment Income

During 2013/14 the Council received a special dividend in relation to its shareholding in Birmingham Airport Holdings Ltd of £2.888m. There was no special dividend paid in 2014/15.

Changes in fair value of investment properties

Following research of the latest market evidence at the valuation date of 1 April 2014, the fair value of some assets in the retail sector increased to demonstrate their potential market appeal.

Non ring-fenced government grants

The amount of non ring-fenced grants received has reduced by £5.231m in 2014/15, further details of which can be found within note 36.

(Surplus) or deficit on revaluation of non-current assets

In 2014/15, the valuations completed as part of the five year rolling asset revaluation programme, have resulted in an increase in the value of our non-current assets. The majority of this increase in value relates to Council Dwellings (£13.852m). This reflects market conditions at the date of valuation. In 2013/14 a surplus of £50.573m was again primarily due to the five year revaluation cycle, which included schools non-current assets.

(Surplus) or deficit on revaluation of available for sale financial assets

The valuation exercise of the Coventry & Solihull Waste Disposal Company undertaken for the 2013/14 Accounting Statement resulted in an increase in the valuation of the Council's ordinary shares of £23.333m, there was no change in valuation required as a result of the 2014/15 exercise. The valuation of Birmingham Airport Holdings Ltd undertaken for the 2014/15 Accounting Statement resulted in a decrease in the valuation of the Council's shareholding of £0.491m.

Remeasurement of the net defined pension liability

This line reflects variations in the actuarial assumptions as provided by the Pension Fund's actuary. In 2014/15 this has led to a charge to the CI&ES of £51.403m compared with a surplus of £23.097m in 2013/14.

Further information regarding the Council's pension schemes can be found within note 43.

Pension Contributions for 2014/15 – 2016/17

In April 2014 the Council made an upfront payment of £17.217m in respect of pension contributions for the three years from 2014/15 to 2016/17 in order to save a net £1.222m over those three financial years.

In terms of funding the payment of £17.217m, the amount which relates to the 2014/15 financial year has been funded from the employer's contribution budgets as would normally be the case in the current financial year.

The proportion of the payment which relates to the 2015/16 and 2016/17 financial years is £11.887m and has been funded temporarily by using Council reserves and working balances in 2014/15 which are available in the short term. These working balances and reserves will be repaid in 2015/16 and 2016/17 when the employer's contribution budgets are available to replace that temporary funding.

Material Items of Income and Expenditure (continued)

The Full Cabinet agreed to the transaction at their meeting on the 10th April 2014. Since this report was written the actual pension contributions for 2014/15 have been finalised and are now included within the service expenditure lines of the CI&ES. They were marginally higher than anticipated at the time of writing the report and as a consequence the amount of the upfront payment attributable to 2015/16 and 2016/17 has reduced from the total of £12.044m reported, to £11.887m as outlined above.

Further information is available from the report in question which is available at:

<http://eservices.solihull.gov.uk/mglInternet/documents/s6130/PENSION%20CONTRIBUTIONS%20201415%20201617.pdf>

The effect of this payment on the Council's statement of accounts and notes is summarised as follows:

Movement in Reserves Statement (MIRS)/ Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

The upfront payment of £11.887m is included as an adjustment between Accounting Basis and Funding Basis under Regulations, as detailed in Note 6. The funding of this is shown within the MIRS - £9.810m as a transfer from earmarked reserves and the remaining £2.077m is funded from the general fund working balance. Had the upfront payment not been made, the general fund working balance would have been £2.077m higher.

Balance Sheet / Note 27e - Pensions Reserve

The net pensions liability of £251.620m is stated after the upfront pension payment outlined above has been made; the net liability would otherwise have been £11.887m higher.

The reverse of this is reflected in the pensions reserve balance of £251.620m, which is part of the unusable reserves total of £312.959m; if the upfront payment had not been made, the pensions reserve balance would have been a further £11.887m overdrawn.

Cash Flow Statement / Note 28 - Adjustments to net deficit on the provision of services for non cash movements

The cash payment of £17.217m is shown within the Cash Flow Statement as an adjustment to the net deficit for non-cash movements. This replaces the non-cash pension figures included within the CI&ES.

Note 7 - Transfers to/from Earmarked Reserves

The transfers out of earmarked reserves of £27.068m includes £9.810m which has been used to fund the upfront pension payment; the earmarked reserves balance of £45.546m would have been £9.810m higher had this not been done.

Note 32 - Amounts Reported for Resource Allocation Decisions

The employee expenses within the Leader and Resources portfolio includes the full payment of £17.217m. The funding of £11.887m is shown within the transfer to/(from) reserves line within the same note.

In the second part of the note, the £11.887m upfront payment is removed within Amounts not included in CI&ES net cost of services: Employee Expenses.

Note 43 - Defined Benefit Pension Schemes

The upfront payment of £11.887m is included within the Council's pension disclosure notes as an employer's contribution; this has been separated wherever possible to show the effect on the scheme.

6. 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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/15	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
Adjustments primarily involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the CI&ES:</u>							
Charges for depreciation and impairment of non-current assets	(21,282)	(8,519)	0	0	0	29,801	
Revaluation losses on Property, Plant and Equipment	(4,501)	(623)	0	0	0	5,124	
Movements in the market value of Investment Property	3,900	0	0	0	0	(3,900)	
Amortisation of intangible assets	(255)	(149)	0	0	0	404	
Capital grants and contributions applied	18,246	708	0	0	0	(18,954)	
Revenue expenditure funded from capital under statute	(6,420)	0	0	0	0	6,420	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(22,671)	(1,531)	0	0	0	24,202	
<u>Insertion of items not debited or credited to the CI&ES:</u>							
Statutory provision for the repayment of debt	7,121	0	0	0	0	(7,121)	
Capital expenditure charged to the General Fund and HRA balances	1,899	4,849	0	0	0	(6,748)	
HRA loans fund principal contribution for the year	0	845	0	0	0	(845)	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CI&ES	(2,730)	(2)	0	0	2,732	0	
Adjustments primarily involving the Capital Receipts Reserve:							
Credits to the Capital Receipts Reserve to repay debt	0	0	(207)	0	0	207	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	4,383	3,264	(7,647)	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	4,854	0	0	(4,854)	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(70)	0	70	0	0	0	
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(1,187)	0	1,187	0	0	0	
Balance c/fwd	(23,567)	(1,158)	(1,743)	0	2,732	23,736	

Note 6 continued

2014/15	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
Balance b/fwd	(23,567)	(1,158)	(1,743)	0	2,732	23,736	
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	0	10,457	0	(10,457)	0	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,584	0	(9,584)	
Adjustment primarily affecting the Deferred Capital Receipts Reserve:							
Adjustment primarily affecting the Deferred Capital Receipts Reserve	0	0	0	0	0	0	
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	(84)	(59)	0	0	0	143	
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(21,901)	0	0	0	0	21,901	
Employer's contributions payable to scheme	15,594	0	0	0	0	(15,594)	
Upfront payment of pension past deficit contributions originally due in 2015/16 and 2016/17 (see note 5)	11,887	0	0	0	0	(11,887)	
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	1,499	0	0	0	0	(1,499)	
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	22	0	0	0	0	(22)	
Total Adjustments	(16,550)	9,240	(1,743)	(873)	2,732	7,194	

Note 6 continued

2013/14 Restated	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
Adjustments primarily involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the CI&ES:</u>							
Charges for depreciation and impairment of non-current assets	(24,872)	(10,128)	0	0	0	35,000	
Revaluation losses on Property, Plant and Equipment	(10,739)	0	0	0	0	10,739	
Movements in the market value of Investment Property	5,618	0	0	0	0	(5,618)	
Amortisation of intangible assets	(305)	(133)	0	0	0	438	
Capital grants and contributions applied	15,878	0	0	0	0	(15,878)	
Revenue expenditure funded from capital under statute	(7,108)	(4)	0	0	0	7,112	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(1,994)	(1,763)	0	0	0	3,757	
<u>Insertion of items not debited or credited to the CI&ES:</u>							
Statutory provision for the repayment of debt	9,953	0	0	0	0	(9,953)	
Capital expenditure charged to the General Fund and HRA balances	1,237	3,896	0	0	0	(5,133)	
HRA loans fund principal contribution for the year	0	808	0	0	0	(808)	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CI&ES	(41)	407	0	0	(366)	0	
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0	
Adjustments primarily involving the Capital Receipts Reserve:							
Credits to the Capital Receipts Reserve to repay debt	0	0	(60)	0	0	60	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	2,029	2,602	(4,631)	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	2,424	0	0	(2,424)	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(61)	0	61	0	0	0	
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(1,153)	0	1,153	0	0	0	
Balance c/fwd	(11,558)	(4,315)	(1,053)	0	(366)	17,292	

Note 6 continued

2013/14 Restated	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000		
Balance b/fwd	(11,558)	(4,315)	(1,053)	0	(366)	17,292	
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	0	10,182	0	(10,182)	0	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,633	0	(9,633)	
Adjustment primarily affecting the Deferred Capital Receipts Reserve:							
Adjustment primarily affecting the Deferred Capital Receipts Reserve	0	0	0	0	0	0	
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	(101)	(66)	0	0	0	167	
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CI&ES *	(24,562)	0	0	0	0	24,562	
Employer's contributions payable to scheme *	13,851	0	0	0	0	(13,851)	
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the CI&ES is different from that calculated for the year in accordance with statutory requirements	(4,496)	0	0	0	0	4,496	
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	870	0	0	0	0	(870)	
Total Adjustments	(25,996)	5,801	(1,053)	(549)	(366)	22,163	

* The 2013/14 adjustments primarily involving the Pensions Reserve have been restated to show £1.041m of contributions to the teachers scheme within the employer's contribution payable to the scheme. This amount was originally shown within Reversal of items relating to retirement benefits debited or credited to the CI&ES.

Note 6 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.

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 7.

Housing Revenue Account

This reserve holds funds that are available to meet future running 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).

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.

7. 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 2013/14 and 2014/15.

General Fund Earmarked Revenue Reserves	Balance at 01 April 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000
Schools ¹	(8,397)	2,975	(3,276)	(8,698)	3,494	(3,429)	(8,633)
Grants unapplied with no conditions	(3,802)	265	(138)	(3,675)	615	(838)	(3,898)
Schools Regeneration - Prudential Borrowing	(2,230)	0	(1,115)	(3,345)	1,115	(1,115)	(3,345)
Future Capital Spending	(3,220)	1,902	(1,381)	(2,699)	1,253	(1,177)	(2,623)
Insurance	(2,374)	824	(585)	(2,135)	741	(1,107)	(2,501)
Adult Social Care	(3,575)	712	(547)	(3,410)	1,132	(110)	(2,388)
Recycling Projects	(632)	0	(1,140)	(1,772)	40	(507)	(2,239)
Severance	(2,394)	512	(468)	(2,350)	594	(468)	(2,224)
Business Rates Deficit Reserve	0	0	(3,726)	(3,726)	3,690	(2,138)	(2,174)
Unaccompanied Asylum Seeking Children	(672)	0	(553)	(1,225)	0	(503)	(1,728)
Street Lighting Services	(672)	0	(300)	(972)	6	(300)	(1,266)
Policy and Spatial Planning	(275)	139	(538)	(674)	197	(637)	(1,114)
External Debt Interest ²	(1,024)	0	(2,109)	(3,133)	5,114	(2,723)	(742)
Bereavement Services	(535)	0	(9)	(544)	0	(141)	(685)
Solihull Families First	(313)	0	(428)	(741)	69	0	(672)
Local Welfare Provision Community Care Grant	0	0	(231)	(231)	0	(431)	(662)
Superfast Broadband Reserve	0	0	(380)	(380)	0	(198)	(578)
Schools Regeneration Fund	(628)	170	(98)	(556)	138	(117)	(535)
Budget Strategy 2014/15	(698)	698	(1,716)	(1,716)	1,716	0	0
Budget Strategy 2015/16 to 2017/18 ²	0	0	0	0	2,549	(2,549)	0
Resources Directorate	(590)	124	0	(466)	34	0	(432)
New Homes Bonus	(1,679)	809	0	(870)	570	0	(300)
Schools Strategic ICT	(668)	0	0	(668)	450	0	(218)
Treasury Management - Icelandic Banks	(765)	542	(40)	(263)	245	(20)	(38)
Recycling Income Risks ²	(522)	0	0	(522)	522	0	0
Sub Total	(35,665)	9,672	(18,778)	(44,771)	24,284	(18,508)	(38,995)
Other ²	(6,785)	937	(1,404)	(7,252)	2,784	(2,083)	(6,551)
Total	(42,450)	10,609	(20,182)	(52,023)	27,068	(20,591)	(45,546)

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 Transfers out of reserves in 2014/15 include £9.810m to fund the upfront payment of pension costs, further details can be found in note 5.

8. Movements on Balances for Property, Plant and Equipment in 2014/15

2014/15	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £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 2014	290,622	408,112	12,268	93,067	11,681	15,573	831,323	65,982
Additions	13,463	7,107	2,773	4,438	216	20,361	48,358	6
Other adjustments	0	(146)	0	0	0	0	(146)	0
Revaluations recognised in the Revaluation Reserve	13,852	1,603	0	0	(9)	0	15,446	0
Revaluations recognised in the Provision of Services	0	(5,124)	0	0	0	0	(5,124)	0
Disposals	(1,531)	(20,834)	0	0	0	0	(22,365)	(8,163)
Reclassifications	2,551	2,427	36	2,914	317	(9,785)	(1,540)	0
Depreciation on cost	(8,233)	(8,094)	(4,173)	(3,078)	0	0	(23,578)	(2,576)
Depreciation written out to revaluation reserve	(142)	(5,177)	0	0	0	0	(5,319)	(472)
Impairment losses recognised in the revaluation reserve	0	(41)	0	0	0	0	(41)	0
Impairment losses recognised in the Provision of Services	0	(815)	(89)	0	0	0	(904)	0
Net Book Value at 31 March 2015	310,582	379,018	10,815	97,341	12,205	26,149	836,110	54,777

The Net Book Value at 31 March 2015 is analysed as follows:

Certified Valuation at 31 March 2015	310,582	406,123	18,454	130,436	12,205	26,149	903,949	57,926
Accumulated Depreciation and Impairment	0	(27,105)	(7,639)	(33,095)	0	0	(67,839)	(3,149)

Explanations for significant movements:

Council Dwellings has increased due to capital expenditure (additions) being incurred on properties of £13.463m and an increase in the valuation of the HRA stock. Other Land and Buildings has reduced, primarily due to three schools attaining academy status and the buildings being removed from the asset register and the land revalued downwards. Assets Under Construction have increased during 2014/15 mainly due to three projects being constructed: Coleshill Heath new school £5.7m, Fordbridge new school £5.7m and A45 South Bridge replacement £2.7m.

Note 8 continued

2013/14	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £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 2013	286,224	403,934	36,467	116,313	11,594	7,685	862,217	66,077
Accumulated Depreciation and Impairment	0	(26,226)	(19,223)	(27,111)	0	0	(72,560)	(7,462)
Net Book Value at 31 March 2013	286,224	377,708	17,244	89,202	11,594	7,685	789,657	58,615
Additions	13,257	6,866	1,451	5,233	17	10,310	37,134	0
Other adjustments	0	0	2,370	0	0	0	2,370	2,354
Revaluations recognised in the Revaluation Reserve	2,193	48,388	0	0	(9)	0	50,572	10,640
Revaluations recognised in the Provision of Services	0	(10,739)	0	0	0	0	(10,739)	(229)
Disposals	(1,263)	(931)	0	0	0	0	(2,194)	0
Reclassifications	172	541	72	1,541	79	(2,422)	(17)	0
Depreciation on cost	(9,849)	(7,540)	(8,869)	(2,909)	0	0	(29,167)	(4,942)
Depreciation written out to revaluation reserve	(112)	(5,285)	0	0	0	0	(5,397)	(456)
Impairment losses recognised in the revaluation reserve	0	(460)	0	0	0	0	(460)	0
Impairment losses recognised in the Provision of Services	0	(436)	0	0	0	0	(436)	0
Net Book Value at 31 March 2014	290,622	408,112	12,268	93,067	11,681	15,573	831,323	65,982

The Net Book Value at 31 March 2014 is analysed as follows:

Certified Valuation at 31 March 2014	290,622	423,418	23,648	123,086	11,681	15,573	888,028	71,079
Accumulated Depreciation and Impairment	0	(15,306)	(11,380)	(30,019)	0	0	(56,705)	(5,097)

9. Capital Commitments

As at 31 March 2015, the Council was committed to capital contracts which will cost approximately £24.435m (£13.928m in 2013/14). Major contracts include the following schemes:

	2013/14	2014/15
	£000	£000
HRA Low Rise Block Programme	1,634	2,150
HRA Minor Structural & Other Minor Works	1,165	1,795
HRA High Rise Block Programme	1,929	1,353
HRA Heating	1,004	1,286
HRA CCTV	0	985
HRA Re-Roofing	400	829
HRA Lifts	648	650
HRA Acquisitions & New Build	1,337	0
HRA Depot	1,085	0
Fordbridge & Coleshill Heath New Schools	824	5,281
A45 South Bridge Replacement	0	5,212
Chelmund's Cross Village Centre	1,579	2,830
Solihull Gateway	0	1,249
Relocation of Data Centre	0	815
Blythe Valley Innovation Centre air-conditioning	550	0
Other Capital Commitments	1,773	0
Total	13,928	24,435

10. 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 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 arms 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 arms 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:

2014/15	Valued at Historical	Valued at Current Value				Total
	Cost £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	
Council Dwellings	0	0	0	0	310,582	310,582
Other Land and Buildings ¹	429	52,251	73,868	243,298	9,172	379,018
Vehicles, Plant and Equipment	10,815	0	0	0	0	10,815
Infrastructure	97,341	0	0	0	0	97,341
Community Assets	12,205	0	0	0	0	12,205
Assets Under Construction	26,149	0	0	0	0	26,149
Heritage Assets	950	0	0	0	0	950
Investment Property	0	0	0	0	89,422	89,422
Intangible Assets	1,389	0	0	0	0	1,389
TOTAL	149,278	52,251	73,868	243,298	409,176	927,871

¹ The following table provides a breakdown of the Other Land & Buildings category in 2014/15 and 2013/14 to show the value of school land and buildings. This gives additional information on the Council's non-current assets to show the impact of the conversion of schools to academy status.

The Other Land and Buildings Assets are analysed as follows:	2013/14 £000	2014/15 £000
School Land and Buildings	276,684	249,896
Non-school Other Land and Buildings	131,428	129,122
Total	408,112	379,018

2013/14	Valued at Historical Cost £000	Valued at Current Value				2013/14 Restated *	Total £000
		2010/11	2011/12	2012/13			
		£000	£000	£000	£000		
Council Dwellings	0	0	0	0	290,622	290,622	
Other Land and Buildings ¹	1,944	2,698	56,219	75,747	271,504	408,112	
Vehicles, Plant and Equipment	12,268	0	0	0	0	12,268	
Infrastructure	93,067	0	0	0	0	93,067	
Community Assets	11,681	0	0	0	0	11,681	
Assets Under Construction	15,573	0	0	0	0	15,573	
Heritage Assets	950	0	0	0	0	950	
Investment Property	0	0	0	0	84,832	84,832	
Intangible Assets	867	0	0	0	0	867	
TOTAL	136,350	2,698	56,219	75,747	646,958	917,972	

* The value of Other Land and Buildings has been restated following the review of the Council's school assets - further information can be found within Note 1 - Prior period adjustments

11. 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:

2013/14 £000		2014/15 £000
79,082	Balance at start of the year	84,832
562	Additions	906
(362)	Disposals	(737)
5,618	Net gains from fair value adjustments	3,900
(68)	Reclassifications	521
84,832	Balance at end of the year	89,422

12. Intangible Assets

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

3 Years	All
5 Years	Oracle Financials

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

2013/14 Total Software Licences £000	2014/15 Total Software Licences £000
1,488 Certified Valuation at 31 March	1,210
(716) Accumulated Amortisation and Impairment	(343)
772 Net Book Value of Assets at start of the year	867
454 Purchases	775
79 Reclassifications	151
(438) Amortisation	(404)
867 Net Book Value of Assets at end of the year	1,389

The carrying amount of intangible assets is amortised on a straight line basis. Amortisation of £0.033m (2013/14 £0.058m) was charged to Children's and Education services and £0.172m (2013/14 £0.216m) was charged to ICT and absorbed as an overhead across all the service headings in the Net Cost of Services. £0.199m (2013/14 £0.164m) was charged directly to other services.

13. Financial Instruments - Summary

The financial instruments carried in the balance sheet are summarised as follows:-

	Long-Term		Short Term	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Financial assets				
Investments	43,173	39,359	17,951	23,184
Debtors and other receivables	1,756	1,612	28,243	23,197
Total financial assets	44,929	40,971	46,194	46,381
Financial liabilities				
Borrowings	(227,485)	(248,847)	(16,449)	(11,540)
PFI and finance lease liabilities	(63,652)	(60,900)	(2,664)	(2,709)
Creditors and other payables	0	0	(29,386)	(31,173)
Total financial liabilities	(291,137)	(309,747)	(48,499)	(45,422)

A more detailed analysis of the amounts reported here is provided in note 14 which follows.

Financial Instruments, as defined by the CIPFA Code of Practice, include only amounts due under a contractual arrangement.

Therefore, the debtors, creditors, payments in advance and receipts in advance figures included within the above summary, and in note 14 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.

14. Fair values of Assets and Liabilities

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, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) premature repayment rates as at each Balance Sheet date, and include accrued
- The fair values for non-PWLB debt have also been calculated using the same procedures and estimated market rates and this provides a sound approximation for fair value for these instruments;
- 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 calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
<u>Long term financial assets</u>				
<u>Loans and receivables - long term</u>				
Money market loans (> 1 year)	35	35	0	0
<u>Available-for-sale financial assets:</u> ¹				
- No active market: valuation	40,747	40,747	39,156	39,156
- No active market: equity instruments	203	203	203	203
sub-total available-for-sale financial assets	40,950	40,950	39,359	39,359
<u>Financial assets at fair value through profit and loss</u>				
Externally managed funds (> 1 year)	2,188	2,170	0	0
<u>Other long term receivables</u>				
Long term debtors	1,756	1,756	1,612	1,612
Sub-total long term financial assets	44,929	44,911	40,971	40,971
<u>Short term financial assets</u>				
<u>Loans and receivables - short term</u>				
Cash equivalents	6,040	6,040	3,457	3,457
Money market loans (< 1 year)	11,286	11,286	23,077	23,077
Externally managed funds (< 1 year)	6,451	6,451	0	0
Insurance liability fund	214	214	107	107
Sub-total loans and receivables - short term	23,991	23,991	26,641	26,641
<u>Other short term receivables</u> ²				
Short term debtors ³	18,010	18,010	15,872	15,872
Payments in advance *	4,193	4,193	3,868	3,868
sub-total short term receivables	22,203	22,203	19,740	19,740
Sub-total short term financial assets	46,194	46,194	46,381	46,381
Total financial assets	91,123	91,105	87,352	87,352

¹ Further details regarding the carrying value of available-for-sale financial assets follows in note 15.

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 CIPFA Code of Practice, and therefore will differ to the figures in the Balance Sheet.

³ Short term debtors are carried at cost as this is a fair approximation of their value.

The fair values of the financial liabilities calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
	£000	£000	£000	£000
Long term financial liabilities				
<u>Financial liabilities at amortised cost</u>				
Borrowing - PWLB ²	(182,266)	(215,052)	(204,162)	(304,273)
Borrowing - Dudley MBC debt ³	(8,995)	(10,466)	(8,510)	(10,354)
Borrowing - Walsall MBC debt	(750)	(873)	(706)	(859)
Borrowing - other long term loans ⁴	(35,474)	(35,726)	(35,469)	(45,367)
Sub-total long term financial liabilities at amortised cost	(227,485)	(262,117)	(248,847)	(360,853)
<u>Financial liabilities at fair value through profit and loss</u>				
PFI liabilities and similar contracts	(59,844)	(59,844)	(57,192)	(57,192)
Finance lease liabilities	(3,808)	(3,808)	(3,708)	(3,708)
Sub-total long term financial liabilities at fair value through profit and loss	(63,652)	(63,652)	(60,900)	(60,900)
Sub-total long term financial liabilities	(291,137)	(325,769)	(309,747)	(421,753)
Short term financial liabilities				
<u>Financial liabilities at amortised cost</u>				
PWLB ²	(1,186)	(1,185)	(1,903)	(1,903)
Dudley MBC debt ³	(441)	(513)	(485)	(485)
Walsall MBC debt	(39)	(45)	(43)	(43)
Other short term loans ⁴	(6,676)	(6,675)	(172)	(172)
Sub-total short term financial liabilities at amortised cost	(8,342)	(8,418)	(2,603)	(2,603)
<u>Financial liabilities at fair value through profit and loss</u>				
Bank overdraft	(8,107)	(8,107)	(8,937)	(8,937)
PFI and finance lease liabilities	(2,664)	(2,664)	(2,709)	(2,709)
Short term creditors ⁵	(24,712)	(24,712)	(25,576)	(25,576)
Receipts in advance ⁵	(4,674)	(4,674)	(5,597)	(5,597)
sub-total short term financial liabilities at fair value through profit and loss	(40,157)	(40,157)	(42,819)	(42,819)
Sub-total short term financial liabilities	(48,499)	(48,575)	(45,422)	(45,422)
Total financial liabilities	(339,636)	(374,344)	(355,169)	(467,175)

¹ The fair value of the financial liabilities is greater than the carrying amount; the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

² PWLB borrowing has increased in 2014/15, predominantly due to specific borrowing taken out in relation to the Northern Schools' Regeneration Programme.

³ Dudley MBC debt relates to the residual debt liabilities of the West Midlands County Council; all borrowing within this fund matures by 2026.

⁴ Other loans are a mixture of fixed and variable rate LOBO (Lender Option, Borrower Option) loans. These loans were taken out to take the opportunity of enjoying advantageous borrowing rates over that offered by the PWLB at that time, and also to mitigate refinancing risk.

⁵ 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 CIPFA Code of Practice, and therefore will differ to the figures in the Balance Sheet.

15. Available-for-sale Financial Assets

a. No active market (Valuation)

	31 March 2014 £000	31 March 2015 £000
Birmingham Airport Holdings Ltd		
- Ordinary Shares *	13,660	12,770
- Preference Shares	1,179	1,578
Coventry & Solihull Waste Disposal Company Ltd		
- Ordinary Shares *	23,333	23,333
- Preference Shares	2,575	1,475
Total	40,747	39,156

* In line with the accounting policy on the valuation of assets, a full valuation will be required for the Council's shareholding investment in Birmingham Airport Holdings Ltd and the Coventry and Solihull Waste Disposal Company Ltd every five years. In the meantime an annual desktop exercise will be required to assess whether there has been a material change in the valuation. The results of the work required to undertake the desktop valuation for this year's Accounting Statement are reflected in the figures above.

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, own 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 £20.653m of BAH's 6.31% preference shares (Solihull Council owns £1.578m) which are cumulative and redeemable.

The review of the valuation undertaken in July 2015 has resulted in a reduction in the value of the Council's shareholding to £14.348m, which is reflected in the Councils 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 £0.627m and ground rent of £0.057m (2013/14: £3.204m and £0.056m respectively).

A copy of the 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 Authorities. 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. In both 2012/13 and 2013/14 3,600,000 of these Preference Shares were redeemed, of which 1,200,000 each year were for Solihull Council, resulting in a capital receipt of £1.200m to the Council in each year.

A further 3,300,000 of preference shares have been redeemed in 2014/15, of which 1,100,000 were for Solihull Council, resulting in a capital receipt of £1.100m. Dividend income of £0.497m (2013/14: £0.470m) was receivable for 2014/15.

Solihull has one third ownership of all shares issued (£1.475m) with Coventry owning the remaining two thirds, and the Councils 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 valuation exercise undertaken for this year's Accounting Statement concluded that there had been no material change in the company's valuation.

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

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

b. No active market (Equity Instruments)

	31 March 2014 £000	31 March 2015 £000
Blythe Valley Innovation Centre Ltd - Ordinary Shares	203	203

Blythe Valley Innovation Centre Ltd

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

The remaining Ordinary 'B' shares (75% of total shares issued) were purchased by the Council in July 2013 from Blythe Valley JV Sarl, since when the company has been 100% owned by the Council, and is therefore consolidated in full into the Council's Group Accounts (from page 119 onwards)

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 a decision was made by Full Cabinet in April 2014 that the Council will be bringing the Innovation Centre operations back within the direct ownership of the Council rather than as a separate legal entity then it has been concluded that a fair value valuation of the Council's investment would not give rise to a material change in the valuation held in the Council's single entity accounts.

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

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

16. Nature and Extent of Risks Arising from Financial Instruments

a. Key Risks

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

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

b. Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- 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 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 Code of Practice and are reviewed regularly.

c. Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance 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.

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria.

An aged debt analysis of trade debtors is as follows:

	31 March 2014 £000	31 March 2015 £000
Less than three months	7,585	6,611
Three to six months	189	335
Six months to one year	141	319
More than one year	1,409	1,474
Total trade debtors *	9,324	8,739

* £8.739m (2013/14: £9.324m) is the trade debt element of the total Short Term Debtors balance on our Balance Sheet. As trade debtors are held on our Accounts Receivable system they can be analysed in detail by age as shown above.

d. Liquidity Risk

The Council manages its liquidity position through the risk management procedures detailed in Note 16b (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 Code of Practice. 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.

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 liabilities at original cost is as follows:

	31 March 2014 £000	31 March 2015 £000
Less than 1 year	6,984	295
Between 1 and 2 years	532	306
Between 2 and 5 years	1,939	987
Between 5 and 10 years	8,765	5,904
Between 10 and 20 years	10,501	13,023
Between 20 and 30 years	29,700	36,926
Between 30 and 40 years	48,000	69,449
Between 40 and 50 years	122,566	107,566
More than 50 years	5,000	5,000
Total	233,987	239,456

All trade and other payables are due to be paid in less than one year.

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.

e. Market Risk (Interest Rate Risk)

The Council is exposed to interest rate movements on its borrowings and investments. Of the £234m debt held as at 31 March 2014, £35m was at variable interest rates and £199m 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 2014/15 (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	250
Increase in interest receivable on variable rate investments	(381)
Increase in government grant receivable for financing costs	0
Impact on deficit on Provision of Services in CI&ES	(131)

These assumptions are based on the same methodology as used in Note 14 - Fair value of Assets and Liabilities.

f. Price Risk

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

g. Foreign Exchange Risk in relation to Icelandic Deposits

The Council has foreign exchange rate exposure resulting from the settlement received from Glitnir Bank. This is currently being held in Icelandic Kroner in an escrow account due to the imposition of currency controls.

h. Icelandic Bank Investments

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration. The Council had £3.000m deposited across three of these institutions, with varying maturity dates and interest rates.

Investments included in the assets figure in the Balance Sheet include the following investments that have been impaired:

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Carrying Amount in Balance Sheet £000
Glitnir	07/12/07	05/12/08	1,000	6.29%	5
Landsbanki Bank	31/03/07	31/03/09	1,000	5.90%	0
Kaupthing Singer Friedlander Bank	02/04/08	31/03/09	1,000	6.40%	33
Total			3,000		38

The net impairment (principal plus interest received) recognised in the CI&ES in 2014/15 of £0.001m has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate, and repayments received to date.

A reserve created from the Treasury Management surplus in 2008/09 protects against any potential loss of the principal sums invested. The reserve was originally £3.000m but following repayments of principal and interest a total of £2.767m of the reserve has been released towards the Council's budget strategy since 2010/11. £0.081m of the reserve was used in 2014/15 to reflect an agreement with the Central Bank of Iceland relating to the Glitnir bank monies previously held in escrow in Iceland and their repatriation to the UK.

£0.114m of the reserve was used in 2013/14 to reflect the effect of the sale of Landsbanki debt. This leaves a balance in the reserve of £0.038m.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing Singer and Friedlander Ltd

The creditor progress report issued by the administrators Ernst and Young in October 2014 outlined that the return to creditors was estimated within the range of 85p to 86.5p in the pound but no timescale was indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose.

Repayments of £0.852m (82.5%) have been received up to 31 March 2015. The repayments are treated as a reduction in the value of the short-term investment on the Balance Sheet. The impairment is based on the assumption that a further 3.25% will be received by the end of 2015/16, taking total dividends expected to 85.75%.

In calculating the impairment, the Council has made the following assumptions on the timing of future recoveries.

Date	Repayment
June 2015	1.63%
December 2015	1.63%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 7 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Landsbanki). Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the Winding Up Board made a distribution to creditors in a basket of currencies in February 2012. Further distributions were issued in May and October 2012, and September 2013.

In January 2014, the Council sold the remainder of its Landsbanki claim, including the amounts that were previously held in an escrow account. By selling its claim, the Council was able to recover 96% of the original principal invested. Therefore, no further distributions will be received in relation to this claim.

Glitnir Bank

Glitnir Bank is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Glitnir). Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the Winding Up Board made a distribution to creditors in a basket of currencies in March 2012. An element of the distribution was in Icelandic Kronur, which was placed in an escrow account. This element of the distribution had been retained in Iceland, as part of currency controls imposed by the Central Bank of Iceland and as a result was subject to exchange rate risk over which the Council has no control. In February 2015 however, the Council took part in a currency auction, which allowed it to repatriate £0.154m of the escrowed amount, bringing the recovery to date from Glitnir bank to 97.7% (£0.977m). A further £0.005m which cannot yet be repatriated remains in an escrow account in Iceland and is earning interest at a rate of 3.7%.

17. 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 2014/15 and 2013/14 are made up as follows :

	2014/15				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at fair value through CI&ES £000	
Interest payable	15,910	0	0	0	15,910
Total expense in Deficit on Provision of Services	15,910	0	0	0	15,910
Total investment interest and other investment income in Deficit on the Provision for Services	0	(171)	(1,322)	(22)	(1,515)
(Surplus) or deficit arising on revaluation of financial assets in Other CI&ES	0	0	491	0	491
Net (gain)/loss for the year on Financial Instruments	15,910	(171)	(831)	(22)	14,886

	2013/14				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at fair value through CI&ES £000	
Interest payable	16,256	0	0	0	16,256
Total expense in Deficit on the Provision of Services	16,256	0	0	0	16,256
Total investment interest and other investment income in Deficit on the Provision for Services	0	(366)	(3,730)	(34)	(4,130)
(Surplus) or deficit arising on revaluation of financial assets in Other CI&ES	0	0	(23,333)	0	(23,333)
Net (gain)/loss for the year on Financial Instruments	16,256	(366)	(27,063)	(34)	(11,207)

18. Short Term Debtors (less than one year)

31 March 2014 Restated *		31 March 2015
£000		£000
7,472	Central government bodies	8,297
1,226	Other local authorities	1,510
2,784	NHS bodies	2,074
0	Public corporations and trading funds	0
22,308	Other entities and individuals	21,875
(7,653)	Bad Debt Provision	(8,609)
	Other entities and individuals (net of Bad Debt Provision)	13,266
26,137	Total	25,147

* A Debtor of £0.765m for the Department of Transport was misclassified as a Public Corporation in 2013/14, this has been restated to show within the Central government bodies line.

19. Long Term Debtors (greater than one year)

31 March 2014		31 March 2015
£000		£000
5	Mortgages	5
160	Transferred Debt	127
2,296	Other entities and individuals	2,264
(705)	Less Provision for Bad Debts	(784)
1,591	Other entities and individuals (net of Bad Debt Provision)	1,480
1,756	Total	1,612

20. 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 2014		31 March 2015
£000		£000
38	Cash floats held by the Council	32
6,002	Cash Equivalents	3,425
6,040	Cash and cash equivalents	3,457
(8,107)	Bank Overdraft	(8,937)
(2,067)	Total	(5,480)

21. Payments in Advance

31 March 2014		31 March 2015
£000		£000
0	Other local authorities	1
1,800	Coventry & Solihull Waste Disposal Company	1,859
2,393	Other entities and individuals	2,008
4,193	Total	3,868

22. Short Term Creditors (less than one year)

31 March 2014		31 March 2015
£000		£000
(1,947)	Central government bodies	(1,207)
(1,947)	Other local authorities	(3,254)
(2,084)	NHS bodies	(882)
(28,236)	Other entities and individuals	(28,785)
(34,214)	Total	(34,128)

23. Receipts in Advance

31 March 2014		31 March 2015
£000		£000
(5,157)	Central government bodies	(5,056)
(42)	Other local authorities	(112)
(2)	NHS bodies	(20)
(2)	Public corporations and trading funds	0
(3,739)	Council tax payers	(3,239)
(2,167)	Non-domestic rates	(1,881)
(2,770)	Other entities and individuals	(3,584)
(13,879)	Total	(13,892)

24. Provisions

	Insurance £000	Business Rates Appeals £000	Adoption Team £000	Carbon Reduction Commitment £000	Commercial Properties Rent £000	Closed Landfill Sites £000	Total £000
Balance at 1 April 2014	(2,604)	(1,548)	0	(286)	0	(255)	(4,693)
Provisions made in 2014/15	108	(3,875)	(27)	0	(173)	0	(3,967)
Amounts used in 2014/15	273	1,206	0	286	0	9	1,774
Balance at 31 March 2015	(2,223)	(4,217)	(27)	0	(173)	(246)	(6,886)
Likely Year of Defrayment							
2015/16	600	2,761	27	0	173	9	3,570
Total Short Term	600	2,761	27	0	173	9	3,570
2016/17	500	1,456	0	0	0	9	1,965
2017/18	400	0	0	0	0	9	409
2018/19	300	0	0	0	0	9	309
2019/20	200	0	0	0	0	9	209
2020/21	100	0	0	0	0	9	109
2021/22 - 2042/43	123	0	0	0	0	192	315
Total Long Term	1,623	1,456	0	0	0	237	3,316
Total Defrayment	2,223	4,217	27	0	173	246	6,886

24. Provisions (continued)

Insurance

The insurance provision has been set aside to bear costs to be incurred in respect of self insurance risks which are not covered by the Council's external insurance policies. Known claims are provisions, those that are potential claims, known as incurred but not reported (IBNR) or incurred but not yet known claims 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 and Libel and Slander. The insurance provision also includes an 'Asset Funds' provision for the 'deductibles' payable on fire theft & malicious damage claims to the Council's corporate buildings as well as for damage caused to the Council's motor fleet. The Council has determined as part of the self funding strategy that it will not be insured for 'All Risks' in respect of contents of Council property.

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 which also includes the residual liability of the former West Midlands County Council. This represented 15% of claims paid. The Council now has a dedicated MMI fund which has been set aside to ensure that we can fulfill our likely commitments to the scheme administrator up to a total recovery value of 50% of all claims paid.

Business Rates Appeals

Since 1 April 2013, local authorities have assumed the liability for refunding any business rate payers who successfully appeal against the rateable value of their properties on the rating list. This includes amounts that are backdated as far back as April 2005. The provision is in place to meet this liability, based on the best estimate of the expenditure that will be required to settle the successful appeals.

In the Chancellor's Autumn Statement in November 2014, the government announced a deadline for appeals of 31 March 2015, in order for appeals to be able to be backdated to 1 April 2010. This appears to have led to a major increase in the number of appeals received in the last quarter of the year and 45% of the Ratings list, by value, is now subject to at least one appeal. This has in turn led to a large contribution to the provision in 2014/15. The Council's share of the provision is 49%, in line with the Council's proportionate share of business rates income receivable.

Adoption Team

The interagency placements provision represents final fees due to outside agencies for successful child adoption places. The Council pays two-thirds of the total fee when the child is placed and the final third is paid when the adoption order is granted. There is uncertainty about the payment of the final one-third based on the fact that if the placement breaks down before the adoption order is granted, the final one-third is not paid. There are no interagency placements in progress at 31 March 2015.

Commercial Properties Rent

Rent reviews are taking place regarding a number of Council properties. Current proposals indicate that the value of the rent payable to SMBC may potentially reduce by up to £345,000 per annum. Once these rent reviews are completed we would expect any revised rents to be backdated. If the rent review proposals submitted to the Council are agreed then the provision of £173,000 represents amounts of rent refundable to tenants relating to 2014/15.

Closed Landfill Site

In 2012/13 the Council created a new capital provision under IAS 37 to meet the after care costs of a closed landfill site. These costs have been estimated on the basis of the Landfill management plan. It is estimated that this provision will be required for a further period of 27 years. The adequacy of the provision will be reviewed on a regular basis over the period it is required.

Bad Debts

The Council has provided £9.393m for potential bad debts (£8.358m at 31 March 2014). This is not shown in the provisions note; instead £8.609m is adjusted for against Short Term Debtors (Note 18), and £0.784m against Long Term Debtors (Note 19).

25. Pooled Budgets

The Council has established partnership agreements with Solihull Clinical Commissioning Group (CCG), formerly Solihull NHS Care Trust, using powers under Section 31 of the Health Act 1999 to create single 'pooled budgets' within an integrated service. Known as Section 31 Agreements, they are intended to provide a more joined up service for users:

	2013/14 £000	2014/15 £000
Funding		
Solihull NHS Care Trust / Solihull CCG	(4,014)	(4,034)
Solihull Metropolitan Borough Council	(3,070)	(2,961)
Other Income	(1,084)	(795)
Total Funding	(8,168)	(7,790)
Spending		
Transforming Community Services ¹	6,820	6,411
Locally Determined Resources Plan ²	1,348	1,379
Total Spending for period	8,168	7,790

¹ From 1 April 2011 responsibility for the provision of Community Equipment Stores, Wheelchair Services and a number of small residential homes transferred from Solihull Care Trust to Solihull MBC, under Transforming Community Services arrangements. This involved the creation of a pooled budget 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 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.

26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

27. Unusable Reserves

The balance of the Council's unusable reserves are summarised in the following table, the movements are detailed individually in the tables that follow:

31 March 2014 £000	31 March 2015 £000	Note
(148,597) Revaluation Reserve	(152,981)	a
(387,275) Capital adjustment account	(384,143)	b
(33,019) Available for sale financial instruments reserve	(32,528)	c
(437) Financial instruments adjustment account (FIAA)	(294)	d
205,797 Pensions reserve	251,620	e
4,884 Collection fund adjustment account	3,385	f
2,495 Accumulated absences account	2,473	g
(356,152) Total unusable reserves	(312,468)	

a. 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.

2013/14 £000	2014/15 £000	£000
(103,966) Balance at 1 April		(148,597)
(61,370) Upward revaluation of assets	(16,373)	
11,257 Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services in the CI&ES	968	
		(15,405)
5,397 Difference between fair value depreciation and historical cost depreciation		5,319
85 Disposals and transfers to Investment Property		5,702
(148,597) Balance at 31 March		(152,981)

b. 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 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.

2013/14 Restated £000		2014/15	
		£000	£000
(385,810)	Balance at 1 April		(387,275)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
34,564	Charges for depreciation on non current assets	28,897	
436	Charges for impairment on non current assets	904	
10,739	Revaluation Loss on Property, Plant and Equipment	5,124	
438	Amortisation of Intangible non-current Assets	404	
7,112	Revenue expenditure funded from capital under statute	6,420	
3,757	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the CI&ES	24,202	
57,046			65,951
	Adjusting amounts written out of the Revaluation Reserve		
(5,397)	Write down of the Revaluation Reserve - Depreciation	(5,319)	
(85)	Write down of the Revaluation Reserve - Disposals	(5,702)	
(5,482)	Net amount written out of the cost of non-current assets consumed in the year		(11,021)
	Capital Financing applied in the year:		
(2,424)	Use of the Capital Receipts Reserve to finance new capital expenditure or to set aside to reduce the net indebtedness of the authority	(4,854)	
(9,633)	Use of the Major Repairs Reserve to finance new capital expenditure	(9,584)	
(15,878)	Use of Capital Grants and Contributions credited to the CI&ES	(18,954)	
(5,133)	Capital expenditure funded from revenue and reserves	(6,748)	
(10,761)	Statutory provision for the repayment of debt	(7,965)	
(43,829)			(48,105)
	Other Movements		
(5,618)	Movements in the market value of investment properties debited or credited to the CI&ES	(3,900)	
(1,826)	Schools and other restatement (restated - see Note 1)	0	
(66)	Blythe Valley Loan - Reinstatement	0	
(1,750)	Removal of Liability re Disposal of Leased Assets	0	
32	Transferred Debt	32	
28	Loan Repayment	175	
(9,200)			(3,693)
(387,275)	Balance at 31 March		(384,143)

c. 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
- disposed of and the gains are realised.

2013/14 £000	2014/15 £000
(9,686) Balance at 1 April	(33,019)
(23,333) (Upward) or downward revaluation of investments	491
(33,019) Balance at 31 March	(32,528)

d. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CI&ES when they are incurred, but reversed out of the General Fund Balance to the Account in the MIRS. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2015 will be charged to the General Fund over future financial years.

2013/14 £000	2014/15	
	£000	£000
(604) Balance at 1 April		(437)
173 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	148	
(5) Interest on stepped LOBOs credited to the CI&ES	(5)	
(1) Interest on soft loans (credited)/ debited to the CI&ES	0	
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements		143
(437) Balance at 31 March		(294)

e. 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.

2013/14 £000	2014/15 £000	£000
218,183 Balance at 1 April		205,797
(23,097) Remeasurements of the net defined benefit liability	51,403	
24,562 Reversal of items relating to retirement benefits debited to the Deficit on the Provision of Services in the CI&ES	21,901	
(13,851) Employer's pensions contributions and direct payments to pensioners payable in the year	(15,594)	
0 Upfront payment of pension past deficit contributions originally due in 2015/16 and 2016/17 (see note 5)	(11,887)	
		45,823
205,797 Balance at 31 March		251,620

f. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CI&ES as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14 £000	2014/15 £000	£000
Balance at 1 April		
388 Council tax	(651)	
0 Non-domestic rates	5,535	
388		4,884
Amount by which income credited to the CI&ES is different from income calculated for the year in accordance with statutory requirements:		
(1,039) Council tax	(1,355)	
5,535 Non-domestic rates	(144)	
4,496		(1,499)
Balance at 31 March:		
(651) Council tax	(2,006)	
5,535 Non-domestic rates	5,391	
4,884 Balance at 31 March		3,385

Further details explaining the operation of the Council's Collection Fund can be found in the Collection Fund Account disclosures on pages 113 to 117.

g. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave and flexi leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/14 £000		2014/15 £000	£000
3,365	Balance at 1 April		2,495
(3,365)	Settlement or cancellation of accrual made at the end of the preceding year	(2,495)	
2,495	Amounts accrued at the end of the current year	2,473	
	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		(22)
2,495	Balance at 31 March		2,473

28. Cash Flow Statement – Adjustments to Net Deficit on the Provision of Services for non cash movements

2013/14 £000		2014/15 £000
(34,564)	Depreciation	(28,897)
(11,175)	Impairments and revaluations	(6,896)
(438)	Amortisation	(404)
(10,741)	Net movement in pension liability *	5,580
(3,756)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(23,102)
5,618	Changes in fair value of investment properties	3,900
8,168	Increase/(decrease) in debtors	(1,494)
102	Increase/(decrease) in interest debtors	(62)
(985)	(Increase) in bad debt provision	(1,112)
266	(Increase)/decrease in creditors	(190)
(193)	(Increase)/decrease in interest creditors	(358)
124	Increase/(decrease) in inventories	57
(253)	Other non-cash items charged to the net deficit on the provision of services	(2,193)
(47,827)		(55,171)

* The net movement in pension liability includes the upfront payment of pension contributions, further details can be found within Note 5 - Material Items of income and expenditure.

29. Cash Flow Statement – Operating Activities

The cash outflows for operating activities total £19.365m (£22.206m in 2013/14). The IFRS Code of Practice requires separate disclosures to be made in respect of interest and dividends received and paid, these are shown in the table below:-

2013/14 £000		2014/15 £000
(374)	Interest received	(381)
15,286	Interest paid	15,079
(3,654)	Dividends received	(1,112)
11,258	Included within cash flows from operating activities	13,586

30. Cash Flow Statement – Investing Activities

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

2013/14 £000		2014/15 £000
36,113	Purchase of property, plant and equipment, investment property and intangible assets	50,426
10,222	Purchase of short-term and long-term investments	12,815
7,112	Other payments for investing activities	6,420
(3,435)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,553)
(16,811)	Capital grants received	(15,543)
(16,428)	Proceeds from short-term and long-term investments	(11,943)
(59)	Other receipts from investing activities	(206)
16,714	Net cash flows from investing activities	35,416

31. Cash Flow Statement – Financing Activities

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

2013/14 £000		2014/15 £000
(6,500)	Cash receipts of short and long term borrowing	(22,300)
3,528	Other movements from financing activities	(285)
3,401	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	2,705
3,758	Repayments of short and long-term borrowing	7,242
4,187	Net cash flows from financing activities	(12,638)

32. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CI&ES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CI&ES);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- contributions to and from revenue reserves are reported to Cabinet but are not included in the CI&ES.

The income and expenditure of the Council's cabinet portfolios recorded in the year-end outturn report to Full Cabinet is shown in the table below.

Cabinet Income and Expenditure 2014/15	Education, Skills and Culture £000	Environmental and Housing £000	Economic Development and Land £000	Health and Wellbeing £000	Leader and Resources £000	Community and Partnerships £000	Transport and Highways £000	Total £000
Fees, charges & other service income	(15,116)	(46,628)	(2,103)	(13,964)	(14,035)	(4,163)	(5,799)	(101,808)
Interest and Investment Income	(237)	(614)	(43)	0	(764)	0	0	(1,658)
Government grants	(131,423)	(1,656)	(778)	(17,560)	(64,605)	(1,076)	(1,300)	(218,398)
Total Income	(146,776)	(48,898)	(2,924)	(31,524)	(79,404)	(5,239)	(7,099)	(321,864)
Employee expenses *	99,326	2,735	3,850	32,174	39,921	3,019	3,644	184,669
Other service expenses	44,009	40,490	1,736	78,225	76,954	2,515	9,947	253,876
Support service recharges	3,983	2,101	59	2,399	(11,659)	(92)	(661)	(3,870)
Interest Payments	4,885	9,892	0	0	9,098	0	0	23,875
Total Expenditure	152,203	55,218	5,645	112,798	114,314	5,442	12,930	458,550
Transfers to/(from) reserves	681	9,617	(210)	(278)	(12,252)	161	294	(1,987)
Net Expenditure	6,108	15,937	2,511	80,996	22,658	364	6,125	134,699

* The upfront pension payment of £17.217m is included within employee expenses in the Leader and Resources Cabinet portfolio. The £11.887m funding of the 2015/16 and 2016/17 elements is shown within the transfers to/(from) reserves line within the same portfolio. For further details, see note 5.

Cabinet Income and Expenditure 2013/14	Education, Children & Young People £000	Environmental & Community Services £000	Economic Development (inc.HRA) £000	Health & Wellbeing £000	Leader £000	Community Cohesion & Partnerships £000	Transport & Highways £000	Total £000
Fees, charges & other service income	(13,372)	(1,700)	(46,902)	(10,916)	(12,332)	(4,449)	(4,917)	(94,588)
Interest and Investment Income	(242)	(468)	(113)	0	(3,474)	0	0	(4,297)
Government grants	(132,235)	(791)	(2,479)	(13,299)	(64,394)	(659)	(204)	(214,061)
Total Income	(145,849)	(2,959)	(49,494)	(24,215)	(80,200)	(5,108)	(5,121)	(312,946)
Employee expenses	112,044	3,607	4,283	18,695	24,602	4,196	3,190	170,617
Other service expenses	58,371	15,661	27,911	56,911	73,726	2,791	8,826	244,197
Support service recharges	3,590	15	1,069	2,937	(9,135)	(388)	(824)	(2,736)
Interest Payments	4,769	290	8,385	0	10,982	0	0	24,426
Total Expenditure	178,774	19,573	41,648	78,543	100,175	6,599	11,192	436,504
Transfers to/(from) reserves	1,704	583	11,640	27	3,861	433	300	18,548
Net Expenditure	34,629	17,197	3,794	54,355	23,836	1,924	6,371	142,106

Reconciliation of Cabinet Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of cabinet income and expenditure relate to the amounts included in the CI&ES

	2013/14 £000	2014/15 £000
Net expenditure in the Cabinet Analysis	142,106	134,699
Amounts in the CI&ES not reported to management in the Analysis (see reconciliation overleaf for further details)	43,407	23,575
Amounts included in the Analysis not included in the CI&ES	(31,310)	(19,711)
Cost of Services in the Comprehensive Income and Expenditure Statement	154,203	138,563

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the CI&ES.

2014/15	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(101,808)	(1,535)	6,492	(96,851)	0	(96,851)
Interest and investment income	(1,658)	0	1,658	0	(1,515)	(1,515)
Income from council tax and non-domestic rates	0	0	0	0	(112,003)	(112,003)
Government grants and contributions	(218,398)	(1,290)	3,502	(216,186)	(51,958)	(268,144)
Rent received on investment properties	0	0	0	0	(4,547)	(4,547)
Total Income	(321,864)	(2,825)	11,652	(313,037)	(170,023)	(483,060)
Employee expenses *	184,669	(180)	(11,887)	172,602	8,022	180,624
Other service expenses	253,876	(2,443)	(3,895)	247,538	0	247,538
Support Service recharges	(3,870)	0	0	(3,870)	0	(3,870)
Depreciation, amortisation, impairment and revaluation losses	0	35,330	0	35,330	0	35,330
Interest Payments	23,875	0	(23,875)	0	15,910	15,910
Precepts & Levies	0	0	0	0	11,617	11,617
Payments to Housing Capital Receipts Pool	0	0	0	0	1,187	1,187
Investment properties - expenses and changes in fair value	0	0	0	0	(3,480)	(3,480)
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	16,555	16,555
Total expenditure	458,550	32,707	(39,657)	451,600	49,811	501,411
Transfer to/(from) Reserves	(1,987)	(6,307)	8,294	0	0	0
Deficit on provision of services	134,699	23,575	(19,711)	138,563	(120,212)	18,351

* The effect of the upfront pension payment in the statement of accounts is detailed within note 5 - material items of income and expenditure

Reconciliation to Subjective Analysis

2013/14 Restated *	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&E net cost of services * £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(94,588)	(937)	6,214	(89,311)	0	(89,311)
Interest and investment income	(4,297)	0	4,297	0	(4,130)	(4,130)
Income from council tax	0	0	0	0	(109,224)	(109,224)
Government grants and contributions	(214,061)	0	3,324	(210,737)	(56,720)	(267,457)
Rent received on investment properties	0	0	0	0	(4,417)	(4,417)
Total Income	(312,946)	(937)	13,835	(300,048)	(174,491)	(474,539)
Employee expenses *	170,617	11,648	(8,768)	173,497	8,768	182,265
Other service expenses *	244,197	(2,679)	(4,205)	237,313	0	237,313
Support Service recharges	(2,736)	0	0	(2,736)	0	(2,736)
Depreciation, amortisation, impairment and revaluation losses	0	46,177	0	46,177	0	46,177
Interest Payments	24,426	0	(24,426)	0	16,256	16,256
Precepts & Levies	0	0	0	0	12,190	12,190
Payments to Housing Capital Receipts Pool	0	0	0	0	1,153	1,153
Investment properties - expenses and changes in fair value	0	0	0	0	(5,350)	(5,350)
Loss on Disposal of Non-Current Assets	0	0	0	0	(874)	(874)
Total expenditure	436,504	55,146	(37,399)	454,251	32,143	486,394
Transfer to/(from) Reserves	18,548	(10,802)	(7,746)	0	0	0
Deficit on provision of services	142,106	43,407	(31,310)	154,203	(142,348)	11,855

* The employee expenses and other service expenses lines have been restated in 2013/14 to show that the pension costs within corporate amounts have been taken out of the net cost of services within employee expenses, rather than other service expenses.

33. Members' Allowances

The total of Members' allowances paid in the year was £0.540m (£0.543m in 2013/14). The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

34. Officers' Remuneration

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

- Remuneration of senior officers;
- Remuneration of officers where greater than £50,000;
- 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 27 February 2014 and can be accessed via the following link:

http://www.solihull.gov.uk/Portals/0/CouncillorsAndCommittees/Pay_Policy_Statement.pdf

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 ¹		Salary, Fees and Allowances £	Pension Contribution (employer's) £	Other Emoluments £	Total Remuneration £
Chief Executive ²	2014/15	98,518	19,204	5,636	123,358
	2013/14	128,971	22,209	0	151,180
Director of Business Change (previously called Director of Business Transformation) ³	2014/15	107,003	22,295	6,285	135,583
	2013/14	104,594	18,973	0	123,567
Director of Children's Services and Skills (previously called Director of Children's Services)	2014/15	115,309	22,693	0	138,002
	2013/14	62,857	2,054	0	64,911
Director of Communities and Adult Social Care (previously called Director of Adult Social Care)	2014/15	104,839	20,632	0	125,471
	2013/14	105,186	19,081	0	124,267
Director of Governance	2014/15	92,324	18,169	0	110,493
	2013/14	88,425	16,666	0	105,091
Director for Managed Growth (previously called Director for Places)	2014/15	109,433	21,536	0	130,969
	2013/14	109,370	19,840	0	129,210
Director of Public Health and Commissioning (previously called Director of Public Health)	2014/15	132,330	18,526	0	150,856
	2013/14	132,828	18,596	0	151,424
Director of Resources	2014/15	107,309	21,118	0	128,427
	2013/14	105,186	19,081	0	124,267

Note 34a continued

¹ A new Corporate Leadership Team structure which renamed a number of the Council's senior officers and their Directorate responsibilities to coincide with the priorities in the Council Plan 2014-2018, was launched in February 2015 .

² The new Chief Executive joined the Council in July 2014. The Chief Executive was also the Returning Officer at the Police and Crime Commissioner by-election in August 2014 for which he received a payment included in the emoluments section above.

³ The Director of Change (formerly the Director of Business Transformation) was Acting Chief Executive from April to June 2014 in addition to his substantive role as Director of Business Transformation. His full remuneration is shown against the Director of Business Change post and has not been split out into the Acting role held during the year. In addition to these duties the Director of Change was the Returning Officer at the local council elections in May 2014 for which he received a payment which has been included in the emoluments section above.

b. Remuneration of officers where greater than £50,000

The Council's employees (including teachers but excluding Senior Officers included within note 34a) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2013/14		2014/15	
	Total Number of employees in band	Employees receiving termination packages (included within total)	Total Number of employees in band	Employees receiving termination packages (included within total)
£50,000 - £54,999	61	2	72	1
£55,000 - £59,999	57	2	46	0
£60,000 - £64,999	24	2	29	5
£65,000 - £69,999	28	1	22	0
£70,000 - £74,999	10	0	10	1
£75,000 - £79,999	7	0	7	2
£80,000 - £84,999	6	1	7	1
£85,000 - £89,999	1	0	2	2
£90,000 - £94,999	2	0	1	1
£95,000 - £99,999	0	0	2	2
£100,000 - £104,999	1	1	3	3
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	1	1	0	0
£120,000 - £124,999	0	0	0	0
Total	198	10	201	18

c. Exit packages

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

Exit package cost and (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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £'000	2014/15 £'000
£0 - £20,000	37	12	28	22	65	34	472	210
£20,001 - £40,000	8	2	6	10	14	12	423	337
£40,001 - £60,000	3	0	3	9	6	9	316	454
£60,001 - £80,000	4	1	4	1	8	2	566	125
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	1	0	0	0	1	0	124	0
£150,001- £200,000	1	0	0	0	1	0	178	0
Total	54	15	41	42	95	57	2,079	1,126

During 2014/15 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 MTFS.

Of the exit packages listed in the table above, 28 were within the Children's Services and Skills Directorate. These predominantly relate to staffing changes following the introduction of a new Children's Social Care operating structure in 2014/15, and this has contributed towards savings of £0.640m in the 2015/16 MTFS.

The figures in the table above also include the exit costs of 18 employees incurred by community and voluntary aided schools within the borough.

35. External Audit Costs

The following fees relate to external audit and inspection:

	2013/14 £000	2014/15 £000
Fees payable to the Auditors with regard to external audit services carried out by the appointed auditor for the year	177	178
Rebates received from the Audit Commission*	0	(42)
Fees payable to the Auditors for the certification of grant claims and returns for the year	19	14
Fees payable in respect of other services provided by the Auditors during the year	0	7
Total	196	157

* Two rebates were received from the Audit Commission during 2014/15, one relating to 2013/14 (£0.018m) and the other relating to 2012/13 (£0.024m)

36. Grant Income

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2013/14 and 2014/15:

	2013/14		2014/15	
	£000	£000	£000	£000
Credited to Taxation and Non Specific Grant Income				
Non-ring fenced government grants				
Revenue Support Grant ¹	(39,674)		(33,896)	
New Homes Bonus	(2,099)		(2,162)	
Business Rates Reliefs Grant ²	(499)		(1,206)	
Council Tax Freeze Grant	(948)		(952)	
Capitalisation Redistribution Grant ³	(209)		0	
Local Services Support Grant	(68)		(50)	
		<u>(43,497)</u>		<u>(38,266)</u>
Capital Grants and Contributions				
Local Transport Plan	(4,410)		(3,735)	
A45 Bridge ⁴	(518)		(2,756)	
Capital Maintenance Grant	(1,486)		(1,409)	
Chelmund's Cross Village Centre - ERDF Funding	(1,679)		(787)	
Targeted Basic Needs	0		(620)	
Chelmund's Cross Health Development	0		(521)	
Weekly Waste Collection Grant ⁵	(1,578)		0	
Other capital Grants, Contributions and Donations	(3,552)		(3,864)	
		<u>(13,223)</u>		<u>(13,692)</u>
Total		<u>(56,720)</u>		<u>(51,958)</u>
Credited to Services				
Dedicated Schools Grant (DSG) ⁷	(108,709)		(108,675)	
Housing Benefit Subsidy	(57,435)		(58,977)	
Public Health Grant	(9,636)		(9,905)	
Pupil Premium	(4,947)		(6,596)	
PFI credits	(6,604)		(6,494)	
NHS Support for Social Care	(3,115)		(3,989)	
Education Services Grant	(3,311)		(3,153)	
Sixth Form Funding	(2,547)		(2,692)	
Asylum Seekers	(2,755)		(2,472)	
Universal Infant Free School Meals ⁶	0		(1,247)	
Housing Benefit and Localised Council Tax Support Administration	(1,206)		(1,047)	
Other Revenue Grants, Contributions and Donations	(10,472)		(10,939)	
Total		<u>(210,737)</u>		<u>(216,186)</u>

¹ Revenue Support Grant (RSG) - this is the general government grant given to the council for funding council services and this has reduced by £5.778m since 2013/14. This reduction is part of the government's austerity measures and was taken into account as part of the council's budget setting process for 2014/15.

² The Business Rates Reliefs Grant compensates the Council for the reduction in business rates income as a result of a number of reliefs announced by the Government in the Autumn Statements of 2013 and 2014. This has the effect of ensuring that the Council is no worse off as a result of the additional reliefs introduced by government. In the 2013/14 accounting statement this grant was called the small business rates relief grant, but the scope of the grant has been widened in 2014/15 to include other reliefs.

³ The Capitalisation Redistribution Grant was a one-off, non-ring fenced sum awarded to authorities in 2013/14 representing a share of the Government's unspent Capitalisation programme.

⁴ Grant received from Department for Transport and Centro for the A45 South Bridge Replacement project.

⁵ The Weekly Waste Collection Grant was one-off funding in 2013/14 to encourage the continuation of weekly household waste collection.

⁶ Universal Infant Free School Meals - The Children and Families Act 2014 placed a legal duty on all state-funded schools in England, including academies and free schools to offer a free school lunch to all pupils in reception, year 1 and year 2 from September 2014. Schools are paid funding at a flat rate for each meal taken by newly eligible pupils. Additional one-off funding was provided in 2014/15 to small schools to help with transitional costs.

⁷ The Dedicated Schools Grant (DSG) allocation for 2014/15 (per note 37) was £108.665m. However, a deduction of £112,000 was made for copyright licences plus an additional £122,000 was given in relation to 2013/14 DSG, amounting to the total DSG recognised in the CI&ES of £108.675m.

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 2014	31 March 2015
	£000	£000
Capital Grants Receipts in Advance		
Devolved Formula Capital	(456)	(433)
Various S106 Contributions	(2,362)	(3,228)
Other Grants and Contributions	(596)	(502)
Total	(3,414)	(4,163)

37. 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 2011. 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 2014/15 are as follows:

2014/15	Individual Schools Budget (ISB) £000	Central Expenditure £000	Total £000
Final DSG for 2014/15 before Academy recoupment			162,990
Academy figure recouped for 2014/15			(54,325)
Total DSG after Academy recoupment for 2014/15	83,318	25,347	108,665
Brought forward from 2013/14	0	223	223
Agreed initial budgeted distribution in 2014/15	83,318	25,570	108,888
In-year adjustments *	0	206	206
Final budgeted distribution for 2014/15	83,318	25,776	109,094
Actual central expenditure	0	23,175	23,175
Actual ISB deployed to schools	83,318	0	83,318
Carry forward to 2015/16 *	0	2,601	2,601

* The amount carried forward to 2015/16 differs from the amount included within the Revenue Spending Summary within the Explanatory Foreword, as the in-year adjustment of £206,000 was a late notification and will not be credited to the accounts until 2015/16.

2013/14	Individual Schools Budget (ISB) £000	Central Expenditure £000	Total £000
Final DSG for 2013/14 before Academy recoupment			158,399
Academy figure recouped for 2013/14			(49,691)
Total DSG after Academy recoupment for 2013/14	85,506	23,202	108,708
Brought forward from 2012/13	0	990	990
Final budgeted distribution for 2013/14	85,506	24,192	109,698
Actual central expenditure	0	23,969	23,969
Actual ISB deployed to schools	85,506	0	85,506
Carry forward to 2014/15	0	223	223

38. 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.

Central Government

Central 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 the majority of its 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 32 on reporting for resource allocation decisions. Grants received in advance outstanding at 31 March 2015 are shown in Note 36.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 33. During 2014/15, there were income transactions of £1.283m and expenditure transactions of £3.563m with companies in which seventeen members had an interest. Contracts were entered into in full compliance with the council's standing orders.

Officers

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

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

The Council has a pooled budget arrangement with 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 25 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 as part of the Collection Fund revenue account detailed in pages 113-117.

Levy payments of £0.083m to the Environment Agency and £10.412m to Centro (West Midlands Passenger Transport Executive) were made in 2014/15. In addition, income of £0.323m was received, and expenditure of £0.151m was paid to Centro during 2014/15. £0.122m of the income was outstanding at the 31 March 2015 and is included within the Council's debtors.

Entities Controlled or Significantly Influenced by the Council

The Council made net payments to voluntary organisations amounting to £0.620m in 2014/15. 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 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 payments to CSWDC of £2.003m. The Council accounted for dividends receivable of £0.497m and a receipt of £1.1m from the company for the redemption of a proportion of the Council's preference shares.

Solihull Community Housing Ltd, an arms length company set up to manage the Council's housing stock, is a wholly owned subsidiary of the Council. Income of £3.251m was received from Solihull Community Housing Ltd and expenditure of £37.770m was paid to SCH during 2014/15 (including management fees of £34.836m). At 31 March 2015, £0.790m net was owed to the council by Solihull Community Housing.

Blythe Valley Innovation Centre Ltd is a wholly owned subsidiary of the Council. Income of £0.030m was received during the year. The Council has accounted for dividends receivable of £0.046m in 2014/15.

Other Entities where the Council has an interest

The Council incurred expenditure of £0.346m to North Solihull Partnership during the year in relation to regeneration in the north of the borough, and supplied services to a value of £0.656m. A further amount of £0.784m remains owed to the Council by North Solihull Partnership relating to previous years activity. This is included within note 19 - Long Term Debtors. It has been agreed that this sum is not due for payment until a future date.

Payments of £1.634m were made to Rivendell Leisure Ltd in 2014/15 for the operation of two swimming pools and sports centres within the borough. Income of £0.148m was received during 2014/15.

Payments of £0.608m were made to Unity Trust Ltd and services were supplied of £0.638m in 2014/15. Unity Trust Limited is a company established by a number of schools in north Solihull. It provides education and related services to schools, children and young people and other agencies.

39. Capital Expenditure and Capital Financing

	2013/14		2014/15	
	£000	£000	£000	£000
Opening Capital Financing Requirement		391,067		391,375
Capital Investment				
Property, Plant & Equipment	35,308		48,358	
Investment Property	562		906	
Intangible assets	454		776	
Revenue expenditure classified as capital	7,108		5,552	
Loans	79		0	
Share purchase	25		0	
Total Capital Investment		43,536		55,592
Sources of Finance				
Capital receipts	(2,399)		(4,826)	
Government grants and other contributions	(15,878)		(18,954)	
Sums set aside from revenue	(24,951)		(24,335)	
		(43,228)		(48,115)
Closing Capital Financing Requirement		391,375		398,852
Explanation of Movements in Year				
Increase in underlying need to borrow (supported by Government financial assistance)		(4,881)		(2,366)
Increase in underlying need to borrow (not supported by Government financial assistance)		7,989		12,492
Assets acquired under PFI/PPP contracts		(1,468)		(1,344)
Assets acquired under Finance Leases		(1,332)		(1,305)
Increase in Capital Financing Requirement		308		7,477

40. Leases

a) 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 however, are under the Council's de minimis level for capital spending and are, therefore, not included within our Balance Sheet (see 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 2014 £000	31 March 2015 £000
Property, Plant and Equipment		
Land and Buildings	5,327	5,459
Vehicles, Plant and Equipment	127	73
Investment Property	1,306	1,306
	6,760	6,838

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 2014 Cash Amount £000	31 March 2015 £000	31 March 2014 Net Present Value £000	31 March 2015 £000
Finance lease liabilities:				
• current	120	58	120	58
• non-current	3,808	3,708	899	855
Finance costs payable in future years	6,512	6,299	2,924	2,867
Total future minimum lease payments	10,440	10,065	3,943	3,780

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

	31 March 2014		31 March 2015	
	Minimum Lease Payments £000	Finance Lease Liabilities £000	Minimum Lease Payments £000	Finance Lease Liabilities £000
Not later than one year	332	120	261	58
Later than one year and not later than five years	994	202	907	127
Later than five years	9,114	3,606	8,897	3,581
	10,440	3,928	10,065	3,766

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

	31 March 2014		31 March 2015	
	Minimum Lease Payments £000	Finance Lease Liabilities £000	Minimum Lease Payments £000	Finance Lease Liabilities £000
Not later than one year	332	120	261	58
Later than one year and not later than five years	869	178	792	112
Later than five years	2,742	721	2,727	743
	3,943	1,019	3,780	913

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 IT equipment. During 2014/15 a new lease has been agreed for the provision of photocopiers within Council buildings.

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

	31 March 2014 £000	31 March 2015 £000
Not later than one year	216	869
Later than one year and not later than five years	635	1,868
Later than five years	456	996
	1,307	3,733

The minimum lease payment expenditure charged to the CI&ES during the year in relation to these leases was £0.852m (2013/14: £0.439m).

b) Council as Lessor

Finance Leases

The Council has leased out the following property on finance leases up to 2014/15:-

	Remaining lease term	Value £000
Northern House (Solihull) School	125 years	8,163
Smith's Wood Community Primary School	125 years	5,830
Marston Green Infant School	124 years	3,706
Balsall Common Primary	123 years	3,985
Hockley Heath Primary	123 years	1,393
Heart of England Academy	122 years	14,015
Alderbrook Academy	122 years	14,010
Langley Academy	122 years	9,973
Light Hall Academy	122 years	10,538
Lode Heath Academy	122 years	8,876
Hall Meadow Land	121 years	620
Arden Academy	121 years	17,395
Tudor Grange Academy	121 years	11,750
Park Hall Academy	120 years	23,710
		133,964

There is no 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 2014 £000	31 March 2015 £000
Not later than one year	1,424	1,381
Later than one year and not later than five years	4,417	4,429
Later than five years	47,226	49,611
	<u>53,067</u>	<u>55,421</u>

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

In 2014/15 contingent rents of £3.425m were receivable by the Council (£3.291m in 2013/14).

41. 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.

Building Schools for the Future (BSF) PFI

In 2014/15 and subsequent years the Council is committed to making a payment of approximately £8.300m per annum under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Lanchester, Park Hall Academy and Smith's Wood Schools. The actual payment will vary in line with inflation. The contract expires in 2035/36. There have been no changes to the arrangement during 2014/15.

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	2015/16	1,261	4,538	2,763	8,562
Within 2 - 5 years	2016/17 - 2019/20	5,791	16,916	12,339	35,046
Within 6 - 10 years	2020/21 - 2024/25	10,012	17,693	18,050	45,755
Within 11 - 15 years	2025/26 - 2029/30	14,361	12,211	21,611	48,183
Within 16 - 20 years	2030/31 - 2034/35	19,815	3,798	27,320	50,933
Within 21 - 25 years	2035/36	1,733	240	1,227	3,200
Total		<u>52,973</u>	<u>55,396</u>	<u>83,310</u>	<u>191,679</u>

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

	31 March 2013	Net Payments during the year	31 March 2014	Net Payments during the year	31 March 2015
	£000	£000	£000	£000	£000
Lanchester School	8,635	(1,613)	7,022	(136)	6,886
Park Hall School	21,484	1,744	23,228	(449)	22,779
Smith's Wood School	24,949	(1,181)	23,768	(460)	23,308
Total	55,068	(1,050)	54,018	(1,045)	52,973

Similar contract: Leisure PPP Contract

In 2014/15 the Council made contractual payments of approximately £1.145m (£1.100m in 2013/14) 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. In future years the actual payment will vary in line with inflation. The contract expires in 2037/38. There have been no changes to the arrangement during 2014/15.

The payments due to the PPP contractor are as follows:

		Repayment of liability	Interest	Service Charge	Total
		£000	£000	£000	£000
Payments due to be made:					
Within 1 year	2015/16	400	250	606	1,256
Within 2 - 5 years	2016/17 - 2019/20	826	614	3,874	5,314
Within 6 - 10 years	2020/21 - 2024/25	255	514	6,580	7,349
Within 11 - 15 years	2025/26 - 2029/30	469	1,180	6,581	8,230
Within 16 - 20 years	2030/31 - 2034/35	1,094	1,433	6,701	9,228
Within 21 - 25 years	2035/36 - 2037/38	1,166	1,314	3,553	6,033
Total		4,210	5,305	27,895	37,410

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

	31 March 2013	Net Payments during the year	31 March 2014	Net Payments during the year	31 March 2015
	£000	£000	£000	£000	£000
Leisure	4,926	(417)	4,509	(299)	4,210
Total	4,926	(417)	4,509	(299)	4,210

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 up to 21 years. An initial 7 year extension has been approved. In 2014/15 the Council made contractual payments of approximately £9.310m (£8.839m in 2013/14) 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.

The payments due to the contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	Total £000
Payments due to be made:					
Within 1 year	2015/16	990	319	8,629	9,938
Within 2 - 7 years	2016/17 - 2022/23	1,670	410	56,048	58,128
Total		2,660	729	64,677	68,066

The repayment of the liability is based on the expected useful life of the vehicles currently used on the contract. No assumptions on the replacement of the vehicles have been made.

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

	31 March 2013 £000	Net Payments during the year £000	31 March 2014 £000	Payments during the year £000	Capital Additions/ Disposals in Year £000	31 March 2015 £000
Vehicles and Plant	5,068	(1,208)	3,860	(1,200)	0	2,660
Total	5,068	(1,208)	3,860	(1,200)	0	2,660

42. Impairment Losses**2014/15**

Detail of 2014/15 Impairments:	Council Dwellings £000	Other Land & Buildings £000	Total £000
Impairment losses recognised as a deficit on the Provision of Services, during the period in which those impairment losses are included	815	89	904
Impairment losses on revalued assets recognised in Other CI&ES and taken to the Revaluation Reserve during the period	0	41	41
Total	815	130	945

2013/14

Detail of 2013/14 Impairments:	Council Dwellings £000	Other Land & Buildings £000	Total £000
Impairment losses recognised as a deficit on the Provision of Services, during the period in which those impairment losses are included	0	436	436
Impairment losses on revalued assets recognised in Other CI&ES and taken to the Revaluation Reserve during the period	0	460	460
Total	0	896	896

43. Defined Benefit Pension Schemes

Participation in 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council currently participates in three post employment schemes:

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 Teachers' Pension Scheme

A defined benefit multi-employer pension scheme operated by the Department for Education of which, under the Teachers' Pensions Regulations Act 1972, the teachers employed by the Council are members. The scheme is managed by the Teachers' Pensions Agency under the Teachers' Pensions Regulations 1997, as amended. However, the Teachers' Pension Fund is accounted for as a "defined contribution" scheme in line with the requirements of IAS 19 since the scheme is notionally funded and the underlying liabilities cannot be identified on a consistent basis. For 2014/15 the Council paid £6.009m (2013/14: £6.220m) to the Teachers' Pensions Agency in respect of teachers' pension costs, which represents 14.1% (2013/14: 14.1%) of teachers' pensionable pay.

The Council makes pension payments relating to added years it has awarded, together with related increases. These discretionary payments form a separate, unfunded scheme and in 2014/15 these payments amounted to £1.073m (2013/14: £1.041m).

The Council has not made any discretionary post retirement benefit awards during 2013/14 or 2014/15.

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 5th 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.

For 2014/15 the Council paid £0.552 m (2013/14: £0.573m) to the NHS Pension Scheme in respect of NHS pension costs and this represents 14.0% (2013/14: 14.0%) of the pensionable pay of the staff in the scheme.

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

Transactions relating to post-employment benefits

We recognise 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of past employment/retirement benefits is reversed out of the General Fund via the MIRS. The transactions detailed overleaf have been made in the CI&ES and the General Fund Balance via the MIRS during the year:

Comprehensive Income and Expenditure Statement	2013/14 Restated £000	2014/15 £000
<i>Cost of Services: *</i>		
Service cost comprising:		
• current service cost	16,467	14,923
• past service costs	57	165
• (Gain)/loss from settlements	(937)	(1,425)
• Administration costs	207	216
<i>Financing and Investment Income and Expenditure:</i>		
• Pension Interest costs	8,768	8,022
sub-total Post Employment Benefit charged to the Deficit on the Provision of Services	24,562	21,901
<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount charged in the net interest expense)	27,593	(45,409)
• Actuarial (gains)/losses arising on changes in demographic assumptions	4,170	0
• Actuarial (gains)/losses arising on changes in financial assumptions	(54,860)	96,812
sub-total Post Employment Benefit charged to Other Comprehensive Income and Expenditure	(23,097)	51,403
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	1,465	73,304

Movement in Reserves Statement		
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits in accordance with the Code	(24,562)	(21,901)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employer's contributions payable to scheme *	13,851	15,594
• Upfront payment of pension past deficit contributions originally due in 2015/16 and 2016/17 (see note 5)	0	11,887
sub-total Actual amount charged against the General Fund Balance for pensions in the year	13,851	27,481
Total Post Employment Benefit charged to the Movement in Reserves Statement	(10,711)	5,580

* The 2013/14 note has been restated to remove the contributions to the teachers' scheme of £1.064m, which had been included within the cost of services section. This amount has now been included within the employer's contributions payable to the scheme.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Teachers 2013/14 £000	Staff 2013/14 £000	Teachers 2014/15 £000	Staff 2014/15 £000
Present value of the defined benefit obligation	(13,975)	(593,799)	(14,577)	(715,120)
Fair value of plan assets	0	401,977	0	478,077
Net liability arising from defined benefit obligation	(13,975)	(191,822)	(14,577)	(237,043)
	Total	(205,797)	Total	(251,620)

Reconciliation of the present value of the scheme liabilities				
	Teachers 2013/14 £000	Staff 2013/14 £000	Teachers 2014/15 £000	Staff 2014/15 £000
1 April	14,873	624,136	13,975	593,799
Current service cost	0	16,467	0	14,923
Interest cost	531	25,889	578	25,786
Contributions from scheme participants	0	4,413	0	4,705
Remeasurement (gains)/losses:				
Experience (gains)/losses	17	(7,797)	0	0
Actuarial (gains)/losses arising from changes in demographic assumptions	410	3,760	0	0
Actuarial (gains)/losses arising from changes in financial assumptions	(815)	(54,045)	1,097	95,715
Past service costs	0	57	0	165
Benefits paid	(1,041)	(17,657)	(1,073)	(18,438)
Curtailments	0	251	0	125
Settlements	0	(1,675)	0	(1,660)
31 March	13,975	593,799	14,577	715,120

Reconciliation of the fair value of the scheme assets				
	Teachers 2013/14 £000	Staff 2013/14 £000	Teachers 2014/15 £000	Staff 2014/15 £000
1 April	0	420,826	0	401,977
Interest Income	0	17,652	0	18,342
Remeasurement gain/(loss)	0	(35,373)	0	45,409
Administration Expenses	0	(207)	0	(216)
Contributions from employer	1,041	12,810	1,073	14,521
Upfront payment of pension past deficit contributions originally due in 2015/16 and 2016/17 (see note 5)	0	0	0	11,887
Contributions from scheme participants	0	4,413	0	4,705
Benefits paid	(1,041)	(17,657)	(1,073)	(18,438)
Settlements	0	(487)	0	(110)
31 March	0	401,977	0	478,077

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

The actual return on scheme assets in the year was £63.571m (2013/14: £12.844m).

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.

Following the upfront payment to the WMMAPF, the total estimated contributions to the Local Government Pension Scheme by the Council for 2015/16, is £9.538m (12.9% of pensionable pay).

Basis for estimating assets and liabilities

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

	Teachers at 31 March 2014	Staff at 31 March 2014	Teachers at 31 March 2015	Staff at 31 March 2015
Long-term expected rate of return on assets in the scheme:				
Equity investments	n/a	7.00%	n/a	6.50%
Bonds	n/a	3.91%	n/a	2.60%
Other	n/a	4.60%	n/a	3.63%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.9 years		23.0 years	
Women	25.5 years		25.6 years	
Longevity at 65 for future pensioners:				
Men	n/a	25.1 years	n/a	25.2 years
Women	n/a	27.8 years	n/a	28.0 years
Rate of inflation	2.40%	2.40%	2.00%	2.00%
Rate of increase in salaries	n/a	4.15%	n/a	3.75%
Rate of increase in pensions	2.40%	2.40%	2.00%	2.00%
Rate for discounting scheme liabilities	4.30%	4.40%	3.10%	3.20%

Analysis of the scheme assets and the expected rate of return at the reporting date:

	Expected return		Fair value of assets	
	2013/14 %	2014/15 %	2013/14 £000	2014/15 £000
Equity instruments	7.0	6.5	234,032	282,399
Government Bonds	3.4	2.2	33,083	37,624
Other Bonds	4.3	2.9	43,132	50,867
Property	6.2	5.9	36,218	41,738
Cash/ liquidity	0.5	0.5	10,853	19,553
Other assets	4.3	2.9	44,659	45,896
Average Return / Total Assets	5.87	5.14	401,977	478,077

The expected rates of return on categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

44. 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.

45. Contingent Liabilities

The following items have not been accrued for within the accounts for 2014/15 because the amount of potential liability cannot be accurately determined:

a. Grant Funded Projects

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

b. Business Rates Appeals

The provision for business rates appeals (see page 58) represents an amount expected to be required to fund successful appeals that have been lodged with the Valuation Office Agency as at 31st March 2015. As explained on page 58, a deadline of 31 March 2015 was applied which means that businesses are no longer able to lodge backdated appeals. However, the deadline for Valuation Office Agency alterations to be backdated to 1 April 2010, is not until 1 April 2016, so there may be some additional appeals which are backdated. The council has reliably been able to estimate a number of potential appeals that are subject to a recent tribunal case and these have been included within the provision. However, there could be other alterations, which we are unable to estimate reliably. As a result, no provision has been made in the accounts for these.

c. Legal Costs in relation to Solihull Local Plan Appeals

This relates to appeals lodged against the Council's Local Plan. Following a Court of Appeal judgement it is probable the Council will have to pay the other parties' legal costs, although this cannot be estimated with sufficient reliability to disclose. Any further disclosure would seriously prejudice the position of the Council.

d. Chelmund's Cross Enterprise Centre Build Contract

This relates to the construction of the new Enterprise Centre within the Chelmund's Cross development; the Council is in discussion with the contractor in relation to the final account for the build contract. Any further disclosure would seriously prejudice the position of the Council.

46. Trust Funds

There are 37 trust funds and various other funds that are administered by the council. These funds are not included within the balance sheet.

The total funds as at 31 March 2015 amounted to £2.210m (31 March 2014: £1.946m). The Knowle Streamside Trust totalling £172k is the largest trust, with the remaining £2.038m being held mainly on behalf of Social Service clients.

47. Events after the Balance Sheet Date

Academy Schools

One of the Council's schools is due to transfer to Academy status following the Balance Sheet date of 31 March 2015. The associated land will be revalued resulting in a reduction in value of £18.329m in 2015/16.

	Buildings £000	Land £000	Total £000
<u>Academy status from 1 September 2015:</u>			
Lyndon School	14,516	3,813	18,329

48. Unconsolidated Group Entities

North Solihull Partnership LP

North Solihull Partnership LP (NSP) was established under a Limited Partnership Deed on 27 May 2005 by Bellway Homes (North Solihull) Limited, Inpartnership (LP) Limited, Whitefriars (North Solihull) Limited and Solihull MBC. The partnership was created in order to implement a programme of regeneration in the north of the borough to provide new and refurbished housing, and new and refurbished primary schools. The programme also includes projects to invest in improved areas of open space, improved roads and footpaths, new village centres and social enterprises.

Details of amounts owed to/ from NSP as at 31 March 2015 are included within Note 38 - Related Parties. A further £0.500m paid by the Council for a property acquisition is expected to be reimbursed by NSP during 2015/16.

In addition, there is an agreement in place that NSP will part-fund the North Solihull Primary Programme up to a value of £2.500m. The remodelling work planned around the final two schools, scheduled to complete in 2016/17, relies upon this funding to proceed. 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.

Unity Trust Ltd

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.

Details of amounts owed to/ from Unity as at 31 March 2015 are included within Note 38 - Related Parties.

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' relationship with the company this would be reviewed.

49. Statement of Accounting Policies

These are the rules and practices adopted by the Council that dictate how transactions and events are shown.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2014/15 and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, 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 Notes to the Accounting Statement.

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.

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. 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.

6. 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).

In December 2014, Full Council agreed a new Minimum Revenue Provision policy statement to apply from 2014/15. This new policy ensures a prudent charge for the pre-2008 Capital Financing Requirement is made to the MIRS on a 2% straight line basis. Previously, the charge was based on a 4% reducing balance method. This new policy allows for the quicker repayment of debt and a consistent charge to revenue. The methodology for the post-2008 CFR remains unchanged.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of adjusting transactions with the Capital Adjustment Account in the MIRS.

7. 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 notional 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 three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The Local Government Pensions 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 mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme 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 seven components:

- 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 the Non Distributed Costs line in the CI&ES;
- interest cost – 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;
- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited 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 Non Distributed Costs line 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 - debited to the Pension Reserve in the MIRS;
- 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 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 notional accounting entries for retirement benefits and replace them with accounting entries for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

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

8. 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 Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect.

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

9. Events after the Balance Sheet Date

These are events that have happened after the Balance Sheet date, 31 March 2015. 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.

10. 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 Person Acts. 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 to or 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 PPE 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 Movement on Reserves Statement.

11. 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.

12. 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 2014/15 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. Therefore, there is no change to the depreciation charged in the Accounting Statement in relation to the Council's heritage 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.

13. Infrastructure assets

Infrastructure assets are carried at depreciated historical cost although this will be reconsidered in future once the CIPFA project on infrastructure assets has been completed. They are currently depreciated over a life of 40 years, or a useful life verified by a qualified professional officer.

14. 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 line in the CI&ES.

15. 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.

16. 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.

17. Investment Property

Investment property is that which are used solely to earn rentals 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.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment line in the CI&ES. The same treatment is applied to gains and losses on disposal. Rentals 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.

18. Landfill Allowances

Under the Waste and Emissions Trading Act 2003, local authorities were assigned tradeable landfill allowances which permitted them to landfill a certain tonnage of biodegradable municipal waste each year. The purpose was to reduce the landfilling of biodegradable municipal waste (BMW) so that the EU landfill diversion targets could be met.

The Landfill Allowances and Trading Scheme (LATS) in England came to an end in September 2013. England is on track to meet its landfill diversion targets and the allowance trading scheme was no longer deemed to be necessary. However, local authorities are still required to submit data on landfilling to the Environment Agency.

19. Leases

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

(a) The Council as LesseeFinance 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 line 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. Depreciation, revaluation and impairment losses are therefore substituted by an additional revenue contribution in the General Fund Balance, by way of adjusting transactions with the Capital Adjustment Account in the MIRS.

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 LessorFinance 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Operating Leases

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

20. Property Plant & Equipment

All expenditure on the acquisition, construction or improvement of tangible fixed 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 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 arms 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 arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;
- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many causes the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

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

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

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

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

Service Area	Operational / Non Operational	Basis of Valuation
<u>Investment Property</u>	Non Operational	Fair Value
<u>Industrial Units</u>	Non Operational	Fair Value
<u>Shops - North</u>	Non Operational	Fair Value
<u>Shops - South</u>	Non Operational	Fair Value

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

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

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

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

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

Depreciation

Depreciation is provided for on all fixed 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 and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 50 - 70 years
- Other Land and Buildings – 25 - 70 years
- Vehicles, Plant, Furniture & Equipment – 5 - 20 years
- Infrastructure – 40 years

Asset Life – Remaining Life

Whilst an attempt is made to correctly identify each individual asset's useful life, there are some generalisations. For example, 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 70 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 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 Movement in Reserves Statement.

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 income and expenditure account 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 in 2014/15 for the Council 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 annual basis.

Materiality Level of Assets:

Groups of assets with similar characteristics that individually are below the de minimis level but when grouped together the value exceeds £2m 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 2014/15;
- (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.

21. Overheads

The following two cost categories are separately defined in the Service Reporting Code of Practice (SERCOP) and accounted for as separate headings in the CI&ES as part of the Net Cost of Services:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation;
- Non Distributed Costs - past service costs relating to retirement benefits, the costs associated with any long-term unused but realisable assets and impairment losses on surplus assets held for disposal

All central support costs not covered by these two categories are fully allocated to services on a consistent and equitable basis in accordance with SERCOP.

22. 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. As 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 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.

23. 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, 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.

24. 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 then the items within this account have not been grouped into amounts that may be reclassifiable and amounts that are not.

25. 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.

26. 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.

27. 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.

28. Trading Operations

Expenditure and income on the Council's trading activity is included within the relevant service line of the Cost of Services within the CI&ES. Trading accounts are not produced as none of the Council's trading operations are currently considered significant enough to require separate disclosures. This position is reviewed on an annual basis.

29. Value Added Tax (VAT)

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

30. Carbon Reduction Commitment

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme.

This scheme is currently in the initial 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 2014/15 'forecast sale' price of £15.60 per tonne of carbon emitted and the best estimate of the number of allowances required to meet the liability at the 31st March 2015. 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.

Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The Account is required to be self-financing and cannot be subsidised by the General Fund.

The amounts included in the HRA differ from the amounts in respect of HRA services included in the CI&ES for the Council as a whole, which includes income and expenditure in accordance with the Code of Practice rather than in accordance with statute and non-statutory proper practices.

HRA Comprehensive Income and Expenditure Statement

31 March 2014 £000		31 March 2015	
		£000	£000
	Expenditure		
8,357	Repairs and maintenance	9,202	
11,071	Supervision and management	11,952	
719	Rents, rates, taxes and other charges	936	
10,128	Depreciation and impairment of non-current assets	9,142	
4	Revenue expenditure funded by capital under statute	0	
133	Amortisation of intangible assets	149	
70	Debt management costs	59	
542	Movement in the allowance for bad debts	752	
31,024	Total Expenditure		32,192
	Income		
(39,833)	Dwelling rents	(41,707)	
(1,122)	Non-dwelling rents	(1,104)	
(2,505)	Charges for services and facilities	(2,641)	
(1,053)	Contributions towards expenditure	(54)	
(44,513)	Total Income		(45,506)
(13,489)	Net income from HRA services as included in the CI&ES		(13,314)
23	HRA services' share of corporate and democratic core		24
(13,466)	Net income for HRA services		(13,290)
	HRA share of the operating income and expenditure included in the CI&ES:		
(839)	Gain on sale of HRA non-current assets		(1,733)
7,577	Interest payable and similar charges		7,399
(50)	Interest and Investment Income		(61)
(407)	Capital grants and contributions receivable		(706)
(7,185)	Surplus for the year on HRA services		(8,391)

For the final Movement in Reserves position see the MIRS on page 10, and also Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations.

Notes to the Housing Revenue Account

H1. Housing Stock

On 31 March 2015 the Council held 10,077 dwellings. There was a net increase of 3 dwellings during the year (55 sales and 58 acquisitions/ new builds), compared to a reduction of 33 dwellings in 2013/14.

	31 March 2014	31 March 2015
Houses	3,343	3,349
Flats	4,901	4,896
Bungalows	1,760	1,762
Maisonettes	70	70
	10,074	10,077

H2. Balance Sheet Value

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

	31 March 2014	31 March 2015
	£000	£000
Dwellings	276,473	290,703
Garages	14,149	19,879
Other Land and Buildings	1,524	2,028
Vehicles, Plant and Equipment	284	344
Assets Under Construction	2,570	491
Investment Property	1,301	1,301
	296,301	314,746

H3. Vacant Possession Value of Dwellings

As at 1 April 2014 the vacant possession value of dwellings within the Council's HRA was £804.914m, valued in accordance with the Guidance on Stock Valuation for Resource Accounting. The difference between this figure and the £290.703m valuation included within the Balance Sheet shows the economic and social cost to the Government of providing council housing.

H4. Major Repairs Reserve

The movement on the Major Repairs Reserve is detailed below:

	2013/14	2014/15
	£000	£000
Balance at 1 April	(1,282)	(1,831)
Contributions to the Major Repairs Reserve	(10,182)	(10,457)
Capital spending on dwellings	9,633	9,584
Balance at 31 March	(1,831)	(2,704)

H5. Capital Financing

	2013/14 £000	2014/15 £000
Expenditure on Capital during the year		
Council Dwellings	13,236	13,463
Other Land and Buildings	0	1,379
Vehicles, Plant and Equipment	60	168
Intangible Assets	168	125
Assets Under Construction	2,508	462
Revenue expenditure funded by capital under statute (REFCUS)	4	0
Total	15,976	15,597
Funded by:		
Unsupported Borrowing	1,338	0
Usable Capital Receipts	701	456
Capital Grants and Contributions	408	708
Revenue and Reserve Contributions	3,896	4,849
Major Repairs Reserve	9,633	9,584
Total	15,976	15,597

H6. Capital Receipts

Gross capital receipts of £3.264m were generated from the sale of land and houses during 2014/15. The position is summarised as follows;

Capital Receipts	2013/14 £000	2014/15 £000
Sale of Council Dwellings	(2,479)	(3,190)
Sale of Land	(120)	(74)
Discounts repaid	(3)	0
	(2,602)	(3,264)
Less:		
Pooling contributions	1,153	1,187
Administration Costs	61	70
Total	(1,388)	(2,007)

H7. HRA Depreciation and Impairment

The depreciation and impairment charged to the HRA in 2014/15 is shown below:

	2013/14 £000	2014/15 £000
Dwellings	8,773	7,090
Garages	1,187	1,286
Other Land and Buildings	34	35
Equipment	134	108
sub-total Depreciation	10,128	8,519
Revaluation losses	0	623
Total Depreciation and Impairment	10,128	9,142

H8. Amortisation

The charge to the HRA in 2014/15 in respect of the amortisation of intangible assets was £0.149m (2013/14: £0.133m)

H9. Impairments

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 2014/15.

H10. Rent Arrears

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

Date	Total Rent Arrears £000	% of total income due in year %
At 31 March 2014	1,538	3.26
At 31 March 2015	1,751	3.56

H11. 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 £000	% of total income due in year %
At 31 March 2014	780	1.66
At 31 March 2015	1,058	2.15

H12. Housing Bad Debt Provision

The Council puts aside money to allow for the possibility that a proportion of the outstanding rent arrears (as per note H10) and other HRA arrears (as per note H11) will not be paid. That money is known as the Housing Bad Debt Provision in accordance with the Code. The movement between year end balances is shown below:

	2013/14 £000	2014/15 £000
Balance at 1 April	(1,350)	(1,724)
Arrears reinstated	(28)	(7)
Contribution to provision	(542)	(752)
Net write offs	196	296
Balance at 31 March	(1,724)	(2,187)

H13. HRA Self Financing

The main principle behind HRA self-financing is that if landlords implement guideline rent increases, have average levels of management and maintenance costs and manage their borrowing costs well, they should have sufficient resources to cover their capital investment needs when calculated over a 30-year period.

In 2011/12, the Government's Self-financing Determination resulted in the Council taking on a further £69.566m of HRA debt in exchange for being released from the subsidy system. Taking advantage of the special lower interest rate for new loans available for this purpose, the Council used Public Works Loans Board (PWLB) loans to finance the settlement payment which was made to the Secretary of State on 28 March 2012.

The borrowing taken during 2011/12 continues to be recognised on the Council's Balance Sheet, the related interest charge of £7.399m (2013/14: £7.577m) has been included in the Comprehensive Income & Expenditure Account.

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 local authorities and the Government of council tax and non-domestic rates.

Collection Fund Income and Expenditure Statement

2013/14 Restated ^{1&2}			2014/15		
Council Tax £000	Business Rates £000	Total Collection Fund £000	Council Tax £000	Business Rates £000	Total Collection Fund £000
Income					
(96,366)	(105,857)	(202,223)	(97,661)	(112,685)	(210,346)
Income receivable (net of exemptions and reliefs) ¹					
0	870	870	0	675	675
Transitional protection payments					
(96,366)	(104,987)	(201,353)	(97,661)	(112,010)	(209,671)
Expenditure					
<u>Precepts and demands:</u>					
83,867	0	83,867	84,725	0	84,725
Solihull MBC					
7,221	0	7,221	7,441	0	7,441
West Midlands Police & Crime Commissioner					
3,723	0	3,723	3,837	0	3,837
West Midlands Fire & Rescue Authority					
<u>Shares of non-domestic rating income:</u>					
0	54,954	54,954	0	55,190	55,190
Solihull MBC					
0	1,121	1,121	0	1,126	1,126
West Midlands Fire & Rescue Authority					
<u>Payment of central share:</u>					
0	56,076	56,076	0	56,316	56,316
Central Government					
<u>Impairment of debts and appeals:</u>					
448	730	1,178	487	589	1,076
Allowance for impairment of debts ²					
0	3,160	3,160	0	5,446	5,446
Allowance for impairment of business rate appeals					
0	242	242	0	243	243
Charge for cost of collection					
95,259	116,283	211,542	96,490	118,910	215,400
(1,107)	11,296	10,189	(1,171)	6,900	5,729
(Surplus) / Deficit for the year ³					

¹ Income receivable for Business Rates for 2013/14 has been restated to include interest on repayments.

² The allowance for impairment for debts for 2013/14 has been restated to reflect that all of the write offs were charged against the provision.

³ The deficit on Business Rates for 2014/15 is largely due to the contribution made to the appeals provision as a result of new appeals lodged during 2014/15 alongside a lower than anticipated income for 2014/15.

Any surplus or deficit on the Collection Fund is charged to the Council and relevant parties' accounts in future years so there is no cost to the Council in 2014/15 for this deficit. (The Council's share of the deficit has been charged to the CI&ES by reducing the non-domestic rate income receivable however this impact has been offset in the MIRS by a transfer to the Collection Fund Adjustment Account.)

The in year deficit will be charged to the Council (via a charge from the Collection Fund Adjustment Account) over the next 2 years and the 2013/14 deficit will be charged to the council over the next 3 years in line with statutory arrangements.

Analysis of Collection Fund (Surplus) / Deficit						
2013/14			2014/15			
Council Tax £000	Business Rates £000	Total Collection Fund £000		Council Tax £000	Business Rates £000	Total Collection Fund £000
436	0	436	Opening balance 1 April	(739)	11,296	10,557
<u>Contributions towards previous year's Collection Fund deficit</u>						
(61)	0	(61)	Solihull MBC	(325)	(3,525)	(3,850)
0	0	0	Central Government	0	(3,596)	(3,596)
(2)	0	(2)	West Midlands Fire & Rescue Authority	(15)	(72)	(87)
(5)	0	(5)	West Midlands Police & Crime Commissioner	(28)	0	(28)
368	0	368	Brought forward balance after transfers	(1,107)	4,103	2,996
(1,107)	11,296	10,189	(Surplus)/ Deficit for the year	(1,171)	6,900	5,729
(739)	11,296	10,557	Closing balance at 31 March	(2,278)	11,003	8,725
Allocated to:						
(651)	5,535	4,884	Solihull MBC	(2,007)	5,392	3,385
0	5,648	5,648	Central Government	0	5,501	5,501
(57)	0	(57)	West Midlands Police & Crime Commissioner	(179)	0	(179)
(31)	113	82	West Midlands Fire & Rescue Authority	(92)	110	18
(739)	11,296	10,557		(2,278)	11,003	8,725

Notes to the Collection Fund

C1. Council Tax

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

The council tax base, which represents the number of domestic properties in the borough expressed as equivalent to Band D properties, can be broken down as follows for 2014/15:

Band	Number of dwellings on Valuation List	Dwellings for council tax purposes	Multiplier	Dwellings as Band D equivalents
A	13,811	6,634	6/9	4,424
B	11,758	7,438	7/9	5,785
C	21,703	16,934	8/9	15,052
D	16,233	13,835	9/9	13,835
E	11,443	10,330	11/9	12,626
F	8,637	8,045	13/9	11,620
G	5,213	4,901	15/9	8,168
H	338	311	18/9	621
Total Band D equivalents (tax base)	89,136	68,428		72,131
Adjustment for collection rate of 98.75%				(902)
Net tax base (Band D equivalents)				71,229

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 98.75% collection rate. This is converted to the amount payable by properties in other bands by applying the multiplier given in the table above. In 2014/15, the average Band D council tax including Police, Fire and parish precepts was £1,347.82 (13/14: £1,344.86).

The actual gross income in 2014/15 was £97.661m, which in tax base terms would be 72,097 Band D equivalents. The effect of this was a council tax surplus in the year of £1.171m (2013/14: £1.107m surplus), as shown in the table below:

	£000	£000
Anticipated gross income from council tax (from multiplying the gross tax base by the average council tax)	97,219	
Actual gross income	(97,661)	
Surplus for the year before allowance for impairment		(442)
Anticipated allowance for impairment (from multiplying the collection rate adjustment by the average council tax)	(1,216)	
Actual allowance for impairment of debts	487	
Surplus for the year in relation to the allowance for impairment		(729)
Surplus for the year		(1,171)

Notes to the Collection Fund (continued)**C2. Business Rates**

Prior to the introduction of the Business Rates Retention Scheme on 1 April 2013, local authorities paid all non-domestic rates collected from local businesses into a national pool, which was then redistributed by Central Government on a formula basis. With effect from 1 April 2013, a proportionate share (49%) of Non-domestic rates collected by the Council are retained, with the rest being paid out to Central Government (50%) and the West Midlands Fire Authority (1%).

The Government determines the level of business rates payable, which was set at 48.2 pence per pound of rateable value in 2014/15 (2013/14: 47.1 pence). There is also a Small Business Rate multiplier which was set at 47.1 pence per pound of rateable value in 2014/15 (2013/14: 46.2 pence). The Valuation Office Agency sets the rateable value of each property. As at 31 March 2015, the total rateable value for properties in Solihull was £262.697m. (31 March 2014: £256.765m).

	£000
Gross business rates income (from multiplying the total rateable value as at 31.3.15 by the small business rate multiplier)	123,730
less reduction in income due to rateable value changes throughout year	(2,268)
Gross income 14/15	121,462
less mandatory, discretionary and unoccupied property reliefs	(8,777)
Net Business rates income receivable	112,685

Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2014/15 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.

Group Accounts

Consolidated Group Entities

Solihull Community Housing Ltd

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

Blythe Valley Innovation Centre Ltd

Blythe Valley Innovation Centre Ltd was set up in 2000, as a joint venture with Blythe Valley JV Sarl, in order to promote business enterprise. In July 2013, the Council acquired the shares owned by Blythe Valley JV Sarl, thereby becoming the sole shareholder in the business. The accounts of the Company have been consolidated, as a subsidiary, into the group accounts on a line by line basis.

Coventry and Solihull Waste Disposal Company Ltd

The Council's interest in Coventry and Solihull Waste Disposal Company Ltd whose business is the disposal of waste is set out in Note 15a. The Council's interest in the joint venture has been consolidated into the group accounts under the equity method.

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.

2014/15	Total Council Usable Reserves * £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
Balance at 1 April 2014	(92,090)	(356,152)	(448,242)	13,750	(434,492)
Group (Surplus) or deficit on the provision of services	18,351	0	18,351	2,065	20,416
Other comprehensive income and expenditure	0	36,490	36,490	4,707	41,197
Total comprehensive income and expenditure	18,351	36,490	54,841	6,772	61,613
Adjustments between accounting basis & funding basis under regulations (Note 6)	(7,194)	7,194	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	11,157	43,684	54,841	6,772	61,613
Transfers to/(from) Earmarked Reserves	0	0	0	0	0
(Increase)/decrease in 2014/15	11,157	43,684	54,841	6,772	61,613
Balance at 31 March 2015	(80,933)	(312,468)	(393,401)	20,522	(372,879)

2013/14	Total Council Usable Reserves * £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
Balance at 1 April 2013	(81,782)	(278,130)	(359,912)	(257)	(360,169)
Group (Surplus) or deficit on the provision of services	11,855	0	11,855	498	12,353
Other comprehensive income and expenditure	0	(100,185)	(100,185)	13,509	(86,676)
Total comprehensive income and expenditure	11,855	(100,185)	(88,330)	14,007	(74,323)
Adjustments between accounting basis & funding basis under regulations (Note 6)	(22,163)	22,163	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(10,308)	(78,022)	(88,330)	14,007	(74,323)
Transfers to/(from) Earmarked Reserves	0	0	0	0	0
(Increase)/decrease in 2013/14	(10,308)	(78,022)	(88,330)	14,007	(74,323)
Balance at 31 March 2014	(92,090)	(356,152)	(448,242)	13,750	(434,492)

* A full analysis of Total Council Usable Reserves can be found within the Council's Single Entity Movement in Reserves Statement from page 10 onwards.

Group Comprehensive Income and Expenditure Statement

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 2015

	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Adult social care	80,070	(19,907)	60,163
Central services	5,305	(3,439)	1,866
Children's and education Services	188,292	(148,117)	40,175
Cultural and related Services	10,952	(3,407)	7,545
Environmental and regulatory services	17,215	(6,404)	10,811
Highways & transport Services	24,268	(7,503)	16,765
Local authority housing (HRA)	32,915	(45,506)	(12,591)
Other housing services	63,875	(62,971)	904
Planning services	14,861	(4,745)	10,116
Public health	9,945	(9,997)	(52)
Corporate & democratic core	4,468	(817)	3,651
Non distributed cost	491	(1,535)	(1,044)
Cost of Services	452,657	(314,348)	138,309
Payments of precepts to parishes			1,122
Levies payable			10,495
Amounts payable into the housing capital receipts pool			1,187
Loss on disposal of non-current assets			16,555
Total Other Operating Expenditure			29,359
Interest payable on debt			10,459
Interest payable on finance leases			211
Interest payable on PFI unitary payments			5,273
Pension interest costs			8,318
Investment interest income			(346)
Other investment income			(626)
Changes in fair value of investment properties			(3,900)
Rents received on investment properties			(4,547)
Expenses incurred on investment properties			420
Total Financing and Investment Income & Expenditure			15,262
Council tax			(85,756)
Non-domestic rates			(26,247)
Non-ring fenced government grants			(38,266)
Recognised capital grants and contributions			(13,692)
Total Taxation and Non-Specific Grant Income			(163,961)
Deficit on Provision of Services			18,969
Share of operating results of joint venture			917
Share of taxation of joint venture			56
Tax expenses of subsidiaries			474
Group Deficit on Provision of Services			20,416
(Surplus) or deficit on revaluation of non current assets			(15,445)
Impairment losses on non-current assets charged to revaluation reserve			41
(Surplus) or deficit on revaluation of available for sale financial assets *			491
Remeasurement of the net defined benefit liability			56,123
Any other (gains)/losses			(13)
Other Comprehensive Income and Expenditure			41,197
Total Comprehensive Income and Expenditure			61,613

Group Comprehensive Income and Expenditure Statement

Prior year comparatives

Year ended 31 March 2014

	Gross Expenditure	Gross Income (Restated)	Net Expenditure (Restated)
	£000	£000	£000
Adult social care	77,711	(17,047)	60,664
Central services	4,810	(3,464)	1,346
Children's and education Services	201,839	(144,790)	57,049
Cultural and related Services	10,624	(2,673)	7,951
Environmental and regulatory services	17,960	(6,153)	11,807
Highways & transport Services	23,254	(5,974)	17,280
Local authority housing (HRA)	33,032	(45,075)	(12,043)
Other housing services	61,723	(59,982)	1,741
Planning services	9,940	(3,933)	6,007
Public health	10,031	(9,734)	297
Corporate & democratic core	4,910	(848)	4,062
Non distributed cost	264	(937)	(673)
Cost of Services	456,098	(300,610)	155,488
Payments of precepts to parishes			1,121
Levies payable			11,069
Amounts payable into the housing capital receipts pool			1,153
Loss on disposal of non-current assets			(874)
Total Other Operating Expenditure			12,469
Interest payable on debt			10,317
Interest payable on finance leases			204
Interest payable on PFI unitary payments			5,779
Pension interest costs			9,323
Investment interest income			(456)
Other investment income			(3,204)
Changes in fair value of investment properties			(5,618)
Rents received on investment properties			(4,417)
Expenses incurred on investment properties			268
Total Financing and Investment Income & Expenditure			12,196
Council tax			(84,844)
Non-domestic rates			(24,380)
Non-ring fenced government grants			(43,497)
Recognised capital grants and contributions			(13,223)
Total Taxation and Non-Specific Grant Income			(165,944)
Deficit on Provision of Services			14,209
Share of operating results of joint venture			(2,361)
Share of taxation of joint venture			15
Tax expenses of subsidiaries			490
Group Deficit on Provision of Services			12,353
(Surplus) or deficit on revaluation of non current assets			(50,573)
Impairment losses on non-current assets charged to revaluation reserve			460
(Surplus) or deficit on revaluation of available for sale financial assets *			0
Remeasurement of the net defined benefit liability			(31,071)
Any other (gains)/losses			(5,492)
Other Comprehensive Income and Expenditure			(86,676)
Total Comprehensive Income and Expenditure			(74,323)

2013/14 comparative figures have been restated to reflect presentational changes when consolidating group entities, further details are provided within note G1 - Prior Period Adjustments

Group Balance Sheet

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

1 April 2013 (Restated) £000	31 March 2014 (Restated) £000		31 March 2015 £000
791,352	833,017	Property, Plant and Equipment	837,765
950	950	Heritage Assets	950
79,082	87,587	Investment Property	92,177
772	867	Intangible Assets	1,389
30,254	17,062	Long Term Investments	14,348
14,906	14,291	Investments in Associates and Joint Ventures	11,315
1,607	1,609	Long Term Debtors	1,612
918,923	955,383	Long Term Assets	959,556
9,688	17,951	Short Term Investments	23,184
559	698	Inventories	799
18,457	24,676	Short Term Debtors	24,316
6,517	10,349	Cash and Cash Equivalents	9,276
2,901	4,193	Payments In Advance	3,868
53	0	Carbon Allowances	219
38,175	57,867	Current Assets	61,662
(5,923)	(8,107)	Bank Overdraft	(8,937)
(5,092)	(8,342)	Short Term Borrowing	(2,603)
(42,935)	(36,275)	Short Term Creditors	(37,974)
(2,092)	(1,857)	Short Term Provisions	(3,570)
(9,512)	(13,879)	Receipts in Advance	(13,892)
(65,554)	(68,460)	Current Liabilities	(66,976)
(57)	0	Long Term Creditors	0
(2,332)	(2,836)	Long Term Provisions	(3,316)
(228,574)	(227,485)	Long Term Borrowing	(248,847)
(231,827)	(212,911)	Net Pensions Liability	(264,137)
(66,232)	(63,652)	Other Long Term Liabilities	(60,900)
(2,353)	(3,414)	Capital Grants Receipts in Advance	(4,163)
(531,375)	(510,298)	Long Term Liabilities	(581,363)
360,169	434,492	Net Assets	372,879
		Financed by:	
(80,585)	(91,372)	Usable Reserves (see note G6)	(81,678)
(264,486)	(326,324)	Unusable Reserves (see note G7)	(275,762)
(15,098)	(16,796)	Group Income & Expenditure Reserve	(15,439)
(360,169)	(434,492)	Total Reserves	(372,879)

Details of the restatement of balances as at 31 March 2014 are included within note G1 - Prior Period Adjustments. As the value of the adjustments is material, an opening balance sheet, as at 1 April 2013 has also been produced.

Group Cash Flow Statement

The Group Cashflow 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 2014 (Restated) £000	31 March 2015 £000
11,883 Net group deficit on the provision of services	20,416
(48,199) Adjustments to net surplus or deficit on the provision of services for non cash movements (note G2)	(58,745)
13,701 Adjustments for items in the net surplus or deficit on the provision of services that are investing and financial activities	17,429
(22,615) Net cash flows from operating activities	(20,900)
16,640 Investing activities (note G4)	35,359
4,326 Financing activities (note G5)	(12,555)
(1,649) Net increase in cash and cash equivalents	1,904
<u>Overall Movement in cash and cash equivalents</u>	
594 Cash and cash equivalents at the beginning of the reporting period	2,243
1,649 Net increase/ (decrease) in cash and cash equivalents	(1,904)
2,243 Cash and cash equivalents at the end of the reporting period	339

2013/14 comparative figures have been restated to reflect presentational changes when consolidating group entities, further details are provided within note G1 - Prior Period Adjustments

Notes to the Council's Group Accounts

G1. Prior Period Adjustments

Following a review of the Council's accounting treatment of group entities undertaken this year, it has been decided to adjust the presentation of the group consolidation within the Accounting Statement, in order to better reflect the requirements of IAS 28.

The following notes show the adjustments made to the 2013/14 comparative figures, in each statement the net effect is nil.

The group statements also reflect the restatement following the review of the Council's schools assets; further details regarding these changes can be found within note 1 to the single entity accounts.

Effects on 2013/14 Group Comprehensive Income & Expenditure Statement (only those lines that have been changed are shown):

	2013/14 Net Expenditure Reported £000	Changes following Schools Asset Review £000	Changes following Group Accounts Review £000	2013/14 Net Expenditure Restated £000
Share of operating results of joint ventures	(2,361)	0	2,361	0
Cost of Services	153,127	0	2,361	155,488
Loss on disposal of non-current assets	(863)	0	(11)	(874)
Total Other Operating Expenditure	12,480	0	(11)	12,469
Pension interest costs	9,320	0	3	9,323
Investment interest income	(464)	0	8	(456)
Share of taxation of joint venture	505	0	(505)	0
Total Financing and Investment Income & Expenditure	12,690	0	(494)	12,196
Total Taxation and Non-Specific Grant Income	(165,944)	0	0	(165,944)
Deficit on Provision of Services	12,353	0	1,856	14,209
Share of operating results of joint venture	0	0	(2,361)	(2,361)
Share of taxation of joint venture	0	0	15	15
Tax expenses of subsidiaries	0	0	490	490
Group Deficit on Provision of Services	12,353	0	0	12,353
Any other (gains)/losses	(3,666)	(1,826)	0	(5,492)
Other Comprehensive Income and Expenditure	(84,850)	(1,826)	0	(86,676)
Total Comprehensive Income and Expenditure	(72,497)	(1,826)	0	(74,323)

Effects on 2013/14 Group Balance Sheet (only those lines that have been changed are shown):

	31 March 2014 Reported £000	Changes following Schools Asset Review £000	Changes following Group Accounts Review £000	31 March 2014 Restated £000
<i>Property, plant & equipment</i>	811,626	21,391	0	833,017
Total Long term Assets	933,992	21,391	0	955,383
Net Assets	413,101	21,391	0	434,492
Financed by:				
Usable Reserves	(91,372)	0	0	(91,372)
Capital Adjustment Account	(365,884)	(21,391)	0	(387,275)
Capital Redemption Reserve	(2,400)	0	2,400	0
Share of Pension Reserve - Joint Venture	841	0	(841)	0
Share of Revaluation Reserve - Joint Venture	(7,286)	0	7,286	0
Share of Profit and Loss Account - Joint Venture	(2,871)	0	2,871	0
Profit and Loss Reserve - Subsidiaries	(5,080)	0	5,080	0
Unusable Reserves	(321,729)	(21,391)	16,796	(326,324)
Share of Income and Expenditure Reserve of Joint Venture	0	0	(11,716)	(11,716)
Income & Expenditure Reserves of Subsidiaries	0	0	(5,080)	(5,080)
Group Income & Expenditure Reserves	0	0	(16,796)	(16,796)
Total Reserves	(413,101)	(21,391)	0	(434,492)

Effects on 2012/13 Group Balance Sheet (only those lines that have been changed are shown):

	31 March 2014 Reported £000	Changes following Schools Asset Review £000	Changes following Group Accounts Review £000	31 March 2014 Restated £000
<i>Property, plant & equipment</i>	771,787	19,565	0	791,352
Total Long term Assets	899,358	19,565	0	918,923
Net Assets	340,604	19,565	0	360,169
Financed by:				
Usable Reserves	(80,585)	0	0	(80,585)
Capital Adjustment Account	(366,245)	(19,565)	0	(385,810)
Capital Redemption Reserve	(1,200)	0	1,200	0
Share of Pension Reserve - Joint Venture	835	0	(835)	0
Share of Revaluation Reserve - Joint Venture	(7,574)	0	7,574	0
Share of Profit and Loss Account - Joint Venture	(3,014)	0	3,014	0
Profit and Loss Reserve - Subsidiaries	(4,145)	0	4,145	0
Unusable Reserves	(260,019)	(19,565)	15,098	(264,486)
Share of Income and Expenditure Reserve of Joint Venture	0	0	(10,953)	(10,953)
Income & Expenditure Reserves of Subsidiaries	0	0	(4,145)	(4,145)
Group Income & Expenditure Reserves	0	0	(15,098)	(15,098)
Total Reserves	(340,604)	(19,565)	0	(360,169)

Effects on 2013/14 Group Cash Flow Statement (only those lines that have been changed are shown):

	31 March 2014 Reported £000	Changes following Group Accounts Review £000	31 March 2014 Restated £000
Net group deficit on the provision of services	12,353	(470)	11,883
Adjustments for movements of joint ventures not within group	1,364	(1,364)	0
Net deficit relating to SMBC	13,717	(1,834)	11,883
Carrying amount of non-current assets held for sale, sold or derecognised	(3,756)	1,871	(1,885)
Other non-cash items charged to net deficit on provision of services	(253)	(38)	(291)
Adjustments to net deficit on services for non-cash movements	(50,032)	1,833	(48,199)
Adjustments for items in the net deficit on the provision of services that are investing and financial activities	12,501	1,200	13,701
Net cash flows from operating activities	(23,814)	1,199	(22,615)
Proceeds from short term and long term investments	(16,811)	(1,200)	(18,011)
Investing activities	17,840	(1,200)	16,640
Other movements from financing activities	3,528	1	3,529
Financing activities	4,325	1	4,326
Net increase in cash and cash equivalents	(1,649)	0	(1,649)

Notes to the Council's Group Accounts (continued)

G2. Cash Flow Statement - Adjustments to Net Deficit on the Provision of Services for non cash movements

2013/14 £000	2014/15 £000
(34,604) Depreciation	(28,937)
(11,175) Impairments and revaluations	(6,896)
(438) Amortisation	(404)
(12,186) Movement in pension liability	4,897
(1,885) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(23,571)
5,618 Changes in fair value of investment properties	3,900
8,933 Increase/(decrease) in debtors	(4,951)
102 Increase/(decrease) in interest debtors	(62)
(985) (Increase)/decrease in bad debt provision	(1,112)
(1,286) (Increase)/decrease in creditors	1,311
(206) (Increase)/decrease in interest creditors	(358)
139 Increase/(decrease) in inventories	101
(226) Other non-cash items charged to the net surplus/deficit on the provision of services	(2,663)
(48,199)	(58,745)

G3. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000	2014/15 £000
(374) Interest received	(381)
15,317 Interest paid	15,109
(3,204) Dividends received	(1,112)
11,739 Included within cash flow from Operating Activities	13,616

G4. Cash Flow Statement - Investing Activities

2013/14 £000	2014/15 £000
35,999 Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	50,426
10,222 Purchase of Short Term and Long Term Investments	12,815
7,112 Other payments for Investing Activities	6,363
(3,395) Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(6,553)
(15,611) Capital grants received	(15,543)
(17,628) Proceeds from Short Term and Long Term Investments	(11,943)
(59) Other receipts from Investing Activities	(206)
16,640 Net cash flows from Investing Activities	35,359

Notes to the Council's Group Accounts (continued)**G5. Cash Flow Statement - Financing Activities**

2013/14 £000		2014/15 £000
(6,500)	Cash receipts of short- and long-term borrowing	(22,300)
3,528	Other movements from financing activities	(285)
3,401	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	2,705
3,897	Repayments of Short Term and Long Term Borrowing	7,325
4,326	Net cash flows from Financing Activities	(12,555)

G6. Usable Reserves

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

31 March 2014 £000		31 March 2015 £000
(13,561)	General Fund Working Balance	(10,185)
(3,271)	General Fund Earmarked Balance	(3,002)
(52,023)	Earmarked Revenue Reserves	(45,546)
(8,901)	Housing Revenue Account (HRA)	(9,445)
(2,589)	Capital Receipts Reserve	(4,332)
(1,831)	Major Repairs Reserve	(2,704)
(9,196)	Capital Grants Unapplied Account	(6,464)
(91,372)	Total Usable Reserves	(81,678)

G7. Unusable Reserves

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

31 March 2014 £000		31 March 2015 £000
(149,216)	Revaluation Reserve	(153,600)
(9,686)	Available for Sale Financial Instruments Reserve	(7,720)
(387,275)	Capital Adjustment Account	(384,143)
(437)	Financial Instruments Adjustment Account (FIAA)	(294)
212,911	Pensions Reserve	264,137
4,884	Collection Fund Adjustment Account	3,385
2,495	Accumulated Absences Account	2,473
(326,324)	Total Unusable Reserves	(275,762)

Notes to the Council's Group Accounts (continued)

G8. Subsidiaries

Solihull Community Housing Ltd (SCH)

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

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

As at 31 March 2015 SCH, as a separate entity, had no outstanding capital commitments other than those included within the HRA (£0.000m at 31 March 2014).

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 2015 BVIC, as a separate entity, had no outstanding capital commitments other than those reported within the Council's accounts (note 9).

G9. Joint Ventures

Coventry & Solihull Waste Disposal Company Ltd (CSWDC)

The Council's interest in CSWDC is identified in Note 15a - Available for Sale Financial Assets.

The Council (as Reporting Authority) has not incurred any Contingent Liabilities in relation to its interest in Joint Ventures, either in its own right or jointly with our venturers. CSWDC have declared no contingent liabilities which the Council (as Reporting Authority) are 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 £0.295m as at 31 March 2015 (2013/14: £0.609m).

G10. 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 note 43 to the Council 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 43.

The most recent valuation of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2015.

Notes to the Council's Group Accounts (continued)

G10. Defined Benefit Pension Schemes (continued)

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:

	2013/14	2014/15
	£000	£000
Present value of the defined benefit obligation	(50,935)	(63,289)
Fair value of plan assets	43,821	50,772
Net liability arising from defined benefit obligation	(7,114)	(12,517)

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

	2013/14	2014/15
	£000	£000
<u>Recognised within Deficit on Provision of Services:</u>		
<i>Within Cost of Services:</i>		
• Current service cost	1,732	1,409
• Administration costs	22	21
<i>Within Financing and Investment Income and Expenditure:</i>		
• Pension interest costs	555	296
sub-total Post Employment Benefit charged to the Deficit on the Provision of Services	2,309	1,726
<u>Recognised within Other Comprehensive Income and Expenditure:</u>		
<i>Within Remeasurement of the net defined benefit liability:</i>		
• Return on plan assets (excluding the amount charged in the net interest expense)	(2,666)	(4,743)
• Actuarial (gains)/losses arising on changes in demographic assumptions	378	0
• Actuarial (gains)/losses arising on changes in financial assumptions	(5,687)	9,463
sub-total Post Employment Benefit charged to Other Comprehensive Income and Expenditure	(7,975)	4,720
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(5,666)	6,446

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

	2013/14	2014/15
	£000	£000
Reconciliation of the present value of scheme liabilities		
Present value of obligation as at 1 April	55,795	50,935
Current service cost	1,732	1,409
Interest cost	2,341	2,274
Contributions from scheme participants	473	467
Remeasurement (gains)/losses:		
Experience (gains)/losses	(3,505)	0
Actuarial (gains)/losses arising from changes in demographic assumptions	378	0
Actuarial (gains)/losses arising from changes in financial assumptions	(5,687)	9,463
Benefits paid	(592)	(1,259)
Present value of obligation as at 31 March	50,935	63,289

Notes to the Council's Group Accounts (continued)

G10. Defined Benefit Pension Schemes (continued)

Reconciliation of the fair value of the scheme assets	2013/14	2014/15
	£000	£000
Fair value of assets as at 1 April	42,151	43,821
Expected return on plan assets	1,786	1,978
Remeasurement gain/(loss)	(839)	4,743
Administration Expenses	(22)	(21)
Contributions from employer	864	1,043
Contributions from scheme participants	473	467
Benefits paid	(592)	(1,259)
Fair value of assets as at 31 March	43,821	50,772

Basis for estimating assets and liabilities

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

	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	88	88
Women	91	91
Longevity at 65 for future pensioners:		
Men	90	90
Women	93	93
Rate of inflation	2.00%	2.40%
Rate of increase in salaries	4.15%	3.75%
Rate of increase in pensions	2.40%	2.00%
Rate for discounting scheme liabilities	4.50%	3.30%

Analysis of the scheme assets and the expected rate of return at the reporting date:

	Expected return		Fair value of assets	
	2013/14	2014/15	2013/14	2014/15
	%	%	£000	£000
Equity instruments	7.0	6.5	25,513	29,992
Debt instruments	3.9	2.6	8,309	9,398
Property	6.2	5.9	3,948	4,432
Cash	0.5	0.5	1,183	2,076
Alternatives	7.0	6.5	4,868	4,874
Average Return / Total Assets	6.1	5.4	43,821	50,772

G11. Group Amounts Reported for Resource Allocation Decisions

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the Group CI&ES.

2014/15	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&E net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(101,808)	(2,846)	6,492	(98,162)	0	(98,162)
Interest and investment income	(1,658)	0	1,658	0	(972)	(972)
Income from council tax and non-domestic rates	0	0	0	0	(112,003)	(112,003)
Government grants and contributions	(218,398)	(1,290)	3,502	(216,186)	(51,958)	(268,144)
Rent received on investment properties	0	0	0	0	(4,547)	(4,547)
Share of operating results of joint ventures	0	0	0	0	917	917
Total Income	(321,864)	(4,136)	11,652	(314,348)	(168,563)	(482,911)
Employee expenses	184,669	(180)	(11,887)	172,602	8,318	180,920
Other service expenses	253,876	(1,386)	(3,895)	248,595	0	248,595
Support Service recharges	(3,870)	0	0	(3,870)	0	(3,870)
Depreciation, amortisation, impairment and revaluation losses	0	35,330	0	35,330	0	35,330
Interest Payments	23,875	0	(23,875)	0	15,943	15,943
Precepts & Levies	0	0	0	0	11,617	11,617
Payments to Housing Capital Receipts Pool	0	0	0	0	1,187	1,187
Investment property expenses and changes in fair value	0	0	0	0	(3,480)	(3,480)
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	16,555	16,555
Share of taxation of joint ventures	0	0	0	0	56	56
Tax expenses of subsidiaries	0	0	0	0	474	474
Total expenditure	458,550	33,764	(39,657)	452,657	50,670	503,327
Transfer to/(from) Reserves	(1,987)	(6,307)	8,294	0	0	0
Group deficit on the provision of services	134,699	23,321	(19,711)	138,309	(117,893)	20,416

Reconciliation to Subjective Analysis

2013/14 Restated	Cabinet Analysis £000	Amounts not reported to management for decision making ¹ £000	Amounts not included in CI&E net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(94,588)	(1,499)	6,214	(89,873)	0	(89,873)
Interest and investment income	(4,297)	0	4,297	0	(3,668)	(3,668)
Income from council tax	0	0	0	0	(109,224)	(109,224)
Government grants and contributions	(214,061)	0	3,324	(210,737)	(56,720)	(267,457)
Rent received on investment properties	0	0	0	0	(4,417)	(4,417)
Share of operating results of joint ventures ²	0	0	0	0	(2,361)	(2,361)
Total Income	(312,946)	(1,499)	13,835	(300,610)	(176,390)	(477,000)
Employee expenses	170,617	11,648	(8,768)	173,497	9,320	182,817
Other service expenses	244,197	(832)	(4,205)	239,160	0	239,160
Support Service recharges	(2,736)	0	0	(2,736)	0	(2,736)
Depreciation, amortisation, impairment and revaluation losses	0	46,177	0	46,177	0	46,177
Interest Payments	24,426	0	(24,426)	0	16,300	16,300
Precepts & Levies	0	0	0	0	12,190	12,190
Payments to Housing Capital Receipts Pool	0	0	0	0	1,153	1,153
Investment properties - expenses and changes in fair value	0	0	0	0	(5,350)	(5,350)
Gain on Disposal of Non-Current Assets	0	0	0	0	(863)	(863)
Share of taxation of joint ventures	0	0	0	0	15	15
Tax expenses of subsidiaries	0	0	0	0	490	490
Total expenditure	436,504	56,993	(37,399)	456,098	33,255	489,353
Transfer to/(from) Reserves	18,548	(10,802)	(7,746)	0	0	0
Group deficit on the provision of services	142,106	44,692	(31,310)	155,488	(143,135)	12,353

¹ Amounts not reported for decision making have been restated to account for the changes to accounting for Pension costs, further details can be found within the Prior Period Adjustments note on page 22.

² Share of operating results of joint ventures is now shown within 'Corporate Amounts', this was previously shown within 'Amounts not reported to management for decision making'. This follows the re-presentation of Group statements described within note G1.

Reconciliation of Cabinet Income and Expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of cabinet income and expenditure relate to the amounts included in the Group CI&ES

	2013/14	2014/15
	£000	£000
Net expenditure in the Cabinet Analysis	142,106	134,699
Amounts in the CI&ES not reported to management in the Analysis	44,692	23,321
Amounts included in the Analysis not included in the CI&ES	(31,310)	(19,711)
Cost of Services in the Comprehensive Income and Expenditure Statement	155,488	138,309

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLIHULL METROPOLITAN BOROUGH COUNCIL

We have audited the financial statements of Solihull Metropolitan Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Statement, the Collection Fund and the related notes. 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 2014/15.

This report is made solely to the members of Solihull Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Solihull Metropolitan Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Solihull Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Solihull Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Stocks
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Colmore Plaza
20 Colmore Circus
 Birmingham
 B4 6AT

24 September 2015

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) are the accounting standards that local authorities are required to follow when producing their financial statements.

International Financial Reporting Standards (IFRS) apply to Local Government from 1 April 2009 for service concessions (PFI/PPP) and from 1 April 2010 for other areas.

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 land, buildings or vehicles is used by the Council over a longer period of time (i.e. more than 1 year)

Bad Debt Provision

Bad debts are amounts owed to the Council which it does not believe will be repaid. The Council makes a provision for the amount of bad debt it expects to incur.

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 (see National Non-Domestic Rates)

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.

CI&ES (Comprehensive Income & Expenditure Statement)

A Core Statement showing the income, expenditure and net cost during the year in relation to each service the Council is responsible for.

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 non-domestic rates (NDR).

Contingent Assets

Amounts that may become due to the Council, but their actual receipt is not definite.

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.

Contingent Liabilities

Amounts that the Council may be, but is not definitely, liable for.

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

Schools are funded separately from other Council services. The Council receives Dedicated Schools Grant (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 the 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

Runs from 1st April to the following 31st March.

Non-current Asset

An item, for example land, buildings and vehicles, which yield benefits to the Council and the services it provides over a period of more than one year.

General Fund (GF)

The account that summarises the revenue cost of providing services by the Council.

Impairment

An asset has been impaired when it is judged to have lost value other than through normal use.

Infrastructure assets

Assets held by the Council such as highways and footpaths.

Intangible Assets

An item which does not have physical substance (for example, software licenses) but can be identified and used by the Council over a number of years.

Inventories

Items of stock owned by the Council which have not been used by the end of the financial year.

Investment Properties

Interest in land and/or buildings which are held for their investment potential rather than for operational purposes.

Housing Revenue Account (HRA)

A statutory account that contains all expenditure and income relating to the provision of council housing for rent. The HRA is a ring fenced account outside the General Fund.

Lease

A Finance Lease is an agreement to pay for an asset, for example a vehicle, in regular instalments where the person paying the lease (the Lessee) is deemed to own the asset. In contrast, an Operating Lease occurs when the Lessee is not considered to own the asset.

Levy

A payment made by the Council to 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

Lenders Options Borrowers 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' (see page 11 for a more detailed explanation).

Net Asset Value

The value of the Council's assets less its liabilities.

Net Book Value (NBV)

The value of an asset after depreciation has been deducted.

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-Domestic Rates (NDR) or Business Rates

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

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.

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

The main Government grant which helps support Council services.

Ring fenced

Certain accounts, such as the Collection Fund, must be accounted for separately outside the General Fund as a statutory requirement.

Specific Grants

Grants from the Government which are to pay for a specific 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.

Trust Fund

A fund administered by the Council on behalf of others for such purposes as charities and specific projects.

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 local authority 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
Council House
Manor Square
Solihull
B91 3QB
Telephone: 0121 704 6080

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

[Annual Report 13/14](#)
[Council Tax Booklet 2015/16](#)
[Medium Term Financial Strategy 2015/16 – 2017/18](#)

Paper copies are available from Council House Reception, Solihull and reference copies are kept in Solihull Central Library, or visit the Solihull Council web site: www.solihull.gov.uk

Further information about the Fire and Rescue Authority and Police and Crime Commissioner finances can be obtained

The Treasurer to the West Midlands Police and Crime Commissioner
Office of the West Midlands Police and Crime Commissioner
Finance Department
Lloyd House
Colmore Circus
Queensway
Birmingham
B4 6NQ

The Treasurer of the Authority
West Midlands Fire and Rescue Authority
PO BOX 2372
Sandwell Council House
Oldbury
Warley
B69 3DE

The Treasurer to the Integrated Transport Authority
West Midlands Integrated Transport Authority
Centro House
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:

Chartered Institute of Public Finance and Accountancy
3 Robert Street
London
WC2N 6RL