



## Solihull Metropolitan Borough Council Statement of Accounts 2024/25



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# Narrative Report

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

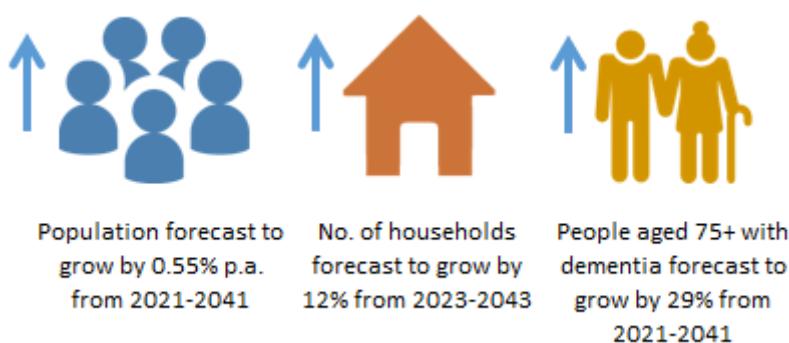
## Organisational Overview and External Environment

### Solihull: population and place

The Council serves a broadly affluent borough, characterised by above-average levels of income, employment and home ownership. The living environment, with a mix of urban and rural communities, key strategic sites and transport infrastructure, and large amounts of green space, is one of Solihull's main strengths, and is reflected in high levels of resident satisfaction with the area (78% in the most recent Place Survey<sup>1</sup>).

The population of the borough has increased at a slower rate than nationally in each of the last three decades, although growth in Solihull has accelerated in the last ten years and the gap with the England average has narrowed. The Solihull population is projected to grow by around 0.5% a year between 2021 and 2041. This is higher than the expected rate of growth for England as a whole (an average of 0.4% a year over the same period) and is likely to be driven by high rates of growth among the older population and in the semi-rural and rural parts of the borough.<sup>2</sup> This growth will put pressure on transport, housing, education and public service infrastructure. Challenges will include balancing these pressures with the need to take action to reduce carbon emissions.

Projections suggest that the relative ageing of Solihull's population will continue. The over 65 age group accounts for 22% of the population (compared to 19% nationally) and is projected to grow faster than any other group over the period to 2041. The number of residents aged 85 and over, which is projected to increase by 48% (around 3,500 people) between 2023 and 2043, represents a particular challenge in terms of health and social care.<sup>3</sup>



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

The borough's many advantages can give the impression that some of the social challenges are less and are easier to tackle than in other parts of the country. However, the borough has a persistent prosperity gap

<sup>1</sup> Solihull Metropolitan Borough Council, *Solihull Place Survey 2024*

<sup>2</sup> Solihull Metropolitan Borough Council, *Solihull Population Estimates and Projections*

<sup>3</sup> Ibid

which has proved difficult to close. National deprivation statistics suggest that despite being the least deprived upper tier authority in the West Midlands, Solihull is relatively polarised, with more than one in ten residents living in neighbourhoods classed as among the most deprived 10% in the country and nearly one in three residents living in the least deprived 10% neighbourhoods.<sup>4</sup>

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

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

### **Solihull: the Council**

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

We are one of 36 metropolitan district councils, on the fringe of the West Midlands conurbation but with a distinct identity and strong rural roots, as characterised by the motto "Urbs in Rure". A unitary authority since 1986, the Council is led by a Conservative administration, which as at May 2025 holds 28 out of the 51 seats. The borough is served by three members of parliament, representing the constituencies of Solihull West and Shirley, Meriden and Solihull East, and Birmingham Hodge Hill and Solihull North.

The Council employs around 3,400 full time equivalent staff, around 40% of whom work in the borough's schools (excluding academies), organised into five directorates – Adult Social Care, Children's Services, Economy and Infrastructure, Public Health and Resources – under the management of the Corporate Leadership Team. Our Employee Wellbeing Strategy is key to ensuring our employees are healthy and engaged to enhance business resilience and realise opportunities for organisational transformation in the context of a challenging financial environment. One of the Council's strengths is the positive working relationships between officers and elected members, which facilitates effective decision making and strong leadership. This is underpinned by our core values, which are to be ambitious, open, honest and keep our promises.

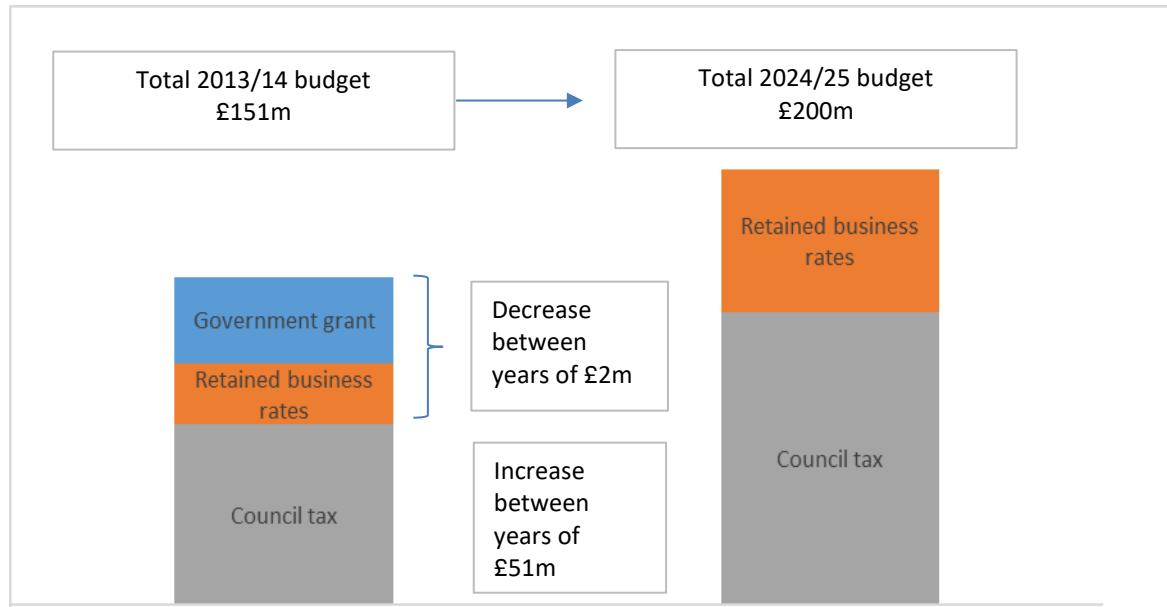
Each local authority operates a governance framework that brings together a set of legislative requirements, governance principles, corporate strategies and policies, systems, management processes, culture and values. The quality of these arrangements underpins the level of trust in public services and is fundamental to the Council's statutory and democratic obligations. A framework of good governance allows the Council to be clear about how it discharges its responsibilities. Further information on the Council's governance arrangements across all its activities is provided in the Annual Governance Statement which, in line with our commitment to continuous improvement, includes an action plan setting out how we can further strengthen our arrangements.

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

<sup>5</sup> Office for Health Improvement and Disparities, *Public Health Outcomes Framework*

Our funding comes from two main sources, retained business rates and council tax. In 2013/14, the year in which business rates retention was first introduced, Solihull received 55% of its funding from council tax payers, 26% from government grant and 19% from retained business rates. In the years since, the level of government support has fallen significantly and the proportion of funding which comes from council tax payers has increased to 67%.



The 100% business rates retention pilot in the West Midlands, in which Solihull has been involved since April 2017, was superseded from April 2024 by a new agreement between the region and the government as part of the West Midlands' trailblazer devolution deal. Under this agreement, the West Midlands will continue to retain 100% of the local growth in business rates for ten years. This agreement has enhanced certainty for medium term planning, although it will not protect the member authorities from any business rates reset. The deal also includes the confirmation of a number of growth zones for the region, including one which covers part of North Solihull, which will allow the retention of business rates for 25 years, alongside other benefits for businesses.

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



Solihull is a strong and active member of the West Midlands Combined Authority (WMCA) committing political and officer leadership and expertise. The development of the Trailblazer Devolution Deal, Place Based Strategy and Local Growth Plan, along with preparation for the implementation of the first year of the Integrated Funding Settlement, have been particularly significant areas of collaboration.



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



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



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



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



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



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



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



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

Solihull Community Housing Limited, Mell Square Limited, UK-Central (Solihull) Limited (trading, and referenced throughout, as, the Urban Growth Company Limited) and Solihull Energy Limited are consolidated in our accounts as wholly owned subsidiaries. Our group accounts also include the Coventry and Solihull Waste Disposal Company Limited, as a joint venture. The Council also owns shares in Sherbourne Recycling Limited and Birmingham Airport Holdings Limited, together with other local authority partners, but these are not consolidated into the group accounts as our shareholding is minor.

# Operational Model and Performance

## Council services

The strategic direction for the authority is set by the Council Plan, which is revised every five years and refreshed annually. A new plan is currently being developed which will outline our priorities and a set of outcomes that we are seeking to achieve by 2030. This plan will be based on an analysis of the borough's strengths, challenges and opportunities, and influenced by local priorities, input from public and stakeholder consultation, government policies, performance information and external inspections and challenge.

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

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

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

The Council also:

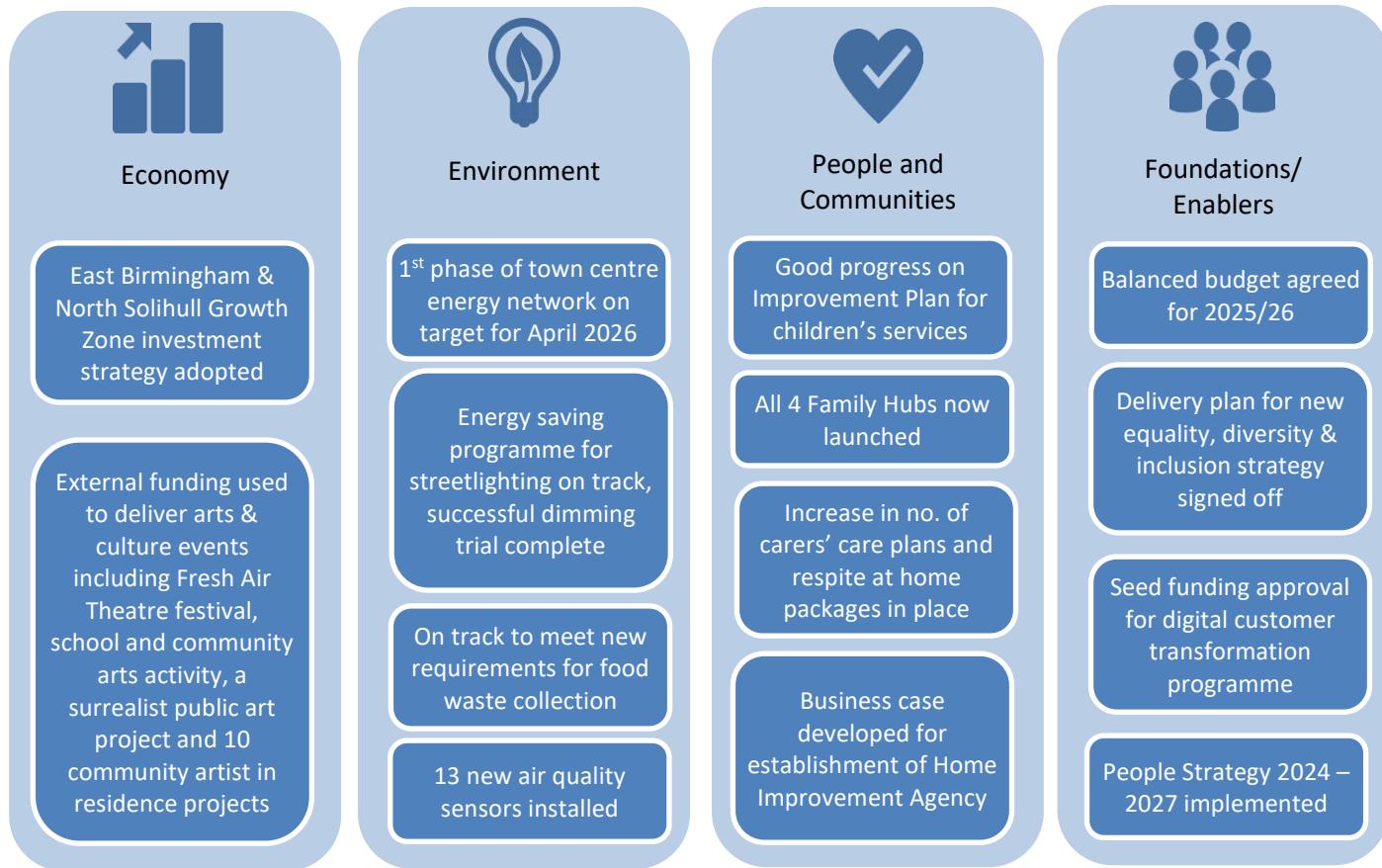
- Provides support and services for children to get the 'right start' in life to give them the best possible chance of success as adults.
- Invests in local physical assets, boosting voluntary, community and social enterprise capacity as well as enabling communities, faith groups, parish councils to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

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

The support we provide for children and families continues to be the Council's top priority for improvement, placing children and young people at the heart of all we do to enable them to achieve their potential and lead fulfilling lives. We continue to make progress against the recommendations set out in the report of the Children's Services Commissioner, Sir Alan Wood, in March 2023 and in subsequent Ofsted reports, with the inspector's report of their sixth and final monitoring visit in April 2025 recognising the consistent improvements we are making to keep children safe.

## Review of the year

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



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

## Financial performance - overview

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

Our budget for 2024/25 was £199.904 million, an overall increase compared to the 2023/24 budget of £0.654 million, as summarised in the table below.

	£'000
2023/24 budget	199,250
Inflation	6,681
Other corporate and service pressures	7,410
New savings	(7,630)
Reversal of time-limited savings approved in previous years	4,398
(Increase)/decrease in grants	(3,057)
Movements to/(from) reserves	(3,539)
Reversal of reserve movements approved in previous years	(3,609)
<b>2024/25 budget</b>	<b>199,904</b>

The budget was funded from retained business rates of £65.794 million and council tax income of £134.110 million. Solihull increased its element of the council tax charge by 4.99% in 2024/25. This included a charge of 2.00% specifically to support adult social care which, when added to previous years' charges for adult social care, generated £18.841 million for the service (£2.634 million more than in 2023/24). Council tax income continues to be the most significant funding source for the authority, reflecting the proportion of higher-banded homes in the borough.

### **Financial performance – revenue outturn**

The MTFS approved in February 2024 noted the seriousness of the financial challenge facing the Council and outlined the Council's approach to meeting the forecast budget gap in 2025/26 and beyond. In March 2024 the Chief Executive convened a Financial Sustainability Board (FSB) of senior officers to oversee a programme of work to develop savings proposals to meet the funding gap. This work programme identified substantial savings for 2025/26 and beyond, but at the same time cost and funding pressures continued to increase. The Council has been reporting a projected overspend throughout the year, alongside the pressures emerging through the 2025/26 budget process.

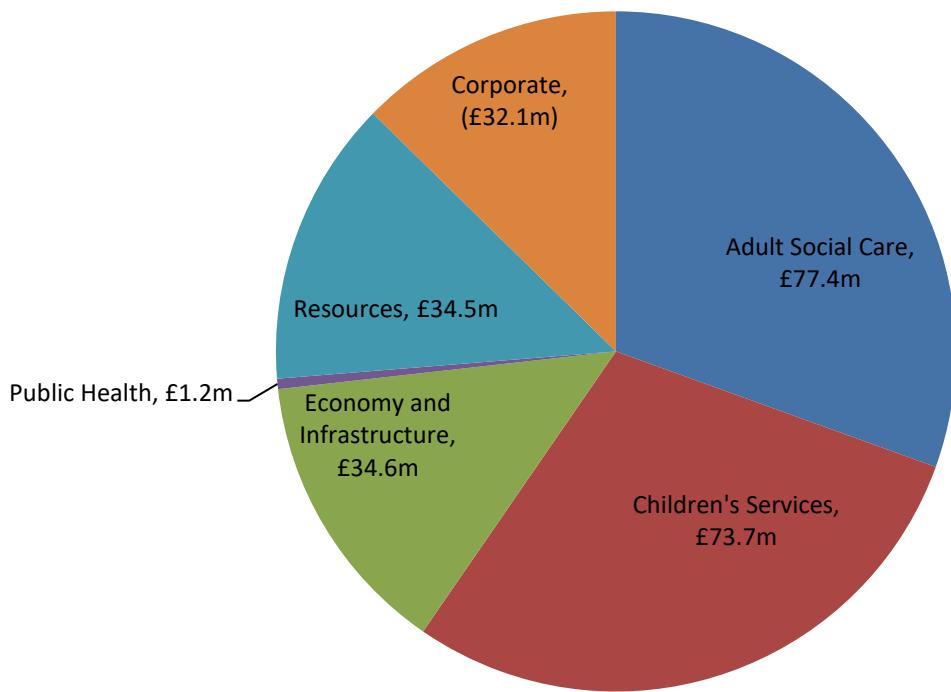
In autumn 2024, CIPFA was commissioned to undertake an independent assurance review of the Council's financial and governance arrangements. Although no deficiencies in financial or risk management arrangements were identified, CIPFA observed that the Council must "place greater emphasis on the need for quantifying and delivering its financial sustainability plan" and recommended that the Council apply for exceptional financial support (EFS) from the government to manage the forecast overspend for 2024/25 and balance the budget for 2025/26, noting that without EFS the Council was at risk of moving to a financially unsustainable position.

The Council's application for EFS totalling £48.273 million over 2024/25 and 2025/26 was agreed in principle in February 2025. In line with that application, a request was made for a formal capitalisation direction in May 2025, which was subsequently approved in August 2025, enabling the Council to treat £15.615 million of revenue spend incurred in 2024/25 as capital expenditure. This figure is made up of the following:

- Children's services investment approved in the 2023/24 MTFS of £8.913 million
- Children's services investment approved in the 2024/25 MTFS of £4.387 million
- Children's social care new pressures in 2024/25 of £2.315 million.

The use of EFS can be seen in the accounts within note 13 to the Movement in Reserves Statement, as an adjustment to revenue resources. £5.603 million of this total has been used to offset the adverse outturn variance reported for 2024/25, and the balance relating to 2024/25 of £10.012 million has been used to replenish corporate reserves, which have been depleted in recent years as a result of the significant investment in children's services summarised above. The replenishment of corporate ring-fenced reserves is reflected in the Balance Sheet, the Movement in Reserves Statement and the usable reserves note.

The budget for expenditure on council services, excluding levies and the Dedicated Schools Grant (DSG), totalled £191.013 million. As reported to Cabinet on 12 June 2025, directorate expenditure before the capitalisation of costs under the EFS framework and carry forward requests totalled £194.955 million. The capitalisation of £5.603 million of revenue expenditure improved the year-end position from an adverse variance of £3.942 million to a favourable variance before carry forwards of £1.661 million. The chart below shows the resulting net spend of £189.352 million by directorate. As illustrated in the chart, Adult Social Care and Children's Services together accounted for 80% of this figure.



Requests for carry forwards of £1.213 million were approved by Cabinet in June, increasing directorate expenditure from £189.352 million to £190.565 million and resulting in a net favourable variance compared to directorate budgets of £0.448 million, which Cabinet agreed to contribute to the consolidated risk reserve.

The Council also reported an in-year adverse variance on the DSG of £7.328 million which, added to a cumulative deficit of £20.740 million carried forward from previous years, results in a total DSG adverse variance of £28.068 million. The statutory override which permits local authorities to carry forward the DSG deficit in an unusable reserve is currently set to expire in March 2026. Based on current projections, the Council is unlikely to be able to fund the deficit from its revenue reserves if the statutory override is not extended, so without any alternative national intervention then this position would be expected to trigger a section 114 notice.

Note 1 to the Statement of Accounts provides a breakdown of the total income and expenditure by directorate and also shows the adjustments required in order to arrive at the figures in the Comprehensive Income and Expenditure Statement (CI&ES). The diagram below shows how the outturn figures in the Full Cabinet report compare to both the approved budget and the position in the first column of Note 1, and how they result in the net adverse variance of £5.667 million (2023/24: £3.869 million adverse variance).



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

Across the directorates, in-year pressures were managed through ongoing and one-off resources. The introduction of spending controls in response to the Council's financial position had a particular impact on recruitment with staffing underspends and other savings from reductions in non-essential spend and reprofiling of activity reported across directorates. All directorates reported net favourable variances, with the exception of the Children's Services directorate which continued to experience significant demand pressures, particularly in children's placements, home-to-school transport, social care staffing and special educational needs and disabilities services. Through the 2025/26 budget process further ongoing investment was allocated to the portfolio to support the improvement plan for the service but this remains a key risk area for the MTFS going forward.

### **Financial performance - capital outturn**

Capital spending is expenditure on non-current assets that have a life expectancy of more than one year and, therefore, have the potential to benefit not just current but future taxpayers within the borough. The assets are usually funded over a longer period than one year, either from borrowing, grants or from reserves built up over a period of time.

The total spending on the capital programme for 2024/25, including the Housing Revenue Account (HRA), was £59.777 million (2023/24: £54.282 million) compared with a revised budget of £69.534 million, giving a net variance in-year of (£9.757 million) (2023/24: (£24.326 million)). After taking into account released funding, rephasing of £7.163 million will be added into the capital programme for 2025/26.

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

The disposal of assets resulted in total gross capital receipts for the Council during the year of £2.823 million (2023/24: £2.191 million). These included HRA right to buy properties totalling £2.710 million (2023/24: £1.843 million).

### **Exceptional financial support (EFS)**

The government's EFS scheme allows local authorities to apply for capitalisation directions (approval to capitalise revenue expenditure) and/or the ability to increase council tax above referendum limits in order to manage short term financial challenges. The Council's application for support for 2024/25 and 2025/26 was focused on the additional investment made in children's services and on the in-year pressures on business rates income, which together have affected the Council's sustainability and depleted reserve balances in recent years. Without such support, there was a high risk that the Council would have had to issue a section 114 notice.

As outlined above, the Council received a capitalisation direction for 2024/25 under sections 16(b) and 20 of the Local Government Act 2003, which allows the Council to treat £15.615 million of expenditure incurred in 2024/25 as capital spend.

The associated capital expenditure will increase the capital financing requirement and has been separately identified in the capital expenditure and capital financing note to the accounts. A minimum revenue provision will be made from 2025/26, in line with the Council's MRP policy, over an asset life of 20 years.

## Academisation

During 2024/25, four schools converted to academy status. The school buildings have been disposed of resulting in a loss on disposal in the CI&ES of £31.542 million. The associated land has been revalued resulting in a reduction in value of £9.264 million.

Three schools converted to academy status following the Balance Sheet date of 31 March 2025. The subsequent transfer of school buildings is expected to result in a loss on disposal in the CI&ES of £16.422 million in 2025/26, and the associated land will be revalued resulting in a revaluation loss of £4.674 million.

## Pension liabilities

The Council's net pension obligation is calculated by qualified actuaries. This year, the initial valuation was a net asset position for the funded pension scheme of £171 million. However, the application of an asset ceiling calculation produced by the actuaries on the Council's behalf has reduced the net asset in respect of the funded scheme to nil. There is a residual net liability in the accounts which represents the unfunded element of the Council's Pension Fund.

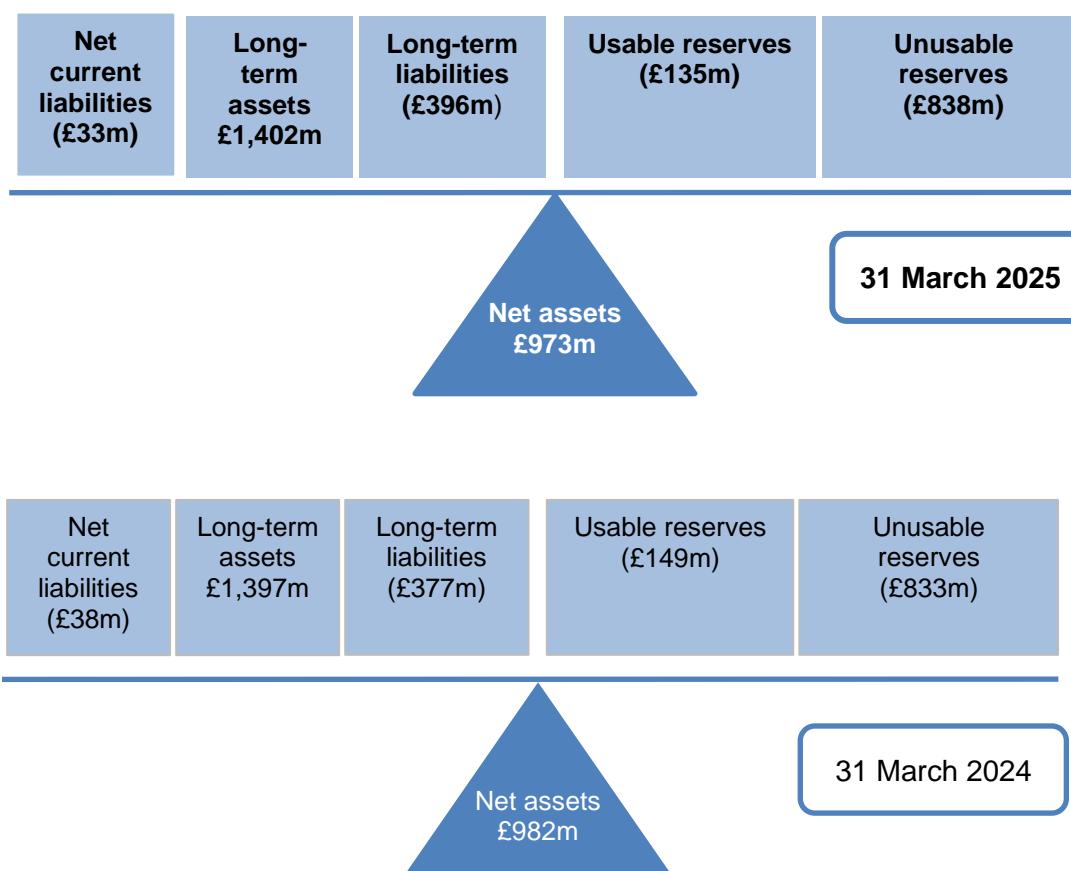
In April 2023 the Council made an upfront payment of £67.100 million in respect of pension contributions for the three years from 2023/24 to 2025/26 in order to save £4.500 million over those three financial years. The full payment was accounted for as a reduction in the Council's net pension liability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

## Net assets

The Council's net assets reduced by (£9 million) during the year. Key movements in net assets include:

- An increase in the value of Property, Plant and Equipment of £6 million (as detailed in Note 16)
- A reduction in Short-Term Debtors of (£6 million)
- A reduction in Short-Term Creditors of £7 million
- An increase in Long-Term Borrowing of (£18 million).

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



## Cash flows

The Cash Flow Statement shows how the movement in resources has been reflected in cash flows. During 2024/25, net cash and cash equivalents decreased by £0.523 million, from (£13.273 million) to (£12.750 million).

## Strategy and Resource Allocation

### Council Plan

The current Council Plan, which was adopted in July 2020, sets out a direction of travel until 2025 and describes the major steps we need to take to achieve our ambitions. A new plan is currently being prepared to cover the period from 2025 to 2030.

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

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

### Medium Term Financial Strategy

The Council Plan is supported by our Medium Term Financial Strategy (MTFS), which covers the period to March 2028. Our MTFS is approved by members before the start of each financial year but is kept under review throughout the year, with updates reported to senior officers and members.

The MTFS approved for 2024/25 included savings targets of £7.464 million for 2025/26 and a further £1.980 million for 2026/27 and the Financial Sustainability Board (FSB) was set up in March 2024 to identify savings to meet these targets. Further pressures emerged during the course of 2024/25, and despite the identification of substantial savings and mitigations during the 2025/26 budget process, a significant gap between forecast expenditure and forecast resources remains over the MTFS period. Although there are further potential savings which are still being developed and have yet to be quantified, the scale of the gap, the immediacy of the challenge and the relatively low level of reserves available to the Council meant that a temporary solution was required in order to allow more time for the development and implementation of a more transformative approach. While not providing a permanent solution to the financial position, our EFS application has enabled the Council to set a balanced budget for 2025/26, whilst also creating a £10 million fund to initiate the level of transformation required to begin to restore financial sustainability over the medium term.

The savings and mitigations included in the new MTFS for 2025/26 to 2027/28 are summarised in the table below.

	2025/26	2026/27	2027/28
	£'000	£'000	£'000
Identified savings	(12,576)	(12,230)	(14,493)
Mitigations programme - savings	(10,669)	(13,196)	(10,910)
Mitigations programme - other	(11,154)	(15,906)	(15,692)
Savings to be identified	0	(3,437)	(12,843)
<b>Total</b>	<b>(34,399)</b>	<b>(44,769)</b>	<b>(53,938)</b>

The FSB was superseded by a Corporate Delivery Board from February 2025, to oversee a programme of change in how we deliver services, with the objectives of addressing our financial challenges, helping to

manage demand and respond to the changing characteristics of the borough. This Board will manage seven workstreams which together contribute to the council-wide transformation programme.

### **Treasury management and borrowing strategy**

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

The Council is currently maintaining an under-borrowed position, which means that the capital financing requirement has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cashflow has been used as a temporary measure. This strategy is prudent as both borrowing rates and counterparty risk are relatively high, however internally funded borrowing is increasingly restricted by revenue affordability. This is driven in part by the scale of the DSG deficit and the use of reserves assumed within the revenue budget.

## **Looking Ahead: Risks and Opportunities**

### **Service pressures**

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

As outlined above, there is a relatively high proportion of older people in Solihull which is expected to increase and the number of children moving into the borough's schools has also increased, putting pressure on school places and increasing transport costs. In addition, we are seeing increased complexity of need in all adult age groups and across the children we support through education and social care services.

Children's services continue to face unprecedented pressures as the Council continues its improvement journey and establishes our preventative offer. The Council supports a relatively large number of children and costs, particularly for the most complex cases, remain high. The cost of turning around a service rated "inadequate" is inevitably high, but it is anticipated that once our preventative offer, in particular, is well-established, numbers will start to fall with costs reducing accordingly.

### **Economic Uncertainty**

As outlined by the Office for Budget Responsibility (OBR) in March 2025, the economic outlook for the economy has become more challenging since the Autumn Budget, with domestic output stagnating in the second half of 2024 and falling business and consumer confidence. Geopolitical risks in respect of upward pressure on defence spending and a tightening of global trade restrictions are beginning to crystallise, with significant uncertainty over UK productivity growth. The OBR forecasts suggest that inflation will rebound to 3.7% in mid-2025, returning to target levels from 2026.<sup>6</sup>

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

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

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<sup>6</sup> Ibid

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

### **Local government funding**

The Council is keen to maximise the opportunities presented by the new ten-year trailblazer devolution deal between the government and the West Midlands but more broadly the medium to longer term outlook for local government finance remains uncertain. Local authorities received a single year settlement for 2025/26, but the government has committed to reform the local government funding distribution formulae and reset the baselines used to measure business rates growth from April 2026. The funding envelope for the period from 2026/27 to 2028/29 will be set by the forthcoming spending review, expected to conclude in June 2025.

These funding reforms are likely to cause some distributional turbulence, although this is expected to be mitigated to some extent in the short term through transitional funding. However, at this stage there is insufficient information to be able to forecast the impact at authority level and so the MTFS does not currently reflect the potential impact of these changes on the Council. It is acknowledged that this is a key risk for the medium term.

There is also a risk that from 2026/27 the Council will be required to meet the cost of the deficit on Dedicated Schools Grant (DSG) budgets from general fund resources. The deficit, which largely relates to pressures against the High Needs Block as a result of rising numbers of pupils with Education, Health and Care Plans, already exceeds available general fund reserves and is forecast to continue to grow each year, with the latest forecasts projecting a deficit in excess of £46 million by March 2027. The statutory override that permits local authorities to ring-fence the deficit in an unusable reserve is currently due to end in March 2026. Unless the government acts to further extend the statutory override or otherwise address the funding of accumulated deficits across the sector, these deficits will impact on councils' general fund budgets from 2026/27. As the Council would be unable to fund the accumulated DSG deficit in this scenario, this would trigger the issue of a section 114 notice for Solihull. However, given the scale of this issue, with funding levels not having kept pace with demand and deficits estimated to reach nearly £4 billion nationally, it is likely that some government intervention will be necessary.<sup>7</sup> In the meantime, the Council continues to engage with the Department for Education on the management and mitigation of the forecast deficit, through the department's Delivering Better Value programme.

### **Sustainable inclusive growth**

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

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

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

In future, many new jobs will require higher level skills and we recognise that some of our residents will require support to access these new employment opportunities. School attainment varies, with only 52% of those pupils attending secondary school in the north of the borough achieving grades 9 to 4 in GCSE English and Maths in 2023 (compared to 75% of pupils in the south of the borough). Employment rates for those with lower skills, ill health (particularly for those with a mental health issue), carers and lone parents are much lower than for the rest of the population.

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<sup>7</sup> Levelling Up, Housing and Communities Select Committee, *Financial distress in local authorities* (HC 2023-24, 56) *Statement of Accounts 2024/25*

The West Midlands Combined Authority's trailblazer devolution deal with the government presents significant opportunities for Solihull and the West Midlands. As well as securing enhanced funding and flexibility in areas such as skills, regeneration and housing, the creation of a new growth zone for East Birmingham and North Solihull as part of the deal will facilitate economic development in some of the most deprived areas of the borough.

### **Delivering a sustainable low-carbon future**

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

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

## **Outlook**

### **Key service developments**

The Council Plan outlines our priorities and a set of outcomes that we are seeking to achieve to deliver what people need to thrive through inclusive growth. The priorities in the current plan are illustrated below but these are under review as part of the development of a new plan for 2025 to 2030, which will be approved in July 2025.

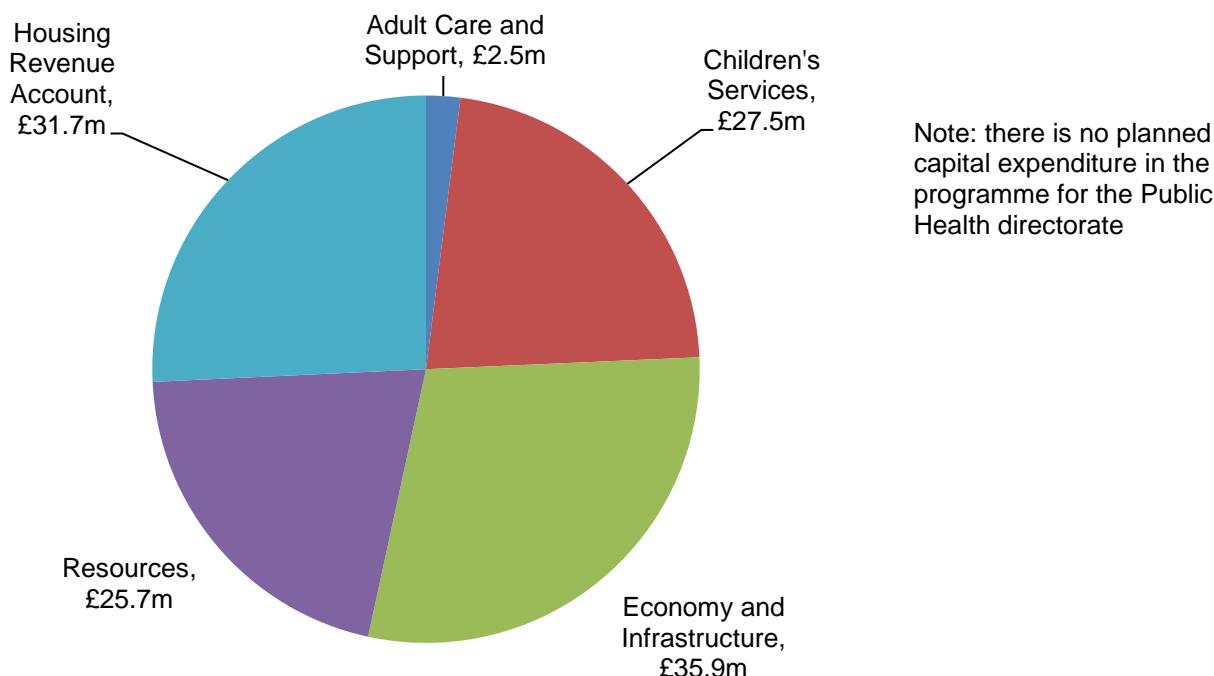


This activity will be supported by the financial resources set out in the MTFS, which are summarised in the table below.

	2025/26	2026/27	2027/28
	£'000	£'000	£'000
Base budget 2024/25	199,904	199,904	199,904
Pay inflation	5,119	7,561	10,049
Non pay inflation	5,052	10,468	14,704
Other cost pressures	9,370	7,570	8,353
Pressures from previous years	14,462	13,914	17,578
New savings proposals	(12,576)	(12,230)	(14,493)
(Increase)/decrease in grants	(5,153)	1,745	1,745
Movements to/(from) reserves	7,348	3,385	3,539
Exceptional financial support	(20,938)	(6,562)	3,890
Savings to be identified	0	(3,437)	(12,843)
<b>Indicative budget</b>	<b>202,588</b>	<b>222,318</b>	<b>232,426</b>

### Capital programme

The capital programme represents the Council's plans for spending on non-current assets across the different service areas. Planned expenditure in the programme for 2025/26 totals £123.301 million (excluding rephasing approved by Full Cabinet in June 2025), divided between directorates as shown in the chart below.



Significant items within the capital programme for 2025/26 include the schools' improvement programme, highways improvements and the development of a town centre heat network, in addition to a programme of works totalling £31.736 million within the Housing Revenue Account, which includes work on building safety, maintenance and carbon emissions reductions.

Looking ahead, the total projected value of the capital programme between 2025/26 and 2027/28 is circa £267 million (before the addition of rephasing from 2024/25). This will be funded from the following internal and external sources: external grants (£125 million), prudential borrowing (£80 million), revenue (£53 million) and capital receipts and contributions (£9 million).

Local authorities have the flexibility, recently extended to March 2030, to use capital receipts to fund the revenue costs of transformational activity. The Flexible Use of Capital Receipts Strategy, which is part of the Corporate Capital Strategy, outlines the Council's proposals over the MTFS period. No capital receipts were used under this flexibility in 2024/25.

### Adequacy of reserves

Under the Local Government Act 2003, the Council's Section 151 Officer must report to members on the adequacy of the Council's financial reserves as part of the budget process each year. This assessment of our reserves is informed in part by the financial resilience index – a comparative analytical tool – published annually by CIPFA, which evaluates the Council's position on a range of measures associated with financial risk. Solihull falls in the average risk category compared to our statistical nearest neighbours in respect of the overall level of reserves, but higher risk in terms of the change in reserves, particularly in respect of unallocated reserves. This reflects the significant usage of reserves in recent years and supports the Council's approach of protecting existing reserve levels as far as possible from further reductions.

The Council has consolidated its budget strategy reserve and working balances into a consolidated risk reserve (with a minimum target balance of £13.5 million) specifically to mitigate budget risks in order to support the Council's resilience. This reserve is considered to be particularly important to the Council given the uncertainty over central government funding after 2025/26.

Specific reserves maintained by directorates are those earmarked for particular purposes, for example to fund future projects, smooth uneven funding or spending profiles or mitigate future risks. Contributions to and from General Fund reserves are detailed in Note 15. The Movement in Reserves Statement (MIRS) shows a decrease in the Council's usable reserves of £14.210 million in 2024/25, made up of a decrease of £17.223 million in the general fund, offset by increases of £1.644 million in HRA reserves and an increase of £1.369 million in capital reserves.

The table below details the year-end reserves position (excluding the HRA and before the contribution of the net favourable variance to the consolidated risk reserve) summarised in the MIRS, and shows the latest forecast position to March 2028. The accumulated deficit on the DSG is held in the DSG adjustment account, which is included in the unusable reserves shown at Note 14.

	Actual March 2025 (Note 15)	Forecast contributions (to)/from	Forecast March 2028
	£'000	£'000	£'000
Directorate reserves	(18,783)	7,757	(11,026)
Corporate reserves	(6,745)	(1,843)	(8,588)
Consolidated risk reserve	(16,248)	0	(16,248)
<b>Subtotal core council</b>	<b>(41,776)</b>	<b>5,914</b>	<b>(35,862)</b>
Schools and DSG reserves	(8,972)	0	(8,972)
Ring-fenced corporate reserve	(10,012)	10,012	0
Fairer Futures Fund	(3,940)	3,940	0
Legally/contractually restricted reserves	(7,687)	3,235	(4,452)
<b>Total</b>	<b>(72,387)</b>	<b>23,101</b>	<b>(49,286)</b>

In line with recommendations made by CIPFA in their recent assurance review, the Council will explore options for consolidating those reserves which are not restricted for legal or contractual reasons, in order to enhance flexibility and improve oversight. As a first step, as part of the outturn report in June 2025 Cabinet approved the transfer of six directorate reserves into the consolidated risk reserve. In the longer term, once the Council has reached what CIPFA describe as a "financial equilibrium where spending resources match demand", the objective is to plan for the replenishment of reserves to further bolster the Council's resilience.

Despite the government's acknowledgement of the scale of the problems facing local authorities and its commitment to a long-term programme of recovery and reform, the outcome of the spending review is unlikely to represent a significant increase in public sector funding and it is anticipated that councils will be grappling with financial challenges for some time to come. Our financial strategy outlines how we plan to regain financial sustainability in this context while also setting out the resourcing available for the delivery of the Council's priorities.

*[Andy Felton]*

**Andrew Felton**  
Director of Resources  
20 November 2025

# Statement of Responsibilities

## The Council's Responsibilities

The Council is required to:

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

## The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

## Certification by the Director of Resources

I, the Director of Resources of Solihull Metropolitan Borough Council and Section 151 Officer, certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2025.

*[Andy Felton]*

**Andrew Felton CPFA**  
**Director of Resources**

20 November 2025

## Comprehensive Income and Expenditure Statement (CI&ES)

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

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

2023/24 reclassified <sup>1</sup>				2024/25			Notes <sup>2</sup>
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
134,859	(62,396)	72,463	Adult Social Care	142,998	(68,471)	74,527	
94,247	(21,882)	72,365	Children's Services	102,396	(24,205)	78,191	
131,551	(133,154)	(1,603)	Children's Services - Dedicated Schools Grant (DSG)	142,437	(138,645)	3,792	
122,319	(83,206)	39,113	Economy and Infrastructure (includes HRA)	122,143	(83,843)	38,300	
22,742	(18,554)	4,188	Public Health	24,882	(20,755)	4,127	
99,709	(50,272)	49,437	Resources	93,929	(54,404)	39,525	
605,427	(369,464)	235,963	<b>Cost of services</b>	<b>628,785</b>	<b>(390,323)</b>	<b>238,462</b>	<b>5</b>
		1,586	Parish precepts			1,693	
		8,933	Levies payable			8,891	
		20,126	(Gain)/loss on disposal of non-current assets			30,396	5
		30,645	<b>Sub-total: Other operating expenditure</b>			<b>40,980</b>	
		15,444	Interest payable and similar charges			16,278	
		(146)	Net interest on the net defined benefit liability			1,061	34
		(6,980)	Investment interest income			(3,438)	
		(6,224)	Other investment income			(8,591)	
		(6,318)	Income, expenditure and changes in fair value of investment properties			(108)	
		1,403	Impairment losses			2,463	
		(2,821)	<b>Sub-total: Financing and investment income &amp; expenditure</b>			<b>7,665</b>	
		(128,519)	Council tax income			(135,814)	C4
		(37,338)	Business rates income & expenditure			(45,555)	C4

2023/24 reclassified <sup>1</sup>			2024/25			Notes <sup>2</sup>
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
		(17,663)	Non ring-fenced government grants			(20,544) 9
		(23,577)	Recognised capital grants and contributions			(17,344) 9
		(207,097)	<b>Sub-total: Taxation and non-specific grant income &amp; expenditure</b>			(219,257)
		56,690	<b>(Surplus)/deficit on the provision of services</b>			67,850
		(41,630)	(Surplus)/deficit on revaluation of non-current assets			(44,921) 16
		634	Impairment losses on non-current assets charged to the revaluation reserve			0
		0	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			3,000 23
		42,264	Remeasurement of the net defined benefit liability			(3,837) 34
		1,268	<b>Other comprehensive income and expenditure</b>			(45,758)
		57,958	<b>Total comprehensive income and expenditure</b>			22,092

<sup>1</sup> In 2024/25, the Council's financial position was reported by directorate, rather than by cabinet portfolio, which is now reflected above. Therefore, in order to provide meaningful comparative information, the 2023/24 figures have also been reclassified by directorate. Further details are provided in Note 2 – Prior Period Adjustments and Reclassifications.

<sup>2</sup> The referenced notes form part of the financial statements.

## Movement in Reserves Statement (MIRS)

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

2024/25 <sup>1</sup>	General Fund	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2024</b>	<b>(89,610)</b>	<b>(9,289)</b>	<b>(11,046)</b>	<b>(3,568)</b>	<b>(35,515)</b>	<b>(149,028)</b>	<b>(832,619)</b>	<b>(981,647)</b>
<b>Movement in reserves during 2024/25:</b>								
Total Comprehensive Income and Expenditure (CI&ES)	77,321	(9,471)	0	0	0	64,775	(45,758)	22,092
Adjustments between accounting basis and funding basis under regulations (Note 13)	(60,098)	8,350	(1,281)	(523)	(88)	(50,565)	53,640	0
<b>(Increase)/decrease in 2024/25</b>	<b>17,223</b>	<b>(1,121)</b>	<b>(1,281)</b>	<b>(523)</b>	<b>(88)</b>	<b>14,210</b>	<b>7,885</b>	<b>22,092</b>
<b>Balance at 31 March 2025</b>	<b>(72,387)</b>	<b>(10,410)</b>	<b>(12,327)</b>	<b>(4,091)</b>	<b>(35,603)</b>	<b>(134,818)</b>	<b>(824,737)</b>	<b>(959,555)</b>

<sup>1</sup> The referenced note forms part of the financial statements.

2023/24<sup>1</sup>

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

<sup>1</sup> The referenced note forms part of the financial statements.

## Balance Sheet

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

31 March 2024		31 March 2025	Notes <sup>1</sup>
£'000		£'000	
1,266,835	Property, Plant & Equipment	1,273,157	16,19
950	Heritage Assets	950	
15,846	Investment Property	15,519	20
10,728	Intangible Assets	8,666	21
57,822	Long-Term Investments	58,285	23
45,288	Long-Term Debtors	45,557	23
1,397,469	<b>Long-Term Assets</b>	1,402,134	
61	Short-Term Investments	61	23
1,399	Inventories	1,445	
71,088	Short-Term Debtors	64,905	28
0	Assets Held for Sale	5,250	
5,427	Cash and Cash Equivalents	5,248	30
77,975	<b>Current Assets</b>	76,909	
(18,700)	Bank Overdraft	(17,998)	30
(4,055)	Short-Term Borrowing	(9,394)	23
(76,964)	Short-Term Creditors	(70,305)	31
(1,723)	Short-Term Provisions	(3,515)	32
(8,106)	Capital Grants Receipts in Advance	(3,837)	9
(6,766)	Revenue Grants Receipts in Advance	(5,056)	9
(116,314)	<b>Current Liabilities</b>	(110,105)	
(1,236)	Long-Term Creditors	(1,236)	23
(2,284)	Long-Term Provisions	(3,266)	32
(316,428)	Long-Term Borrowing	(334,630)	23
(13,058)	Net Pensions Liability	(26,393)	34
(39,347)	Other Long-Term Liabilities	(39,305)	23
(5,130)	Capital Grants Receipts in Advance	(4,553)	9
(377,483)	<b>Long-Term Liabilities</b>	(409,383)	
981,647	<b>Net Assets</b>	959,555	
(149,028)	Usable Reserves	(134,818)	MIRS
(832,619)	Unusable Reserves	(824,737)	14
(981,647)	<b>Total Reserves</b>	(959,555)	

<sup>1</sup> The referenced notes form part of the financial statements.

## Cash Flow Statement

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

2023/24		2024/25	Notes <sup>1</sup>
£'000		£'000	
56,690	Net (surplus)/ deficit on the provision of services	67,850	CI&ES
(22,825)	Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	(103,278)	35
24,399	Adjustments for items in the net (surplus)/ deficit on the provision of services that are investing/financing activities	5,999	36
58,264	<b>Net cash flows from operating activities</b>	(29,429)	
43,325	Purchase of property, plant and equipment, investment property and intangible assets	48,263	
403,828	Purchase of short-term and long-term investments	270,184	
8,460	Revenue expenditure funded from capital under statute, including capitalisation of revenue costs under EFS	25,574	
(2,065)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,823)	
(26,893)	Capital grants received	(25,032)	
(486,037)	Proceeds from short-term and long-term investments	(267,000)	
(163)	Other receipts from investing activities	(163)	
(59,545)	<b>Net cash flows from investing activities</b>	49,003	
0	Cash receipts of short and long-term borrowing	(25,000)	
145	Other receipts from financing activities	80	
1,992	Cash payments for the reduction of the outstanding liabilities relating to right-of-use assets and PFI contracts	3,037	
1,662	Repayments of short and long-term borrowing	1,786	
3,799	<b>Net cash flows from financing activities</b>	(20,097)	
2,518	<b>Net (increase) / decrease in cash and cash equivalents</b>	(523)	
	<b>Overall movement in cash and cash equivalents</b>		
(10,755)	Cash and cash equivalents at the beginning of the reporting period	(13,273)	
(2,518)	Net increase / (decrease) in cash and cash equivalents	523	
(13,273)	<b>Cash and cash equivalents at the end of the reporting period</b>	(12,750)	30

<sup>1</sup> The referenced notes form part of the financial statements.

## Disclosure notes – notes supporting the core financial statements

### 1. Expenditure and Funding Analysis (EFA)

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

2024/25	Cabinet Report June 2025	Total adjustments (Note1a)	Net expenditure chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis (Note1a)	Net expenditure in the CI&ES
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	77,407	(2,745)	74,662	(135)	74,527
Children's Services	73,748	(7,115)	66,633	11,558	78,191
Children's Services - Dedicated Schools Grant (DSG)	7,328	(328)	7,000	(3,208)	3,792
Corporate	(32,139)	(4,104)	(36,243)	36,243	0
Economy and Infrastructure (includes HRA)	34,572	6,515	41,087	(2,787)	38,300
Public Health	1,249	576	1,825	2,302	4,127
Resources	34,515	10,449	44,964	(5,439)	39,525
<b>Cost of services</b>	<b>196,680</b>	<b>3,248</b>	<b>199,928</b>	<b>38,534</b>	<b>238,462</b>
Other income and expenditure	(191,013)	7,187	(183,826)	13,214	(170,612)
<b>(Surplus)/deficit</b>	<b>5,667</b>	<b>10,435</b>	<b>16,102</b>	<b>51,748</b>	<b>67,850</b>

The following table shows how the net deficit chargeable to the General Fund and HRA balances of £16.102 million is represented in the MIRS.

2024/25	General Fund	Housing Revenue Account (HRA)	Total General Fund and HRA
	£'000	£'000	£'000
Opening General Fund and HRA Balances at 1 April 2024	(89,610)	(9,289)	(98,899)
Add (surplus)/deficit on the General Fund and HRA Balances in-year	17,223	(1,121)	16,102
<b>Closing General Fund and HRA Balances at 31 March 2025</b>	<b>(72,387)</b>	<b>(10,410)</b>	<b>(82,797)</b>

## Prior year comparatives

2023/24	Cabinet Report June 2024	Total adjustments (Note 1a)	Net expenditure chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis (Note 1a)	Net expenditure in the CI&ES
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	73,273	(777)	72,496	(33)	72,463
Children's Services	67,548	(7,564)	59,984	12,381	72,365
Children's Services - Dedicated Schools Grant (DSG)	4,383	(1,811)	2,572	(4,175)	(1,603)
Economy and Infrastructure (includes HRA)	32,896	8,009	40,905	(1,792)	39,113
Public Health	1,891	195	2,086	2,102	4,188
Resources	20,985	25,203	46,188	3,249	49,437
<b>Cost of services</b>	<b>200,976</b>	<b>23,255</b>	<b>224,231</b>	<b>11,732</b>	<b>235,963</b>
Other income and expenditure	(197,107)	(9,279)	(206,386)	27,113	(179,273)
<b>(Surplus)/deficit</b>	<b>3,869</b>	<b>13,976</b>	<b>17,845</b>	<b>38,845</b>	<b>56,690</b>

<sup>1</sup> For 2024/25, the Council's financial position was reported by directorate rather than by cabinet portfolio which is now reflected above. Therefore, in order to provide meaningful comparative information, the 2023/24 figures have also been reclassified by directorate. Further details are provided in Note 2 – Prior Period Adjustments and Reclassifications.

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

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

**1a. Note to the EFA**

2024/25	General Fund		Housing Revenue Account (HRA)		Items reported at Cabinet level, but which sit below the Net cost of services	<b>Total adjustments to arrive at amount charged to the general fund and HRA</b>	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	<b>Total adjustments between the funding and accounting basis</b>
	£'000	£'000	£'000	£'000						
Note	(i)	(ii)	(iii)	(iv)		(v)	(vi)	(vii)		
Adult Social Care	4,858	0	(7,700)	97	(2,745)	286	(421)	0	(135)	
Children's Services	2,001	0	(9,081)	(35)	(7,115)	13,544	(1,986)	0	11,558	
Children's Services - DSG	3,752	0	0	(4,080)	(328)	(2,976)	(646)	414	(3,208)	
Corporate	(2,508)	0	16,781	(18,377)	(4,104)	36,243	0	0	36,243	
Economy and Infrastructure (includes HRA)	5,223	(1,121)	0	2,413	6,515	(2,207)	(533)	(47)	(2,787)	
Public Health	578	0	0	(2)	576	2,413	(111)	0	2,302	
Resources	5,793	0	0	4,656	10,449	83	(5,584)	62	(5,439)	
<b>Net cost of services</b>	<b>19,697</b>	<b>(1,121)</b>	<b>0</b>	<b>(15,328)</b>	<b>3,248</b>	<b>47,386</b>	<b>(9,281)</b>	<b>429</b>	<b>39,805</b>	
Other income and expenditure	(8,141)	0	0	15,328	7,187	1,643	4,346	7,225	13,214	
<b>Total</b>	<b>11,556</b>	<b>(1,121)</b>	<b>0</b>	<b>0</b>	<b>10,435</b>	<b>49,029</b>	<b>(4,935)</b>	<b>7,654</b>	<b>51,748</b>	

2023/24 reclassified <sup>1</sup>	General Fund	Housing Revenue Account (HRA)	Reallocate grant to directorates <sup>2</sup>	Items reported at Cabinet level but which sit below the Net Cost of Services	Total adjustments to arrive at amount charged to the General Fund and HRA	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total adjustments between funding and accounting basis
	£0	£0	£0	£0	£0	£0	£0	£0	£0
Note	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)		
Adult Social Care	4,838	0	(5,720)	105	(777)	288	(322)	1	(33)
Children's Services	(463)	0	(7,101)	0	(7,564)	14,109	(1,728)	0	12,381
Children's Services - DSG	948	0	0	(2,759)	(1,811)	(2,513)	(588)	(1,074)	(4,175)
Economy and Infrastructure (includes HRA)	1,396	356	0	6,257	8,009	(1,334)	(412)	(46)	(1,792)
Public Health	195	0	0	0	195	2,194	(92)	0	2,102
Resources	3,132	0	12,821	9,250	25,203	8,687	(5,547)	109	3,249
<b>Net cost of services</b>	<b>10,046</b>	<b>356</b>	<b>0</b>	<b>12,853</b>	<b>23,255</b>	<b>21,431</b>	<b>(8,689)</b>	<b>(1,010)</b>	<b>11,732</b>
Other income and expenditure	3,574	0	0	(12,853)	(9,279)	4,915	1,714	20,484	27,113
<b>Total</b>	<b>13,620</b>	<b>356</b>	<b>0</b>	<b>0</b>	<b>13,976</b>	<b>26,346</b>	<b>(6,975)</b>	<b>19,474</b>	<b>38,845</b>

<sup>1</sup> For 2024/25, the Council's financial position was reported by directorate, rather than by cabinet portfolio, which is now reflected above. Therefore, in order to provide meaningful comparative information, the 2023/24 figures have also been reclassified by directorate. Further details are provided in Note 2 – Prior Period Adjustments and Reclassifications.

<sup>2</sup> In the 2023/24 statement of accounts the reallocation of the social care grant from Resources to Adult Social Care and Children's Services was shown in column (iv). To aid comparisons, these figures have now separated out in column (iii).

- i. For management purposes, contributions (to)/ from reserves are included in the figures reported to Cabinet so are therefore required to be removed in the EFA to arrive at the (surplus)/deficit on the General Fund and HRA Balances.
- ii. For management purposes, the net contribution to the HRA is reported to the Council within the Economy and Infrastructure directorate. This is therefore required to be removed in the EFA to arrive at the (surplus)/deficit on the General Fund and HRA Balances.
- iii. The Social Care grant is held within the Corporate balance reported to Cabinet, however for transparency purposes, this is allocated out to Adult Social Care and Children's Services in the CI&ES.
- iv. A number of items that are reported to the Cabinet (including interest payable, investment income and some non ring-fenced grants) are reported in the CI&ES as part of the other income and expenditure sections and are therefore reallocated within the EFA.
- v. Adjustments are made within this column to add in depreciation, impairments and revaluation gains and losses. Capital disposals are also adjusted for with a transfer of the income on the disposal and the amounts written off. Minimum Revenue Provision is removed because it is not chargeable under generally accepted accounting practices so is included in the MIRS rather than the CI&ES. Adjustments are also made to recognise capital grant income.
- vi. This is the removal of pension contributions charged under statute and the replacement with the amounts chargeable under IAS 19.
- vii. This column includes timing differences between the accounting treatment in the CI&ES and that required under statute in relation to premiums, discounts and financial instruments; the accumulated absences account; the dedicated schools grant adjustment account and business rates and council tax income.

## 2. Prior Period Adjustments and Reclassifications

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error where not making the amendment could influence the decisions or assessments of users of the accounts. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment. There are currently no prior period adjustments in 2024/25.

### Prior Period Reclassification of Service Expenditure and Income

The Council has changed its approach to reporting to Members to be based on directorates, rather than by cabinet. As a result, the 2023/24 cost of services figures within the CI&ES have been reclassified in order to allow meaningful comparisons to take place year on year. This note shows how the gross expenditure and income and the net expenditure have been reclassified. Note 1 - the Expenditure and Funding Analysis, Note 6a – Expenditure and Income analysed by type, and the Group Statements have also been reclassified to be based on the Council's directorates.

		Directorate per 2024/25 statement of accounts						
Cabinet portfolio per 2023/24 statement of accounts	As reported in the CI&ES 2023/24	Adult Social Care	Children's Services	Children's Services - DSG	Economy and Infrastructure (inc. HRA)	Public Health	Resources	Total 2024/25 Classification
Gross Expenditure	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Health	148,902	134,859	0	0	0	14,043	0	148,902
Children and Education	233,247	0	94,247	131,551	0	0	7,449	233,247
Climate Change and Planning	5,070	0	0	0	4,883	0	187	5,070
Communities and Leisure	23,128	0	0	0	17,250	5,324	554	23,128
Environment and Infrastructure	53,913	0	0	0	53,913	0	0	53,913
Housing	45,453	0	0	0	45,453	0	0	45,453
Resources	91,519	0	0	0	0	0	91,519	91,519
Wellbeing, Skills and Inclusion	4,195	0	0	0	820	3,375	0	4,195
<b>Cost of services</b>	<b>605,427</b>	<b>134,859</b>	<b>94,247</b>	<b>131,551</b>	<b>122,319</b>	<b>22,742</b>	<b>99,709</b>	<b>605,427</b>

		Directorate per 2024/25 statement of accounts						
Cabinet portfolio per 2023/24 statement of accounts	As reported in the CI&ES 2023/24	Adult Social Care	Children's Services	Children's Services - DSG	Economy and Infrastructure (inc. HRA)	Public Health	Resources	Total 2024/25 Classification
<b>Gross Income</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Health	(76,926)	(56,676)	(7,101)	0	0	(13,149)	0	(76,926)
Children and Education	(160,936)	(5,720)	(14,781)	(133,154)	0	0	(7,281)	(160,936)
Climate Change and Planning	(2,789)	0	0	0	(2,789)	0	0	(2,789)
Communities and Leisure	(15,994)	0	0	0	(13,646)	(2,383)	35	(15,994)
Environment and Infrastructure	(12,960)	0	0	0	(12,960)	0	0	(12,960)
Housing	(53,100)	0	0	0	(53,100)	0	0	(53,100)
Resources	(43,026)	0	0	0	0	0	(43,026)	(43,026)
Wellbeing, Skills and Inclusion	(3,733)	0	0	0	(711)	(3,022)	0	(3,733)
<b>Cost of services</b>	<b>(369,464)</b>	<b>(62,396)</b>	<b>(21,882)</b>	<b>(133,154)</b>	<b>(83,206)</b>	<b>(18,554)</b>	<b>(50,272)</b>	<b>(369,464)</b>

		Directorate per 2024/25 statement of accounts						
Cabinet portfolio per 2023/24 statement of accounts	As reported in the CI&ES 2023/24	Adult Social Care	Children's Services	Children's Services - DSG	Economy and Infrastructure (inc. HRA)	Public Health	Resources	Total 2024/25 Classification
<b>Net Expenditure</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Health	71,976	78,183	(7,101)	0	0	894	0	71,976
Children and Education	72,311	(5,720)	79,466	(1,603)	0	0	168	72,311
Climate Change and Planning	2,281	0	0	0	2,094	0	187	2,281
Communities and Leisure	7,134	0	0	0	3,604	2,941	589	7,134
Environment and Infrastructure	40,953	0	0	0	40,953	0	0	40,953
Housing	(7,647)	0	0	0	(7,647)	0	0	(7,647)
Resources	48,493	0	0	0	0	0	48,493	48,493
Wellbeing, Skills and Inclusion	462	0	0	0	109	353	0	462
<b>Cost of services</b>	<b>235,963</b>	<b>72,463</b>	<b>72,365</b>	<b>(1,603)</b>	<b>39,113</b>	<b>4,188</b>	<b>49,437</b>	<b>235,963</b>

### 3. Critical Judgements in Applying Accounting Policies

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

#### Accounting for Local Authority Maintained Schools

The accounting policies for Property, Plant and Equipment, including Recognition of School Assets, have been applied to school assets and the list of maintained schools held on/off the Council's Balance Sheet at 31 March 2025 is shown in the following table:

	On Balance Sheet	Off Balance Sheet
<b>Maintained Schools:</b>		
Community	21	0
Voluntary Controlled	1	0
Voluntary Aided <sup>1</sup>	0	5
<b>Total Maintained Schools</b>	<b>22</b>	<b>5</b>
Academies	0	48
<b>Total Schools</b>	<b>22</b>	<b>53</b>

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

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

On this basis, the land and buildings of community schools, which are controlled and run by the Council, are included on the Council's Balance Sheet. The Council has one voluntary controlled school, Meriden Church of England Primary, which is funded by the Council rather than through the Local Education Authority Coordinated Voluntary Aided Programme (LCVAP). As only two of the school's foundation governors are representatives of the Church of England, the school's non-current assets are deemed not to be under the control of the Church and are therefore recognised on the Council's Balance Sheet.

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

#### Group Boundaries and Subsidiary Accounts

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

#### Coventry and Solihull Waste Disposal Company Limited

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

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

### **IAS19 and IFRIC14 – Defined Pension Obligations**

The Council relies on valuations supplied by qualified actuaries to prepare Note 34 to reflect the net pension obligation. The initial valuation provided by the actuary was a net asset position for the funded pension scheme totalling £170 million. In accordance with International Financial Reporting Interpretations Committee Standard 14 (IFRIC14) – “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, the Council has had to make a judgement as to whether an asset ceiling should apply to the pension valuation recognised in the Council’s Balance Sheet.

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

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

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

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

The items in the Council and Group Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Net Pension Position</b>	<p>The valuation of the net pension position depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the West Midlands Pension Fund to provide expert advice about the assumptions to be applied.</p> <p>During 2024/25 the main change to the net pension position is a reduction in the obligations and these are split into three separate elements.:</p> <ul style="list-style-type: none"> <li>- Change in financial assumptions – the net discount rate (discount rate net of CPI inflation) has increased significantly compared to last year. The higher net discount rate placed a lower value on the obligations.</li> <li>- Change in demographic assumptions - using a more up-to-date longevity improvement assumption typically leads to a small gain (reduction in obligations) of less than 1% of the obligations.</li> <li>- The 'Other experience' item is a combination of two factors: <ul style="list-style-type: none"> <li>- The loss (increase in obligations) resulting from applying the actual Pensions Increase Order for April 2024 of 1.7% which is lower than the expected CPI assumption.</li> <li>- The unfunded obligations are valued annually using updated individual membership data which can lead to (typically small) experience items if there have been greater or fewer deaths than expected over the period.</li> </ul> </li> </ul> <p>Further details on the net pension position are given in Note 34 - Defined Benefit Pension Schemes.</p>	<p>Any change in the assumed value of the fund or changes to the assumptions made could impact on the level of the net pension liability. A sensitivity analysis is provided in Note 34 – Defined Benefit Pension Schemes and shows that a decrease in the discount rate of only 0.1% results in an increase to the liability of £12.503 million – although as set out in Note 34, the Council currently makes an adjustment for an Asset Ceiling calculation and therefore the net liability shown on the balance sheet would not change.</p> <p>As conditions as at 31 March 2025 remain volatile, it is difficult to predict the impact of any long-term changes that may occur over the life of the Pension Fund. Inflation is forecast to stabilise over the coming years which means that fluctuations from this position should be minimal.</p>

## **Disclosure notes – notes supporting the Comprehensive Income and Expenditure Statement**

### **5. Material Items of Income and Expenditure**

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

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

This includes the impact of four schools that converted to Academy status during 2024/25 resulting in the Council transferring the associated buildings at nil cost, with a total loss of £30.396 million.

#### **Remeasurement of the net defined benefit liability**

The position on the net defined benefit liability has been a gain in the Comprehensive Income and Expenditure Statement of £14.283 million and a further breakdown is included in Note 34.

#### **Capitalisation Direction**

As stated in the Narrative Report, the Council has applied and accounted for a Capitalisation Direction to the value of £15.615 million – the initial expenditure incurred by the Council is included in the Comprehensive Income and Expenditure Statement and then reversed out in the Movement in Reserves Statement. This amount has subsequently been capitalised through the Capital Adjustment Account.

## 6. Expenditure and Income analysed by Type

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

2023/24		2024/25
£'000		£'000
<b>Expenditure</b>		
190,593	Employee benefits expenses	189,378
7,604	Employee benefits expenses for voluntary aided schools	8,038
311,458	Other service expenses	338,259
53,765	Depreciation, amortisation, impairment and revaluation losses	51,268
15,444	Interest payable	16,278
10,519	Precepts and levies	10,584
20,126	Loss on disposal of non-current assets	30,396
34,426	Housing benefits	34,227
8,984	Revenue expenditure funded from capital under statute (REFCUS)	10,078
652,919	<b>Total expenditure</b>	<b>688,506</b>
<b>Income</b>		
(79,289)	Fees, charges and other service income <sup>Note 6a</sup>	(81,850)
(46,921)	HRA rental income <sup>Note 6a</sup>	(50,700)
(6,318)	Gain on investment properties including fair value adjustments	(108)
(13,350)	Interest and investment income	(10,968)
(165,857)	Income from council tax and business rates	(181,369)
(284,494)	Grants, contributions and donations	(295,661)
(596,229)	<b>Total income</b>	<b>(620,656)</b>
56,690	<b>(Surplus)/deficit on provision of services</b>	<b>67,850</b>

### a. Revenue from external customers

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

2023/24 reclassified <sup>1</sup>		2024/25		
£'000		£'000	£'000	£'000
Total fees, charges, other service & HRA rental income		Income from service recipients	Other Income	<b>Total fees, charges, other service &amp; HRA rental income</b>
(28,922)	Adult Social Care	(30,378)	0	<b>(30,378)</b>
(20,877)	Children's Services	(4,076)	0	<b>(4,076)</b>
(13,855)	Children's Services - DSG	(11,461)	(353)	<b>(11,814)</b>
(62,108)	Economy and Infrastructure (includes HRA)	(70,698)	(109)	<b>(70,807)</b>
(1,078)	Public Health	(1,164)	0	<b>(1,164)</b>
630	Resources	(13,577)	(734)	<b>(14,311)</b>
<b>(126,210)</b>	<b>Total</b>	<b>(131,354)</b>	<b>(1,196)</b>	<b>(132,550)</b>

<sup>1</sup> For 2024/25, the Council's financial position was reported by directorate, rather than by cabinet portfolio, which is now reflected above. Therefore, in order to provide meaningful comparative information, the 2023/24 figures have also been reclassified by directorate. Further details are provided in Note 2 – Prior Period Adjustments and Reclassifications.

## 7. Officers' Remuneration

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

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

Under section 38(1) of the Localism Act 2011, Local Authorities are required to produce a Pay Policy Statement for each financial year. There are two pay policy statements which are relevant to this financial year's accounts and these were approved by Full Council on 6 February 2024 and 4 February 2025. These can be accessed via the Council's website.

With effect from April 2024, National Joint Council (NJC, a local government pay review body) spinal column pay points 1 to 43 were increased by £1,290 per annum and spinal column pay points 44 to 70 were increased by 2.5% in accordance with the Local Government Pay Agreement 2024.

One year pay awards of 2.5% were awarded to senior officers and the Chief Executive for the 2024/25 financial year, agreed in July 2024 and October 2024 respectively.

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

### **a. Remuneration of senior officers**

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

Post		Salary, Fees and Allowances	Expenses Allowances <sup>1,2</sup>	Compensation for loss of office	Employer's Pension Contributions	Total Remuneration
		£	£	£	£	£
Chief Executive – Paul Johnson <sup>1</sup>	2024/25	<b>190,957</b>	<b>12,389</b>	<b>0</b>	<b>41,629</b>	<b>244,975</b>
	2023/24	177,536	0	0	38,703	216,239
Director of Adult Social Care and Deputy Chief Executive – Jenny Wood <sup>2</sup>	2024/25	<b>151,168</b>	<b>0</b>	<b>0</b>	<b>32,955</b>	<b>184,123</b>
	2023/24	144,220	0	0	31,440	175,660
Director of Children's Services <sup>3</sup>	2024/25	<b>112,628</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112,628</b>
	2023/24	39,535	0	0	0	39,535
Director of Economy and Infrastructure (acting up from 1 October 2024, formally appointed from 12 February 2025)	2024/25	<b>65,477</b>	<b>0</b>	<b>0</b>	<b>14,274</b>	<b>79,751</b>
	2023/24	0	0	0	0	0
Director of Economy and Infrastructure (until 30 September 2024)	2024/25	<b>77,139</b>	<b>0</b>	<b>0</b>	<b>15,668</b>	<b>92,807</b>
	2023/24	137,117	0	0	29,892	167,009
Director of Public Health, Education and Inclusion	2024/25	<b>140,545</b>	<b>0</b>	<b>0</b>	<b>30,639</b>	<b>171,184</b>
	2023/24	137,117	0	0	29,892	167,009
Director of Resources <sup>4</sup>	2024/25	<b>136,368</b>	<b>0</b>	<b>0</b>	<b>29,728</b>	<b>166,096</b>
	2023/24	25,331	0	0	5,523	30,854
Head of Democratic and Legal Services <sup>5</sup>	2024/25	<b>85,769</b>	<b>1,622</b>	<b>0</b>	<b>18,698</b>	<b>106,089</b>
	2023/24	83,678	0	0	18,242	101,920

<sup>1</sup> In 2023/24 Paul Johnson was Acting Chief Executive until 4 July 2023 when he became Chief Executive. In addition to their normal duties, the Chief Executive was paid remuneration for returning officer duties for the 2024 Police and Crime Commissioner Election, Combined Authority Mayoral Election and Parliamentary General Elections, which is shown within Expenses Allowances.

<sup>2</sup> In 2023/24 Jenny Wood was Director of Adult Social Care until 16 July 2023 when she became Director of Adult Social Care and Deputy Chief Executive.

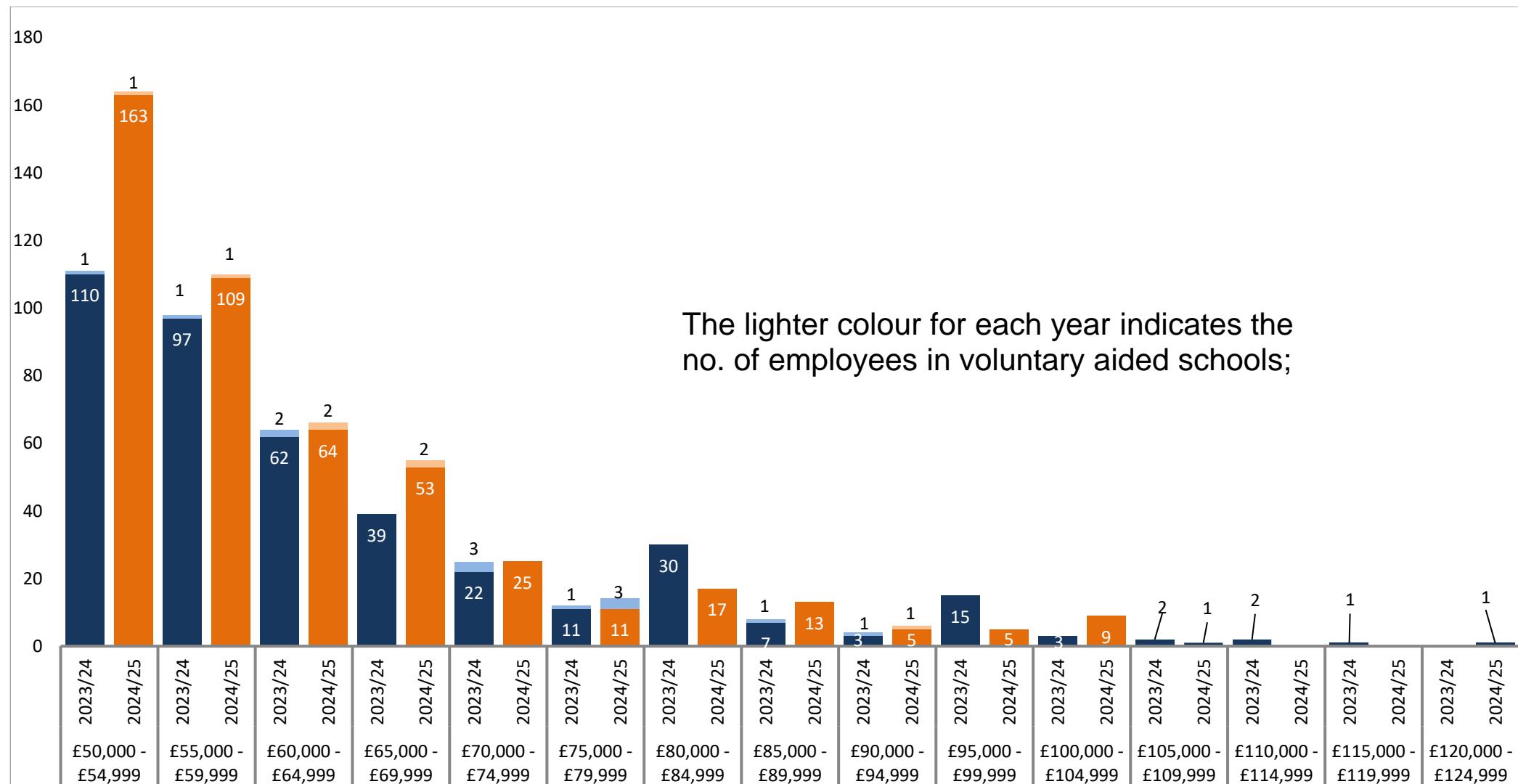
<sup>3</sup> in 2023/24 the Director of Children's Services started their role on 20 November 2023.

<sup>4</sup> In 2023/24 the Director of Resources started their role on 22 January 2024.

<sup>5</sup> This role reports directly to the Chief Executive so the 2023/24 figures have been added for comparative purposes. In addition to their normal duties, the Head of Democratic and Legal Services was paid remuneration for deputy returning officer duties for the 2024 Police and Crime Commissioner Election, Combined Authority Mayoral Election and Parliamentary General Elections, which is shown within Expenses Allowances.

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

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



There are 6 officers within both the 2024/25 and 2023/24 figures that were in receipt of exit packages.

### c. Exit packages

During 2024/25 the Council (including Solihull maintained schools) agreed a number of exit packages, as detailed below. These were primarily as a result of operational changes, legislative changes, service transformation or in order to realise savings to meet the Council's Medium Term Financial Strategy (MTFS). The costs are the amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Exit package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
							£'000	£'000
£0 - £20,000	14	11	4	8	18	19	78	123
£20,001 - £40,000	1	1	3	10	4	11	109	315
£40,001 - £60,000	0	0	3	4	3	4	152	197
£60,001 - £100,000	0	1	1	3	1	4	67	281
<b>Total</b>	<b>15</b>	<b>13</b>	<b>11</b>	<b>25</b>	<b>26</b>	<b>38</b>	<b>406</b>	<b>916</b>

### 8. Members' Allowances

The total of Members' allowances paid in the year was £0.861 million (£0.806 million in 2023/24). The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

## 9. Grants Received

### a. Grant Income

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

2023/24		2024/25
£'000		£'000
	<b>Credited to Taxation and Non-specific Grant Income</b>	
	<b>Non ring-fenced government grants</b>	
(15,717)	Section 31 Business Rates Grants	(19,503)
(471)	New Homes Bonus	(578)
(253)	Business Rates Levy Account Surplus Grant	(253)
(1,222)	Services Grant	(210)
(17,663)		(20,544)
	<b>Capital grants and contributions</b>	
(5,394)	City Region Sustainable Transport Settlement (Formerly Local Transport Plan)	(4,767)
(2,962)	Better Care Fund <sup>1</sup>	(3,083)
(1,256)	Local Authority Housing Fund	(2,337)
(2,613)	Community Infrastructure Levy	(2,245)
0	Food Waste Collection	(1,688)
(1,764)	Condition Grant	(1,396)
0	Sports England Grant	(847)
(2,057)	Homes England	(686)
(3,684)	High Needs Provision	(165)
(3,847)	Other Capital Grants, Contributions and Donations	(130)
(23,577)		(17,344)
	<b>Credited to Services:</b>	
(107,931)	Dedicated Schools Grant (DSG) <sup>2</sup>	(114,879)
(32,392)	Housing Benefit Subsidy	(31,314)
(18,810)	Better Care Fund <sup>1</sup>	(20,920)
(12,820)	Social Care Grant	(16,781)
(12,214)	Public Health Grant	(12,825)
(7,804)	Revenue expenditure funded by capital under statute (REFCUS)	(10,465)
(6,801)	PFI credits	(7,320)
(5,192)	Pupil Premium	(4,597)
(848)	UK Shared Prosperity Fund	(3,838)
(3,362)	Market Sustainability and Fair Cost of Care	(3,808)
(3,537)	Asylum Seekers	(2,884)
(2,543)	Household Support Fund	(2,832)
0	Core Schools Budget Grant (CSBG)	(1,770)
0	Teachers' Pension Employer Contribution Grant	(1,736)
(3,839)	West Midlands Combined Authority - UK Central <sup>3</sup>	(1,597)
(1,611)	Universal Infant Free School Meals	(1,389)
(755)	Teachers' Pay Grant	(1,235)
(1,207)	Homelessness Prevention	(1,211)
(1,000)	Holiday Activities and Food Grant	(989)

2023/24		2024/25
£'000		£'000
(629)	Supporting Families Programme	(809)
0	West Midlands Combined Authority - Growth Zone/Integrated Settlement	(500)
(490)	Housing Benefit Administration Subsidy	(471)
(1,664)	Mainstream Schools Additional Grant	0
(1,144)	Strengthening Families	0
(865)	Early Years Supplementary Grant	0
(785)	Sudan British Nationals (Overseas) Repatriation	0
(15,011)	Other Revenue Grants, Contributions and Donations <sup>4</sup>	(13,603)
(243,254)	<b>Sub-total</b>	<b>(257,773)</b>
(284,494)	<b>Total</b>	<b>(295,661)</b>

<sup>1</sup> The Better Care Fund grant credited to services includes funding from the Improved Better Care Fund (iBCF), Discharge Funding and a contribution from the Integrated Care Board to joint-funded services. The capital element of the Better Care Fund relates to the Disabled Facilities Grant. Further detail on how the Better Care Fund is spent is provided in Note 11.

<sup>2</sup> The DSG credited to services is the amount receivable prior to the application of the brought forward deficit, plus the £0.173 million adjustment for Early Years Funding shown in Note 10 and excluding an amount deducted by the Education and Skills Funding Agency for maintained schools' business rates costs.

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

<sup>4</sup> Other revenue grants, contributions and donations include the Connected Services Test and Learn grant of £33,200 received from the WMCA, and the Gen 22 grant of £7,786 received from the United by 2022 Legacy Charity.

### b. Revenue Grants Receipts in Advance

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

31 March 2024		31 March 2025
£'000		£'000
(4,202)	PFI credits	(3,650)
(2,564)	Other revenue grants	(1,406)
(6,766)	<b>Total</b>	<b>(5,056)</b>

### c. Capital Grants Receipts in Advance

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

31 March 2024		31 March 2025
£'000		£'000
(5,278)	Ministry of Housing, Communities and Local Government	(1,190)
(2,423)	Various Section 106 Contributions	(2,113)
(337)	Devolved Formula Capital	(434)
(68)	Other Grants and Contributions	(100)
(8,106)	<b>Total Short-Term Capital Grants</b>	<b>(3,837)</b>
(4,790)	Various Section 106 Contributions	(4,511)
(298)	Ministry of Housing, Communities and Local Government	0
(42)	Other Grants and Contributions	(42)
(5,130)	<b>Total Long-Term Capital Grants</b>	<b>(4,553)</b>
(13,236)	<b>Total Capital Grants Receipts in Advance</b>	<b>(8,390)</b>

## 10. Dedicated Schools Grant (DSG)

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

These accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2020, which require local authorities to carry forward overspends of Dedicated School Grant (DSG). Further regulations which came into force on 29 November 2020 mandated that any deficit must not be charged to the local authorities' revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget. These regulations also mean that the use of funding from the revenue account to make good any deficit can only be made upon approval from the Secretary of State. This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income.

As at 31 March 2025, the cumulative DSG deficit is £28.068 million. These accounts have been prepared on the assumption that the government will implement a solution to the widespread issue of DSG deficits ahead of the expiry of the statutory instrument which prevents the deficit from being offset against usable reserves on 31 March 2026.

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

2023/24		2024/25		
Total		Individual Schools Budget (ISB)	Central Expenditure	Total
£'000		£'000	£'000	£'000
(256,887)	Final DSG before academy and high needs recouped			(278,802)
147,958	Academy figure and high needs figure recouped			162,921
(108,929)	Total DSG after academy and high needs			(115,881)
(108,929)	<b>Agreed initial budgeted distribution</b>	<b>(66,489)</b>	<b>(49,392)</b>	<b>(115,881)</b>
66	In-year adjustments - Early Years Funding	173		173
0	In-year adjustments – business rates <sup>1</sup>		(59)	(59)
(108,863)	<b>Final budgeted distribution</b>	<b>(66,316)</b>	<b>(49,451)</b>	<b>(115,767)</b>
56,879	Actual central expenditure	73,644		73,644
56,367	Actual ISB deployed to schools		49,451	49,451
4,383	<b>In-year carry forward</b>	<b>7,328</b>	<b>0</b>	<b>7,328</b>
16,357	DSG unusable reserve brought forward			20,740
4,383	Addition to DSG unusable reserve in-year			7,328
20,740	<b>Total DSG unusable reserve carried forward</b>			<b>28,068</b>
20,740	<b>Net DSG position at the year end</b>			<b>28,068</b>

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

## 11. Pooled Budgets

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

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

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

### a. Better Care Fund

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

The following table shows spend in the year against different activity funded by SMBC, the ICB and jointly. The Council's contribution to the pooled revenue budget of £21.380 million (£19.295 million in the SMBC column and £2.085 million in the Joint column) was funded mainly from revenue grants and contributions which are included within the Council's CI&ES (£20.920 million, credited to gross income – Adult Social Care) and the balance from revenue.

2023/24					2024/25			
SMBC	ICB	Joint	Total		SMBC	ICB	Joint	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
5,423	2,399	0	7,822	Home-based Intermediate Care Services	5,935	2,329	0	8,264
4,085	0	0	4,085	Residential Placements	4,080	0	0	4,080
198	1,326	1,871	3,395	Assistive Technologies and Equipment	60	1,300	2,085	3,445
1,750	1,953	0	3,703	Bed based Intermediate Care Services	1,416	2,022	0	3,438
2,834	0	0	2,834	Personalised Budgeting and Commissioning	3,334	0	0	3,334
847	0	0	847	Workforce Recruitment and Retention	1,486	0	0	1,486
1,113	680	0	1,793	Integrated Care Planning and Navigation	725	693	0	1,418
18	1,108	0	1,126	Admission Prevention	18	1,127	0	1,145
0	898	0	898	Community Based Schemes	0	1,056	0	1,056
681	155	0	836	Prevention / Early Intervention	681	158	0	839

2023/24				2024/25				
SMBC	ICB	Joint	Total	SMBC	ICB	Joint	Total	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
0	707	0	707	Personalised Care at Home	0	727	0	727
0	660	0	660	High Impact Change Model for Managing Transfer of Care	0	679	0	679
188	0	0	188	Enablers for Integration	262	365	0	627
854	0	0	854	Housing Related Schemes	495	0	0	495
423	0	0	423	Carers Services	447	0	0	447
373	0	0	373	Care Act Implementation Related Duties	356	0	0	356
18,787	9,886	1,871	30,544	<b>Sub-total: Revenue</b>	19,295	10,456	2,085	31,836
2,962	0	0	2,962	Disabled Facilities Grant Related Schemes	4,677	0	0	4,677
2,962	0	0	2,962	<b>Sub-total: Capital<sup>1</sup></b>	4,677	0	0	4,677
21,749	9,886	1,871	33,506	<b>Total</b>	23,972	10,456	2,085	36,513

<sup>1</sup> Funded from Disabled Facilities Grant totalling £3.083 million and £1.594 million of unspent DFG carried forward from previous years.

### b. Joint Equipment Store

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

2023/24				2024/25				
SMBC	ICB	Other	Total	SMBC	ICB	Other	Total	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
2,579	0	0	2,579	Transforming Community Services	2,609	0	0	2,609
(348)	(2,231)	0	(2,579)	Funding	(269)	(2,340)	0	(2,609)
2,231	(2,231)	0	0	<b>Total</b>	2,340	(2,340)	0	0

**c. Contributions to Voluntary Organisations**

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

2023/24				2024/25			
SMBC	ICB	Other	Total	SMBC	ICB	Other	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
134	0	0	134	Alzheimer's Society			138
71	0	0	71	Independent Advocacy			67
0	(205)	0	(205)	Funding			0
205	(205)	0	0	Total			205

## 12. External Audit Costs

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

2023/24		2024/25
£'000		£'000
345	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	379
3	Additional variation fee agreed relating to the prior year	42
73	Fees payable in respect of other services provided by Grant Thornton UK LLP during the year, including the certification of grant claims and returns	97
421	<b>Total<sup>1</sup></b>	<b>518</b>

<sup>1</sup> The final external audit fees for 2023/24, as confirmed in the Audit Plan received by the Audit Committee in June 2025, were £365,000, which was slightly lower than the £387,000 assumed in the accounts.

## **Disclosure notes – notes supporting the Movement in Reserves Statement**

### **13. Adjustments between Accounting Basis and Funding Basis under Regulations**

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

2024/25	Usable Reserves					Movement in Unusable Reserves	Applicable Unusable Reserve
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account		
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments to revenue resources:</b>							
Reversal of retirement benefits charged to CI&ES	(18,602)	0	0	0	0	18,602	
Employer's pensions contributions and direct payments to pensioners payable for the current year	23,537	0	0	0	0	(23,537)	Pensions Reserve
Financial instruments	15	47	0	0	0	(62)	Financial Instruments Adjustment Account
Council tax and business rates	104	0	0	0	0	(104)	Collection Fund Adjustment Account
Staff leave entitlement	(492)	0	0	0	0	492	Accumulated Absences Account
Dedicated schools grant deficit (Note 10)	(7,328)	0	0	0	0	7,328	Dedicated Schools Grant Adjustment Account
Reversal of charges for depreciation and impairment of non-current assets	(36,079)	(11,727)	0	0	0	47,806	
Reversal of capital grants and contributions applied	14,166	3,023	0	0	0	(17,189)	
Capital Grants and contributions unapplied credited to the CI&ES	10,619	0	0	0	(10,619)	0	Capital Adjustment Account / Revaluation Reserve (see note 14)
Revenue expenditure funded from capital under statute	(10,078)	0	0	0	0	10,078	
Capitalisation of revenue costs under EFS	(15,615)	0	0	0	0	15,615	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(31,542)	(1,676)	0	0	0	33,218	
Reversal of revaluation gains/ (losses) on property, plant and equipment	(3,791)	0	0	0	0	3,791	
<b>Total adjustments to revenue resources</b>	<b>(75,086)</b>	<b>(10,333)</b>	<b>0</b>	<b>0</b>	<b>(10,619)</b>	<b>96,038</b>	

2024/25	Usable Reserves					Movement in Unusable Reserves	Applicable Unusable Reserve
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account		
	£'000	£'000	£'000	£'000	£'000	£'000	
Transfer of non-current asset sale proceeds from revenue	114	2,709	(2,823)	0	0	0	
Administrative costs of non-current asset disposals	(40)	0	40	0	0	0	Not Applicable
Charge to Major Repairs Reserve in lieu of depreciation, including additional voluntary transfer	0	12,000	0	(12,000)	0	0	
Provision for the repayment of debt	14,910	621	0	0	0	(15,531)	
Capital expenditure financed from revenue balances	4	3,353	(207)	0	0	(3,150)	Capital Adjustment Account
<b>Total adjustments between revenue and capital resources</b>	<b>14,988</b>	<b>18,683</b>	<b>(2,990)</b>	<b>(12,000)</b>	<b>0</b>	<b>(18,681)</b>	
<b>Adjustments to capital resources:</b>							
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	0	0	1,709	0	0	(1,709)	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	11,477	0	(11,477)	Capital Adjustment Account
Application of capital grants to finance capital expenditure	0	0	0	0	10,531	(10,531)	
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>1,709</b>	<b>11,477</b>	<b>10,531</b>	<b>(23,717)</b>	
<b>Total adjustments</b>	<b>(60,098)</b>	<b>8,350</b>	<b>(1,281)</b>	<b>(523)</b>	<b>(88)</b>	<b>53,640</b>	

2023/24	Usable Reserves					Movement in Unusable Reserves	Applicable Unusable Reserve
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account		
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments to revenue resources:							
Reversal of retirement benefits charged to CI&ES	(18,738)	0	0	0	0	18,738	
Employer's pensions contributions and direct payments to pensioners payable for the current year	25,713	0	0	0	0	(25,713)	Pensions Reserve
Financial instruments	15	48	0	0	0	(63)	Financial Instruments Adjustment Account
Council tax and business rates	(16,099)	0	0	0	0	16,099	Collection Fund Adjustment Account
Staff leave entitlement	945	0	0	0	0	(945)	Accumulated Absences Account
Dedicated schools grant deficit (Note 10)	(4,383)	0	0	0	0	4,383	Dedicated Schools Grant Adjustment Account
Reversal of charges for depreciation and impairment of non-current assets	(34,142)	(11,146)	0	0	0	45,288	
Reversal of capital grants and contributions applied	13,305	3,313	0	0	0	(16,618)	
Capital Grants and contributions unapplied credited to the CI&ES statement	15,155	0	0	0	(15,155)	0	
Revenue expenditure funded from capital under statute	(8,984)	0	0	0	0	8,984	Capital Adjustment Account / Revaluation Reserve (see note 14)
Use of Flexible Capital Receipts to fund service reform	(4,080)	0	4,080	0	0	0	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES Statement	(20,619)	(1,573)	0	0	0	22,192	
Movements in the market value of investment properties	(94)	0	0	0	0	94	

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

## Purpose of the Usable Reserves

### General Fund

These funds are available to meet the future running costs of the Council for non-housing services and include specific revenue reserves as well as the consolidated risk reserve, which is held by the Council to mitigate budget risks in order to support the Council's resilience.

### Housing Revenue Account

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

### Capital Receipts Reserve

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

### Major Repairs Reserve

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

### Capital Grants Unapplied Account

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

## 14. Unusable Reserves

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

2024/25	Opening balance	Other comprehensive income and expenditure	Adjustments to revenue resources	Adjustments between revenue and capital resources	Adjustments to capital resources	Transfers between unusable reserves	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Absences Account	2,139	0	492	0	0	0	2,631
Capital Adjustment Account	(524,622)	0	93,319	(18,681)	(23,717)	(25,400)	(499,101)
Collection Fund Adjustment Account	8,639	0	(104)	0	0	0	8,535
DSG Adjustment Account	20,740	0	7,328	0	0	0	28,068
Financial Instruments Adjustment Account	2,462	0	(62)	0	0	0	2,400
Financial Instruments Revaluation Reserve	(50,677)	3,000	0	0	0	0	(47,677)
Pensions Reserve	57,658	(3,837)	(4,935)	0	0	0	48,886
Revaluation Reserve	(348,958)	(44,921)	0	0	0	25,400	(368,479)
<b>Total Unusable Reserves</b>	<b>(832,619)</b>	<b>(45,758)</b>	<b>96,038</b>	<b>(18,681)</b>	<b>(23,717)</b>	<b>0</b>	<b>(824,737)</b>

2023/24	Opening balance	Other comprehensive income and expenditure	Adjustments to revenue resources	Adjustments between revenue and capital resources	Adjustments to capital resources	Transfers between unusable reserves	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Absences Account	3,084	0	(945)	0	0	0	2,139
Capital Adjustment Account	(527,185)	0	68,417	(14,921)	(26,729)	(24,204)	(524,622)
Collection Fund Adjustment Account	(7,460)	0	16,099	0	0	0	8,639
DSG Adjustment Account	16,357	0	4,383	0	0	0	20,740
Financial Instruments Adjustment Account	2,525	0	(63)	0	0	0	2,462
Financial Instruments Revaluation Reserve	(50,677)	0	0	0	0	0	(50,677)
Pensions Reserve	22,369	42,264	(6,975)	0	0	0	57,658
Revaluation Reserve	(332,166)	(40,996)	0	0	0	24,204	(348,958)
<b>Total Unusable Reserves</b>	<b>(873,153)</b>	<b>1,268</b>	<b>80,916</b>	<b>(14,921)</b>	<b>(26,729)</b>	<b>0</b>	<b>(832,619)</b>

## Purpose of Main Unusable Reserves

### Capital Adjustment Account

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

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

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

### Collection Fund Adjustment Account

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

### DSG Adjustment Account

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

### Financial Instruments Revaluation Reserve

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

### Pensions Reserve

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

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

### Revaluation Reserve

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

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

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

## 15. Movements in General Fund Reserves

This note sets out the amounts set aside in reserves to provide financing for future expenditure plans and the amounts contributed from reserves to meet General Fund expenditure in 2023/24 and 2024/25.

1 April 2023	Contributions (to)/ from 2023/24	31 March 2024		1 April 2024	Contributions (to)/ from 2024/25	31 March 2025
£'000	£'000	£'000		£'000	£'000	£'000
(8,914)	(4,584)	(13,498)	Consolidated Risk Reserve	(13,498)	(2,750)	(16,248)
0	0	0	Ring-fenced Corporate Reserve <sup>1</sup>	0	(10,012)	(10,012)
(12,772)	1,769	(11,003)	Schools	(11,003)	2,070	(8,933)
(4,930)	(384)	(5,314)	Insurance	(5,314)	934	(4,380)
(5,279)	270	(5,009)	ICS Fairer Futures Fund	(5,009)	1,069	(3,940)
(5,581)	(630)	(6,211)	Grants Unapplied without Conditions	(6,211)	2,287	(3,924)
(2,095)	(701)	(2,796)	Property Investment Board Portfolio	(2,796)	(800)	(3,596)
0	0	0	Carry Forward	0	(1,661)	(1,661)
(1,931)	(22)	(1,953)	Commuted Sums - Highways	(1,953)	501	(1,452)
(333)	(162)	(495)	Employment Learn and Engage	(495)	(703)	(1,198)
(1,400)	151	(1,249)	Exploitation and Safeguarding	(1,249)	118	(1,131)
(700)	(669)	(1,369)	Family Hubs	(1,369)	258	(1,111)
(1,130)	87	(1,043)	School Catering	(1,042)	(16)	(1,058)
(1,522)	595	(927)	Public Health Grant	(927)	47	(880)
0	0	0	Business Rates Timing Reserve	0	(755)	(755)
(1,360)	446	(914)	Leisure	(914)	199	(715)
(994)	213	(781)	Highways Section 106 Agreements	(781)	75	(706)
(795)	48	(747)	Commuted Sums - Parks and Open Spaces	(747)	51	(696)
(2,343)	1,581	(762)	Tenant Works	(762)	89	(673)
(142)	(374)	(516)	Licensing	(516)	(115)	(631)
(568)	(558)	(1,126)	Public Health Contingency	(1,126)	500	(626)
(423)	(228)	(651)	Civil Parking Enforcement	(651)	195	(456)
(3,909)	1,138	(2,771)	Economy and Infrastructure Risk Reserve	(2,771)	2,421	(350)
(6,089)	(75)	(6,164)	External Debt Interest	(6,164)	6,032	(132)

1 April 2023	Contributions (to)/ from 2023/24	31 March 2024		1 April 2024	Contributions (to)/ from 2024/25	31 March 2025
£'000	£'000	£'000		£'000	£'000	£'000
(4,562)	961	(3,601)	Future Capital Spending	(3,601)	3,495	(106)
(9,905)	3,190	(6,715)	Adult Social Care Investment	(6,715)	6,634	(81)
(2,604)	1,092	(1,512)	Severance	(1,512)	1,512	0
(955)	(788)	(1,743)	Early Years	(1,743)	1,743	0
(668)	(209)	(877)	Dry-mixed recycling contract: pre sub-regional MRF	(877)	877	0
(774)	(68)	(842)	Homelessness	(842)	842	0
(24,421)	15,400	(9,021)	Other	(9,021)	2,086	(6,936)
(107,099)	17,489	(89,610)	<b>Total General Fund</b>	<b>(89,610)</b>	<b>17,223</b>	<b>(72,387)</b>

<sup>1</sup> The balance of revenue expenditure capitalised under the Exceptional Financial Support framework after addressing the year-end outturn variance was used to replenish corporate reserves ring-fenced for future years' budget support.

## Disclosure notes – notes supporting the Balance Sheet

### 16. Movements on Balances for Property, Plant and Equipment

2024/25	Council Dwellings	Other Land and Buildings	Surplus Assets	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Infrastructure Assets	Right-of-Use Assets	Total Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Book Value at 31 March 2024</b>	<b>510,795</b>	<b>548,694</b>	<b>4,822</b>	<b>13,771</b>	<b>15,855</b>	<b>22,717</b>	<b>150,181</b>	<b>0</b>	<b>1,266,835</b>
Recognition of right-of-use assets at 1 April 2024	0	0	0	0	0	0	0	4,650	4,650
Additions	23,375	6,253	6	1,573	153	3,026	8,261	523	43,170
Revaluations recognised in the revaluation reserve	11,784	28,239	4,907	0	(9)	0	0	0	44,921
Revaluations recognised in the provision of services	0	(3,323)	(139)	0	0	0	0	0	(3,462)
Disposals	(1,676)	(31,542)	0	0	0	0	0	0	(33,218)
Reclassifications	0	(2,940)	(4,280)	15	0	(11,220)	9,773	3,280	(5,372)
Depreciation	(11,216)	(20,080)	(4)	(3,785)	0	0	(5,953)	(976)	(42,014)
Impairment losses recognised in the revaluation reserve	0	0	0	0	0	0	0	0	0
Impairment losses recognised in the provision of services	0	0	0	0	0	0	0	(2,353)	(2,353)
<b>Net Book Value at 31 March 2025</b>	<b>533,062</b>	<b>525,301</b>	<b>5,312</b>	<b>11,574</b>	<b>15,999</b>	<b>14,523</b>	<b>162,262</b>	<b>5,124</b>	<b>1,273,157</b>

The Net Book Value at 31 March 2025 is analysed as follows:

2024/25	Council Dwellings	Other Land and Buildings	Surplus Assets	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Right-of-Use Assets	Total Property Plant and Equipment (excluding Infrastructure assets)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Value at 31 March 2025	533,062	542,719	5,316	21,156	15,999	14,523	8,453	1,141,228
Accumulated Depreciation and Impairment	0	(17,418)	(4)	(9,582)	0	0	(3,329)	(30,333)

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

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

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

## 17. Capital Commitments

As at 31 March 2025, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2025/26 and future years budgeted to exceed £7.0 million (including capital commitments relating to the HRA totalling £3.7 million). Similar commitments at 31 March 2024 were £16.3 million (HRA: £7.0 million). The major commitments are:

- HRA High Rise Block programme: £2.018 million
- St. Peter's School capital works £1.337 million
- Carriageway resurfacing £0.561 million
- HRA adaptations £0.556 million.

## 18. Capital Expenditure and Capital Financing

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

2023/24		2024/25
£'000		£'000
474,521	Opening capital financing requirement	<b>470,271</b>
	<b>Capital Investment</b>	
41,983	Property, plant and equipment	<b>43,170</b>
2,494	Intangible assets	<b>1,374</b>
8,459	Revenue expenditure funded as capital under statute (REFCUS)	<b>10,756</b>
0	Capitalisation of revenue costs under EFS	<b>15,615</b>
1,346	Loans	<b>1,537</b>
0	Share acquisition	<b>3,463</b>
0	PFI liability revalued in year	<b>(797)</b>
0	Right-of-use assets recognised in year	<b>4,650</b>
<b>54,282</b>	<b>Total Capital Investment</b>	<b>79,768</b>
	<b>Sources of Finance</b>	
(3,648)	Capital receipts	<b>(1,709)</b>
(26,673)	Government grants and other contributions	<b>(27,721)</b>
(28,211)	Sums set aside from revenue	<b>(30,583)</b>
<b>(58,532)</b>	<b>Total Sources of Finance</b>	<b>(60,013)</b>
<b>470,271</b>	<b>Closing Capital Financing Requirement</b>	<b>490,026</b>
	<b>Explanation of Movements in year</b>	
(2,398)	Decrease in underlying need to borrow (supported by government financial assistance)	<b>(2,398)</b>
140	Increase in underlying need to borrow (not supported by government financial assistance)	<b>20,764</b>
(1,962)	Reductions in assets under PFI contracts	<b>(2,872)</b>
(30)	Assets acquired/ (disposed of) under lease agreements	<b>4,261</b>
<b>(4,250)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>19,755</b>

## 19. Revaluations

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

All valuations were carried out internally by the Council's Strategic Land and Property Team and the valuations were certified by a Royal Institution of Chartered Surveyors (RICS) qualified surveyor. The effective date of the revaluations carried out during 2024/25 was 31 December 2024, except for HRA assets which were valued as at 31 March 2025. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. None of the valuations are reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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

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

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

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

2024/25	Carried at Historic Cost	Valued at current value					Total
		2020/21	2021/22	2022/23	2023/24	2024/25	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Dwellings</b>	0	0	0	0	0	533,062	<b>533,062</b>
<b>Other Land and Buildings</b>	1,356	841	20,746	50,525	59,688	392,145	<b>525,301</b>
<b>Surplus Assets</b>	0	0	0	0	0	5,312	<b>5,312</b>
<b>Vehicles, Plant and Equipment</b>	11,574	0	0	0	0	0	<b>11,574</b>
<b>Community Assets</b>	15,999	0	0	0	0	0	<b>15,999</b>
<b>Assets Under Construction</b>	14,523	0	0	0	0	0	<b>14,523</b>
<b>Infrastructure Assets</b>	162,262	0	0	0	0	0	<b>162,262</b>
<b>Right-of-Use Assets</b>	5,124	0	0	0	0	0	<b>5,124</b>
<b>Total Cost or Valuation</b>	<b>210,838</b>	<b>841</b>	<b>20,746</b>	<b>50,525</b>	<b>59,688</b>	<b>930,519</b>	<b>1,273,157</b>

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

## 20. Investment Property

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

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

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

2023/24		2024/25
£'000		£'000
15,940	<b>Balance at 1 April</b>	<b>15,846</b>
(94)	Net gains/(losses) from fair value adjustments	(327)
15,846	<b>Balance at 31 March</b>	<b>15,519</b>

Fair value reviews are conducted on all investment properties on an annual basis by our internal valuers – these valuations are as at 31 December 2024, except for HRA investment properties which are as at 31 March 2025. Fair values are calculated by multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of assets has been ranked into three level groups. All the Council's investment properties have been assessed as level two and are valued annually. There has been no change in the valuation techniques used during the year for investment properties.

## 21. Intangible Assets

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

2023/24		2024/25
£'000		£'000
11,414	<b>Balance at 1 April</b>	<b>10,728</b>
2,494	Purchases	1,374
0	Reclassifications	3
(3,180)	Amortisation for the year	(3,439)
10,728	<b>Balance at 31 March</b>	<b>8,666</b>
	Comprising:	
17,250	Gross carrying amounts	16,066
(6,522)	Accumulated amortisation	(7,400)
10,728		8,666

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £3.439 million charged to revenue in 2024/25 was included in the Adult Social Care, Children's Services, Economy and Infrastructure and Resources lines in the CI&ES.

## 22. Financial Instruments

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

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

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

### a. Financial Assets

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

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

	Long-Term		Short-Term	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£'000	£'000	£'000	£'000
<b>Financial assets held at amortised cost:</b>				
Investments	0	<b>0</b>	61	<b>61</b>
Debtors and other receivables	45,288	<b>45,557</b>	48,752	<b>43,776</b>
Cash and Cash Equivalents	0	<b>0</b>	5,427	<b>5,248</b>
<b>FVOCI - designated equity instruments</b>	57,822	<b>58,285</b>	0	<b>0</b>
<b>Total financial assets</b>	103,110	<b>103,842</b>	54,240	<b>49,085</b>

### b. Financial Liabilities

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

	Long-Term		Short-Term	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£'000	£'000	£'000	£'000
<b>Financial Liabilities at amortised cost:</b>				
Borrowing	(316,428)	<b>(334,630)</b>	(22,755)	<b>(27,392)</b>
PFI and lease liabilities	(39,347)	<b>(39,736)</b>	(2,149)	<b>(3,799)</b>
Creditors and other payables	(1,236)	<b>(1,236)</b>	(33,391)	<b>(35,061)</b>
<b>Total financial liabilities</b>	(357,011)	<b>(375,602)</b>	(58,295)	<b>(66,252)</b>

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

#### Designation to Fair Value through Other Comprehensive Income (FVOCI)

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

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

## 23. Fair values of Assets and Liabilities

### a. Financial Assets measured at Fair Value

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

	Input Level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2024	31 March 2025
			£'000	£'000
Birmingham Airport Holdings Ltd				
- Ordinary Shares	Level 3	Earning based valuation	22,500	19,500
- Preference Shares			1,176	1,176
The Coventry and Solihull Waste Disposal Company Ltd				
- Ordinary Shares	Level 3	Earning based valuation	34,000	34,000
Mell Square Ltd				
- Ordinary Shares	Level 3	Earning based valuation	0	0
Solihull Energy Ltd				
- Ordinary Shares	Level 3	Historic Cost	0	3,463
Sherbourne Recycling Ltd				
- Ordinary Shares	Level 3	Historic Cost	146	146
<b>Total</b>			<b>57,822</b>	<b>58,285</b>

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

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

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

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

The Council's valuation of its shareholding reduced significantly in 2019/20 and stayed at a reduced level until the end of 2021/22. However, the 2023/24 valuation increased to £22.500 million, which is an increase above pre-pandemic levels. Due to the external company multiples reducing on the future outlook, the valuation for 2024/25 has reduced by £3.000 million to £19.500 million.

If there was a +/-5% change in the forecast Earnings Before Interest, Tax, Depreciation and Amortisation, the impact on the valuation would be +/-£1.7 million.

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

The valuation seeks to forecast passenger numbers multiplied by an average income per passenger based on past information. For 2024/25, as in previous years, management accounts for the first 11 months of the year were used to estimate the full year income and expenditure, to arrive at a forecast annual position. During 2023/24, passenger numbers recovered above pre-pandemic levels and this level of activity continued into 2024/25.

The Council conducted a desktop valuation which has been verified by a qualified independent valuer who has agreed that the valuation as at 31 March 2025 has resulted in a decrease in the fair value of the Council's shareholding. In arriving at this valuation, the key drivers are:

- Increases in historic EBITDA outturns
- Future budgets are still being finalised
- The current year EBITDA multiple has reduced meaning that the future projections on income reduce
- Future EBITDA multiples have also reduced which drives the decrease in fair value
- BAH's year on year growth to 2023/24 was 15% behind the aggregate growth at UK airports.

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

BAH was incorporated on 4 February 1997 and commenced trading on 26 March 1997. The BAH Group accounts incorporate Birmingham International Airport Limited, Euro Hub (Birmingham) Limited, Birmingham Airport Developments Limited, First Castle Developments Limited, Birmingham Airport (Finance) plc and BHX Fire and Rescue Limited. The principal activity of the Group is the operation and management of Birmingham International Airport, and the provision of facilities and services associated with those operations. During this year dividends of £0.074 million (2023/24: £0.074 million) and ground rent of £0.083 million (2023/24: £0.082 million) were receivable.

A copy of BAH's accounts is available from:

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

### **The Coventry and Solihull Waste Disposal Company Limited**

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

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

cannot meet. These shares are not quoted on any Stock Exchange. During this year dividend income of £4.765 million (2023/24: £6.150 million) was receivable.

The Council's valuation of its shareholding has been reviewed by an independent external provider who has deemed that the fair value of the Council's shareholding as at 31 March 2025 should remain at £34.000 million, which is reflected in the Council's Balance Sheet.

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

The continuation of this valuation is due to a stabilisation of the company's EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) in addition to no change to the comparable multiples. In addition, the following remain as reasons for the strong company valuation:

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

The valuation is calculated based on the above factors and considers the future earnings against comparable company multiples resulting in no change to the valuation at 31 March 2025.

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

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

#### **Mell Square Limited**

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

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

During 2024/25, Mell Square Limited repaid £0.123 million of this loan and the accounts now show a Long-Term Debtor of £32.253 million and a Short-Term Debtor of £0.130 million due to be re-paid in 2025/26. The Expected Credit Loss value has remained unchanged from 2022/23.

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

All other elements of the Balance Sheet are calculated at fair value and therefore the Council includes the net assets/(liabilities) position of the Company as the fair value for this investment. As at 31 December 2024, Mell Square Limited had a Net Liabilities balance and so the Council continues to hold the investment at a fair value of £0.

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

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

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

### **Sherbourne Recycling Limited**

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

The Council, along with its partners, concluded all loan payments to the company totalling £8.828 million. SRL completed the construction of the Materials Recycling Facility (MRF) during the year and the facility became operational in Autumn 2023. This is split as £8.725 million in Long Term Debt and £0.103 million in Short Term Debt. Following the construction of the MRF, 2023/24 represented the first part-year of trading for SRL. The primary activity of the company is to recycle materials and sell them to local manufacturers for use in local production facilities. SRL primarily receives materials from its local authority shareholders under waste supply contracts and has some additional capacity to take on private sector contracts.

As the site became operational during 2023/24, the valuation has moved to an earnings-based approach for 2024/25. The valuation has been prepared on an equity value basis similar to the above company valuations. After considering future earnings less debt, the company has a fair value of £0.

The main driver for this is that the company has debt outweighing discounted future earnings which is all owed back to shareholders. As this is a relatively immature company, it is not unexpected that future earnings forecasts are prudent.

A copy of SRL's accounts is available from:

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

### **Solihull Energy Limited**

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

The company is not yet trading, but the Balance Sheet shows a net assets figure, meaning that the company is a going concern. The Council has, to date, invested £3.463 million equity in this Company and therefore, this £3.463 million valuation is included in the accounts.

In addition, the Council has provided the company with a further £1.537 million loan.

### **b. Transfers between levels of the Fair Value Hierarchy**

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

### **c. Changes in Valuation Technique**

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

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

2023/24			2024/25		
Unquoted Shares	Other	Total	Unquoted Shares	Other	Total
£'000	£'000	£'000	£'000	£'000	£'000
57,822	0	57,822	Opening balance at 1 April	57,822	0
0	0	0	Transfers into Level 3	0	0
0	0	0	Transfers out of Level 3	0	0
0	0	0	Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	(3,000)	0
0	0	0	Additions	3,463	0
0	0	0	Disposals	0	0
57,822	0	57,822	<b>Closing Balance at 31 March</b>	58,285	0
					<b>58,285</b>

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

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

- For loans from the Public Works Loan Board (PWLB), prevailing rates for new PWLB borrowing have been applied to provide the fair value (Level 2). As an alternative, an assessment has been made to the fair value measurement applying the premature repayment rate, highlighting the impact of the alternative valuation
- For non-PWLB loans payable, prevailing market rates, based on wider market discussions, have been applied to provide the fair value (level 2)
- For PFI liabilities and similar contracts, due to limited market comparable instruments, prevailing PWLB rates have been applied as a reasonable proxy, to provide the fair value (level 2). A review of market rates for public sector bodies found the price differential to PWLB rates to be negligible (as most commercial markets will attempt to match PWLB terms when dealing with the public sector), therefore PWLB rates have been used as these rates are published and readily available
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Following the transition to IFRS 16 for PFI liabilities the carrying value of the liability now represents a reasonable estimation of the fair value.

The fair values of the financial assets are as follows:

31 March 2024		31 March 2025	
Balance sheet value	Fair value	Balance sheet value	Fair value
£'000	£'000	£'000	£'000
<b>Long-Term Financial Assets</b>			
57,822	57,822	Financial assets measured at fair value	58,285
45,288	45,288	Long-term debtors <sup>1</sup>	45,557
103,110	103,110	<b>Sub-total: Long-Term Financial Assets</b>	<b>103,842</b>
<b>Short-Term Financial Assets</b>			
5,427	5,427	Cash and cash equivalents	5,248
			<b>5,248</b>

0	0	Money market loans (< 1 year)	0	0
61	61	Insurance liability fund	61	61
48,752	48,752	Short-term debtors <sup>2</sup>	43,776	43,776
54,240	54,240	<b>Sub-total: Short-Term Financial Assets</b>	49,085	49,085
157,350	157,350	<b>Total Financial Assets</b>	152,927	152,917

<sup>1</sup> The Long-Term Debtors balance is comprised largely of the three loan commitments relating to Mell Square Ltd (£32.253 million), Sherbourne Recycling Ltd (£8.725 million) and Solihull Energy Ltd (£1.537 million). Further information regarding these arrangements is included in Note 23a.

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

The fair values of the financial liabilities are as follows:

		31 March 2024	31 March 2025	
Balance sheet value	Fair value		Balance sheet value	Fair value
£'000	£'000		£'000	£'000
<b>Long-Term Financial Liabilities</b>				
Long-Term Borrowing				
(289,765)	(210,694)	Borrowing - PWLB <sup>1</sup>	(299,315)	(197,733)
(1,259)	(1,265)	Borrowing - Dudley MBC debt <sup>2</sup>	0	0
(141)	(142)	Borrowing - Walsall MBC debt	(62)	(62)
(25,263)	(23,085)	Borrowing - other long term loans <sup>3</sup>	(35,253)	(30,670)
(316,428)	(235,186)	<b>Sub-total Long-Term Borrowing</b>	(334,630)	(228,465)
Other long-term liabilities				
(35,909)	(44,166)	PFI liabilities and similar contracts	(32,532)	(32,532)
(3,438)	(3,438)	Lease liabilities	(7,204)	(7,204)
(1,236)	(1,236)	Long-Term Creditors	(1,236)	(1,236)
(40,583)	(48,840)	<b>Sub-total Other Long-Term Liabilities</b>	(40,972)	(40,972)
(357,011)	(284,026)	<b>Sub-total Long-Term Financial Liabilities</b>	(375,602)	(269,437)
<b>Short-Term Financial Liabilities</b>				
Short-Term Borrowing				
(2,728)	(2,728)	PWLB	(2,824)	(2,824)
(1,145)	(1,145)	Dudley MBC debt <sup>2</sup>	(1,259)	(1,259)
(75)	(75)	Walsall MBC debt	(79)	(79)
(107)	(107)	Other short term loans <sup>3</sup>	(5,232)	(5,232)
(4,055)	(4,055)	<b>Sub-total Short-Term Borrowing</b>	(9,394)	(9,394)
Other short-term liabilities				
(18,700)	(18,700)	Bank overdraft	(17,998)	(17,998)
(2,117)	(2,117)	PFI liabilities and similar contracts	(2,622)	(2,622)
(32)	(32)	Lease liabilities	(1,177)	(1,177)
(33,391)	(33,391)	Short term creditors <sup>4</sup>	(35,061)	(35,061)
(54,240)	(54,240)	<b>Sub-total Other Short-Term Liabilities</b>	(56,858)	(56,858)
(58,295)	(58,295)	<b>Sub-total Short-Term Financial Liabilities</b>	(66,252)	(66,252)
(415,306)	(342,321)	<b>Total Financial Liabilities</b>	(441,854)	(335,689)

<sup>1</sup> The Council has used a transfer value for the fair value of the PWLB financial liabilities. We have also calculated an exit price fair value of £226.843m, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

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

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

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

## **24. Nature and Extent of Risks Arising from Financial Instruments**

### **a. Key Risks**

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

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

### **b. Overall Procedures for Managing Risk**

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

- by formally adopting the requirements of the TM Code
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving, annually in advance, prudential and treasury indicators for the following ten years limiting:
  - the Council's overall borrowing
  - its maximum and minimum exposures to fixed and variable rates
  - its maximum and minimum exposures to the maturity structure of its debt
  - its maximum annual exposures to investments maturing beyond a year
- by approving an Annual Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

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

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

### c. Credit Risk

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

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

A summary of the credit quality of the Council's Treasury Management investments at 31 March 2025 is shown as follows:

31 March 2024	Current rating (Fitch or equivalent)	31 March 2025
£'000		£'000
0	AAA	2,000
0	AA+	0
0	AA	0
0	AA-	0
5,400	A+	3,227
88	N/A	82
<b>5,488</b>	<b>Total</b>	<b>5,309</b>

Allowances for impairment losses are calculated for investments held at 31 March 2025, applying the expected credit losses model. The expected credit loss model results in a notional loss of less than £0.001 million. Given the low value of this calculation, no adjustment has been made to the carrying value of these instruments in the Council's accounts.

The risk of credit exposure from the Council's customers arises from the possibility that debts raised by the Council are not collected. At 31 March 2025, £25.158 million of trade debtors were held on the Accounts Receivable system awaiting payment (£24.409 million at 31 March 2024). These are analysed by age as shown in the following table:

31 March 2024		31 March 2025
£'000		£'000
18,581	Less than three months	15,680
2,104	Three to six months	1,413
2,465	Six months to one year	3,290
3,972	More than one year	5,569
<b>27,122</b>	<b>Outstanding trade debtors</b>	<b>25,952</b>
(2,713)	Less cash received but not yet allocated	(794)
<b>24,409</b>	<b>Total trade debtors<sup>1</sup></b>	<b>25,158</b>

<sup>1</sup> The trade debtors figure at 31 March 2025 in the table above is split between short-term debtors of £22.774 million and £2.384 million of long-term debtors.

The Council has an impairment allowance of £3.296 million in place to mitigate against this risk (£3.031 million as at 31 March 2024).

#### **d. Liquidity Risk**

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

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

#### **e. Refinancing and Maturity Risk**

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

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

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

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

31 March 2024		31 March 2025
£'000		£'000
409	Less than 1 year	5,460
424	Between 1 and 2 years	9,478
5,369	Between 2 and 5 years	11,548
6,642	Between 5 and 10 years	7,005
36,668	Between 10 and 20 years	37,730
55,295	Between 20 and 30 years	70,834
122,566	Between 30 and 40 years	109,905
87,800	Between 40 and 50 years	87,800
315,173	<b>Total</b>	339,760

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

#### **f. Market Risk (Interest Rate Risk)**

The Council is exposed to interest rate movements on its borrowings and investments. Of the £339.760 million debt held as at 31 March 2025, £15.000 million was at variable interest rates and £324.760 million was at fixed interest rates. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

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

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

If all interest rates had been 1% higher during 2024/25 (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	150
Increase in interest receivable on variable rate investments	(145)
<b>Impact on (surplus)/deficit on the provision of services in the CI&amp;ES</b>	<b>5</b>
Decrease in fair value of fixed rate investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
<b>Decrease in fair value of fixed rate borrowings liabilities (no impact on the (surplus)/deficit on the provision of services or other comprehensive income and expenditure)</b>	<b>26,463</b>

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

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

#### **g. Price Risk**

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

#### **h. Foreign Exchange Risk**

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

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

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

	2023/24		2024/25	
(Surplus)/deficit on the provision of services	Other CI&ES		(Surplus)/deficit on the provision of services	Other CI&ES
£'000	£'000		£'000	£'000
0	0	Net (gain)/ loss on investments in equity instruments designated at FVOCI	0	3,000
(6,980)	0	Interest income on financial assets measured at amortised cost	(3,438)	0
(6,224)	0	Interest income on financial assets measured at FVOCI	(8,591)	0
15,444	0	Interest expense	16,278	0
1,403	0	Impairment Losses	2,463	0
3,643	0	<b>Net (gain)/loss for the year</b>	6,712	3,000

## 26. Leases

The Council adopted IFRS 16 from 1 April 2024, which has resulted in qualifying operating leases being reclassified as right-of-use assets. For these agreements, a right-of-use asset and a corresponding liability, has been realised within the Council's balance. As such there is no comparator information for right-of-use assets for 2023/24.

The main impact of IFRS 16 is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have historically been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired shown in long term liabilities). In contrast, operating leases have been treated as 'pay as you go' arrangements similar to renting an item, with rentals charged to revenue in the year they are paid and no requirement to reflect this in the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

### Council as Lessee

Prior to the adoption of IFRS 16 the Council treated the lease agreement for the Bluebell Centre as a finance lease, under IFRS 16 this treatment has now changed, and the lease will now be restated as a right of use agreement. The agreement represents a significant proportion of the right of use value, with an asset value at the 31<sup>st</sup> March 2025 of £9.435 million.

## Right-of-Use Assets

The table below shows the change in the value of the assets associated with right-of-use assets held under leases by the Council:

	Land and Buildings	Vehicles	Total Right of Use Assets
	£'000	£'000	£'000
<b>Net Book Value at 1 April 2024</b>	<b>3,507</b>	<b>1,143</b>	<b>4,650</b>
Additions	44	479	523
Revaluations	0	0	0
Disposals	0	0	0
Reclassifications <sup>1</sup>	12,715	0	12,715
Depreciation	(468)	(508)	(976)
Impairment losses	(2,353)	0	(2,353)
<b>Net Book Value at 31 March</b>	<b>13,445</b>	<b>1,114</b>	<b>14,559</b>

<sup>1</sup> Reclassification includes the value of assets previously held as finance leases.

## Transactions Under Lessee Agreements

The authority has incurred the following expenses and cash flows in relation to leases.

31 March 2024 <sup>1</sup>		31 March 2025
	£'000	
<b>Comprehensive income and expenditure statement</b>		
0	Interest expense on lease liabilities	415
0	Expense relating to short-term leases	131
0	Expense relating to exempt leases of low-value items	188
<b>Cash Flow Statement</b>		
0	Between 20 and 30 years	1,327

<sup>1</sup> The Council adopted IFRS 16 (Right-of-Use Assets) from 1 April 2024 and therefore no prior period comparatives are available.

## Maturity Analysis of Lease Liabilities

The outstanding lease liabilities are due to be settled over the following periods:

31 March 2024 <sup>1</sup>		31 March 2025
	£'000	
690	Not later than one year	1,177
1,372	Later than one year and not later than five years	2,777
3,986	Later than five years	4,427
6,048	<b>Total</b>	<b>8,381</b>

<sup>1</sup> The Council adopted IFRS 16 (Right-of-Use Assets) from 1 April 2024 and therefore there are no prior period comparatives available for some lease obligations.

## Council as Lessor

The Council leases out property for a variety of purposes – the treatment of these has not been affected by the adoption of IFRS 16. 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.

### Transactions Under Lessor Agreements

The authority has made the following gains as a lessor during the year.

31 March 2024		31 March 2025
£'000		£'000
<b>Operating Leases</b>		
(3,447)	Operating lease income	(3,113)
(2,992)	Lease income relating to variable lease payments	(2,890)
(6,439)		(6,003)

### Maturity Analysis of Lease Receivables

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

31 March 2024		31 March 2025
£'000		£'000
Not later than one year		
(3,299)		(2,934)
(11,291)	Later than one year and not later than five years	(9,804)
(90,281)	Later than five years	(91,336)
(104,871)		(104,074)

## 27. Private Finance Initiatives (PFI) and Similar Contracts

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

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

As a result of the Council adopting IFRS 16, the Council has re-stated the opening balance of the PFI liability which is reflected in the following tables.

In 2024/25 the Council made contractual payments of £10.056 million (2023/24: £9.816 million) under a contract with Solihull BSF Schools Limited to cover the design, build and operational costs associated with Castlewood School, Park Hall Academy and Smith's Wood Academy. In future years the actual payments will vary in line with inflation. The contract expires in 2035/36. There have been no changes to the arrangement during 2024/25.

The payments due to the PFI contractor are as follows:

		Repayment of liability	Interest	Service Charge	Total
		£'000	£'000	£'000	£'000
Payments due to be made:					
Within 1 year	2025/26	2,622	3,041	4,506	10,169
Within 2 - 5 years	2026/27 – 2029/30	11,453	9,792	20,613	41,858
Within 6 - 10 years	2030/31 – 2034/35	19,417	5,989	29,807	55,213
Within 11 years	2035/36	1,662	144	1,741	3,547
<b>Total</b>		<b>35,154</b>	<b>18,966</b>	<b>56,667</b>	<b>110,787</b>

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

	31 March 2023	Net payments during the year	31 March 2024	IFRS 16 Restatement	1 April 2024	Net payments during the year	31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Castlewood School	(5,198)	255	(4,943)	150	(4,793)	267	(4,526)
Park Hall Academy School	(17,195)	844	(16,351)	278	(16,073)	896	(15,177)
Smith's Wood Academy	(17,595)	863	(16,732)	369	(16,363)	912	(15,451)
<b>Total</b>	<b>(39,988)</b>	<b>1,962</b>	<b>(38,026)</b>	<b>797</b>	<b>(37,229)</b>	<b>2,075</b>	<b>(35,154)</b>

### b. PFI Estimates and Judgements

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

As shown in the table above, the present value of the payments due to the PFI Contractor over the remaining years of the contract is £35.154 million. The BSF PFI unitary payments includes costs for utilities.

## 28. Short-Term Debtors

31 March 2024		31 March 2025
£'000		£'000
34,493	Amounts receivable from trade customers	34,756
14,259	Amounts receivable from related parties	9,020
2,208	Payments in advance from trade customers	1,923
3,003	Payments in advance from related parties	3,405
53,963	<b>Total Trade Debtors</b>	49,104
9,788	Amounts receivable from central government	7,685
7,337	Other debtors (council tax and business rates)	8,084
0	Other debtors (precepting authorities)	32
71,088	<b>Total Short-Term Debtors</b>	64,905

## 29. Debtors for Local Taxation

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

31 March 2024		31 March 2025
£'000		£'000
5,118	Less than one year old	6,241
2,219	Over one year old <sup>1</sup>	1,843
7,337		8,084

<sup>1</sup> All debtors for local taxation that are more than five years old have been fully impaired.

## 30. Cash and Cash Equivalents (including Bank Overdraft)

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

31 March 2024		31 March 2025
£'000		£'000
27	Cash floats held by the Council	21
5,400	Cash equivalents and cash at bank	5,227
5,427	<b>Cash and cash equivalents</b>	5,248
(18,700)	Bank overdraft	(17,998)
(13,273)	<b>Total</b>	(12,750)

### 31. Short-Term Creditors

31 March 2024		31 March 2025
£'000		£'000
(30,326)	Amounts payable to trade customers	(32,803)
(3,065)	Amounts payable to related parties	(2,258)
(2,853)	Receipts in advance from trade customers	(3,667)
(825)	Receipts in advance from related parties	(3,112)
(37,069)	<b>Total Trade Creditors</b>	(41,840)
(17,219)	Amounts payable to central government	(9,424)
(15,816)	Other receipts in advance (council tax and business rates)	(11,150)
(6,860)	Other creditors	(7,891)
(76,964)	<b>Total Short-Term Creditors</b>	(70,305)

### 32. Provisions

	Business Rates Appeals	Other Provisions	Total
	£'000	£'000	£'000
<b>Short-Term Provisions</b>			
Balance at 1 April 2024	(837)	(886)	(1,723)
Provisions made in 2024/25	(1,301)	(1,485)	(2,786)
Amounts used in 2024/25	549	445	994
<b>Balance at 31 March 2025</b>	<b>(1,589)</b>	<b>(1,926)</b>	<b>(3,515)</b>
<b>Long-Term Provisions</b>			
Balance at 1 April 2024	(1,611)	(673)	(2,284)
Provisions made in 2024/25	(2,544)	0	(2,544)
Amounts used in 2024/25	1,553	9	1,562
<b>Balance at 31 March 2025</b>	<b>(2,602)</b>	<b>(664)</b>	<b>(3,266)</b>
<b>Total Provisions at 31 March 2025</b>	<b>(4,191)</b>	<b>(2,590)</b>	<b>(6,781)</b>

The main provision relates to business rates appeals. Through the enhanced business rates retention arrangements applicable in the West Midlands, the Council assumes 99% of the liability for refunding any business rate payers who successfully appeal against the rateable value of their properties on the rating list. The provision is in place to meet this liability, based on the best estimate of the expenditure that will be required to settle the successful appeals. For the appeals relating to the 2017 list, this best estimate has been based on the checks and challenges lodged. For appeals against the 2023 rating list, that element of the provision is based on the assumed loss from appeals inherent in the business rates scheme.

### 33. Pension Schemes accounted for as Defined Contribution Schemes

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

#### **The Teachers' Pension Scheme**

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

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

The scheme has more than 12,648 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme, the Council's own contributions equate to approximately 0.1% (2023/24 0.12%).

In 2024/25 £8.282 million was payable to the Teachers' Pensions Scheme in respect of teachers' pension costs, which represents 28.68% of teachers' pensionable pay for the period 1 April 2024 to 31 March 2025 (2023/24: £7.249m and 23.68%). £0.651 million of the contributions remained payable at the year-end. The contributions due to be paid in 2025/26 are estimated to be £8.531 million.

In addition to the Teachers' Pension Scheme, the Council makes pension payments for teachers relating to added years it has awarded, together with related increases. These discretionary payments form a separate, unfunded scheme and in 2024/25 these payments amounted to £0.977 million (2023/24: £0.974 million).

#### **The National Health Service (NHS) Pension Scheme**

A number of adult social care and public health employees are covered by the provisions of the NHS Pensions Scheme which was established on 5 July 1948. Details of the benefits payable under these provisions can be obtained from the NHS Pensions Business Services Authority. The scheme is an unfunded defined benefit final salary scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The scheme is not run in a way that would enable NHS bodies to identify their share of their underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. As a proportion of the total contributions into the NHS Pension Scheme, the Council's own contributions equate to approximately 0.03%.

The employer rate has remained at 20.68% in 2024/25, although as in 2023/24, 3.8% of these contributions were funded by the Department of Health and Social Care. £0.227 million was payable in 2024/25 to the NHS Pensions Scheme in respect of NHS pension costs, which represents 16.88% of the pensionable pay of the staff in the scheme (2023/24: £0.261 million). £0.018 million of the contributions remained payable at the year-end.

The contributions due to be paid in 2025/26 are estimated to be £0.234 million. The Council is not responsible for any retirement top-up payments outside of the NHS scheme.

## 34. Defined Benefit Pension Schemes

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

### The Local Government Pension Scheme

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

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

### Risks Associated with the scheme

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

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

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

### Transactions relating to post-employment benefits

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

2023/24	<b>Transactions in the CI&amp;ES</b>	2024/25
£'000		£'000
	<i>Cost of services comprising:</i>	
20,668	Current service cost	<b>19,866</b>
5	Past service cost, including curtailments	<b>18</b>
(1,789)	Effect of settlements	<b>(2,343)</b>
	<i>Financing and investment income and expenditure:</i>	
0	Interest on the effect of the asset ceiling	<b>4,357</b>
(146)	Net interest expense	<b>(3,296)</b>
<b>18,738</b>	<b>Sub-total: post-employment benefit charged to the (surplus)/deficit on the provision of services</b>	<b>18,602</b>
	<i>Other post-employment benefits charged to Other Comprehensive Income and Expenditure:</i>	
	Remeasurement of the net defined benefit liability comprising:	
(22,369)	Return on assets excluding amounts included in net interest	<b>28,327</b>
27,084	Other experience	<b>(6,619)</b>
(5,038)	Actuarial (gains)/losses arising on changes in demographic assumptions	<b>(1,432)</b>
(47,315)	Actuarial (gains)/losses arising on changes in financial assumptions	<b>(125,867)</b>
89,902	Adjustment to meet the requirements of IFRIC14 <sup>1</sup>	<b>107,754</b>
<b>42,264</b>	<b>Sub-total: post-employment benefits charged to other comprehensive income and expenditure</b>	<b>(3,837)</b>
<b>61,002</b>	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>14,765</b>
2023/24	<b>Transactions in the MIRS</b>	
£'000		
(18,738)	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	<b>(18,602)</b>
	<i>Actual amount charged against the General Fund for pensions in the year:</i>	
25,713	Employer's contributions payable to scheme for current year	<b>23,537</b>
<b>6,975</b>	<b>Total Post Employment Benefit charged to the Movement in Reserves Statement</b>	<b>4,935</b>

<sup>1</sup> The Council's funded obligations moved into a net asset position at the end of 2023/24, and has remained as such in 2024/25, however in line with International Financial Reporting Interpretations Committee guidance (IFRIC14), an asset ceiling calculation has been applied which has reduced the net funded pension liability to nil.

## Pensions Liabilities Recognised in the Balance Sheet

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

2023/24		2024/25
£'000		£'000
(806,827)	Present value of funded obligations	(701,687)
(13,058)	Present value of unfunded obligations <sup>1</sup>	(12,872)
896,729	Fair value of fund assets	884,179
(89,902)	Adjustment to meet the requirements of IFRIC14 <sup>2</sup>	(196,013)
(13,058)	<b>Net pensions liability</b>	<b>(26,393)</b>

<sup>1</sup> The unfunded obligations comprise of £2.674 million in respect of LGPS unfunded pensions (£3.030 million in 2023/24) and £10.198 million in respect of Teachers' unfunded pensions (£10.028 million in 2023/24).

<sup>2</sup> The Council's funded obligations moved into a net asset position at the end of 2023/24, and has remained as such in 2024/25, however in line with International Financial Reporting Interpretations Committee guidance (IFRIC14), an asset ceiling calculation has been applied which has reduced the net funded pension liability.

## Reconciliation of the present value of the defined benefit obligation

2023/24		2024/25
£'000		£'000
(802,523)	Present value of funded obligations	(806,827)
(12,577)	Present value of unfunded obligations	(13,058)
(815,100)	<b>Opening balance at 1 April</b>	<b>(819,885)</b>
(20,668)	Current service cost (including administration cost)	(19,866)
(5)	Past service cost, including curtailments	(18)
4,579	Effect of settlements	6,454
(38,518)	Interest cost	(39,495)
(6,276)	Participants' contributions	(6,734)
29,581	Benefits paid	29,744
1,253	Unfunded benefits paid	1,323
47,315	Changes in financial assumptions	125,867
5,038	Changes in demographic assumptions	1,432
(27,084)	Other experience	6,619
(819,885)	<b>Closing balance at 31 March</b>	<b>(714,559)</b>
(806,827)	Closing present value of funded obligations	(701,687)
(13,058)	Closing present value of unfunded obligations	(12,872)
(819,885)	<b>Closing balance at 31 March</b>	<b>(714,559)</b>

## Reconciliation of the fair value of the Fund assets

2023/24		2024/25
£'000		£'000
792,731	<b>Opening fair value of fund assets at 1 April</b>	<b>896,729</b>
(2,790)	Effect of settlements	(4,111)
38,664	Interest income	42,791
6,276	Participants' contributions	6,734
24,460	Employer contributions including unfunded for current year	107
44,600	Employer contributions including unfunded for future years	0
(29,581)	Benefits paid	(29,744)
(1,253)	Unfunded benefits paid	(1,323)
1,253	Contributions in respect of unfunded benefits paid	1,323
22,369	Return on assets excluding amounts included in net interest	(28,327)
896,729	<b>Closing value of fund assets at 31 March</b>	<b>884,179</b>

An approximate allowance for the transfer of staff to academies during the year has been made and the adjustment is shown within the effect of settlements figures above. The estimated return on scheme assets in the year was a surplus of £14.464 million (2023/24: surplus of £61.033 million).

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

31 March 2024			31 March 2025	
Percentage of total assets	Total assets		Percentage of total assets	Total assets
%	£'000		%	£'000
29	261,720	Debt Securities	40	354,022
8	67,953	Private Equity	6	54,956
7	60,390	Real Estate	7	59,942
51	459,395	Investment Funds and Unit Trusts	42	372,262
5	47,271	Cash and Cash Equivalents	5	42,997
100	896,729	<b>Total Assets</b>	100	<b>884,179</b>

## Basis for estimating assets and liabilities

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

31 March 2024		31 March 2025
	<b>Life expectancy assumptions at age 65:</b>	
	<b>Current Pensioners:</b>	
21.2 years	Males	21.2 years
24.1 years	Females	24.1 years
	<b>Future Pensioners:</b>	
22.2 years	Males	22.1 years
25.4 years	Females	25.4 years
	<b>Financial assumptions:</b>	
2.75%	Pension increase/revaluation rate (CPI)	2.75%
3.75%	Salary increase rate	3.75%
4.85%	Discount rate	5.80%

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

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

<b>Impact on the Defined Benefit Obligation in the Scheme</b>		
Change in assumptions at 31 March 2025:	<b>Approximate increase to Defined Benefit Obligation</b>	
	£'000	%
0.1% decrease in real discount rate	(12,437)	(1.7)
1 year increase in member life expectancy	(28,582)	(4.0)
0.1% increase in the salary increase rate	(565)	(0.1)
0.1% increase in the pension increase/revaluation rate (CPI)	(12,216)	(1.7)

In June 2023, the High Court ruled in Virgin Media Limited v NTL Pension Trustees II Limited that certain historic pension scheme amendments may be invalid without written actuarial confirmation under Section 37 of the Pension Schemes Act 1993. This decision was upheld on appeal in July 2024. Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to public service pension schemes. Therefore, as the impact remains uncertain and cannot be reliably quantified at this time, our actuaries have not made any adjustments to the defined benefit obligation for this.

### **Impact on the Council's Cashflows**

Contributions are set every three years as a result of the actuarial valuation of the West Midlands Pension Fund required by the Regulations. The latest actuarial valuation of the Fund was carried out as at 31 March 2022 and this set contributions for the period from 1 April 2023 to 31 March 2026. The Council paid pension contributions of £67.100 million in April 2023: £22.500 million relating to 2023/24 and £22.300 million relating to each of the 2024/25 and 2025/26 years. This payment means that until 2025/26, when all payments will have been recognised, there will be a difference between the net pension liability and the pensions reserve, equal to the amount that has been paid in relation to future years. The Pension Fund performs an annual reconciliation of the payment made so the Council should be due back a small amount of contributions for 2024/25 because of a lower than forecast payroll for the year.

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

## Disclosure notes – notes supporting the Cash Flow Statement

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

2023/24		2024/25
£'000		£'000
(45,288)	Depreciation and impairment	(47,806)
(8,477)	Revaluations	(3,462)
51,575	Net movement in pension liability	(17,172)
(22,192)	Carrying amount of non-current assets sold or derecognised	(33,218)
21,599	Increase/(decrease) in debtors from operating activities	(2,736)
(6,441)	(Increase)/decrease in creditors from operating activities	1,408
(13,601)	Other non-cash items charged to the net (surplus)/deficit on the provision of services	(292)
(22,825)	<b>Total</b>	<b>(103,278)</b>

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

2023/24		2024/25
£'000		£'000
2,065	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,823
31,772	Capital grants credited to the (surplus)/ deficit on the provision of services	27,809
(8,984)	Revenue expenditure funded from capital under statute, including capitalisation of revenue costs under EFS	(25,693)
(454)	Any other items for which the cash effects are investing or financing cash flows	1,060
24,399	<b>Total</b>	<b>5,999</b>

### 37. Operating Activities

The cash flows from operating activities include the following items:

2023/4		2024/25
£'000		£'000
(7,407)	Interest received	(3,438)
15,383	Interest paid	15,443
(5,500)	Dividends received	(7,941)
2,476	<b>Included within cash flows from operating activities</b>	<b>4,064</b>

## 38. Reconciliation of Liabilities arising from Financing Activities

The movements in financial liabilities are made up as follows:

2024/25	Opening balance 1 April	Restatement of PFI	Revised opening balance 1 April	Financing cash flows	Other non-cash changes	Closing balance 31 March
	£'000			£'000	£'000	£'000
Long-term borrowings	(316,428)	0	(316,428)	(20,000)	1,798	(334,630)
Short-term borrowings	(4,055)	0	(4,055)	(3,377)	(1,962)	(9,394)
Lease liabilities	(3,470)	0	(3,470)	961	(5,872)	(8,381)
PFI liabilities and similar contracts	(38,026)	797	(37,229)	2,075	0	(35,154)
Other liabilities	(666)	0	(666)	244	(331)	(753)
<b>Total liabilities from financing activities</b>	<b>(362,645)</b>	<b>797</b>	<b>(361,848)</b>	<b>(20,097)</b>	<b>(6,367)</b>	<b>(388,312)</b>

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

## Disclosure notes – other

### 39. Related Parties

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

	31 March 2025					Note
	Dividends	Other Income	Expenditure	Debtors	Creditors	
	£'000	£'000	£'000	£'000	£'000	
Members	0	(2)	0	0	0	
<b>Other Public Bodies (subject to common control by central government)</b>						
West Midlands Combined Authority	0	(7,024)	11,601	5,660	(3,210)	
<b>Entities Controlled or Significantly Influenced by the Council</b>						
Coventry and Solihull Waste Disposal Company Ltd (CSWDC)	(4,765)	(78)	3,741	2,955	(56)	23
Mell Square Ltd	0	(5,585)	226	34,041	0	23
Solihull Community Housing	0	(6,378)	51,256	789	(1,666)	
Solihull Energy Ltd	0	(238)	307	1,775	(307)	23
Urban Growth Company	0	(657)	0	656	(131)	
<b>Other Entities in which the Council has an Interest</b>						
Sherbourne Recycling Ltd	0	(157)	1,511	9,353	0	23
West Midlands Growth Company (WMGC)	0	0	7	0	0	
<b>Total</b>	<b>(4,765)</b>	<b>(20,119)</b>	<b>68,649</b>	<b>55,229</b>	<b>(5,370)</b>	

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

## **UK Government**

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

## **Members**

Members of the Council have direct control over the Council's financial and operating policies. There were transactions with one organisation in which members had a controlling interest in 2024/25 (one in 2023/24). Members' allowances, which are not included in this note, are disclosed in Note 8.

## **Officers**

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

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

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

The Council receives grant income from the West Midlands Combined Authority (WMCA) both in its own right and also as accountable body for grant claims from the WMCA relating to the Urban Growth Company (UGC) Limited's costs. All money owed to the UGC by the Council in respect of such grant funding has been paid during 2024/25; however, the net position for 2024/25 was that the UGC owed SMBC monies as the UGC had received a partial refund for expenditure that had previously been reimbursed by SMBC. The transactions above exclude the annual levy paid by the Council to Transport for West Midlands, the transport arm of the WMCA, which was £8.796 million in 2024/25 (2023/24: £8.838 million).

## **Entities Controlled or Significantly Influenced by the Council**

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

## **Other Entities in which the Council has an Interest**

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

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

## 40. Contingent Liabilities

A contingent liability is:

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

The following contingent liabilities have been identified for 2024/25:

### a. Grant Funded Projects

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

### b. HRA Water Rates

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

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

### c. Mutual Early Resignation Scheme

In February 2025, the Council announced that it was introducing a Mutual Early Resignation Scheme (MERS) with a view to achieving ongoing cost reductions where this is in the interest of both the employee and the Council.

MERS is a scheme under which an individual employee, in agreement with the Council, chooses to leave employment in return for a severance payment. MERS is entirely voluntary and there is no legal obligation on the Council to accept any individual application. It was agreed that the severance payments, where agreed, should be based on 65% of the individual's basic annual salary. The cost of the scheme will be met from the transformation fund set up using the resources secured through the EFS framework.

Applications closed on 31 March and whilst these applications are under consideration, the severance payment remains unclear. The employees will be expected to resign in May 2025 and the associated cost will be included in the 2025/26 accounts.

## 41. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. No contingent assets have been identified for 2024/25.

## **42. Events after the Reporting Date**

The Statement of Accounts was authorised for issue by the Director of Resources on 20 November 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and the notes have been adjusted, where material, to reflect the impact of this information.

No events that are considered to be non-adjusting events for inclusion in these accounts occurred between 31 March 2025 and the authorised for issue date.

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2025 for 2024/25).

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

### **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

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

### **IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)**

This was issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

### **IFRS 17 Insurance Contracts**

Issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

## **44. Statement of Accounting Policies**

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

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the financial year 2024/25 and its position at the year end of 31 March 2025. The Council is required under the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and the Service Reporting Code of Practice 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

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

## **ii. Accruals of Expenditure and Income**

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

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

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

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

## **iii. Business Improvement District (BID)**

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

## **iv. Cash and Cash Equivalents**

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

Any Bank Overdraft, or funds held on behalf of others, are netted off with Cash and Cash Equivalents held and consolidated as the Cash position for the Cash Flow Statement.

## **v. Charges to Revenue for Non-Current Assets**

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

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

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

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

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

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

#### **vi. Community Infrastructure Levy**

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

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

#### **vii. Employee Benefits**

##### Benefits Payable during Employment:

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

##### Termination Benefits:

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

##### Post-Employment Benefits:

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by the City of Wolverhampton Council

- The National Health Service (NHS) Pension Scheme administered by NHS Pensions Business Services Authority.

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

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

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

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

*Service cost comprising:*

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

*Remeasurements comprising:*

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

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

Discretionary Benefits:

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

## **viii. Events after the Balance Sheet Date**

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

## **ix. Expected Credit Loss**

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

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

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

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

## **x. Fair Value Measurement**

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

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

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

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

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

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

Criteria	Level
<ul style="list-style-type: none"> <li>Comparable evidence that is identical to the asset that is being measured in terms of physical location, condition, orientation, levels of natural light, view, access and visibility, tenure and covenant, construction type and cost, size and layout, facilities, lease options, obsolescence</li> </ul>	1
<ul style="list-style-type: none"> <li>Comparable evidence available within an active market of similar assets</li> <li>Comparable evidence for similar assets or liabilities in markets that are not active</li> <li>Non-value comparable evidence (i.e. yields) for similar asset types available</li> <li>Comparable evidence corroborated by observable market evidence</li> <li>Implied and non-implied covenants within the lease negating the need for comparable evidence</li> <li>Transparency of market data</li> <li>Minimal principal adjustment of comparable evidence, non-significant adjustment</li> <li>Comparable analysis</li> </ul>	2
<ul style="list-style-type: none"> <li>No comparable evidence available</li> <li>Unobservable inputs</li> <li>Comparable evidence requires significant adjustment from the principal market</li> </ul>	3

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

Three widely used valuation techniques are:

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

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

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

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

## xi. Financial Instruments

### Financial Assets:

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL) and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

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

#### Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

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

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

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

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

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

#### Financial Liabilities:

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

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

#### **xii. Grants, Contributions and Donations**

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

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

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

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

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

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

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

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

### **xiii. Heritage Assets**

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

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

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

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

### **xiv. Intangible Assets**

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

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

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

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

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

### **xv. Interests in Companies and Other Entities**

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

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

### **xvi. Inventories**

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

## **xvii. Investment Property**

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

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

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

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

## **xviii. Material Items and Prior Period Adjustments**

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

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

## **xix. Property Plant and Equipment**

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

### Recognition

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

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

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

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

#### Valuation

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

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

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

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

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

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

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

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

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

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

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

#### Depreciation

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

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

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

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

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

#### Component Accounting

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

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

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

#### Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

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

#### Disposals and assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction within the next 12 months, rather than through its continuing use, it is reclassified as an asset held for sale within Current Assets. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal.

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

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals is usually payable to the government, however, since 2022/23 local authorities have temporarily been allowed to retain 100% of their housing Right to Buy receipts. The balance of receipts is credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund in the MIRS.

## **xx. Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

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

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

#### Contingent Liabilities and Contingent Assets

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

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

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

#### **xxi. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund 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 in the MIRS so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **xxii. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

This also includes revenue costs funded in line with the Council's policy on the flexible use of capital receipts or from borrowing if a capitalisation directive is applied.

#### **xxiii. Right-of-Use Assets**

##### **(a) The Council as Lessee**

The right-of-use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. It is remeasured, with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, a peppercorn arrangement, change in an index or rate such as inflation, or change in the Council's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The Council has elected to apply the following exemptions:

- Leases with a term of less than 12 months, or
- Leases with a right-of-use asset opening net present value of less than £10,000.

##### **(b) The Council as Lessor**

Where the Council is lessor, 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.

##### **Finance Leases**

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

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

#### **xxiv. Schools**

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

#### **xxv. Service Concession Arrangements - Private Finance Initiatives (PFI)**

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

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

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

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

Under IFRS16, where indexation (or other changes in a rate) affects future payments, the lease liability is required to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

#### **xxvi. Value Added Tax (VAT)**

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

## Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2024/25 and are included on the following pages. Subsidiary accounts are fully consolidated and joint ventures are consolidated on an equity basis within the Council's group accounts.

### Consolidated Group Entities

#### Solihull Community Housing Limited (SCH) Limited

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

#### The Coventry and Solihull Waste Disposal Company Limited

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

#### The Urban Growth Company Limited (UGC)

UK-Central (Solihull) Limited (trading as, the Urban Growth Company) was set up in 2016 as an arm's length company to deliver projects within the UK Central programme. As a subsidiary, the accounts of the company have been consolidated into the group accounts on a line-by-line basis. However, this subsidiary is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A.

#### Mell Square Limited

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

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

#### Solihull Energy Limited

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

### Unconsolidated Group Entities

#### Sherbourne Recycling Limited

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

## Group Comprehensive Income and Expenditure Statement (CI&ES)

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

2023/24 reclassified <sup>1</sup>			2024/25			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Notes <sup>2</sup>
£'000	£'000	£'000	£'000	£'000	£'000	
134,859	(62,396)	72,463	Adult Social Care	142,998	(68,471)	74,527
94,247	(21,882)	72,365	Children's Services	102,396	(24,205)	78,191
131,551	(133,154)	(1,603)	Children's Services – Dedicated Schools Grant (DSG)	142,437	(138,645)	3,792
128,812	(93,990)	34,822	Economy and Infrastructure (includes HRA)	132,129	(85,444)	46,685
22,742	(18,554)	4,188	Public Health	24,882	(20,755)	4,127
100,962	(52,289)	48,673	Resources	98,277	(57,957)	40,320
613,173	(382,265)	230,908	<b>Cost of Services</b>	643,119	(395,477)	247,642
						5
		1,586	Parish precepts			1,693
		8,933	Levies payable			8,891
		20,126	(Gain)/ loss on disposal of non-current assets			30,396
		30,645	<b>Sub-total: Other Operating Expenditure</b>			40,980
		15,280	Interest payable and similar charges			13,083
		0	Interest payable on leases, PFI and similar contracts			3,220
		(751)	Net interest on the net defined benefit liability			107
		(7,018)	Investment interest income			(3,462)
		(74)	Other investment income			(3,826)
		(5,566)	Income, expenditure and changes in the fair value of investment properties			1,021
		1,403	Impairment losses			2,463
		3,274	<b>Sub-total: Financing and Investment Income and Expenditure</b>			12,606
		(128,519)	Council tax income			(135,814)
		(37,338)	Business rates income and expenditure			(45,555)
		(17,663)	Non ring-fenced government grants			(20,544)
						9

2023/24 reclassified <sup>1</sup>			2024/25			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Notes <sup>2</sup>
£'000	£'000	£'000	£'000	£'000	£'000	
		(23,577)	Recognised capital grants and contributions			(17,344) 9
		(207,097)	<b>Sub-total: Taxation and non-specific grant income</b>			(219,257)
		57,730	<b>(Surplus)/deficit on the provision of services</b>			81,971
		(8,752)	Share of comprehensive income and expenditure of associates and JV			(19,472) G3
		232	Taxation of group entities			(285) G3
		3,334	Share of taxation of joint ventures			1,858 G3
		52,544	<b>Group (surplus)/deficit</b>			64,072
		(41,630)	(Surplus)/deficit on revaluation of non-current assets			(44,921) 16
		634	Impairment losses on non-current assets charged to the revaluation reserve			0
		(2,000)	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			3,000 23
		59,071	Remeasurement of the net defined benefit liability			(2,810) G12
		16,075	<b>Other comprehensive income and expenditure</b>			(44,731)
		68,619	<b>Total comprehensive income and expenditure</b>			19,341

<sup>1</sup> For 2024/25, the Council's financial position was reported by directorate rather than by cabinet portfolio which is now reflected above. Therefore, in order to provide meaningful comparative information, the 2023/24 figures have also been reclassified by directorate. Further details are provided in Note 2 – Prior Period Adjustments and Reclassifications.

<sup>2</sup> The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, group disclosure notes are provided.

<sup>3</sup> Group adjustments relating to SCH, Solihull Energy and the Urban Growth Company are included within the Economy and Infrastructure line and those for Mell Square are included within the Resources line.

## Group Movement in Reserves Statement (MIRS)

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

2024/25 <sup>1</sup>	General Fund	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Council Usable Reserves	Total Council Unusable Reserves	Group Adjustment to Council Unusable Reserves <sup>2</sup>	Total adjusted Council Unusable Reserves	Total Group Reserves	Authority's share of Reserves of Subsidiaries, Associates and joint ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	(89,610)	(9,289)	(11,046)	(3,568)	(35,515)	(149,028)	(832,619)	34,000	(798,619)	(947,647)	(14,744)	(962,391)
Total comprehensive income and expenditure	52,944	(9,471)	0	0	0	43,473	(45,758)	0	(45,758)	(2,285)	21,672	19,341
Adjustments between group accounts and council accounts <sup>3</sup>	24,377	0	0	0	0	24,377	0	0	0	24,377	(24,377)	0
<b>Net (increase)/decrease before transfers</b>	<b>77,321</b>	<b>(9,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67,850</b>	<b>(45,758)</b>	<b>0</b>	<b>(45,758)</b>	<b>22,092</b>	<b>(2,751)</b>	<b>19,341</b>
Adjustments between accounting basis and funding basis under regulations (Note 12)	(60,098)	8,350	(1,281)	(523)	(88)	(53,640)	53,640	0	53,640	0	0	0
<b>(Increase)/decrease in 2024/25</b>	<b>17,223</b>	<b>(1,121)</b>	<b>(1,281)</b>	<b>(523)</b>	<b>(88)</b>	<b>14,210</b>	<b>7,882</b>	<b>0</b>	<b>7,882</b>	<b>22,092</b>	<b>(2,751)</b>	<b>19,341</b>
<b>Balance at 31 March 2025</b>	<b>(72,387)</b>	<b>(10,410)</b>	<b>(12,327)</b>	<b>(4,091)</b>	<b>(35,603)</b>	<b>(134,818)</b>	<b>(824,737)</b>	<b>34,000</b>	<b>(790,737)</b>	<b>(925,555)</b>	<b>(17,495)</b>	<b>(943,050)</b>

<sup>1</sup> The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, group disclosure notes are provided.

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

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

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

<sup>1</sup> The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, group disclosure notes are provided.

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

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

## Group Balance Sheet

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

31 March 2024		31 March 2025	Notes <sup>1</sup>
£'000		£'000	
1,269,008	Property, Plant and Equipment	1,288,014	16, 19
950	Heritage Assets	950	
42,300	Investment Property	40,845	G4, 20
10,728	Intangible Assets	8,666	21
23,822	Long-term Investments	20,822	23
10,288	Investments in Joint Ventures	23,214	
12,573	Long-term Debtors	11,124	23
1,369,669	<b>Long-term Assets</b>	1,393,635	
61	Short-term Investments	61	23
1,523	Inventories	1,562	
72,794	Short-term Debtors	67,843	28
0	Assets Held for Sale	5,250	
28,394	Cash and Cash Equivalents	16,061	30
102,772	<b>Current Assets</b>	90,777	
(18,700)	Bank Overdraft	(17,998)	30
(4,055)	Short-term Borrowing	(9,394)	23
(80,029)	Short-term Creditors	(87,503)	31
(1,723)	Short-term Provisions	(3,515)	32
(8,106)	Capital Grants Receipts in Advance	(3,837)	9
(6,766)	Revenue Grants Receipts in Advance	(5,056)	9
(119,379)	<b>Current Liabilities</b>	(127,303)	
(1,931)	Long-term Creditors	(1,853)	23
(2,284)	Long-term Provisions	(3,720)	32
(316,428)	Long-term Borrowing	(334,630)	23
(16,691)	Net Pensions Liability	(29,921)	G12
(39,347)	Other Long-term Liabilities	(39,305)	23
(13,990)	Capital Grants Receipts in Advance	(4,553)	9
(390,671)	<b>Long-term Liabilities</b>	(413,982)	
962,391	<b>Net Assets</b>	943,050	
(149,028)	Usable Reserves	(134,818)	MIRS
(798,619)	Unusable Reserves	(790,737)	G7
(14,744)	Group Income and Expenditure Usable Reserve	(17,495)	G8
(962,391)	<b>Total Reserves</b>	(943,050)	

<sup>1</sup> The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, group disclosure notes are provided.

<sup>2</sup> Group Property, Plant and Equipment includes £12.740 million of assets belonging to Solihull Energy and £2.117million for Solihull Community Housing.

<sup>3</sup> Group Creditors comprises £6.950 million for Solihull Community Housing and £11.289 million for Solihull Energy Ltd.

## Group Cash Flow Statement

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

2023/24		2024/25	Notes <sup>1</sup>
£'000		£'000	
52,544	Net group (surplus)/deficit	64,072	Group CI&ES
(14,768)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(102,912)	G5
24,399	Adjustments for items in the net (surplus)/deficit on the provision of services that are investing/financing activities	5,999	
62,175	<b>Net cash flows from operating activities</b>	(35,841)	
43,325	Purchase of property, plant and equipment, investment property and intangible assets	61,003	
403,828	Purchase of short-term and long-term investments	266,721	
8,461	Revenue expenditure funded from capital under statute, including capitalisation of revenue costs under EFS	25,574	
(2,065)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,840)	
(35,753)	Capital grants received	(16,172)	
(486,037)	Proceeds from short-term and long-term Investments	(267,000)	
(163)	Other receipts from investing activities	(163)	
(68,404)	<b>Net cash flows from investing activities</b>	67,123	
0	Cash receipts of short- and long-term borrowing	(25,000)	
145	Other receipts from financing activities	80	
1,992	Cash payments for the reduction of the outstanding liabilities relating to right-of-use assets and PFI contracts	3,037	
2,148	Repayments of short and long-term borrowing	2,232	
4,285	<b>Net cash flows from financing activities</b>	(19,651)	
(1,944)	<b>Net (increase)/decrease in cash and cash equivalents</b>	11,631	
	<b>Overall movement in cash and cash equivalents</b>		
7,750	Cash and cash equivalents at the beginning of the reporting period	9,694	
1,944	Net increase/ (decrease) in cash and cash equivalents	(11,631)	
9,694	<b>Cash and cash equivalents at the end of the reporting period <sup>2</sup></b>	(1,937)	

<sup>1</sup> The referenced notes form part of the financial statements. Where there are material differences to the single entity disclosure notes, group disclosure notes are provided.

<sup>2</sup> At 31 March 2025, the Council's net cash and cash equivalents totalled (£12.750 million), Solihull Community Housing Ltd held cash and cash equivalents of £7.022 million, the Urban Growth Company Ltd held £0.593 million, Solihull Energy Ltd held £3.127 million and Mell Square Ltd held £0.071 million (31 December 2024), resulting in a total cash and cash equivalent figure of (£1.937 million).

## Disclosure notes – notes supporting the Council's Group Accounts

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

### G1. Group Segmental Analysis

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

2023/24 Reclassified <sup>1</sup>				2024/25		
Net expenditure in the CI&ES	Group Adjustments	Net expenditure in the Group CI&ES		Net expenditure in the CI&ES	Group Adjustments	Net expenditure in the Group CI&ES
£'000	£'000	£'000		£'000	£'000	£'000
72,463	0	72,463	Adult Social Care	74,527	0	74,527
72,365	0	72,365	Children's Services	78,191	0	78,191
(1,603)	0	(1,603)	Children's Services - DSG	3,792	0	3,792
39,113	(4,291)	34,822	Economy and Infrastructure (includes HRA) <sup>2</sup>	38,300	8,385	46,685
4,188	0	4,188	Public Health	4,127	0	4,127
49,437	(764)	48,673	Resources <sup>2</sup>	39,525	795	40,320
<b>235,963</b>	<b>(5,055)</b>	<b>230,908</b>	<b>Net cost of services</b>	<b>238,462</b>	<b>9,180</b>	<b>247,642</b>
(179,273)	909	(178,364)	Other income and expenditure	(174,958)	(12,958)	(183,570)
<b>56,690</b>	<b>(4,146)</b>	<b>52,544</b>	<b>Group (surplus)/deficit</b>	<b>67,850</b>	<b>(3,778)</b>	<b>64,072</b>

<sup>1</sup> For 2024/25, the Council's financial position was reported by directorate rather than by cabinet portfolio which is now reflected above. Therefore, in order to provide meaningful comparative information, the 2023/24 figures have also been reclassified by directorate. Further details are provided in Note 2 – Prior Period Adjustments and Reclassifications.

<sup>2</sup> Group adjustments relating to SCH, Solihull Energy and the Urban Growth Company are included within the Economy and Infrastructure line and those for Mell Square are included within the Resources line.

## G2. Group Prior Period Adjustment

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

## G3. Expenditure and Income Analysed by Type

2023/24		2024/25
£'000		£'000
<b>Expenditure</b>		
190,593	Employee benefits expenses	189,378
7,604	Employee benefits expenses for voluntary aided schools	8,038
318,668	Other service expenses	351,304
54,301	Depreciation, amortisation, impairment and revaluation losses	52,557
15,280	Interest payable	16,303
10,519	Precepts and levies	10,584
20,126	Loss on disposal of non-current assets	30,396
34,426	Housing benefits	34,227
8,984	Revenue expenditure funded from capital under statute (REFCUS)	10,078
3,334	Share of taxation of joint ventures	1,858
232	Taxation of group entities	(285)
664,067	<b>Total expenditure</b>	704,438
<b>Income</b>		
(92,090)	Fees, charges and other service income <sup>(Note G3a)</sup>	(87,004)
(46,921)	HRA rental Income <sup>(Note G3a)</sup>	(50,700)
(5,566)	Gain on investment properties including fair value adjustments	1,021
(7,843)	Interest and investment income	(7,181)
(165,857)	Income from council tax and business rates	(181,369)
(284,494)	Grants, contributions and donations	(295,661)
(8,752)	(Surplus)/deficit from joint ventures	(19,472)
(611,523)	<b>Total income</b>	(640,366)
52,544	<b>Group (surplus)/deficit</b>	64,072

### G3a. Revenue from external customers

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

2023/24		2024/25
£'000		£'000
(126,210)	Total Council revenue from external customers (Note 6a)	(132,550)
(9,130)	less revenue from Group entities	14,464
(1,230)	SCH income (excluding income from the Council)	(5,722)
(424)	UGC Income (excluding income from the Council)	(7)
(2,017)	Mell Square Income (excluding income from the Council)	(13,889)
0	Solihull Energy Accounts Income (excluding income from the Council)	0
(139,011)	<b>Total fees, charges and other service income</b>	(137,704)

#### G4. Investment Properties

		2024/25
	£'000	£'000
43,147	<b>Balance at 1 April<sup>1</sup></b>	<b>42,300</b>
(847)	Net gains/losses from fair value adjustments	(1,455)
42,300	<b>Balance at 31 March</b>	<b>40,845</b>

<sup>1</sup> The Balance of Investment Property held in the single entity accounts compared to the group accounts is due to the consolidation of Mell Square Ltd and the line-by-line consolidation of their Investment Property valuation.

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

		2024/25
	£'000	£'000
(45,669)	Depreciation and amortisation	(47,970)
(8,632)	Impairments and revaluations	(4,587)
51,842	Net movement in pension liability/asset	(16,040)
(22,192)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(33,218)
21,012	Increase/(decrease) in debtors from operating activities	(3,462)
(2,682)	(Increase)/decrease in creditors from operating activities	(13,460)
(8,447)	Other non-cash items charged to the (surplus)/deficit on the provision of services	12,825
(14,768)	<b>Total</b>	<b>(105,912)</b>

#### G6. Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

		2024/25
	£'000	£'000
(7,407)	Interest received	(3,438)
15,383	Interest paid	15,443
0	Dividends received	(3,826)
7,976	<b>Included within cash flow from Operating Activities</b>	<b>8,179</b>

## G7. Unusable Reserves

The Group unusable reserves are summarised in the following table:

31 March 2024		31 March 2025
£'000		£'000
2,139	Accumulated Absences Account	2,631
(524,622)	Capital Adjustment Account	(499,101)
8,639	Collection Fund Adjustment Account	8,535
20,740	Dedicated Schools Grant Adjustment Account	28,068
2,462	Financial Instruments Adjustment Account	2,400
(16,677)	Financial Instruments Revaluation Reserve <sup>1</sup>	(13,677)
57,658	Pensions Reserve	48,886
(348,958)	Revaluation Reserve	(368,479)
(798,619)	<b>Total Unusable Reserves</b>	<b>(790,737)</b>

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

## G8. Group Income and Expenditure Usable Reserve

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

31 March 2024		31 March 2025
£'000		£'000
(9,295)	Solihull Community Housing Ltd	(2,073)
(1,058)	Urban Growth Company Ltd	(67)
(10,288)	The Coventry and Solihull Waste Disposal Company Ltd	(23,214)
0	Solihull Energy Ltd	267
5,897	Mell Square Ltd	7,422
(14,744)	<b>Total Group Income and Expenditure Reserve</b>	<b>(17,495)</b>

## G9. Adjustments between Group Accounts and Council Accounts

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

2024/25	General Fund	Total Council Usable Reserves	Total Council Unusable Reserves	Group adjustment to Council Unusable Reserves	Total adjusted Council Unusable Reserves	Total Group Reserves	Authority's share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000		
Dividends receivable from joint ventures	4,765	4,765	0	0	0	4,765	(4,765)	0
(Surplus)/deficit from shares in group entities	0	0	0	0	0	0	0	0
Purchases of goods and services from subsidiaries	(43,844)	(43,844)	0	0	0	(43,844)	43,844	0
Income receivable from subsidiaries	14,464	14,464	0	0	0	14,464	(14,464)	0
<b>Total adjustment between group accounts and council accounts</b>	<b>(24,615)</b>	<b>(24,615)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(24,615)</b>	<b>24,615</b>	<b>0</b>

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

## **G10. Subsidiaries**

### **Solihull Community Housing Limited (SCH)**

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

SCH has recognised one contingent liability during the last financial year in relation to HRA water rates. This is already disclosed as a contingent liability for the Council, as any loss would be funded from the Council's HRA. As at 31 March 2025 SCH, as a separate entity, had no outstanding capital commitments. (2023/24: no capital commitments).

### **The Urban Growth Company (UGC)**

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

UGC has not disclosed any contingent liabilities during the last financial year. As at 31 March 2025 UGC, as a separate entity, had no outstanding capital commitments (2023/24: no capital commitments).

### **Mell Square Limited**

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

Mell Square has not disclosed any contingent liabilities during the last financial year. As at 31 December 2024 Mell Square, as a separate entity, had no outstanding capital commitments (2023/24: no capital commitments).

### **Solihull Energy Limited**

Solihull Energy Limited was set up to create sustainable energy sources across the borough. As at 31 March 2025, the company has declared capital commitments of £6.257 million. (2023/24: no capital commitments).

## **G11. Joint Ventures**

### **The Coventry and Solihull Waste Disposal Company Limited**

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

The Council (as reporting authority) does not have any capital commitments in relation to its interest in CSWDC. The company has declared capital commitments of £0.895 million as at 31 March 2025 (2023/24: £0.957 million).

## G12. Defined Benefit Pension Schemes

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

### Solihull Community Housing Limited (SCH)

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

### Group Comprehensive Income and Expenditure Statement

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

2023/24		2024/25
£'000		£'000
	<i>Cost of services comprising:</i>	
22,595	Current service cost	21,659
5	Past service cost, including curtailments	18
(1,789)	Effect of settlements	(2,343)
	<i>Financing and investment income and expenditure:</i>	
0	Interest on the effect of the asset ceiling	4,357
(751)	Net interest expense	(4,250)
20,060	<b>Sub-total: post-employment benefit charged to (surplus)/deficit on the provision of services</b>	19,441
	<i>Other post-employment benefits charged to Other Comprehensive Income and Expenditure:</i>	
	Remeasurement of the net defined benefit liability comprising:	
(26,487)	Return on assets excluding amounts included in net interest	32,401
29,267	Other experience	(7,251)
(5,459)	Actuarial (gains)/losses arising on changes in demographic assumptions	(1,558)
(51,374)	Actuarial (gains)/losses arising on changes in financial assumptions	(136,719)
113,124	Adjustment to meet the requirements of IFRIC14 <sup>1</sup>	110,317
59,071	<b>Sub-total: post-employment benefits charged to other comprehensive income and expenditure</b>	(2,810)
79,131	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	16,631

<sup>1</sup> Both the Council and SCH's funded obligations remained in a net asset position at the end of 2024/25, however in line with International Financial Reporting Interpretations Committee guidance (IFRIC14), asset ceiling calculations have been applied which have reduced the Council's net funded pension liability to nil and SCH's net funded pension liability to £3.528 million.

## Pensions Liabilities Recognised in the Balance Sheet

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

2023/24		2024/25
£'000		£'000
(877,918)	Present value of funded obligations	(764,612)
(13,058)	Present value of unfunded obligations	(12,872)
987,409	Fair value of fund assets	975,361
(113,124)	Adjustment to meet the requirements of IFRIC14	(227,798)
(16,691)	<b>Net pensions liability</b>	<b>(29,921)</b>

The net liability position of the group reported above of £16.400 million comprises the Council's net liability position of £26.393 million and Solihull Community Housing Limited's net liability position of £3.528 million. See Note 34 for further information on the Council's net liability position.

## Reconciliation of the present value of the defined benefit obligation

2023/24		2024/25
£'000		£'000
(872,806)	Present value of funded obligations	(877,918)
(12,577)	Present value of unfunded obligations	(13,058)
(885,383)	<b>Opening balance at 1 April</b>	<b>(890,976)</b>
(22,595)	Current service cost (including administration cost)	(21,659)
(5)	Past service cost, including curtailments	(18)
4,579	Effect of settlements	6,454
(41,851)	Interest cost	(42,940)
(6,824)	Participants' contributions	(7,332)
32,284	Benefits paid	32,136
1,253	Unfunded benefits paid	1,323
51,374	Changes in financial assumptions	136,719
5,459	Changes in demographic assumptions	1,558
(29,267)	Other experience	7,251
(890,976)	<b>Closing balance at 31 March</b>	<b>(777,484)</b>
(877,918)	Closing present value of funded obligations	(764,612)
(13,058)	Closing present value of unfunded obligations	(12,872)
(890,976)	<b>Closing balance at 31 March</b>	<b>(777,484)</b>

## Reconciliation of the fair value of the Fund assets

2023/24		2024/25
£'000		£'000
875,921	Opening value of fund assets at 1 April	987,409
(2,790)	Effect of settlements	(4,111)
42,602	Interest income	47,190
6,824	Participants' contributions	7,332
26,049	Employer contributions including unfunded for current year	2,078
44,600	Employer contributions including unfunded for future years	0
(32,284)	Benefits paid	(32,136)
(1,253)	Unfunded benefits paid	(1,323)
1,253	Contributions in respect of unfunded benefits paid	1,323
0	Other experience	0
26,487	Return on assets excluding amounts included in net interest	(32,401)
987,409	<b>Closing value of fund assets at 31 March</b>	<b>975,361</b>

## Analysis of the scheme assets at the reporting date

31 March 2024			31 March 2025	
Percentage share	Total assets		Percentage share	Total assets
%	£'000		%	£'000
29	288,186	Debt Securities	39	387,447
8	74,825	Private Equity	6	60,568
7	66,497	Real Estate	7	66,102
51	505,850	Investment Funds and Unit Trusts	42	411,691
5	52,051	Cash and Cash Equivalents	6	49,553
100	987,409	<b>Total Assets</b>	100	<b>975,361</b>

## The sensitivity of the overall pension liability to changes

Impact on the Defined Benefit Obligation in the Scheme		
Change in assumptions at 31 March 2025:		Approximate increase to Defined Benefit Obligation
		£'000
0.1% decrease in real discount rate		(13,518)
1 year increase in member life expectancy		(31,099)
0.1% increase in the salary increase rate		(626)
0.1% increase in the pension increase/revaluation rate (CPI)		(13,266)

## Supplementary Statements

### Housing Revenue Account

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

### HRA Income and Expenditure Statement

2023/24		2024/25
£'000		£'000
<b>Expenditure</b>		
12,957	Repairs and maintenance	13,617
12,992	Supervision and management	13,697
2,275	Rents, rates, taxes and other charges	2,413
11,146	Depreciation and amortisation	11,727
68	Debt management costs	71
447	Movement in the impairment allowance for bad debts	762
<b>39,885</b>	<b>Total Expenditure</b>	<b>42,287</b>
<b>Income</b>		
(45,733)	Dwelling rents	(49,455)
(1,188)	Non-dwelling rents	(1,245)
(2,923)	Charges for services and facilities	(3,801)
<b>(49,844)</b>	<b>Total Income</b>	<b>(54,501)</b>
<b>(9,959)</b>	<b>Net income from HRA services as included in the CI&amp;ES</b>	<b>(12,214)</b>
166	HRA services' share of corporate and democratic core	172
<b>(9,793)</b>	<b>Net income for HRA services</b>	<b>(12,042)</b>
<b>HRA share of the operating income and expenditure included in the CI&amp;ES:</b>		
(410)	(Gain)/loss on sale of HRA non-current assets	(1,034)
6,917	Interest payable and similar charges	7,159
(512)	Interest and investment income	(518)
(13)	Income, expenditure and changes in fair value of investment properties	(13)
(3,313)	Capital grants and contributions receivable	(3,023)
<b>(7,124)</b>	<b>Surplus for the year on HRA services</b>	<b>(9,471)</b>

### Movement on the HRA Statement

2023/24		2024/25
£'000		£'000
(9,645)	Balance on the HRA at 1 April	(9,289)
(7,124)	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement	(9,471)
7,480	Adjustments between accounting basis and funding basis under statute (Note 13)	8,350
356	<b>(Increase)/ decrease in year on the HRA</b>	<b>(1,121)</b>
<b>(9,289)</b>	<b>Balance on the HRA at 31 March</b>	<b>(10,410)</b>

## Disclosure notes – notes supporting the Housing Revenue Account

### H1. Housing Stock

On 31 March 2025 the Council held 9,806 dwellings. There was a net increase of 9 dwellings during the year (36 sales, 25 new builds and 20 acquisitions) compared to a decrease of 51 dwellings in 2023/24.

31 March 2024		31 March 2025
3,126	Houses	3,141
4,856	Flats	4,843
1,762	Bungalows	1,762
53	Maisonettes	60
9,797	<b>Total</b>	<b>9,806</b>

### H2. Balance Sheet Value

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

31 March 2024		31 March 2025
£'000		£'000
490,240	Dwellings	511,008
20,555	Garages	22,054
510,795	<b>Sub-total: Council Dwellings</b>	<b>533,062</b>
2,742	Other Land and Buildings	3,179
849	Vehicles, Plant and Equipment	539
404	Assets Under Construction	414
1,988	Investment Property	1,988
293	Intangible Assets	635
517,071	<b>Total Balance Sheet value</b>	<b>539,817</b>

### H3. Vacant Possession Value of Dwellings

As at 1 April 2025 the vacant possession value of dwellings within the Council's HRA was £1.257 billion, valued in accordance with the Guidance on Stock Valuation for Resource Accounting (£1.206 billion as at 1 April 2024). The difference between this figure and the £511.008 million valuation in the Balance Sheet shows the economic cost of providing council housing at less than market rents.

#### H4. Capital Financing

31 March 2024		31 March 2025
£'000		£'000
<b>Expenditure on Capital during the year</b>		
17,807	Council Dwellings	23,375
0	Other Land and Buildings	0
111	Vehicles, Plant and Equipment	47
75	Intangible Assets	439
95	Assets Under Construction	10
18,088	<b>Total</b>	23,871
<b>Funded by:</b>		
(1,679)	Usable Capital Receipts	(1,812)
(1,886)	Prudential Borrowing	(2,751)
(1,256)	Capital Grants and Contributions	(4,644)
(242)	Revenue and Reserve Contributions	(3,187)
(13,025)	Major Repairs Reserve	(11,477)
(18,088)	<b>Total</b>	(23,871)

#### H5. Capital Receipts

31 March 2024		31 March 2025
£'000		£'000
(1,983)	Sale of council dwellings	(2,711)
38	Administration costs	40
(1,945)	<b>Total</b>	(2,671)

#### H6. HRA Depreciation and Amortisation

31 March 2024		31 March 2025
£'000		£'000
9,842	Dwellings	10,430
729	Garages	786
56	Other Land and Buildings	57
395	Equipment	357
124	Intangible Assets (amortisation)	97
11,146	<b>Total depreciation and amortisation</b>	11,727

#### H7. Rent Arrears

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

At 31 March 2024		At 31 March 2025
2,383	Total Rent Arrears (£'000)	2,339
4.84	% of total income due in year	4.29

## H8. Other HRA Arrears

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

31 March 2024		31 March 2025
1,846	Total Other Arrears (£'000)	2,085
3.75	% of total income due in year	3.83

## H9. Housing Debt Impairment Allowance

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

31 March 2024		31 March 2025
£'000		£'000
(3,516)	Balance at 1 April	(3,427)
(21)	Arrears reinstated	(4)
557	Contribution to impairment allowance	704
(447)	Net write offs	(762)
(3,427)	<b>Balance at 31 March</b>	<b>(3,489)</b>

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities of council tax and business rates.

### Collection Fund Income and Expenditure Statement

2023/24			2024/25		
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
£'000	£'000	£'000	£'000	£'000	£'000
<b>Amounts required by statute to be credited to the Collection Fund</b>					
(151,383)	(106,115)	(257,498)	Income receivable (net of exemptions and reliefs)	(161,137)	(125,623)
0	(3,827)	(3,827)	Transitional protection payments/(receipts)	0	(1,161)
<b>Contributions towards previous year's estimated Collection Fund deficit</b>					
(408)	7,189	6,781	Solihull MBC	0	(4,669)
(18)	73	55	West Midlands Fire and Rescue Authority	0	(47)
(46)	0	(46)	West Midlands Police and Crime Commissioner	0	0
(151,855)	(102,680)	(254,535)	<b>Total amounts required by statute to be credited to the Collection Fund</b>	(161,137)	(131,500)
<b>Amounts required by statute to be debited to the Collection Fund</b>					
			<b>Precepts, demands and shares</b>		
127,680	119,409	247,089	Solihull MBC	134,872	126,939
16,035	0	16,035	West Midlands Police and Crime Commissioner	17,167	0
5,780	1,206	6,986	West Midlands Fire and Rescue Authority	5,989	1,282
			<b>Charges to the Collection Fund</b>		0
905	852	1,757	Increase/(reduction) in allowance for impairment of debts	2,001	934
0	(3,138)	(3,138)	Increase/(reduction) in business rates appeals provision	0	1,760
0	0	0	Interest paid on refunds to business ratepayers	0	248
0	246	246	Charge for allowable collection costs for business rates	0	243
<b>Contributions towards previous year's estimated Collection Fund surplus</b>					
1,612	0	1,612	Solihull MBC	931	0

2023/24				2024/25		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
71	0	71	West Midlands Fire and Rescue Authority	42	0	42
197	0	197	West Midlands Police and Crime Commissioner	117	0	117
152,280	118,575	270,855	<b>Total amounts required by statute to be debited to the Collection Fund</b>	161,119	131,406	292,525
425	15,895	16,320	<b>Movement on the Collection Fund balance<sup>1</sup></b>	(18)	(94)	(112)
(1,209)	(6,492)	(7,701)	Opening balance at 1 April	(784)	9,403	8,619
(784)	9,403	8,619	<b>Closing Balance at 31 March</b>	(802)	9,309	8,507

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

## Disclosure notes – notes supporting the Collection Fund

### C1. Council Tax

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

The council tax base, which represents the number of domestic properties in the borough expressed as equivalent to Band D properties, can be broken down as follows for 2024/25:

Dwellings as Band D equivalents 2023/24	Band	Number of dwellings on Valuation List	Dwellings for council tax purposes	Multiplier	Dwellings as Band D equivalents 2024/25
5,802	A	14,558	8,672	6/9	<b>5,781</b>
6,717	B	12,430	8,680	7/9	<b>6,751</b>
16,851	C	23,252	19,045	8/9	<b>16,929</b>
15,291	D	17,653	15,446	9/9	<b>15,446</b>
13,342	E	12,080	10,922	11/9	<b>13,350</b>
12,352	F	9,219	8,613	13/9	<b>12,441</b>
8,957	G	5,767	5,441	15/9	<b>9,067</b>
809	H	462	418	18/9	<b>836</b>
80,121	Total Band D equivalents (tax base)				<b>80,601</b>
(953)	Adjustment for collection rate of 98.81%				<b>(959)</b>
<b>79,168</b>	<b>Net tax base (Band D equivalents)</b>				<b>79,642</b>

The level of council tax paid by a Band D property is calculated by dividing the total amount that the Council needs to raise from council tax by the tax base and assuming a 98.81% collection rate. This is converted to the amount payable by properties in other bands by applying the multiplier given in the table above. In 2024/25, the average Band D council tax including police, fire and parish precepts was £1,984.23 (2023/24: £1,888.34).

The actual gross income in 2024/25 was £161.137 million, which in council tax base terms would be 81,209. The effect of this higher than anticipated tax base, partly offset by a higher than anticipated impairment allowance, was a council tax surplus in the year of £1.108 million (2023/24: £0.982 million surplus), as shown in the following table:

2023/24		2024/25
£'000		£'000
151,296	Anticipated gross income from council tax ( <i>from multiplying the gross tax base by the average council tax</i> )	<b>159,931</b>
(151,383)	Actual gross income	<b>(161,137)</b>
(87)	<b>(Surplus)/deficit for the year before allowance for impairment</b>	<b>(1,206)</b>
(1,799)	Anticipated allowance for impairment ( <i>from multiplying the adjustment for collection rate by the average council tax</i> )	<b>(1,904)</b>
904	Actual allowance for impairment of debts	<b>2,002</b>
(895)	<b>(Surplus)/deficit for the year in relation to the allowance for impairment</b>	<b>98</b>
(982)	<b>(Surplus)/deficit for the year</b>	<b>(1,108)</b>

## C2. Business Rates

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

The Valuation Office Agency sets the rateable value of each property and periodically undertakes a national revaluation exercise, the most recent of which resulted in a new valuation list which took effect from April 2023. The total rateable value for properties in Solihull was £281 million at 31 March 2025 (£278 million at 31 March 2024). The standard business rates multiplier for 2024/25 was 54.6 pence (51.2 pence in 2023/24) and the Small Business Rate Relief multiplier for 2024/25 and 2023/24 was 49.9 pence.

The table below compares the gross rates payable (based on the rateable value and applicable multiplier) to the net business rates income receivable as shown in the Collection Fund Income and Expenditure Statement.

2023/24		2024/25		
Total		Small business rates multiplier	Standard business rates multiplier	Total
£'000		£'000	£'000	£'000
(124,622)	Gross Rates Payable <i>(from multiplying the total rateable value as at 31 March by the applicable multiplier)</i>	(28,106)	(120,701)	(148,807)
18,441	West Midlands Fire and Rescue Authority	11,707	11,477	23,184
(106,181)	<b>Balance at 31 March</b>	(16,399)	(109,224)	(125,623)

## C3. Analysis of the movement on Collection Fund balance

2023/24		2024/25		
Total		Council Tax	Business Rates	Total
£'000		£'000	£'000	£'000
(7,701)	<b>Balance at 1 April</b>	(784)	9,403	8,619
8,670	Declared surplus/(deficit) distributed in-year	1,090	(4,716)	(3,626)
	<b>In-year (surplus)/deficit for year:</b>			
7,707	Solihull MBC	(942)	4,577	3,635
48	West Midlands Fire and Rescue Authority	(44)	45	1
(105)	West Midlands Police and Crime Commissioner	(122)	0	(122)
8,619	<b>Balance at 31 March</b>	(802)	9,309	8,507

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

Council tax income credited to the CIES of £135.814 million comprises the Council's precept of £134.872 million plus the Council's share of the in-year surplus of £0.942 million shown in note C3.

Business rates income credited to the CIES of £45.555 million comprises the Council's share of budgeted business rates income of £126.939 million less the Council's share of the in-year deficit of (£4.577 million) shown in note C3, less the share of growth paid to the West Midlands Combined Authority of £1.350 million and the tariff payment paid to the government of £75.457 million.

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

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# Glossary and Contact Details

## Academy

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

## Accounting Standards

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

## Accruals

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

## Agent Transactions

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

## Actuarial Assumptions

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

## Amortisation

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

## Asset

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

## Assets Held for Sale

Assets which the Council intends to sell, and which are likely to be disposed of within the next 12 months.

## Budget

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

## Business Rates

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

## Capital Adjustment Account

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

## Capitalisation Direction

A government-issued direction allowing the Council to treat revenue costs as capital expenditure, so they can be funded from borrowing or from capital receipts.

## Capital Programme

The plan of approved spending on non-current assets.

## Capital Receipts

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

## Carrying Value

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

## CIPFA

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

## Collection Fund

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

## Contingent Assets

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

## Contingent Liabilities

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

## Community Assets

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

**Core Council**

This term refers to those of the Council's services which are funded from business rates and council tax income, i.e. excluding the HRA and services funded from the DSG.

**Council Tax**

A tax paid by residents of the borough to the Council, based on the value of their property, to be spent on local services.

**Creditors**

People or organisations that the Council owes money to at the end of the financial year.

**Debtors**

People or organisations who owe the Council money at the end of the financial year.

**Dedicated Schools Grant (DSG)**

Schools are funded separately from other Council services through the DSG, which is received directly from the government and paid over to schools.

**Deficit**

This occurs when spending exceeds income (opposite of surplus).

**Depreciation**

The measure of the wear and tear, consumption or other reduction in the useful economic life of a non-current asset.

**Earmarked Reserves**

Money set aside for a specific purpose in a future year.

**Exceptional Financial Support**

A form of temporary financial assistance provided by the government to local authorities that are facing severe financial challenges. Such support is typically provided in the form of Capitalisation Directions (see above).

**Expected Credit Loss**

This is a provision for a potential under-recovery of expected future cash receipts.

**Fair Value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Year**

The Council's financial year runs from 1 April to the following 31 March.

**General Fund**

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

**Impairment Allowance**

The Council sets aside an amount in an impairment allowance for debts it believes may not be repaid.

**Impairment of Asset**

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

**Infrastructure assets**

Assets held by the Council such as highways and footpaths.

**Intangible Assets**

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

**Inventories**

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

**Investment Properties**

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

**Housing Revenue Account (HRA)**

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

**Lease**

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

**Levy**

A payment made by the Council for another local service, for example, local transport and the Environment Agency.

**Liability**

Money the Council will have to pay to other people or organisations in the future.

**LOBO**

Lender's Option Borrower's Option. A form of loan, where the lender can change certain conditions of the loan, such as the dates and the interest rate. If this occurs the borrower, then has the option of either continuing with the loan or redeeming it in full without a penalty.

**Long-term Borrowing**

Debts which are not due within the forthcoming financial year.

**Major Repairs Reserve**

A reserve to pay for large scale repairs to Council housing.

**Materiality**

An item is material if its inclusion in the financial statements would influence or change the judgment of a reasonable person. If the information would have no impact on the decision-maker, it is deemed not material.

**Net Asset Value**

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

**Net Book Value (NBV)**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or fair value, less the cumulative amount provided for depreciation.

**Net Spending**

The amount spent on a service after taking into account income that a service has received.

**Non-current Assets**

An asset which is not easily converted into cash or expected to become cash within the next year.

**Non-operational Assets**

This is an asset held by the Council over a number of years but not actively used by a service within the Council. An example of this would be investment properties (see also Operational Assets).

**Operational Assets**

This is an asset held by the Council over a number of years and actively used in the provision of services, such as office buildings or vehicles (see also Non-operational Assets).

**Outturn**

The final position in terms of expenditure incurred or income receivable for a financial year.

**Payments in Advance**

Payments made in the current financial year for goods and services to be received in the following financial year.

**Precept**

Council tax income collected by the Council on behalf of other local bodies, for example the Police and Crime Commissioner and Fire and Rescue Authority.

**Principal Transactions**

Principal transactions are those where the Council is acting in its own right and not on behalf of another body (see also Agent Transactions).

**Prior Period Adjustments**

Changes made to the previous year's accounts to show things that were not known about until after that year's accounts were produced.

**Private Finance Initiative (PFI)**

Government initiative under which the Council buys the service of a private sector supplier to design, build, finance and operate a public facility.

**Provisions**

Money set aside for a debt that is likely to arise in the future, for example insurance claims.

**Receipts in Advance**

Money received before the end of the financial year, which relates to the following financial year.

**Reserves**

Amounts put aside by the Council to provide for known future expenditure, e.g. replacement of an asset.

**Revaluation Reserve**

When the value of an asset owned by the Council changes, the increase or decrease in value is transferred to this reserve.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Spending on assets that have a lasting value but are not owned by the Council, e.g. disabled facilities grant expenditure.

**Revenue Spending**

Spending on the day-to-day running of services. This includes, for example, salaries or running expenses for the Council's buildings and equipment.

**Revenue Support Grant (RSG)**

The main government grant which helps support local authority services. Allocations of RSG are incorporated into the funding the Council receives through business rates under the West Midlands enhanced business rates retention arrangements.

**Right-of-Use Assets (ROU)**

A right of use asset represents a lessee's right to use an asset over the course of the agreed lease period.

**Ring-fenced**

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

**Specific Grants**

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

**Surplus**

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

**Surplus Assets**

Assets that are not being used to deliver services, but that do not meet the criteria to be classified as either investment properties or assets held for sale

**Usable Capital Receipts Reserve**

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

**Useful Life**

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

**Variance**

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

## Contact Details and Other Sources of Information

Enquiries or comments about this publication should be made to:

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**Solihull**  
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**Telephone: 0121 704 6855**

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

**Council Tax Leaflet 2025/26**  
**Medium Term Financial Strategy 2025/26 - 2027/28**

Paper copies are available on request. Electronic versions can be accessed from the Solihull Council website.

Further information about the finances of the Fire and Rescue Authority, Police and Crime Commissioner and West Midlands Combined Authority can be obtained from the following addresses:

**Chief Finance Officer**  
**West Midlands Office of the Police and Crime Commissioner**  
**Lloyd House**  
**Colmore Circus Queensway**  
**Birmingham**  
**B4 6NQ**  
[www.westmidlands-pcc.gov.uk](http://www.westmidlands-pcc.gov.uk)

**Interim Head of Finance and Procurement**  
**West Midlands Fire Service**  
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**Birmingham**  
**B7 4HW**  
[www.wmfs.net](http://www.wmfs.net)

**Executive Director of Finance & Business Hub**  
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