

Solihull Metropolitan Borough Council  
Draft Statement of Accounts 2025/26



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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

Around 221,000 people live in Solihull, in an estimated 91,000 households. Solihull remains 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 (77% in the most recent Residents' Perception Survey<sup>1</sup>). The 2025 - 2030 Council Plan reiterates Solihull's position as "a great place to live, work, invest and enjoy" and emphasises the borough's unique strengths and opportunities.

Solihull's population is expected to grow by 6.3% between 2024 and 2044, a slightly slower rate of increase than experienced since 2001 and lower than the average projected for both England (8.8%) and the West Midlands (8.2%).<sup>2</sup> Despite slowing, population growth inevitably puts 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 21% of the population (compared to 19% nationally) and is projected to grow by 15% over the period to 2044, compared to a projected increase of 7% in the number of working age adults and a forecast reduction of -7% in the number of children aged 0-15 years. The number of residents aged 85 and over, which is projected to increase by 49% (3,438 people) between 2024 and 2044, represents a particular challenge in terms of health and social care.<sup>3</sup>



The borough's advantages, such as its central location at the heart of the road and rail network, the relatively strong local economy and above average household income levels, can give the impression that some of the social challenges are less and are easier to tackle than in other parts of the country. However, the borough has a persistent prosperity gap which has proved difficult to close. National deprivation statistics suggest that despite being the least deprived upper tier authority in the West Midlands, Solihull is relatively polarised, with

<sup>1</sup> Solihull Metropolitan Borough Council, *Residents' Perception Survey 2026*

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

<sup>3</sup> Ibid

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>

Overall, Solihull households are relatively well placed to withstand cost-of-living pressures compared to the West Midlands and England averages, but resilience is uneven. Relatively high average incomes, employment rates and housing quality provide strong protection for many households, yet persistent vulnerability remains concentrated in North Solihull, where rising costs are more likely to translate into hardship, debt and reliance on crisis support. Furthermore, we are in a period of heightened global geopolitical uncertainty, creating particular risks around inflation and energy prices for households, businesses and the Council. The Council will continue to monitor the impact of cost-of-living pressures locally using a range of indicators and will work closely with partners across the public, voluntary, and community sectors to support those most in need.

### **Solihull: the Council**

The Council delivers over 1,200 statutory duties, alongside a range of discretionary services, through five directorates: Adult Social Care, Children's Services, Economy & Infrastructure, Public Health and Resources. The Council Plan 2025 - 2030 sets out seven ambitions for the borough, emphasising inclusive growth, climate change action, strong communities, improved outcomes for children and young people, and high quality services delivered in the right place and at the right time.

Strong working relationships with partners across the public, private and voluntary sectors remain a key asset. Collaboration with the West Midlands Combined Authority, local NHS partners, education providers, Solihull Community Housing and community groups continues to underpin the Council's strategic priorities. The Council remains committed to being *ambitious, adaptable, respectful and trustworthy*, embedding these values in service delivery and organisational culture.

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 was under Conservative control throughout 2025/26 but since May 2026 has been led by a minority Conservative administration, which holds 24 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 4,200 full time equivalent staff, around 45% of whom work in the borough's schools (excluding academies), 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.

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 2025*

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

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:



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 Council continues to design and deliver services within a tiered model, ensuring support is available to all residents while tailoring interventions to prevent needs from escalating:

- 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.

Early help and prevention remain central themes in the 2025 - 2030 Council Plan, which commits to “services that people need in the right place at the right time”. 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.

Children’s services continue to be the highest organisational priority, with ongoing progress in delivering the improvement journey and strengthening early intervention pathways. This remains aligned with the Council Plan ambition that “children and young people have the best possible outcomes”. Partnerships with health, education, police and community organisations continue to support a whole system approach to safeguarding, wellbeing and inclusion. The Council’s efforts in this direction were recognised in January 2026 when Ofsted judged children’s services to be “Good”, for the first time in the authority’s history. With all improvement conditions successfully met, Sir Alan Wood concluded his role as Children’s Commissioner for Solihull at the end of April 2026, and government intervention in our children’s services officially ceased.

For the first time under the new external inspection regime, the Council’s adult social care services were also inspected by the Care Quality Commission during 2025/26. The outcome was a rating of “Good”, with an 84% score placing the Council among the top-performing local authorities. Inspectors praised the Council’s strong leadership, effective support for carers and collaborative approach.

## **Review of the year**

Although the response to pressures and challenges in children's services has remained a dominant theme over the course of the year, we have maintained our focus on the seven ambitions set out in the Council Plan. Progress against some of the key milestones for the year is highlighted below.

### ***The right conditions for everyone to thrive***

Investment in prevention and community support continued to improve outcomes for residents:

- The new Healthy Active Lives service went live, with an enhanced digital offer and targeted face-to-face support for priority groups.
- 40 people were supported into work through the Connect to Work programme, and 14 young people secured Youth Trailblazer placements.
- An operational group was established to respond to community safety issues in Smiths Wood.

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### ***Services that people need in the right place at the right time***

Service reviews progressed to inform future delivery models:

- A review of customer and library services remained on track, with consultation on future service delivery options planned.
- Pre-market engagement for the AI Programme was completed and a procurement timetable agreed.

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### ***Children and young people have the best possible outcomes***

Performance remained strong, with additional capacity developed to meet demand:

- Around 69% of practice audits since October 2025 were rated good or outstanding.
- A placement sufficiency strategy is now in place.
- Two children's homes are now registered and operational, with registration of a third awaited.
- Nine additional fostering households were approved.

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### ***Adults are supported to maximise wellbeing and independence***

Core adult social care services continued to perform well:

- A new Carers' Service contract commenced in December 2025 and is performing positively.
- Solihull Independent Living Services is live, supporting residents to remain independent in their own homes.
- The Care Quality Commission rated our adult social care services as "Good" overall, with six domains rated good and three outstanding.

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### ***A vibrant economy with increased access to opportunities***

Major regeneration programmes progressed from planning into delivery stages:

- Good progress was made on the Mell Square redevelopment, with a start on site planned for June 2026.
- Kingshurst Village Centre regeneration continued, with design and costing work underway for Phase 2.
- £50 million of external funding was ringfenced by the WMCA for the Arden Cross delivery programme and revised masterplan.

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### ***Opportunities and fairer outcomes by acting on climate change***

Delivery activity accelerated across energy efficiency and air quality:

- Testing and commissioning of a new low-carbon energy network continued, with customers forecast to be supplied by early summer 2026.
- Warm Homes funding supported over 50 retrofit assessments, with 100 homes progressing towards delivery.
- The WMCA Clean Air website went live, providing air quality alerts and forecasts using the largest sensor network outside London.

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### ***An attractive and aspirational place***

Progress was made with strategic planning and environmental improvements:

- The Local Plan issues and options consultation was completed and a draft plan is being prepared for submission by the end of 2026.
- The target of 25,000 trees planted was achieved.
- A refreshed Homelessness and Rough Sleeping Action Plan was approved, incorporating actions on temporary accommodation to streamline the Council's response.
- WMCA funding was secured to support preparations for new private sector housing legislation.

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 continues to operate in a challenging financial environment, characterised by rising demand for services, inflationary pressures and constrained national funding. Against this backdrop, maintaining financial stability while continuing to deliver the Council Plan priorities remains a key focus.

Our budget for 2025/26 was £202.588 million, funded from retained business rates of £60.098 million and council tax income of £142.490 million. Solihull increased its element of the council tax charge by 4.99% in 2025/26. Council tax income continues to be the most significant funding source for the authority, reflecting the proportion of higher-banded homes in the borough. The 2025/26 budget represented an increase of £2.684 million compared to the 2024/25 budget, as summarised in the chart below.



For 2025/26, the Council maintained its cash-limited approach to budgeting, with strong in-year financial management and clear accountability arrangements in place. Cabinet Members and Corporate Directors were responsible for ensuring that services were delivered within approved budgets, supported by a strengthened framework for financial monitoring and reporting.

These arrangements, and in particular the maintenance of tight spending controls introduced in 2024/25, enabled the Council to manage significant in-year pressures, particularly within children’s services, while continuing to invest in priority areas. Short-term balance has been supported by a combination of one-off measures, including the permitted capitalisation of revenue costs under Exceptional Financial Support (EFS) arrangements approved by government in principle in February 2025.

### 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

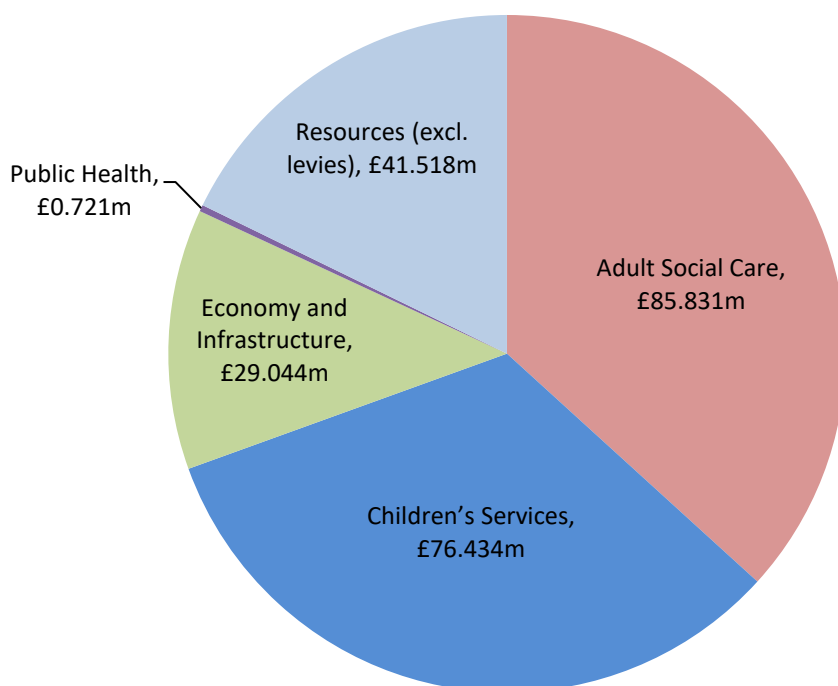
focused on the additional investment made in children’s services and on the in-year pressures on business rates income, which together have affected the Council’s sustainability and depleted reserve balances in recent years. Without such support, there was a high risk that the Council would have had to issue a section 114 notice (a formal report indicating that the authority cannot balance its budget and legally preventing further expenditure beyond essential services and existing contracts).

As outlined above, the Council received a capitalisation direction for 2025/26 under sections 16(b) and 20 of the Local Government Act 2003, which allows the Council to treat £32.658 million of expenditure incurred in 2025/26 as capital spend. As well as mitigating the ongoing impact of historic pressures relating to children’s services and business rates shortfalls, this support enabled the creation of a fund to support the delivery of the Council’s the transformation programme.

The use of EFS can be seen in the accounts in Note 13 to the Movement in Reserves Statement, as an adjustment to revenue resources. EFS has allowed the replenishment of corporate reserves to be used to support the 2026/27 budget as outlined in the MTFs.

**Financial performance – revenue outturn**

The budget for expenditure on council services, excluding the Dedicated Schools Grant (DSG), totalled £202.588 million. As reported to Cabinet on 25 June 2026, the revenue outturn position for core council budgets, after the capitalisation of costs under the Exceptional Financial Support (EFS) framework and grants carried forward, totalled £192.949 million, representing a favourable variance of (£9.639 million). Of this total, (£40.599 million) relates to corporate budgets (including levies), with the adjusted net spend of £233.548 million shown in the chart below by directorate.



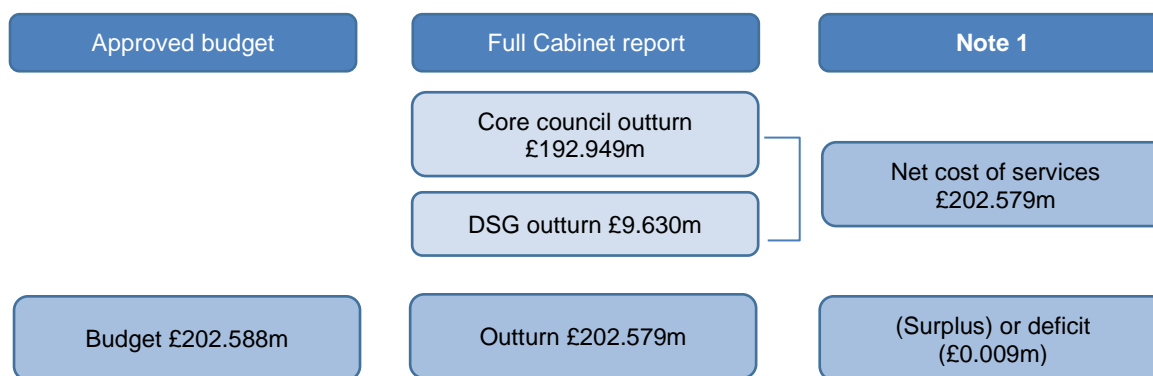
Requests for carry forwards of £2.371 million were approved by Cabinet in June, increasing core council expenditure from £192.949 million to £195.320 million and resulting in a net favourable variance of £7.268 million, which Cabinet agreed to contribute to the consolidated risk reserve.

The Council also reported an in-year adverse variance on the DSG of £9.630 million which, added to a cumulative deficit of £28.068 million carried forward from previous years, results in a total DSG adverse variance of £37.698 million. 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 statutory override which permits local authorities to carry forward the DSG deficit in this way has been extended to March 2028, after which date the government will take on responsibility for future SEND funding pressures centrally. The government has also pledged to effectively write off 90% of historic SEND deficits accumulated up to the end of March 2026, which will be achieved through a “High Needs Stability Grant” payable in autumn 2026. The remaining 10% of the deficit, together with any spend deemed ineligible for grant funding, will remain the responsibility of the local authority and this will be addressed as part of the 2027/28 budget process. This position represents a welcome resolution to the long-standing risk the historic deficit has presented to the Council’s financial sustainability.

Note 1 to the Statement of Accounts provides a breakdown of the total income and expenditure by directorate and 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 favourable variance of £0.009 million (2024/25: £5.667 million adverse variance).



Across the directorates, in-year pressures were managed through ongoing and one-off resources. The maintenance 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.

### 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 2025/26, including the Housing Revenue Account (HRA), was £51.929 million (2024/25: £59.777 million) compared with a revised budget of £64.585 million, giving a net favourable variance in-year of £12.656 million (2024/25: (£9.757 million)). After taking into account released funding, rephasing of £12.556 million will be added into the capital programme for 2026/27.

The capital expenditure associated with EFS 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 is being made from 2025/26, in line with the Council’s MRP policy, over an asset life of 20 years.

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 £9.280 million (2024/25: £2.823 million). These included HRA right to buy properties totalling £6.633 million (2024/25: £2.710 million).

### **Academisation**

During 2025/26, three schools converted to academy status. The school buildings have been transferred to the academies and therefore accounted for as disposals in the Council's accounts, with a resulting loss on disposal recorded in the CI&ES of £16.422 million. The associated land has been revalued resulting in a reduction in value of £4.674 million.

The Council is currently expecting nine schools to convert to academy status in 2026/27. The subsequent transfer of school buildings is expected to result in a loss on disposal in the CI&ES of £69.312 million in 2026/27, and the associated land will be revalued resulting in a revaluation loss of £16.894 million.

### **Pension liabilities**

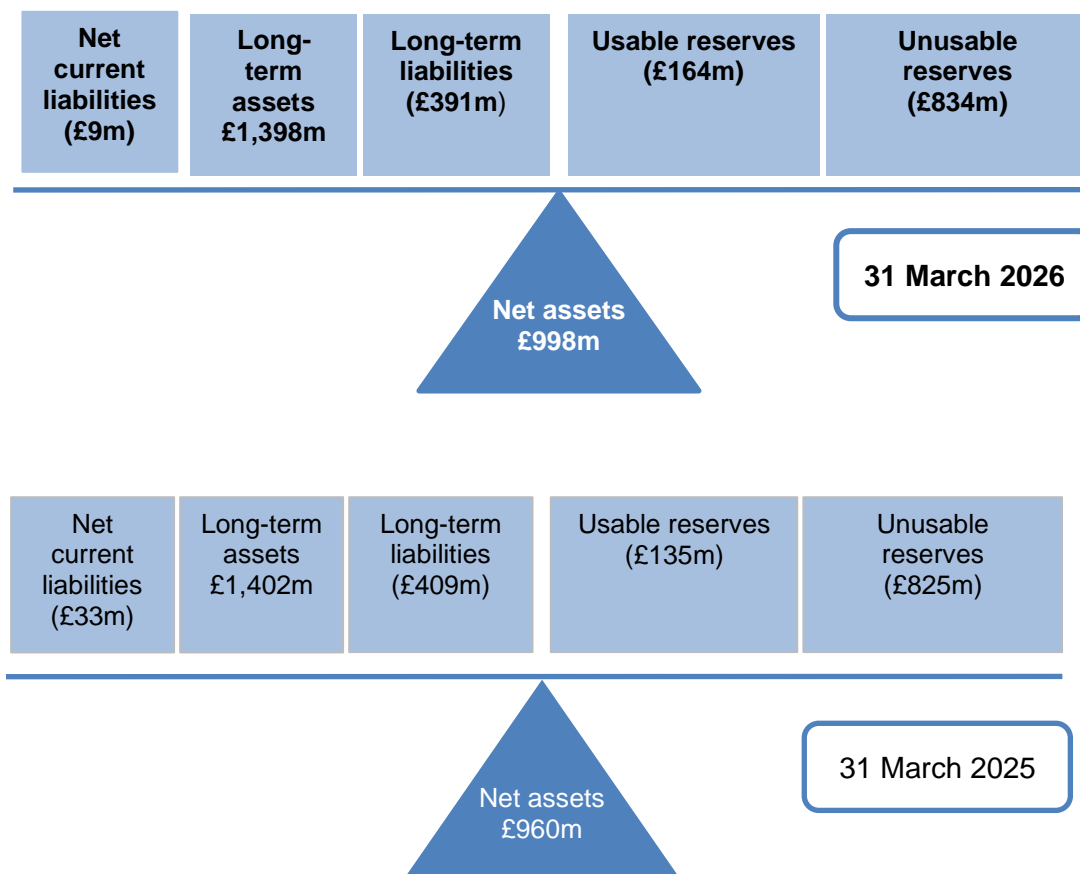
The Council's net pension obligation is calculated by qualified actuaries. This year, the initial valuation was a net asset position for the funded pension scheme of £199.906 million. However, the application of an asset ceiling calculation produced by the actuaries on the Council's behalf has reduced 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.

### **Net assets**

The Council's net assets increased by £38 million during the year. Key movements in net assets include:

- A reduction in the value of Property, Plant and Equipment of (£14 million) (as detailed in Note 16)
- An increase in Long-Term Investments of £9 million
- An increase in Cash and Cash Equivalents of £15 million and a reduction in Bank Overdraft of £6 million
- An increase in Long-Term Borrowing of (£5 million)
- A reduction in Net Pensions Liability of £16 million
- A reduction in Other Long-Term Liabilities of £5 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 below.



### Cash flows

The Cash Flow Statement shows how the movement in resources has been reflected in cash flows. During 2025/26, net cash and cash equivalents increased by £21.105 million, from (£12.750 million) to £8.355 million). This reflects the cash flow impact of the unwinding of the upfront pension contribution made in April 2023 in respect of the years from 2023/24 to 2025/26.

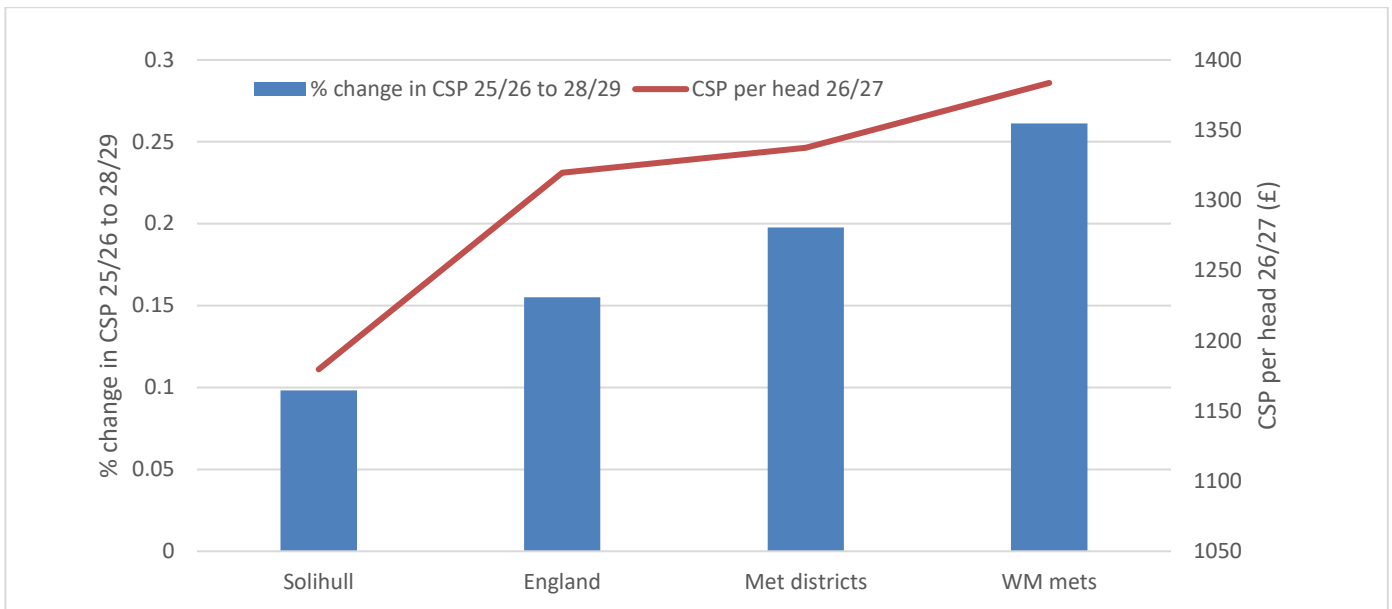
## Strategy and Resource Allocation

### Medium Term Financial Strategy

The new Council Plan for 2025 to 2030 sets out seven ambitions which shape the Council’s service model and underpin the MTFS.

The Council Plan sets out the long-term vision and priorities for Solihull, while the Medium Term Financial Strategy (MTFS) 2026/27 to 2028/29 provides the financial framework within which those priorities will be delivered. Together, these documents guide decision-making, resource allocation and investment over the medium term.

The new financial settlement for local government, published in December 2025, is challenging for Solihull. The headline increase in the Council’s core spending power (CSP) (9.8% between 2025/26 and 2028/29) is driven largely by council tax income and masks an underlying reduction in government funding of (2.8%). CSP increases and per head levels are below national and regional averages, as illustrated in the chart below.



The final settlement fell short of the projections assumed in the MTFS for 2025/26, as illustrated in the chart below:



Without any additional resources for local government, there were always going to be winners and losers from the new national funding methodology. The government’s decision to extend the 2025/26 recovery grant (which Solihull was one of just three metropolitan districts not to receive) for three more years further reduced the funding available for distribution through the new formula. However, a particular challenge for Solihull arises from the way the new funding formula assumes that all councils can raise council tax at the national average level.

As Solihull’s council tax charge is lower than the national average, the funding system deducts an assumed level of council tax income that exceeds the amount the Council is actually able to collect, creating an inherent funding gap when compared with otherwise similar authorities. This structural feature of the funding system places ongoing pressure on the Council’s finances and underpins advice from the Section 151 Officer that additional council tax flexibilities may be required in future years to maintain financial sustainability alongside the delivery of further recurring savings.

That said, the Council was able to set a balanced budget for 2026/27 without the need for a further EFS application, supported by robust financial controls, prudent assumptions and targeted use of reserves. The MTFS approved for 2026/27 included new savings for the year of £15.870 million, in addition to savings approved in the 2025/26 budget, as shown in the table below.

	2026/27	2027/28	2028/29
	£'000	£'000	£'000
Savings previously approved in 2025/26 budget	(12,230)	(14,493)	(12,318)
New savings approved in 2026/27 budget	(15,870)	(9,222)	(14,674)
<b>Total</b>	<b>(28,100)</b>	<b>(23,715)</b>	<b>(26,992)</b>

However, despite the identification of substantial savings and mitigations during the 2026/27 budget process, the scale of the medium-term challenge is significant, with a funding gap of £18.664 million for 2027/28, rising to £22.289 million in 2028/29.

The Council's response is a strengthened, council-wide corporate transformation programme focused on delivering recurring savings, improving productivity, managing demand and maximising income. This programme is overseen through robust governance arrangements, including the Corporate Transformation Programme Board and the Corporate Delivery Board, and is supported by enhanced financial controls and performance monitoring. In addition, further applications for EFS and a request for increased council tax flexibility have not been ruled out. The published MTFS reflects the opinion of the Director of Resources, as Section 151 officer, that should it not be possible to close the gap through net cost reductions alone, the Council may need to consider seeking approval to increase council tax above the referendum thresholds in both 2027/28 and 2028/29, reducing the funding gaps to £11.183 million and £6.140 million respectively.

### **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. The government's pledge to support up to 90% of historical DSG deficits will give greater flexibility to the Council in terms of its under-borrowing and overall treasury position, although the level of benefit derived from this will depend on the exact amount of support received and its timing.

## Looking Ahead: Risks and Opportunities

The Council faces a complex set of risks over the medium term, including rising demand for statutory services, workforce pressures, volatility arising from political change and uncertainty around future inflation and economic growth given geopolitical tensions. These risks are compounded by the structural funding gap identified in the MTF5.

At the same time, there are opportunities to strengthen the Council's long-term sustainability. The delivery of the Council Plan priorities through earlier intervention, prevention and service redesign, alongside digital transformation and more effective use of assets, has the potential to both improve outcomes for residents and reduce cost pressures over time.

The Council will continue to monitor risks closely, update its financial and strategic plans as required, and ensure that Members receive regular assurance on progress. Maintaining transparency, realism and strong governance will remain central to sustaining services and delivering long-term financial resilience.

### 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 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 sustained pressures but we are starting to see positive effects, in terms of both caseload numbers and costs, of the significant investment in preventative services made in recent years.

### Economic Uncertainty

As set out by the Office for Budget Responsibility (OBR) in its Economic and Fiscal Outlook, published in March 2026, the fiscal context remains challenging, with UK public debt close to double the advanced economy average and borrowing persistently high. The OBR's central forecast shows continued near-term economic weakness, with real GDP growth easing to 1.1% in 2026 before recovering modestly, while productivity growth remains subdued and labour supply slows due to lower net migration and demographic pressures.<sup>6</sup> Inflation forecasts are particularly uncertain given tensions in the Middle East, which escalated as the OBR publication was being finalised, and ongoing volatility in international trade representing significant risks to the UK and global economies.

We are also conscious of the impact of increases in the cost-of-living in recent years and are mindful of the effect that further inflation shocks could have, particularly on residents in lower income households, and the impact this might have on demand for our services. The Council is working with partners to support residents across the following four 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

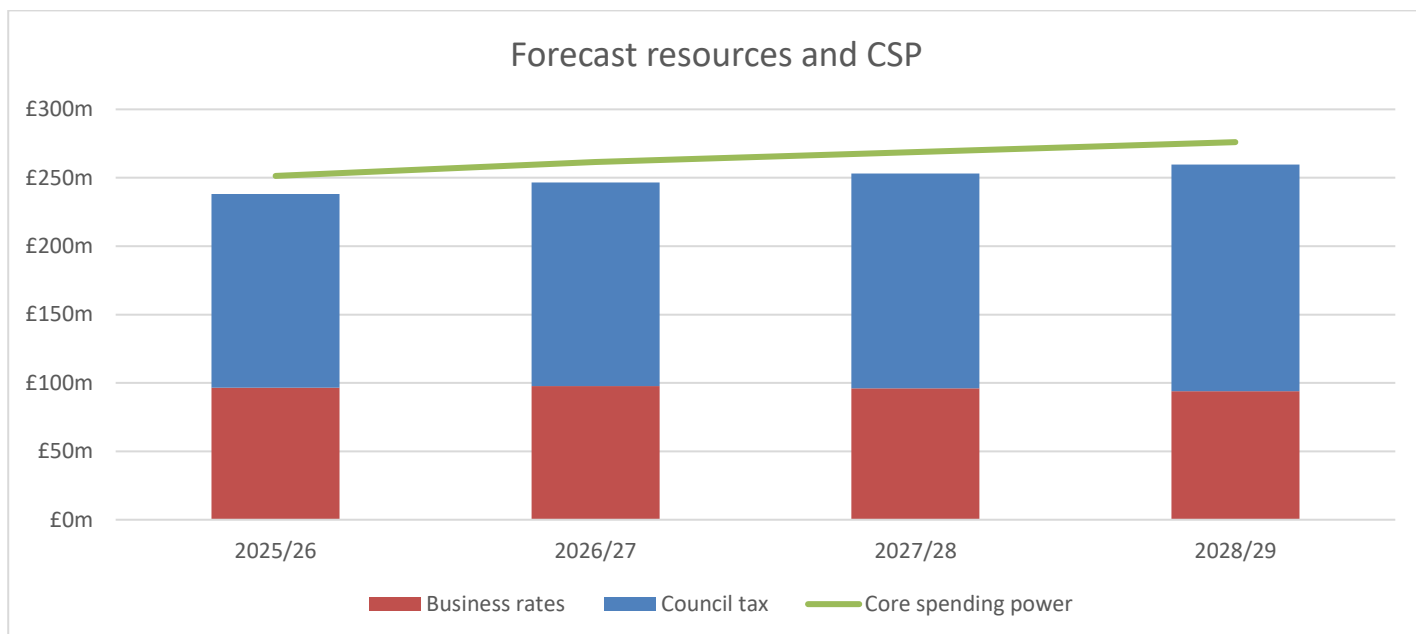
Given the currently unsettled global and national situation it is difficult to forecast future demand for public services or the overall economic prosperity and employment prospects for the borough. We continue to monitor developments and will update our strategic and financial plans as necessary as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

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<sup>6</sup> Office for Budget Responsibility, *Economic and Fiscal Outlook - March 2026*  
*Statement of Accounts 2025/26*

## Local government funding

Our funding comes from two main sources, retained business rates and council tax. As part of the West Midlands' trailblazer devolution deal, the West Midlands retains 100% of the local growth in business rates until March 2035. This continues the enhanced rates retention arrangements in existence since 2017 under the West Midlands business rates pilot and means that Solihull and the other metropolitan districts retain business rates income in place of the revenue support grant received by authorities in the standard scheme. The baseline level of business rates income that all authorities retain has been reset from 2026/27 as part of the government's funding reforms, which resulted in the redistribution of historic business rates growth across the sector in line with the new funding methodology.



Uncertainty over local government funding has been a persistent feature of the Council's financial planning, driven by a prolonged period of single-year settlements and ad-hoc funding announcements that have constrained longer-term decision-making.

Against this backdrop, the publication in December 2025 of the first multi-year finance settlement since 2015/16 was welcome, despite its disappointing implications for Solihull. The settlement confirms that the structural mismatch between available funding and forecast expenditure will continue and indeed intensify over the next three years. However, the improved certainty over funding levels provides a clearer framework for planning, strengthening the strategic case for transformation and enabling more meaningful engagement with members and residents ahead of the 2027/28 budget.

## 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.

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.

In future, many new jobs will require higher level skills and we recognise that some of our residents will require support to access these new employment opportunities. School attainment varies, with only 49% of those pupils attending secondary school in the north of the borough achieving grades 9 to 4 in GCSE English and Maths in 2025 (compared to 77% of pupils in the south of the borough). Employment rates for those with lower skills, ill health (particularly for those with a mental health issue), carers and lone parents are much lower than for the rest of the population.

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

We also want to manage economic growth to minimise the impact on the attractive living environment for the benefit of our residents and for our wildlife. The Council has been working to reduce its carbon and other greenhouse gas emissions for many years and we have an ambition to be net zero carbon in our council operations by 2030. Since 2019/20 the Council's net emissions have reduced by 51%, with success to date due to a range of actions, including the switch to LED streetlighting, reductions in emissions from our waste collection services and improvements to our buildings. Our Carbon Plan, which is updated every two years or as required, outlines how we intend to build on this achievement.

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**

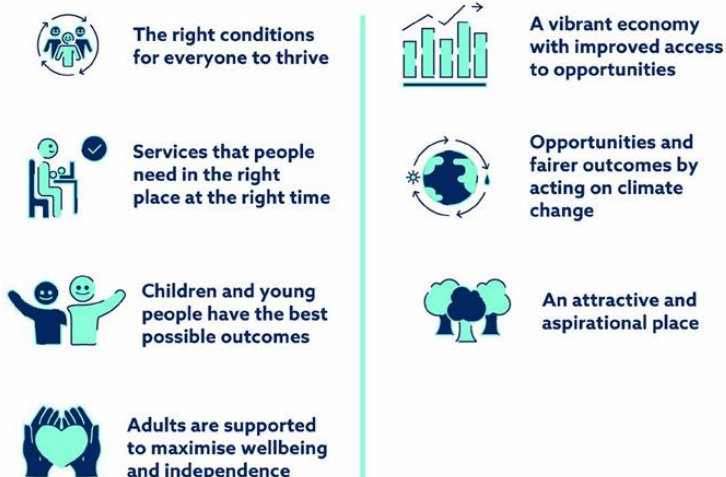
The Council Plan outlines the ambitions we seek to achieve for people and our borough and sets out how we will work to deliver these ambitions. The "plan on a page" below is a visual summary of our plan for 2025 to 2030.

# Solihull Council Plan 2025-2030

Our vision: Solihull – a great place to live, work, invest and enjoy

Our values: Ambitious Adaptable Respectful Trustworthy

## Our seven ambitions



## How we will work



Being ambitious for Solihull children is central to our work as a Council

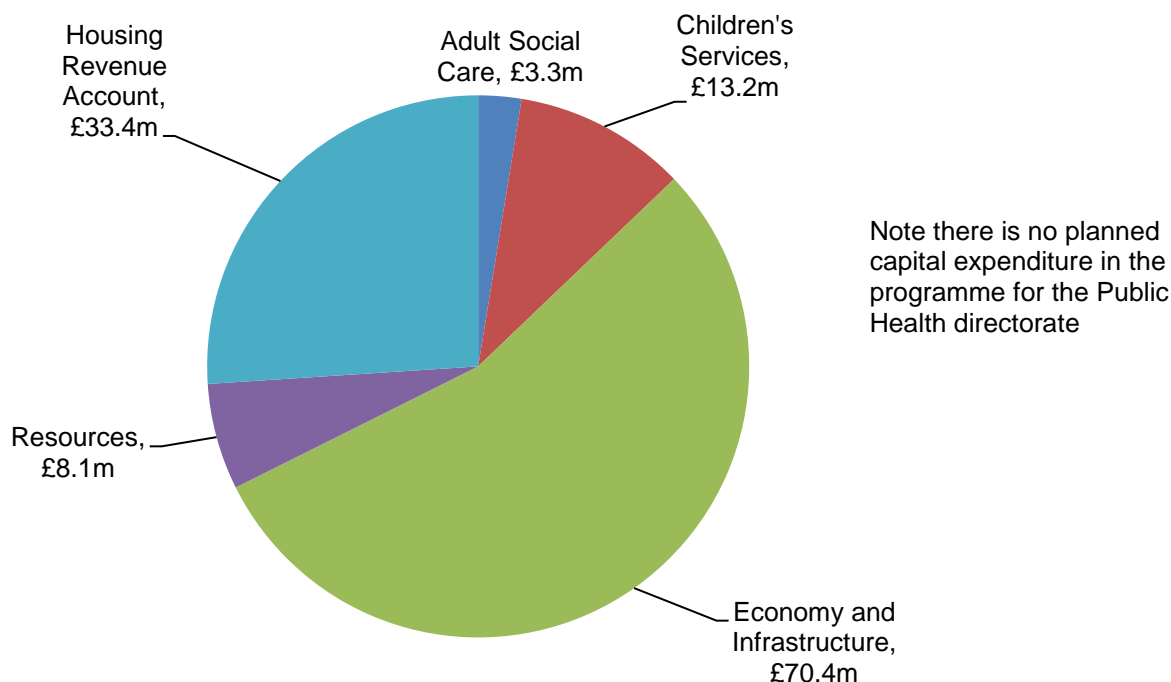
This activity will be supported by the financial resources set out in the MTFS, which are summarised in the table below.

	2026/27	2027/28	2028/29
	£'000	£'000	£'000
2025/26 budget	202,588	202,588	202,588
Pay inflation	3,992	6,993	9,455
Non pay inflation	4,578	8,771	15,571
Pensions	(5,355)	(5,355)	(5,355)
Other cost pressures	19,724	20,286	24,623
Pressure from use of one-off savings in previous years	(2,814)	(932)	1,243
New savings proposals	(12,731)	(8,812)	(14,264)
(Increase)/decrease in grants	27,638	27,638	27,638
Movements to/(from) reserves	(7,639)	(3,809)	(3,809)
Exceptional financial support	14,376	24,828	24,828
Savings required to meet indicative budget *	0	(11,182)	(6,140)
<b>Indicative budget</b>	<b>244,357</b>	<b>261,013</b>	<b>276,378</b>

\* Assumes council tax increases of 9.99% in 2027/28 and 2028/29

## 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 2026/27 totals £128.502 million (excluding rephasing approved by Full Cabinet in June 2026), divided between directorates as shown in the chart below.



Significant items within the capital programme for 2026/27 include the schools' improvement programme, highways improvements and Kingshurst village centre redevelopment, in addition to a programme of works totalling £33.447 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 2026/27 and 2028/29 is circa £248 million (before the addition of rephasing from 2025/26). This will be funded from the following internal and external sources: external grants (£132 million), revenue (£64 million), prudential borrowing (£45 million) and capital receipts and contributions (£7 million).

Local authorities have the flexibility 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. The Council did not apply this flexibility in 2025/26.

## Adequacy of reserves

Maintaining adequate and sustainable reserves is a key component of the Council's financial resilience. In accordance with statutory requirements, the Section 151 Officer keeps the adequacy of reserves under continuous review and reports formally to Members as part of the budget-setting process.

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.

As at 31 March 2026, the Council's reserves position was assessed as adequate for the purposes of the 2026/27 budget. The minimum assessed level of the Consolidated Risk Reserve (CRR) has been increased

to £15.0 million to reflect the heightened level of financial risk in the later years of the MTFs, and the 2026/27 budget maintains this reserve at or above this level.

The medium-term projections demonstrate that reliance on reserves to balance future budgets would be unsustainable, reinforcing the importance of delivering transformation and securing longer-term funding solutions. The Council's financial strategy therefore places a strong emphasis on protecting corporate reserves wherever possible, limiting their use to managing unavoidable risks and supporting transformation, rather than funding ongoing service pressures.

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, and it is expected that these reserves will be used, in accordance with the purpose for which they were created. Contributions to and from General Fund reserves are detailed in Note 15.

The Movement in Reserves Statement (MIRS) shows an increase in the Council's usable reserves of £29 million in 2025/26, made up of an increase of £10 million in the General Fund, increases of £3 million in HRA reserves and an increase of £16 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 2029. 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 2026 (Note 15)	Forecast contributions (to)/from	Forecast March 2029
	£'000	£'000	£'000
Directorate reserves	(15,595)	10,833	(4,762)
Corporate reserves	(7,047)	928	(6,119)
Consolidated risk reserve	(20,967)	2,729	(18,238)
<b>Subtotal core council</b>	<b>(43,609)</b>	<b>14,490</b>	<b>(29,119)</b>
Schools and DSG reserves	(7,186)	0	(7,186)
Ring-fenced corporate reserve	(2,930)	2,930	0
Fairer Futures Fund	(16,279)	16,279	0
Legally/contractually restricted reserves	(12,670)	2,297	(10,373)
<b>Total</b>	<b>(82,674)</b>	<b>35,996</b>	<b>(46,678)</b>

2025/26 has seen continued progress in service improvement and delivery of Council Plan ambitions, alongside significant financial pressures. The Council remains committed to sustaining services, delivering transformation and achieving long-term financial sustainability through strong governance, collaboration and targeted investment.

*[Signed by Andrew Felton]*

**Andrew Felton**  
Director of Resources  
19 June 2026

# 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 2025/26 (the Code).

In preparing this statement of accounts, the Director of Resources has:

- selected suitable accounting policies and then 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 and Section 151 Officer of Solihull Metropolitan Borough Council, 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 2026.

*[Signed by Andrew Felton]*

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

19 June 2026

## 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.

2024/25				2025/26			Notes 1
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
142,998	(68,471)	74,527	Adult Social Care	147,641	(71,268)	<b>76,373</b>	
102,396	(24,205)	78,191	Children's Services	98,953	(26,682)	<b>72,271</b>	
142,437	(138,645)	3,792	Children's Services - Dedicated Schools Grant (DSG)	141,768	(140,100)	<b>1,668</b>	
0	0	0	Corporate MTFS and Core Funding <sup>2</sup>	2,809	0	<b>2,809</b>	
122,143	(83,843)	38,300	Economy and Infrastructure (includes HRA)	125,647	(92,663)	<b>32,984</b>	
24,882	(20,755)	4,127	Public Health	24,821	(20,164)	<b>4,657</b>	
93,929	(54,404)	39,525	Resources	90,897	(52,863)	<b>38,034</b>	
<b>628,785</b>	<b>(390,323)</b>	<b>238,462</b>	<b>Cost of services</b>	<b>632,536</b>	<b>(403,740)</b>	<b>228,796</b>	<b>5</b>
		1,693	Parish precepts			<b>1,811</b>	
		8,891	Levies payable			<b>9,120</b>	
		30,396	(Gain)/loss on disposal of non-current assets			<b>12,479</b>	5
		<b>40,980</b>	<b>Sub-total: Other operating expenditure</b>			<b>23,410</b>	
		16,278	Interest payable and similar charges			<b>16,554</b>	
		1,061	Net interest on the net defined benefit liability			<b>1,894</b>	34
		(3,438)	Investment interest income			<b>(4,902)</b>	
		(8,591)	Other investment income			<b>(6,470)</b>	
		(108)	Income, expenditure and changes in fair value of investment properties			<b>(841)</b>	
		2,463	Impairment losses			<b>1,457</b>	
		<b>7,665</b>	<b>Sub-total: Financing and investment income &amp; expenditure</b>			<b>7,692</b>	
		(135,814)	Council tax income			<b>(142,439)</b>	C4

2024/25				2025/26			Notes <sup>1</sup>
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
		(45,555)	Business rates income & expenditure			(48,674)	C4
		(20,544)	Non ring-fenced government grants			(20,342)	9
		(17,344)	Recognised capital grants and contributions			(26,680)	9
		(219,257)	<b>Sub-total: Taxation and non-specific grant income &amp; expenditure</b>			(238,135)	
		67,850	<b>(Surplus)/deficit on the provision of services</b>			21,763	
		(44,921)	(Surplus)/deficit on revaluation of non-current assets			(30,695)	16
		0	Impairment losses on non-current assets charged to the revaluation reserve			11,140	
		3,000	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			(8,500)	23
		(3,837)	Remeasurement of the net defined benefit liability			(32,013)	34
		(45,758)	<b>Other comprehensive income and expenditure</b>			(60,068)	
		22,092	<b>Total comprehensive income and expenditure</b>			(38,305)	

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

<sup>2</sup> The Corporate MTFs and Core Funding line includes spend in respect of the Council's Mutually Agreed Resignation Scheme (MERS) (see Note 7c) and the Transformation Fund.

## 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.

2025/26 <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 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>
<b>Movement in reserves during 2025/26:</b>								
Total Comprehensive Income and Expenditure (CI&ES)	32,107	(10,344)	0	0	0	<b>21,763</b>	(60,068)	<b>(38,305)</b>
Adjustments between accounting basis and funding basis under regulations (Note 13)	(42,393)	7,531	(7,568)	598	(8,629)	<b>(50,461)</b>	50,461	<b>0</b>
<b>(Increase)/decrease in 2025/26</b>	<b>(10,286)</b>	<b>(2,813)</b>	<b>(7,568)</b>	<b>598</b>	<b>(8,629)</b>	<b>(28,698)</b>	<b>(9,607)</b>	<b>(38,305)</b>
<b>Balance at 31 March 2026</b>	<b>(82,673)</b>	<b>(13,223)</b>	<b>(19,895)</b>	<b>(3,493)</b>	<b>(44,232)</b>	<b>(163,516)</b>	<b>(834,344)</b>	<b>(997,860)</b>

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

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.

## 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 is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category, unusable reserves, represents those that the Council cannot use to provide services.

31 March 2025		31 March 2026	Notes <sup>1</sup>
£'000		£'000	
1,273,157	Property, Plant & Equipment	1,258,895	16,19
950	Heritage Assets	950	
15,519	Investment Property	15,918	20
8,666	Intangible Assets	5,991	21
58,285	Long-Term Investments	66,994	23
45,557	Long-Term Debtors	49,161	23
1,402,134	<b>Long-Term Assets</b>	1,397,909	
61	Short-Term Investments	61	23
1,445	Inventories	1,246	
64,905	Short-Term Debtors	67,011	28
5,250	Assets Held for Sale	8,104	
5,248	Cash and Cash Equivalents	20,470	30
76,909	<b>Current Assets</b>	96,892	
(17,998)	Bank Overdraft	(12,115)	30
(9,394)	Short-Term Borrowing	(12,283)	23
(70,305)	Short-Term Creditors	(73,220)	31
(3,515)	Short-Term Provisions	(3,006)	32
(3,837)	Capital Grants Receipts in Advance	(981)	9
(5,056)	Revenue Grants Receipts in Advance	(3,909)	9
(110,105)	<b>Current Liabilities</b>	(105,514)	
(1,236)	Long-Term Creditors	0	23
(3,266)	Long-Term Provisions	(2,621)	32
(334,630)	Long-Term Borrowing	(339,599)	23
(26,393)	Net Pensions Liability	(9,898)	34
(39,305)	Other Long-Term Liabilities	(33,856)	23
(4,553)	Capital Grants Receipts in Advance	(5,453)	9
(409,383)	<b>Long-Term Liabilities</b>	(391,427)	
959,555	<b>Net Assets</b>	997,860	
(134,818)	Usable Reserves	(163,516)	MIRS
(824,737)	Unusable Reserves	(834,344)	14
(959,555)	<b>Total Reserves</b>	(997,860)	

<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.

2024/25		2025/26	Notes <sup>1</sup>
£'000		£'000	
67,850	Net (surplus)/ deficit on the provision of services	21,763	CI&ES
(103,278)	Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	(76,992)	35
5,999	Adjustments for items in the net (surplus)/ deficit on the provision of services that are investing/financing activities	385	36
(29,429)	<b>Net cash flows from operating activities</b>	<b>(54,844)</b>	
48,263	Purchase of property, plant and equipment, investment property and intangible assets	39,569	
270,184	Purchase of short-term and long-term investments	346,800	
25,574	Revenue expenditure funded from capital under statute, including capitalisation of revenue costs under EFS	38,597	
(2,823)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,405)	
(25,032)	Capital grants received	(36,452)	
(267,000)	Proceeds from short-term and long-term investments	(342,504)	
(163)	Other receipts from investing activities	(284)	
49,003	<b>Net cash flows from investing activities</b>	<b>37,321</b>	
(25,000)	Cash receipts of short and long-term borrowing	(14,589)	
80	Other net receipts from financing activities	324	
3,037	Cash payments for the reduction of the outstanding liabilities relating to right-of-use assets and PFI contracts	3,574	
1,786	Repayments of short and long-term borrowing	7,109	
(20,097)	<b>Net cash flows from financing activities</b>	<b>(3,582)</b>	
(523)	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>(21,105)</b>	
	<b>Overall movement in cash and cash equivalents</b>		
(13,273)	Cash and cash equivalents at the beginning of the reporting period	(12,750)	
523	Net increase / (decrease) in cash and cash equivalents	21,105	
(12,750)	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>8,355</b>	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.

2025/26	Cabinet Report June 2026	Total adjustments (Note1a)	Net expenditure chargeable to the General Fund and HRA Balances <sup>1</sup>	Adjustments between the funding and accounting basis (Note1a)	Net expenditure in the CI&ES
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	85,831	(8,626)	<b>77,205</b>	(832)	<b>76,373</b>
Children's Services	76,434	(11,134)	<b>65,300</b>	6,971	<b>72,271</b>
Children's Services - Dedicated Schools Grant (DSG)	9,630	(2,097)	<b>7,533</b>	(5,865)	<b>1,668</b>
Corporate MTFS and Core Funding	(49,719)	27,642	<b>(22,077)</b>	24,886	<b>2,809</b>
Economy and Infrastructure (includes HRA)	29,044	(989)	<b>28,055</b>	4,929	<b>32,984</b>
Public Health	721	1,269	<b>1,990</b>	2,667	<b>4,657</b>
Resources	50,638	(9,556)	<b>41,082</b>	(3,048)	<b>38,034</b>
<b>Cost of services</b>	<b>202,579</b>	<b>(3,491)</b>	<b>199,088</b>	<b>29,708</b>	<b>228,796</b>
Other income and expenditure	(202,588)	(9,599)	<b>(212,187)</b>	5,154	<b>(207,033)</b>
<b>(Surplus)/deficit</b>	<b>(9)</b>	<b>(13,090)</b>	<b>(13,099)</b>	<b>34,862</b>	<b>21,763</b>

<sup>1</sup> The following table shows how the net expenditure chargeable to the General Fund and HRA balances of £13.099 million is represented in the MIRS.

2025/26	General Fund	Housing Revenue Account (HRA)	Total General Fund and HRA
	£'000	£'000	£'000
Opening General Fund and HRA Balances at 1 April 2025	(72,387)	(10,410)	<b>(82,797)</b>
Add (surplus)/deficit on the General Fund and HRA Balances in year	(10,286)	(2,813)	<b>(13,099)</b>
<b>Closing General Fund and HRA Balances at 31 March 2026</b>	<b>(82,673)</b>	<b>(13,223)</b>	<b>(95,896)</b>

## Prior year comparatives

2024/25	Cabinet Report June 2025	Total adjustments (Note1a)	Net expenditure chargeable to the General Fund and HRA Balances <sup>1</sup>	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)	<b>74,662</b>	(135)	<b>74,527</b>
Children's Services	73,748	(7,115)	<b>66,633</b>	11,558	<b>78,191</b>
Children's Services - Dedicated Schools Grant (DSG)	7,328	(328)	<b>7,000</b>	(3,208)	<b>3,792</b>
Corporate MTFS and Core Funding	(32,139)	(4,104)	<b>(36,243)</b>	36,243	<b>0</b>
Economy and Infrastructure (includes HRA)	34,572	6,515	<b>41,087</b>	(2,787)	<b>38,300</b>
Public Health	1,249	576	<b>1,825</b>	2,302	<b>4,127</b>
Resources	34,515	10,449	<b>44,964</b>	(5,439)	<b>39,525</b>
<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	<b>(183,826)</b>	13,214	<b>(170,612)</b>
<b>(Surplus)/deficit</b>	<b>5,667</b>	<b>10,435</b>	<b>16,102</b>	<b>51,748</b>	<b>67,850</b>

<sup>1</sup> The following table shows how the net expenditure 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)	<b>(98,899)</b>
Add (surplus)/deficit on the General Fund and HRA Balances in year	17,223	(1,121)	<b>16,102</b>
<b>Closing General Fund and HRA Balances at 31 March 2025</b>	<b>(72,387)</b>	<b>(10,410)</b>	<b>(82,797)</b>

## 1a. Note to the EFA

2025/26	General Fund	Housing Revenue Account (HRA)	Reallocate grant to directorates	Items reported at Cabinet level, but which sit below the Net cost of services	Total adjustments to arrive at amount charged to the General Fund and HRA	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total adjustments between the funding and accounting basis
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Note	(i)	(ii)	(iii)	(iv)		(v)	(vi)	(vii)	
Adult Social Care	658	0	(9,116)	(168)	<b>(8,626)</b>	276	(1,107)	(1)	<b>(832)</b>
Children's Services	519	0	(11,615)	(38)	<b>(11,134)</b>	10,081	(3,110)	0	<b>6,971</b>
Children's Services - DSG	1,787	0	0	(3,884)	<b>(2,097)</b>	(4,334)	(1,475)	(56)	<b>(5,865)</b>
Corporate MTFS and Core Funding	(4,199)	0	20,731	11,110	<b>27,642</b>	24,886	0	0	<b>24,886</b>
Economy and Infrastructure (includes HRA)	(1,118)	(2,813)	0	2,942	<b>(989)</b>	6,352	(1,376)	(47)	<b>4,929</b>
Public Health	1,260	0	0	9	<b>1,269</b>	2,952	(285)	0	<b>2,667</b>
Resources	795	0	0	(10,351)	<b>(9,556)</b>	(3,533)	378	107	<b>(3,048)</b>
<b>Net cost of services</b>	<b>(298)</b>	<b>(2,813)</b>	<b>0</b>	<b>(380)</b>	<b>(3,491)</b>	<b>36,680</b>	<b>(6,975)</b>	<b>3</b>	<b>29,708</b>
Other income and expenditure	(9,979)	0	0	380	<b>(9,599)</b>	0	0	5,154	<b>5,154</b>
<b>Total</b>	<b>(10,277)</b>	<b>(2,813)</b>	<b>0</b>	<b>0</b>	<b>(13,090)</b>	<b>36,680</b>	<b>(6,975)</b>	<b>5,157</b>	<b>34,862</b>

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

- 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 and Children's Social Care Prevention Grant are held within the Corporate MTFS and Core Funding balance reported to Cabinet, however as these are service grants they have been 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 IAS19.
- 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 no prior period adjustments or reclassifications in 2025/26.

## 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 2026 is shown in the following table:

	On Balance Sheet	Off Balance Sheet
<b>Maintained Schools:</b>		
Community	18	0
Voluntary Controlled	1	0
Voluntary Aided <sup>1</sup>	0	5
<b>Total Maintained Schools</b>	<b>19</b>	<b>5</b>
Academies	0	51
<b>Total Schools</b>	<b>19</b>	<b>56</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.

It is considered that arrangements can be examined under IAS16 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. As only one of the school's governors is a representative of the Church of England, the school's non-current assets are deemed to be under the control of the Council and are therefore recognised on the Council's Balance Sheet.

Voluntary aided schools, which in Solihull are predominantly faith schools, are run by governing bodies controlled by other entities and therefore the land and buildings, which are not owned by the Council, are 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 £200 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 2026 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 2025/26 the gross net asset position has increased from £182.492 million to £199.906 million. After the asset ceiling adjustment, the position for the funded obligations increased from a net liability of (£13.521 million) to a net nil liability.</p> <p>In addition, the present value of unfunded obligations has reduced from (£12.872 million) to (£9.898 million) giving an overall improvement in the position of £16.495 million.</p> <p>The usual uncertainties remain which are focussed on:</p> <ul style="list-style-type: none"> <li>- Estimates of CPI</li> <li>- Estimates of life expectancy</li> <li>- Estimates of salary increases</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 £11.257 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 2026 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 three schools that converted to academy status during 2025/26 (Oak Cottage Primary, Haslucks Green Junior and Coleshill Heath), resulting in the Council transferring the associated buildings at nil cost, with a total loss on disposal of £16.422 million. Under capital regulations, this is not a charge to the General Fund so is charged to the Capital Adjustment Account through a corresponding adjustment in the Movement in Reserves Statement.

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

The latest actuarial review of the Council's net defined benefit liability has resulted in a gain in the CI&ES of £32.013 million. Further details are 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 £32.658 million – the initial expenditure incurred by the Council is included in the Cost of Services in the CI&ES and is capitalised and charged to the Capital Adjustment Account through a corresponding adjustment in the Movement in Reserves Statement. This is separately identified within the total adjustments to revenue resources in Note 13.

## 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.

2024/25		2025/26
£'000		£'000
	<b>Expenditure</b>	
189,378	Employee benefits expenses	182,095
8,038	Employee benefits expenses for voluntary aided schools	8,027
338,259	Other service expenses	355,550
51,268	Depreciation, amortisation, impairment and revaluation losses	52,757
16,278	Interest payable	18,448
10,584	Precepts and levies	10,931
30,396	Loss on disposal of non-current assets	12,479
34,227	Housing benefits	29,625
10,078	Revenue expenditure funded from capital under statute (REFCUS)	5,939
688,506	<b>Total expenditure</b>	675,851
	<b>Income</b>	
(81,850)	Fees, charges and other service income (Note 6a)	(89,797)
(50,700)	HRA rental income (Note 6a)	(52,497)
(108)	Gain on investment properties including fair value adjustments	(841)
(10,968)	Interest and investment income	(11,372)
(181,369)	Income from council tax and business rates	(191,113)
(295,661)	Grants, contributions and donations	(308,468)
(620,656)	<b>Total income</b>	(654,088)
67,850	<b>(Surplus)/ deficit on provision of services</b>	21,763

### 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.

2024/25		2025/26		
£'000		Income from service recipients	Other Income	Total fees, charges, other service & HRA rental income
£'000		£'000	£'000	£'000
(30,378)	Adult Social Care	(32,694)	0	(32,694)
(4,076)	Children's Services	(3,723)	0	(3,723)
(11,814)	Children's Services – DSG	(9,217)	(429)	(9,646)
(70,807)	Economy and Infrastructure (includes HRA)	(77,412)	(53)	(77,465)
(1,164)	Public Health	(1,241)	0	(1,241)
(14,311)	Resources	(17,281)	(244)	(17,525)
(132,550)	<b>Total</b>	<b>(141,568)</b>	<b>(726)</b>	<b>(142,294)</b>

## **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 4 February 2025 and 3 February 2026. These can be accessed via the Council's website.

In accordance with the Local Government Pay Agreement 2025, all pay points and allowances within the scope of the National Joint Council (NJC, a local government pay review body) were increased by 3.20% with effect from April 2025.

Pay awards of 3.20% were also awarded to senior officers and the Chief Executive for the 2025/26 financial year.

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</sup>	Employer's Pension Contributions	Total Remuneration <sup>8</sup>
		£	£	£	£
Chief Executive – Paul Johnson	<b>2025/26</b>	<b>202,541</b>	<b>1,924</b>	<b>44,154</b>	<b>248,619</b>
	2024/25	190,957	12,389	41,629	244,975
Director of Adult Social Care and Deputy Chief Executive - Jenny Wood	<b>2025/26</b>	<b>156,005</b>	<b>0</b>	<b>34,009</b>	<b>190,014</b>
	2024/25	151,168	0	32,955	184,123
Director of Children's Services <sup>2</sup> – incoming	<b>2025/26</b>	<b>90,685</b>	<b>6,007</b>	<b>19,769</b>	<b>116,461</b>
	2024/25	0	0	0	0
Director of Children's Services <sup>2</sup> – outgoing	<b>2025/26</b>	<b>81,065</b>	<b>0</b>	<b>0</b>	<b>81,065</b>
	2024/25	112,628	0	0	112,628
Director of Economy and Infrastructure <sup>3</sup>	<b>2025/26</b>	<b>141,872</b>	<b>0</b>	<b>32,079</b>	<b>173,951</b>
	2024/25	65,477	0	14,274	79,751
Director of Public Health <sup>4</sup>	<b>2025/26</b>	<b>145,042</b>	<b>0</b>	<b>31,620</b>	<b>176,662</b>
	2024/25	140,545	0	30,639	171,184
Director of Resources	<b>2025/26</b>	<b>141,743</b>	<b>0</b>	<b>30,900</b>	<b>172,643</b>
	2024/25	136,368	0	29,728	166,096
Solicitor to the Council and Monitoring Officer <sup>5</sup>	<b>2025/26</b>	<b>94,994</b>	<b>0</b>	<b>20,709</b>	<b>115,703</b>
	2024/25	0	0	0	0
Executive Assistant to the Chief Executive <sup>6</sup>	<b>2025/26</b>	<b>79,380</b>	<b>0</b>	<b>17,305</b>	<b>96,685</b>
	2024/25	74,119	0	16,158	90,277
Policy Manager <sup>7</sup>	<b>2025/26</b>	<b>26,339</b>	<b>0</b>	<b>5,931</b>	<b>32,270</b>
	2024/25	0	0	0	0

<sup>1</sup> In addition to their normal duties, the Chief Executive was paid remuneration for returning officer duties for the 2024 Combined Authority Mayoral Election, which is shown within Expenses Allowances.

<sup>2</sup> The outgoing Director of Children's services left on 30 November 2025 - there was a period of handover between 11 August and 30 November. The outgoing director held the statutory Director of Children's Services role until 30 September 2025 and the incoming Director held this role from 1 October 2025.

<sup>3</sup> The Director of Economy and Infrastructure acted up in the role from 1 October 2024 to 11 February 2025, so the 2024/25 figures reflect the salary from that date.

<sup>4</sup> In 2024/25 and up until 30 September 2025 the Director of Public Health was also responsible for the Education and Inclusion services.

<sup>5</sup> The postholder started in this role on 1 April 2025.

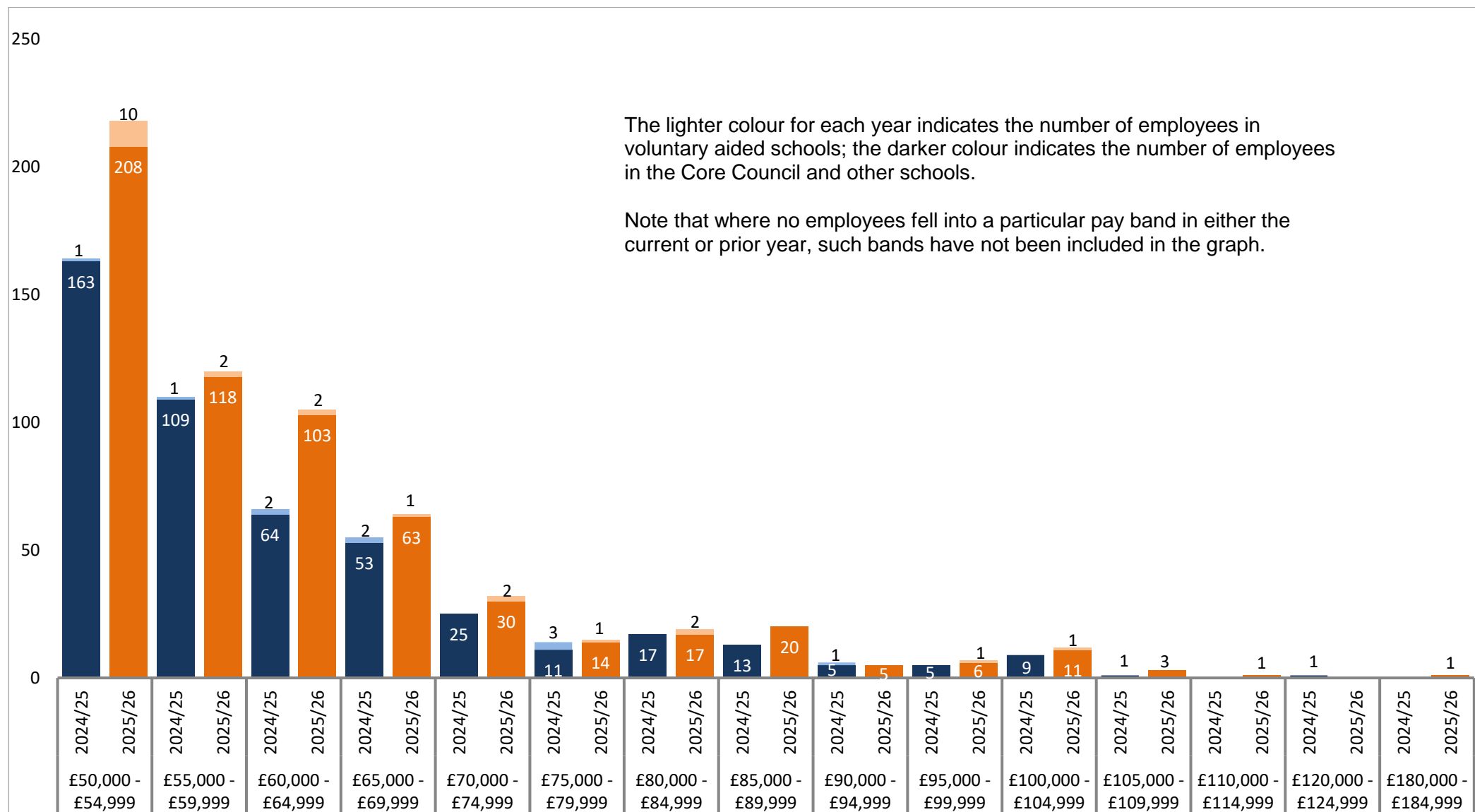
<sup>6</sup> This role reports directly to the Chief Executive so the 2024/25 figures have been added for comparative purposes.

<sup>7</sup> This role started reporting directly to the Chief Executive from November 2025, so the table shows the salary from that date.

<sup>8</sup> No compensation payments for loss of office were made to senior officers in either 2024/25 or 2025/26

## 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 36 officers within the 2025/26 figures that were in receipt of an exit package (compared to 6 officers in 2024/25). This includes the officer in the £180,000-£184,999 band.

### c. Exit packages

During 2025/26 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. The 2025/26 figures include 63 members of staff who left under the Council's Mutual Early Resignation Scheme (MERS) during April to September 2025 at a cost of £1.650 million, with resulting ongoing savings of £2.8 million from 2026/27.

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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
							£'000	£'000
<b>£0 - £20,000</b>	11	<b>14</b>	8	<b>23</b>	19	<b>37</b>	123	<b>348</b>
<b>£20,001 - £40,000</b>	1	<b>8</b>	10	<b>39</b>	11	<b>47</b>	315	<b>1,348</b>
<b>£40,001 - £60,000</b>	0	<b>7</b>	4	<b>10</b>	4	<b>17</b>	197	<b>779</b>
<b>£60,001 - £100,000</b>	1	<b>1</b>	3	<b>2</b>	4	<b>3</b>	281	<b>225</b>
<b>Total</b>	13	<b>30</b>	25	<b>74</b>	38	<b>104</b>	916	<b>2,700</b>

### 8. Members' Allowances

The total of Members' allowances payable in the year was £0.894 million (£0.861 million in 2024/25). These amounts were 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:

2024/25		2025/26
£'000		£'000
	<b>Credited to Taxation and Non-specific Grant Income</b>	
	<b>Non ring-fenced government grants</b>	
(19,503)	Section 31 business rates grants	(18,112)
0	Employer National Insurance Contributions Grant	(1,827)
(578)	New Homes Bonus	(403)
(463)	Other non ring-fenced government grants	0
<b>(20,544)</b>		<b>(20,342)</b>
	<b>Capital grants and contributions</b>	
(4,767)	City Region Sustainable Transport Settlement	(7,799)
0	Basic Need Grant	(7,750)
(3,083)	Better Care Fund (Note 11)	(3,174)
(165)	High Needs Provision	(2,142)
0	Highways Maintenance Grant	(1,385)
0	Section 106 Contributions	(1,086)
(2,337)	Local Authority Housing Fund	(821)
0	HS2 Road Safety Fund	(727)
(1,396)	Condition Grant	(654)
(2,245)	Community Infrastructure Levy	(19)
(3,351)	Other Capital Grants, Contributions and Donations	(1,123)
<b>(17,344)</b>		<b>(26,680)</b>
	<b>Credited to Services:</b>	
(114,879)	Dedicated Schools Grant (DSG) <sup>1</sup>	(119,322)
(31,314)	Housing Benefit Subsidy	(26,554)
(20,920)	Better Care Fund <sup>2</sup>	(21,475)
(16,781)	Social Care Grant	(19,611)
(12,825)	Public Health Grant	(13,635)
(7,320)	PFI credits	(7,555)
(10,465)	Revenue expenditure funded by capital under statute (REFCUS)	(7,081)
(3,808)	Market Sustainability and Improvement Fund	(3,808)
(1,770)	Core Schools Budget Grant	(3,803)
(4,597)	Pupil Premium	(3,627)
0	Extended Producer Responsibility for Packaging	(3,577)
(2,884)	Asylum Seekers	(3,277)
(3,838)	UK Shared Prosperity Fund	(2,781)
(2,832)	Household Support Fund	(2,450)
(1,597)	West Midlands Combined Authority - UK Central <sup>3</sup>	(2,016)
(1,211)	Homelessness Prevention	(1,849)
0	Children and Families Grant	(1,753)
0	Children's Social Care and SEND Regional Improvement	(1,513)
(1,389)	Universal Infant Free School Meals	(1,141)

2024/25		2025/26
£'000		£'000
0	Children's Social Care Prevention Grant	(1,120)
(877)	West Midlands Combined Authority - Other	(1,103)
0	Employer National Insurance Contributions Grant - Schools	(1,084)
(989)	Holiday Activities and Food Grant	(962)
(626)	Drug and Alcohol Treatment Improvement Grant	(626)
(440)	Domestic Abuse Safe Accommodation Grant	(549)
(471)	Housing Benefit Administration Subsidy	(448)
(2,971)	Teachers' Pay and Pension Employer Contribution Grants <sup>4</sup>	0
(12,969)	Other Revenue Grants, Contributions and Donations <sup>5</sup>	(8,726)
(257,773)		(261,446)
(295,661)	<b>Total</b>	<b>(303,468)</b>

<sup>1</sup> The DSG credited to services is the final budgeted distribution shown in Note 10, less an amount deducted by the Department for Education for maintained schools' business rates costs.

<sup>2</sup> The Better Care Fund grant credited to services includes funding from the Local Authority Better Care Grant (previously known as the Improved Better Care Fund) 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>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> For 2025/26, the equivalent funding was provided through a combination of DSG, Core Schools Budget Grant and School Budget Support Grant (within Other Revenue Grants, Contributions and Donations).

<sup>5</sup> Other revenue grants, contributions and donations include the Gen 22 grant of £4,996 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 2025		31 March 2026
£'000		£'000
(3,650)	PFI credits	(2,864)
(1,406)	Other revenue grants	(1,045)
(5,056)	<b>Total</b>	<b>(3,909)</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 2025		31 March 2026
£'000		£'000
(1,190)	Local Authority Housing Fund	(527)
(434)	Devolved Formula Capital	(360)
(2,113)	Various Section 106 Contributions	(94)
(100)	Other Grants and Contributions	0
<b>(3,837)</b>	<b>Sub-total Short-Term Capital Grants</b>	<b>(981)</b>
(4,511)	Various Section 106 Contributions	(5,365)
(42)	Other Grants and Contributions	(88)
<b>(4,553)</b>	<b>Sub-total Long-Term Capital Grants</b>	<b>(5,453)</b>
<b>(8,390)</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>(6,434)</b>

## 10. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: 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 (the DSG Adjustment Account). 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 2026, the cumulative DSG deficit is £37.698 million. As outlined in the Narrative Report, the statutory override which prevents the deficit from being offset against usable reserves has been extended to March 2028 and the government has pledged to effectively write off 90% of historic SEND deficits accumulated up to the end of March 2026.

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

2024/25		2025/26		
Total		Individual Schools Budget (ISB)	Central Expenditure	Total
£'000		£'000	£'000	£'000
(278,802)	Final DSG before academy and high needs recoupment			<b>(305,381)</b>
162,921	Academy figure and high needs figure recouped			<b>184,596</b>
(115,881)	Total DSG after academy and high needs			<b>(120,785)</b>
(115,881)	<b>Agreed initial budgeted distribution</b>	<b>(77,901)</b>	<b>(42,884)</b>	<b>(120,785)</b>
173	In-year adjustments - Early Years Funding	818		<b>818</b>
(59)	In-year adjustments – business rates <sup>1</sup>		(3)	<b>(3)</b>
(115,767)	<b>Final budgeted distribution</b>	<b>(77,083)</b>	<b>(42,887)</b>	<b>(119,970)</b>
73,644	Actual central expenditure	86,713		<b>86,713</b>
49,451	Actual ISB deployed to schools		42,887	<b>42,887</b>
7,328	<b>In-year carry forward</b>	<b>9,630</b>	<b>0</b>	<b>9,630</b>
20,740	DSG unusable reserve brought forward			<b>28,068</b>
7,328	Addition to DSG unusable reserve in-year			<b>9,630</b>
28,068	<b>Total DSG unusable reserve carried forward</b>			<b>37,698</b>
28,068	<b>Net DSG position at the year end</b>			<b>37,698</b>

<sup>1</sup> The Department for Education (DfE) pays 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 is net of a deduction for academy schools' business rates bills but includes business rates bills for maintained schools paid on their behalf by the DfE.

## 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 Local Authority Better Care Grant, 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 £21.759 million (£19.219 million in the SMBC column and £2.540 million in the Joint column) was funded mainly from revenue grants and contributions which are included within the Council's CI&ES (£21.475 million, credited to gross income – Adult Social Care) and the balance from revenue.

2024/25					2025/26			
SMBC	ICB	Joint	Total		SMBC	ICB	Joint	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
8,830	317	0	9,147	Proactive care to those with complex needs	8,579	322	0	<b>8,901</b>
60	1,300	2,085	3,445	Home adaptations and tech	70	997	2,540	<b>3,607</b>
447	0	0	447	Supporting unpaid carers	1,146	0	0	<b>1,146</b>
1,944	5,071	0	7,015	Preventing unnecessary hospital admissions	1,239	5,373	0	<b>6,612</b>
5,508	3,542	0	9,050	Timely discharge from hospital	5,933	3,599	0	<b>9,532</b>
2,506	226	0	2,732	Reducing the need for long-term residential care	2,252	231	0	<b>2,483</b>
<b>19,295</b>	<b>10,456</b>	<b>2,085</b>	<b>31,836</b>	<b>Sub-total: Revenue</b>	<b>19,219</b>	<b>10,522</b>	<b>2,540</b>	<b>32,281</b>
4,677	0	0	4,677	Disabled Facilities Grant Related Schemes	3,174	0	0	<b>3,174</b>
4,677	0	0	4,677	<b>Sub-total: Capital</b>	3,174	0	0	<b>3,174</b>
<b>23,972</b>	<b>10,456</b>	<b>2,085</b>	<b>36,513</b>	<b>Total</b>	<b>22,393</b>	<b>10,522</b>	<b>2,540</b>	<b>35,455</b>

## 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.

2024/25				2025/26		
SMBC	ICB	Total		SMBC	ICB	Total
£'000	£'000	£'000		£'000	£'000	£'000
2,609	0	2,609	Transforming Community Services	2,655	0	<b>2,655</b>
(269)	(2,340)	(2,609)	Funding	(310)	(2,345)	<b>(2,655)</b>
<b>2,340</b>	<b>(2,340)</b>	<b>0</b>	<b>Total</b>	<b>2,345</b>	<b>(2,345)</b>	<b>0</b>

## 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.

2024/25				2025/26		
SMBC	ICB	Total		SMBC	ICB	Total
£'000	£'000	£'000		£'000	£'000	£'000
138	0	138	Alzheimer's Society	134	0	<b>134</b>
67	0	67	Independent Advocacy	71	0	<b>71</b>
0	(205)	(205)	Funding	0	(205)	<b>(205)</b>
<b>205</b>	<b>(205)</b>	<b>0</b>	<b>Total</b>	<b>205</b>	<b>(205)</b>	<b>0</b>

## 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:

2024/25		2025/26
£'000		£'000
379	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	395
42	Additional variation fee agreed relating to the prior year	16
97	Fees payable in respect of other services provided by Grant Thornton UK LLP during the year, including the certification of grant claims and returns	59
518	<b>Total</b>	<b>470</b>

## **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.

2025/26	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	(16,920)	0	0	0	0	16,920	Pensions Reserve
Employer's pensions contributions and direct payments to pensioners payable for the current year	23,895	0	0	0	0	(23,895)	
Financial instruments	20	47	0	0	0	(67)	Financial Instruments Adjustment Account
Council tax and business rates	4,476	0	0	0	0	(4,476)	Collection Fund Adjustment Account
Staff leave entitlement	(70)	0	0	0	0	70	Accumulated Absences Account
Dedicated Schools Grant deficit (Note 10)	(9,630)	0	0	0	0	9,630	Dedicated Schools Grant Adjustment Account
Reversal of charges for depreciation and impairment of non-current assets	(37,861)	(12,911)	0	0	0	50,772	Capital Adjustment Account / Revaluation Reserve (Note 14)
Reversal of capital grants and contributions applied	14,711	2,438	0	0	0	(17,149)	
Capital grants and contributions unapplied credited to the CI&ES statement	16,612	0	0	0	(16,612)	0	
Revenue expenditure funded from capital under statute	(5,939)	0	0	0	0	5,939	
Capitalisation of revenue costs under EFS	(32,658)	0	0	0	0	32,658	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(17,310)	(3,608)	0	0	0	20,918	
Reversal of other entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(1,593)	41	0	0	0	1,552	
<b>Total adjustments to revenue resources</b>	<b>(62,267)</b>	<b>(13,993)</b>	<b>0</b>	<b>0</b>	<b>(16,612)</b>	<b>92,872</b>	

2025/26	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	1,772	6,633	(8,405)	0	0	0	Not Applicable
Administrative costs of non-current asset disposals	(87)	0	87	0	0	0	
Charge to Major Repairs Reserve in lieu of depreciation, including additional voluntary transfer	0	13,393	0	(13,393)	0	0	
Provision for the repayment of debt	17,062	668	0	0	0	(17,730)	Capital Adjustment Account
Capital expenditure financed from revenue balances	1,127	830	0	0	0	(1,957)	
<b>Total adjustments between revenue and capital resources</b>	<b>19,874</b>	<b>21,524</b>	<b>(8,318)</b>	<b>(13,393)</b>	<b>0</b>	<b>(19,687)</b>	
<b>Adjustments to capital resources:</b>							
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	0	0	750	0	0	<b>(750)</b>	Capital Adjustment Account
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	13,991	0	<b>(13,991)</b>	
Application of capital grants to finance capital expenditure	0	0	0	0	7,983	<b>(7,983)</b>	
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>750</b>	<b>13,991</b>	<b>7,983</b>	<b>(22,724)</b>	
<b>Total adjustments</b>	<b>(42,393)</b>	<b>7,531</b>	<b>(7,568)</b>	<b>598</b>	<b>(8,629)</b>	<b>50,461</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	
<b>Adjustments to revenue resources:</b>							
Reversal of retirement benefits charged to CI&ES	(18,602)	0	0	0	0	<b>18,602</b>	Pensions Reserve
Employer's pensions contributions and direct payments to pensioners payable for the current year	23,537	0	0	0	0	<b>(23,537)</b>	
Financial instruments	15	47	0	0	0	<b>(62)</b>	Financial Instruments Adjustment Account
Council tax and business rates	104	0	0	0	0	<b>(104)</b>	Collection Fund Adjustment Account
Staff leave entitlement	(492)	0	0	0	0	<b>492</b>	Accumulated Absences Account
Dedicated Schools Grant deficit (Note 10)	(7,328)	0	0	0	0	<b>7,328</b>	Dedicated Schools Grant Adjustment Account
Reversal of charges for depreciation and impairment of non-current assets	(36,079)	(11,727)	0	0	0	<b>47,806</b>	Capital Adjustment Account / Revaluation Reserve (Note 14)
Reversal of capital grants and contributions applied	14,166	3,023	0	0	0	<b>(17,189)</b>	
Capital Grants and contributions unapplied credited to the CI&ES	10,619	0	0	0	(10,619)	<b>0</b>	
Revenue expenditure funded from capital under statute	(10,078)	0	0	0	0	<b>10,078</b>	
Capitalisation of revenue costs under EFS	(15,615)	0	0	0	0	<b>15,615</b>	
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	<b>33,218</b>	
Reversal of other entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(3,791)	0	0	0	0	<b>3,791</b>	
<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	Not Applicable
Administrative costs of non-current asset disposals	(40)	0	40	0	0	0	
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 Adjustment Account
Capital expenditure financed from revenue balances	4	3,353	(207)	0	0	(3,150)	
<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)	Capital Adjustment Account
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	11,477	0	(11,477)	
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>	

## **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.

### **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.

2025/26	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	2,631	0	70	0	0	0	2,701
Capital Adjustment Account	(499,101)	0	94,690	(19,687)	(22,724)	(18,967)	(465,789)
Collection Fund Adjustment Account	8,535	0	(4,476)	0	0	0	4,059
DSG Adjustment Account	28,068	0	9,630	0	0	0	37,698
Financial Instruments Adjustment Account	2,400	0	(67)	0	0	0	2,333
Financial Instruments Revaluation Reserve	(47,677)	(8,500)	0	0	0	0	(56,177)
Pensions Reserve	48,886	(32,013)	(6,975)	0	0	0	9,898
Revaluation Reserve	(368,479)	(19,555)	0	0	0	18,967	(369,067)
<b>Total Unusable Reserves</b>	<b>(824,737)</b>	<b>(60,068)</b>	<b>92,872</b>	<b>(19,687)</b>	<b>(22,724)</b>	<b>0</b>	<b>(834,344)</b>

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>

### 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 statutory arrangements require the cost of the accumulated deficit on the DSG since 2020/21 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 Local Authorities (Capital Finance and Accounting) 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 2024/25 and 2025/26.

1 April 2024	Contributions (to)/ from 2024/25	31 March 2025		1 April 2025	Contributions (to)/ from 2025/26	31 March 2026
£'000	£'000	£'000		£'000	£'000	£'000
(13,498)	(2,750)	(16,248)	Consolidated Risk Reserve	(16,248)	(4,719)	<b>(20,967)</b>
0	(10,012)	(10,012)	Ring-fenced Corporate Reserve <sup>1</sup>	(10,012)	(6,267)	<b>(16,279)</b>
(11,003)	2,070	(8,933)	Schools	(8,933)	1,787	<b>(7,146)</b>
(5,314)	934	(4,380)	Insurance	(4,380)	(35)	<b>(4,415)</b>
(2,796)	(800)	(3,596)	Property Investment Board Portfolio	(3,596)	(500)	<b>(4,096)</b>
(6,211)	2,287	(3,924)	Grants Unapplied without Conditions	(3,924)	296	<b>(3,628)</b>
(5,009)	1,069	(3,940)	ICS Fairer Futures Fund	(3,940)	1,010	<b>(2,930)</b>
(1,953)	501	(1,452)	Commuted Sums - Highways	(1,452)	(993)	<b>(2,445)</b>
0	(1,661)	(1,661)	Carry Forward	(1,661)	(710)	<b>(2,371)</b>
(495)	(703)	(1,198)	Employment Learn and Engage	(1,198)	0	<b>(1,198)</b>
(2,771)	2,421	(350)	Economy and Infrastructure Risk Reserve	(350)	(678)	<b>(1,028)</b>
(1,042)	(16)	(1,058)	School Catering	(1,058)	77	<b>(981)</b>
(1,249)	118	(1,131)	Exploitation & Safeguarding	(1,131)	174	<b>(957)</b>
(927)	47	(880)	Public Health Grant	(880)	0	<b>(880)</b>
(914)	199	(715)	Leisure	(715)	1	<b>(714)</b>
(747)	51	(696)	Commuted Sums - Parks and Open Spaces	(696)	0	<b>(696)</b>
(516)	(115)	(631)	Licensing	(631)	(59)	<b>(690)</b>
(762)	89	(673)	Tenant Works	(673)	6	<b>(667)</b>
0	(755)	(755)	Business Rates Timing Reserve	(755)	105	<b>(650)</b>
(781)	75	(706)	Highways Section 106 Agreements	(706)	58	<b>(648)</b>
(1,126)	500	(626)	Public Health Contingency	(626)	52	<b>(574)</b>
(1,369)	258	(1,111)	Family Hubs	(1,111)	552	<b>(559)</b>
(651)	195	(456)	Civil Parking Enforcement	(456)	66	<b>(390)</b>
(6,164)	6,032	(132)	External Debt Interest	(132)	(42)	<b>(174)</b>
(3,601)	3,495	(106)	Future Capital Spending	(106)	(9)	<b>(115)</b>

1 April 2024	Contributions (to)/ from 2024/25	31 March 2025		1 April 2025	Contributions (to)/ from 2025/26	31 March 2026
£'000	£'000	£'000		£'000	£'000	£'000
(6,715)	6,634	(81)	Adult Social Care Investment	(81)	81	0
(1,512)	1,512	0	Severance	0	0	0
(1,743)	1,743	0	Early Years	0	0	0
(877)	877	0	Dry-mixed recycling contract: pre sub-regional MRF	0	0	0
(842)	842	0	Homelessness	0	0	0
(9,022)	2,086	(6,936)	Other	(6,936)	(539)	(7,475)
<b>(89,610)</b>	<b>17,223</b>	<b>(72,387)</b>	<b>Total Earmarked Revenue Reserves</b>	<b>(72,387)</b>	<b>(10,286)</b>	<b>(82,673)</b>

<sup>1</sup> £0.440 million of revenue expenditure capitalised under the Exceptional Financial Support framework was used to replenish corporate reserves ring-fenced for future years' budget support and £5.827 million is earmarked for spend on transformation.

## Disclosure notes – notes supporting the Balance Sheet

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

2025/26	Council Dwellings	Other Land and Buildings (Right-of-Use) <sup>1</sup>	Other Land and Buildings (not leased) <sup>1</sup>	Surplus Assets	Vehicles, Plant and Equipment (Right-of-Use) <sup>1</sup>	Vehicles, Plant and Equipment (not leased) <sup>1</sup>	Community Assets	Assets Under Construction	Infrastructure	Total Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Book Value at 31 March 2025 (restated) <sup>1</sup></b>	<b>533,062</b>	<b>13,445</b>	<b>515,866</b>	<b>5,312</b>	<b>1,114</b>	<b>11,574</b>	<b>15,999</b>	<b>14,523</b>	<b>162,262</b>	<b>1,273,157</b>
Additions	17,859	0	4,029	88	0	1,077	383	4,599	11,455	<b>39,490</b>
Revaluations recognised in the revaluation reserve	22,453	0	7,139	1,112	0	0	(9)	0	0	<b>30,695</b>
Revaluations recognised in the provision of services	0	(5)	(1,326)	100	(4)	0	0	0	0	<b>(1,235)</b>
Disposals	(3,608)	0	(16,469)	(537)	(34)	0	0	0	0	<b>(20,648)</b>
Reclassifications	14	0	(17,669)	14,789	0	0	(13)	(1,065)	90	<b>(3,854)</b>
Depreciation	(12,331)	(707)	(19,955)	(17)	(486)	(3,737)	0	0	(6,331)	<b>(43,564)</b>
Impairment losses recognised in the revaluation reserve	0	0	0	(11,140)	0	0	0	0	0	<b>(11,140)</b>
Impairment losses recognised in the provision of services	0	0	0	(4,006)	0	0	0	0	0	<b>(4,006)</b>
<b>Net Book Value at 31 March 2026</b>	<b>557,449</b>	<b>12,733</b>	<b>471,615</b>	<b>5,701</b>	<b>590</b>	<b>8,914</b>	<b>16,360</b>	<b>18,057</b>	<b>167,476</b>	<b>1,258,895</b>

<sup>1</sup> The Net Book Value as at 31 March 2025 has been restated for the Right-of-Use assets which were previously shown in one column but are now separated out between Other Land and Buildings and Vehicles, Plant and Equipment.

The Net Book Value at 31 March 2026 is analysed as follows:

2025/26	Council Dwellings	Other Land and Buildings (Right-of-Use)	Other Land and Buildings (not leased)	Surplus Assets	Vehicles, Plant and Equipment (Right-of-Use)	Vehicles, Plant and Equipment (not leased)	Community Assets	Assets Under Construction	Total Property Plant and Equipment (excluding Infrastructure assets) <sup>1</sup>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Value at 31 March 2026	557,449	16,833	479,367	5,705	1,584	17,176	16,360	18,057	<b>1,112,531</b>
Accumulated Depreciation and Impairment	0	(4,100)	(7,752)	(4)	(994)	(8,262)	0	0	<b>(21,112)</b>

<sup>1</sup> In accordance with the temporary relief offered by Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>2024/25 (restated)</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings (Right-of-Use) <sup>1</sup></b>	<b>Other Land and Buildings (not leased) <sup>1</sup></b>	<b>Surplus Assets</b>	<b>Vehicles, Plant and Equipment (Right-of-Use) <sup>1</sup></b>	<b>Vehicles, Plant and Equipment (not leased) <sup>1</sup></b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Infrastructure Assets</b>	<b>Total Property Plant and Equipment</b>
	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Book Value at 31 March 2024</b>	<b>510,795</b>	<b>0</b>	<b>548,694</b>	<b>4,822</b>	<b>0</b>	<b>13,771</b>	<b>15,855</b>	<b>22,717</b>	<b>150,181</b>	<b>1,266,835</b>
Recognition of right-of-use assets at 1 April 2024	0	3,507	0	0	1,143	0	0	0	0	4,650
Additions	23,375	44	6,253	6	479	1,573	153	3,026	8,261	43,170
Revaluations recognised in the revaluation reserve	11,784	0	28,239	4,907	0	0	(9)	0	0	44,921
Revaluations recognised in the provision of services	0	0	(3,323)	(139)	0	0	0	0	0	(3,462)
Disposals	(1,676)	0	(31,542)	0	0	0	0	0	0	(33,218)
Reclassifications	0	12,715	(12,375)	(4,280)	0	15	0	(11,220)	9,773	(5,372)
Depreciation	(11,216)	(468)	(20,080)	(4)	(508)	(3,785)	0	0	(5,953)	(42,014)
Impairment losses recognised in the revaluation reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses recognised in the provision of services	0	(2,353)	0	0	0	0	0	0	0	(2,353)
<b>Net Book Value at 31 March 2025</b>	<b>533,062</b>	<b>13,445</b>	<b>515,866</b>	<b>5,312</b>	<b>1,114</b>	<b>11,574</b>	<b>15,999</b>	<b>14,523</b>	<b>162,262</b>	<b>1,273,157</b>

<sup>1</sup> This note has been restated to separate out the Right-of-Use assets which were previously shown in one column but are now separated out between Other Land and Buildings and Vehicles, Plant and Equipment. The Other Land and Building (Right-of-Use) column includes the Bluebell centre which was included within the 2024/25 accounts within the Other Land and Buildings column.

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

2024/25	Council Dwellings	Other Land and Buildings (Right-of-Use)	Other Land and Buildings (not leased)	Surplus Assets	Vehicles, Plant and Equipment (Right-of-Use)	Vehicles, Plant and Equipment (not leased)	Assets Under Construction	Right-of-Use Assets	Total Property Plant and Equipment (excluding Infrastructure assets) <sup>1</sup>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Value at 31 March 2025	533,062	16,838	532,712	5,316	1,622	21,156	15,999	14,523	1,141,228
Accumulated Depreciation and Impairment	0	(3,393)	(16,846)	(4)	(508)	(9,582)	0	0	(30,333)

<sup>1</sup> In accordance with the temporary relief offered by Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

## 17. Capital Commitments

As at 31 March 2026, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2026/27 and future years forecast to exceed £6.5 million (including capital commitments relating to the HRA totalling £3.1 million). Similar commitments at 31 March 2025 were £7.0 million (HRA: £3.7 million). The major commitments are:

- SEC Vehicles and Equipment £2.143m
- HRA Climate & Energy (Heating) £1.172m
- A45 Damson Parkway Junction £0.615m
- HRA High Rise Block Programme £0.533m

## 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.

2024/25		2025/26
£'000		£'000
470,271	Opening capital financing requirement	490,026
	<b>Capital Investment</b>	
43,170	Property, plant and equipment	39,490
1,374	Intangible assets	528
0	Assets held for sale	25
10,756	Revenue expenditure funded as capital under statute (REFCUS)	7,297
15,615	Capitalisation of revenue costs under EFS	32,658
1,537	Loans	4,380
3,463	Share acquisition	209
(797)	PFI liability revalued in year	0
4,650	Right-of-use assets recognised in year	0
79,768	<b>Total Capital Investment</b>	<b>84,587</b>
	<b>Sources of Finance</b>	
(1,709)	Capital receipts	(750)
(27,721)	Government grants and other contributions	(25,133)
(30,583)	Sums set aside from revenue	(35,376)
(60,013)	<b>Total Sources of Finance</b>	<b>(61,259)</b>
490,026	<b>Closing Capital Financing Requirement</b>	<b>513,354</b>
	<b>Explanation of Movements in year</b>	
(2,398)	Decrease in underlying need to borrow (supported by government financial assistance)	(2,398)
20,764	Increase in underlying need to borrow (not supported by government financial assistance)	30,996
(2,872)	Reductions in assets under PFI contracts	(4,286)
4,261	Assets acquired/ (disposed of) under lease agreements	(984)
19,755	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>23,328</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. From April 2025, the Code requires assets to be indexed in the intervening years between formal valuations, using appropriate indices.

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 2025/26 was 31 December 2025, except for HRA assets which were valued as at 31 March 2026. 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 xiii.

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

2025/26	Carried at Historic Cost	Valued at current value					Indexation Applied	Total
		2021/22	2022/23	2023/24	2024/25	2025/26		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Dwellings	0	0	0	0	0	557,449	0	557,449
Other Land and Buildings	562	20,004	48,957	58,048	340,236	11,943	1,068	480,818
Surplus Assets	0	10	0	0	5,691	0	0	5,701
Vehicles, Plant and Equipment	8,914	0	0	0	0	0	0	8,914
Community Assets	16,360	0	0	0	0	0	0	16,360
Assets Under Construction	18,057	0	0	0	0	0	0	18,057
Infrastructure Assets	167,476	0	0	0	0	0	0	167,476
Right-of-Use Assets	4,120	0	0	0	0	0	0	4,120
<b>Total Cost or Valuation</b>	<b>215,489</b>	<b>20,014</b>	<b>48,957</b>	<b>58,048</b>	<b>345,927</b>	<b>569,392</b>	<b>1,068</b>	<b>1,258,895</b>

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
Council Dwellings	0	0	0	0	0	533,062	<b>533,062</b>
Other Land and Buildings	1,356	841	20,746	50,525	59,688	392,145	<b>525,301</b>
Surplus Assets	0	0	0	0	0	5,312	<b>5,312</b>
Vehicles, Plant and Equipment	11,574	0	0	0	0	0	<b>11,574</b>
Community Assets	15,999	0	0	0	0	0	<b>15,999</b>
Assets Under Construction	14,523	0	0	0	0	0	<b>14,523</b>
Infrastructure Assets	162,262	0	0	0	0	0	<b>162,262</b>
Right-of-Use Assets	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>

## 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:

2024/25		2025/26
£'000		£'000
15,846	Balance at 1 April	<b>15,519</b>
(327)	Net gains/(losses) from fair value adjustments	<b>399</b>
<b>15,519</b>	<b>Balance at 31 March</b>	<b>15,918</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 2025, except for HRA investment properties which are as at 31 March 2026. 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.

2024/25		2025/26
£'000		£'000
10,728	Balance at 1 April	8,666
1,374	Purchases	528
3	Reclassifications	0
(3,439)	Amortisation for the year	(3,203)
8,666	<b>Balance at 31 March</b>	<b>5,991</b>
	Comprising:	
16,066	Gross carrying amounts	14,942
(7,400)	Accumulated amortisation	(8,951)
8,666		5,991

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £3.203 million charged to revenue in 2025/26 is 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 2025	31 March 2026	31 March 2025	31 March 2026
	£'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	45,557	<b>49,161</b>	43,776	<b>44,401</b>
Cash and Cash Equivalents	0	<b>0</b>	5,248	<b>20,470</b>
<b>FVOCI - designated equity instruments</b>	58,285	<b>66,994</b>	0	<b>0</b>
<b>Total financial assets</b>	103,842	<b>116,155</b>	49,085	<b>64,932</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 2025	31 March 2026	31 March 2025	31 March 2026
	£'000	£'000	£'000	£'000
<b>Financial Liabilities at amortised cost:</b>				
Borrowing	(334,630)	<b>(339,599)</b>	(27,392)	<b>(24,398)</b>
PFI and lease liabilities	(39,736)	<b>(34,103)</b>	(3,799)	<b>(3,970)</b>
Creditors and other payables	(1,236)	<b>0</b>	(35,061)	<b>(40,363)</b>
<b>Total financial liabilities</b>	(375,602)	<b>(373,702)</b>	(66,252)	<b>(68,731)</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 IFRS9 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 2025	31 March 2026
			£'000	£'000
Birmingham Airport Holdings Ltd	Level 3	Earning based valuation		
- Ordinary Shares			19,500	23,500
- Preference Shares			1,176	1,176
The Coventry and Solihull Waste Disposal Company Ltd	Level 3	Earning based valuation		
- Ordinary Shares			34,000	38,500
Mell Square Ltd	Level 3	Earning based valuation		
- Ordinary Shares			0	0
Solihull Energy Ltd	Level 3	Historic Cost		
- Ordinary Shares			3,463	3,672
Sherbourne Recycling Ltd	Level 3	Historic Cost		
- Ordinary Shares			146	146
<b>Total</b>			58,285	66,994

The fair value of all held investment is derived on an open market value basis. The definition of fair value is set out in IFRS13, 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.

Macquire Asset Management is the largest single shareholder at 26.5% who acquired this shareholding from the Ontario Teachers' Pension Plan, who retain a minority share of 21.75% 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 2024/25 valuation decreased to £19.500 million, which was below pre-pandemic levels due to reducing company multiples. Due to the external company multiples in 2025/26, the valuation for 2025/26 has increased by £4.000 million to £23.500 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 2025/26, 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 2025/26 and are forecast to continue into future years as EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) continues to increase.

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 2026 has resulted in an increase in the fair value of the Council's shareholding. In arriving at this valuation, the key drivers are:

- Increases in future EBITDA outturns
- The current year EBITDA multiple has increased meaning that the future projections coupled with the increased outturns shows a large increase in valuation
- Increases in passenger numbers in line with long-term national trends, with 302 million passengers passing through UK airports in 2025, compared with 295 million passenger journeys in 2024<sup>7</sup>
- The company returned to paying dividends to shareholders for the first time since Covid-19.

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

BAH was incorporated on 4 February 1997 and commenced trading on 26 March 1997. The BAH Group accounts incorporate Birmingham International Airport 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 £1.886 million (2024/25: £0.074 million) and ground rent of £0.089 million (2024/25: £0.083 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

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<sup>7</sup> UK Civil Aviation Authority, *Aviation Trends 2026 Q1 Statement of Accounts 2025/26*

cannot meet. These shares are not quoted on any Stock Exchange. During this year dividend income of £4.583 million (2024/25: £4.765 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 2026 should increase to £38.500 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 increase in this valuation is due to an increase in the company multiples as provided by the Council's advisors. This is coupled with the stabilisation of the company's EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation). 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 an increase to the valuation at 31 March 2026.

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 2025/26, Mell Square Limited repaid £0.130 million of this loan and the accounts now show a Long-Term Debtor of £32.115 million and a Short-Term Debtor of £0.138 million due to be repaid in 2026/27. The Expected Credit Loss value has remained unchanged from 2024/25.

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 2025, 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

### **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 £3.672 million equity in this Company and therefore, this £3.672 million valuation is included in the accounts.

In addition, the Council has provided the company with a total loan of £5.917 million.

### **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 provided the company with loans totalling £8.828 million. SRL completed the construction of the Materials Recycling Facility (MRF) and the facility became operational in Autumn 2023. The remaining loan is split between £8.637 million in Long-Term Debt and £0.088 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.

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

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

The fair value hierarchy is defined within Note 44 - Statement of Accounting Policies (vii. 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**

2024/25				2025/26		
Unquoted Shares	Other	Total		Unquoted Shares	Other	Total
£'000	£'000	£'000		£'000	£'000	£'000
57,822	0	57,822	Opening balance at 1 April	58,285	0	58,285
0	0	0	Transfers into Level 3	0	0	0
0	0	0	Transfers out of Level 3	0	0	0
(3,000)	0	(3,000)	Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure	8,500	0	8,500
3,463	0	3,463	Additions	209	0	209
0	0	0	Disposals	0	0	0
58,285	0	58,285	<b>Closing Balance at 31 March</b>	66,994	0	66,994

**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)
- 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 IFRS16 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 2025			31 March 2026	
Balance sheet value	Fair value		Balance sheet value	Fair value
£'000	£'000		£'000	£'000
		<b>Long-Term Financial Assets</b>		
58,285	58,285	Financial assets measured at fair value	<b>66,994</b>	<b>66,994</b>
45,557	45,557	Long-term debtors <sup>1</sup>	<b>49,161</b>	<b>49,161</b>
103,842	103,842	<b>Sub-total: Long-Term Financial Assets</b>	<b>116,155</b>	<b>116,155</b>
		<b>Short-Term Financial Assets</b>		
5,248	5,248	Cash and cash equivalents	<b>20,470</b>	<b>20,470</b>
0	0	Money market loans (< 1 year)	<b>0</b>	<b>0</b>
61	61	Insurance liability fund	<b>61</b>	<b>61</b>
43,776	43,776	Short-term debtors <sup>2</sup>	<b>44,401</b>	<b>44,401</b>
49,085	49,085	<b>Sub-total: Short-Term Financial Assets</b>	<b>64,932</b>	<b>64,932</b>
152,927	152,927	<b>Total Financial Assets</b>	<b>181,087</b>	<b>181,087</b>

<sup>1</sup> The Long-Term Debtors balance is comprised largely of the three loan commitments relating to Mell Square Ltd (£32.115 million), Sherbourne Recycling Ltd (£8.637 million) and Solihull Energy Ltd (£5.917 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 2025			31 March 2026	
Balance sheet value	Fair value		Balance sheet value	Fair value
£'000	£'000		£'000	£'000
		<b>Long-Term Financial Liabilities</b>		
		Long-Term Borrowing:		
(299,315)	(197,733)	Borrowing - PWLB <sup>1</sup>	<b>(299,901)</b>	<b>(169,674)</b>
(62)	(62)	Borrowing - Walsall MBC debt	<b>0</b>	<b>0</b>
(35,253)	(30,670)	Borrowing - other long-term loans <sup>3</sup>	<b>(39,698)</b>	<b>(31,108)</b>
(334,630)	(228,465)	<b>Sub-total Long-Term Borrowing</b>	<b>(339,599)</b>	<b>(200,782)</b>
		Other long-term liabilities:		
(32,532)	(32,532)	PFI liabilities and similar contracts	<b>(27,818)</b>	<b>(27,818)</b>
(7,204)	(7,204)	Lease liabilities	<b>(6,285)</b>	<b>(6,285)</b>
(1,236)	(1,236)	Long-Term Creditors	<b>0</b>	<b>0</b>
(40,972)	(40,972)	<b>Sub-total Other Long-Term Liabilities</b>	<b>(34,103)</b>	<b>(34,103)</b>
(375,602)	(269,437)	<b>Sub-total Long-Term Financial Liabilities</b>	<b>(373,702)</b>	<b>(234,885)</b>
		<b>Short-Term Financial Liabilities</b>		
		Short-Term Borrowing:		
(2,824)	(2,824)	PWLB	<b>(11,940)</b>	<b>(11,940)</b>
(1,259)	(1,259)	Dudley MBC debt <sup>2</sup>	<b>0</b>	<b>0</b>
(79)	(79)	Walsall MBC debt	<b>0</b>	<b>0</b>
(5,232)	(5,232)	Other short term loans <sup>3</sup>	<b>(343)</b>	<b>(343)</b>
(9,394)	(9,394)	<b>Sub-total Short-Term Borrowing</b>	<b>(12,283)</b>	<b>(12,283)</b>

31 March 2025		31 March 2026		
Balance sheet value	Fair value		Balance sheet value	Fair value
£'000	£'000		£'000	£'000
		Other short-term liabilities:		
(17,998)	(17,998)	Bank overdraft	(12,115)	(12,115)
(2,622)	(2,622)	PFI liabilities and similar contracts	(3,050)	(3,050)
(1,177)	(1,177)	Lease liabilities	(920)	(920)
(35,061)	(35,061)	Short term creditors <sup>4</sup>	(40,363)	(40,363)
(56,858)	(56,858)	<b>Sub-total Other Short-Term Liabilities</b>	<b>(56,448)</b>	<b>(56,448)</b>
(66,252)	(66,252)	<b>Sub-total Short-Term Financial Liabilities</b>	<b>(68,731)</b>	<b>(68,731)</b>
(441,854)	(335,689)	<b>Total Financial Liabilities</b>	<b>(442,433)</b>	<b>(303,616)</b>

<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 £190.698m, 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 West Midlands County Council; all borrowing within this fund matured during 2025/2026.

<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 quarterly 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 2026 is shown as follows:

31 March 2025	Current rating (Fitch or equivalent)	31 March 2026
£'000		£'000
2,000	AAA	15,047
0	AA+	0
0	AA	0
0	AA-	0
3,227	A+	5,405
82	N/A	79
5,309	<b>Total</b>	<b>20,531</b>

Allowances for impairment losses are calculated for investments held at 31 March 2026, 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 2026, £26.532 million of trade debtors were held on the Accounts Receivable system awaiting payment (£25.158 million at 31 March 2025). These are analysed by age as shown in the following table:

31 March 2025		31 March 2026
£'000		£'000
15,680	Less than three months	<b>18,079</b>
1,413	Three to six months	<b>1,989</b>
3,290	Six months to one year	<b>2,201</b>
5,569	More than one year	<b>6,221</b>
25,952	<b>Outstanding trade debtors</b>	<b>28,490</b>
(794)	Less cash received but not yet allocated	<b>(1,958)</b>
25,158	<b>Total trade debtors <sup>1</sup></b>	<b>26,532</b>

<sup>1</sup> The trade debtors figure at 31 March 2026 in the table above is split between short-term debtors of £24.612 million and £1.920 million of long-term debtors. As at 31 March 2025, this was split between short-term debtors of £22.774 million and £2.384 million of long-term debtors.

The Council has an impairment allowance of £3.279 million in place to mitigate against this risk (£3.296 million as at 31 March 2025).

#### 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 2025		31 March 2026
£'000		£'000
5,460	Less than 1 year	9,514
9,478	Between 1 and 2 years	5,534
11,548	Between 2 and 5 years	16,735
7,005	Between 5 and 10 years	7,381
37,730	Between 10 and 20 years	38,825
70,834	Between 20 and 30 years	81,362
109,905	Between 30 and 40 years	106,704
87,800	Between 40 and 50 years	82,800
339,760	<b>Total</b>	<b>348,855</b>

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 £348.855 million debt held as at 31 March 2026, £15.000 million was at variable interest rates and £333.855 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 2025/26 (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	(164)
<b>Impact on (surplus)/deficit on the provision of services in the CI&amp;ES</b>	<b>(14)</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>24,854</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:

2024/25			2025/26	
(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	3,000	Net (gain)/ loss on investments in equity instruments designated at FVOCI	0	(8,500)
(3,438)	0	Interest income on financial assets measured at amortised cost	(4,902)	0
(8,591)	0	Interest income on financial assets measured at FVOCI	(6,470)	0
16,278	0	Interest expense	16,554	0
2,463	0	Impairment Losses	1,457	0
6,712	3,000	<b>Net (gain)/loss for the year</b>	<b>6,639</b>	<b>(8,500)</b>

## 26. Leases

The Council adopted IFRS16 from 1 April 2024, which has resulted in qualifying 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 sheet.

The main impact of IFRS16 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. IFRS16 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 IFRS16 the Council treated the lease agreement for the Bluebell Centre as a finance lease, under IFRS16 this treatment has now changed, and the lease is now recognised as a right-of-use agreement. The agreement represents a significant proportion of the right-of-use value, with an asset value at 31 March 2026 of £9.203 million (£9.435 million at 31 March 2025).

### Transactions Under Lessee Agreements

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

31 March 2025		31 March 2026
£'000		£'000
	<b>Comprehensive Income and Expenditure Statement</b>	
415	Interest expense on lease liabilities	377
131	Expense relating to short-term leases	89
188	Expense relating to exempt leases of low-value items	225
	<b>Cash Flow Statement</b>	
1,327	Minimum Lease Payments	1,412

### Maturity Analysis of Lease Liabilities

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

31 March 2025		31 March 2026
£'000		£'000
1,177	Not later than one year	920
2,777	Later than one year and not later than five years	2,159
4,427	Later than five years	4,126
8,381	<b>Total</b>	<b>7,205</b>

### 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 IFRS16. 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 Council has made the following gains as a lessor during the year:

31 March 2025		31 March 2026
£'000		£'000
	<b>Operating Leases</b>	
(3,113)	Operating lease income	(2,962)
(2,890)	Lease income relating to variable lease payments	(2,809)
(6,003)		(5,771)

## Maturity Analysis of Lease Receivables

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

31 March 2025		31 March 2026
£'000		£'000
(2,934)	Not later than one year	(2,892)
(9,804)	Later than one year and not later than five years	(10,924)
(91,336)	Later than five years	(91,863)
(104,074)		(105,679)

## 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 IFRS16 from 1 April 2024, the Council has restated the opening balance of the PFI liability which is reflected in the following tables.

In 2025/26 the Council made contractual payments of £10.269 million (2024/25: £10.056 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 2025/26.

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	2026/27	3,050	2,670	4,486	10,206
Within 2 - 5 years	2027/28 - 2030/31	11,621	8,134	22,286	42,041
Within 6 - 10 years	2031/32 - 2035/36	16,197	3,967	27,430	47,594
<b>Total</b>		<b>30,868</b>	<b>14,771</b>	<b>54,202</b>	<b>99,841</b>

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

	1 April 2024	Net payments during the year	31 March 2025	IFRS16 Restatement	1 April 2025	Net payments during the year	31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Castlewood School	(4,793)	267	(4,526)	175	(4,351)	377	(3,974)
Park Hall Academy School	(16,073)	896	(15,177)	587	(14,590)	1,264	(13,326)
Smith's Wood Academy	(16,363)	912	(15,451)	597	(14,854)	1,286	(13,568)
<b>Total</b>	<b>(37,229)</b>	<b>2,075</b>	<b>(35,154)</b>	<b>1,359</b>	<b>(33,795)</b>	<b>2,927</b>	<b>(30,868)</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 total value of the payments due to the PFI Contractor over the remaining 10 years of the contract is £99.841 million. The BSF PFI unitary payments includes costs for utilities.

## 28. Short-Term Debtors

31 March 2025		31 March 2026
£'000		£'000
34,756	Amounts receivable from trade customers	<b>35,434</b>
9,020	Amounts receivable from related parties	<b>8,967</b>
1,923	Payments in advance from trade customers	<b>2,884</b>
3,405	Payments in advance from related parties	<b>3,403</b>
49,104	<b>Total Trade Debtors</b>	<b>50,688</b>
7,685	Amounts receivable from central government	<b>8,636</b>
8,084	Other debtors (council tax and business rates)	<b>7,687</b>
32	Other debtors (precepting authorities)	<b>0</b>
64,905	<b>Total Short-Term Debtors</b>	<b>67,011</b>

## 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 2025		31 March 2026
£'000		£'000
6,241	Less than one year old	<b>5,049</b>
1,843	Over one year old <sup>1</sup>	<b>2,638</b>
8,084		<b>7,687</b>

<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 2025		31 March 2026
£'000		£'000
21	Cash floats held by the Council	18
5,227	Cash equivalents and cash at bank	20,452
5,248	<b>Cash and cash equivalents</b>	<b>20,470</b>
(17,998)	Bank overdraft	(12,115)
(12,750)	<b>Total</b>	<b>8,355</b>

### 31. Short-Term Creditors

31 March 2025		31 March 2026
£'000		£'000
(32,803)	Amounts payable to trade customers	(36,943)
(2,258)	Amounts payable to related parties	(3,420)
(3,667)	Receipts in advance from trade customers	(5,891)
(3,112)	Receipts in advance from related parties	(3,088)
(41,840)	<b>Total Trade Creditors</b>	<b>(49,342)</b>
(9,424)	Amounts payable to central government	(6,582)
(11,150)	Other receipts in advance (council tax and business rates)	(10,079)
(7,891)	Other creditors	(7,217)
(70,305)	<b>Total Short-Term Creditors</b>	<b>(73,220)</b>

### 32. Provisions

	Business Rates Appeals	Other Provisions	Total
	£'000	£'000	£'000
<b>Short-Term Provisions</b>			
Balance at 1 April 2025	(1,589)	(1,926)	(3,515)
Provisions made in 2025/26	(983)	(1,093)	(2,076)
Amounts used in 2025/26	1,589	996	2,585
<b>Balance at 31 March 2026</b>	<b>(983)</b>	<b>(2,023)</b>	<b>(3,006)</b>
<b>Long-Term Provisions</b>			
Balance at 1 April 2025	(2,602)	(664)	(3,266)
Provisions made in 2025/26	(633)	0	(633)
Amounts used in 2025/26	1,268	10	1,278
<b>Balance at 31 March 2026</b>	<b>(1,967)</b>	<b>(654)</b>	<b>(2,621)</b>
<b>Total Provisions at 31 March 2026</b>	<b>(2,950)</b>	<b>(2,677)</b>	<b>(5,627)</b>

The largest provision that the Council has made 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 2023 ratings list, the provision is based on the assumed loss from appeals inherent in the business rates scheme. All appeals relating to the 2017 list have now been settled and the remaining provision has been released during the year.

### **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 DfE 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 12,911 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 0.09% (2024/25 0.10%).

In 2025/26 £7.237 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 2025 to 31 March 2026 (2024/25: £8.282m and 28.68%). £0.661 million of the contributions remained payable at the year-end. The contributions due to be paid in 2026/27 are estimated to be £7.454 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 2025/26 these payments amounted to £0.928 million (2024/25: £0.977 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 increased from 20.68% in 2024/25 to 23.78% in 2025/26, of which the Council paid 16.88% and the remaining contributions were funded centrally by the Department of Health and Social Care. £0.258 million was payable in 2025/26 to the NHS Pensions Scheme in respect of NHS pension costs (2024/25: £0.227 million). £0.017 million of the contributions remained payable at the year-end.

The contributions due to be paid in 2026/27 are estimated to be £0.266 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:

2024/25	Transactions in the CI&ES	2025/26
£'000		£'000
	<i>Cost of services comprising:</i>	
19,866	Current service cost	14,428
18	Past service cost, including curtailments	1,261
(2,343)	Effect of settlements	(663)
	<i>Financing and investment income and expenditure:</i>	
4,357	Interest on the effect of the asset ceiling	11,361
(3,296)	Net interest	(9,467)
18,602	<b>Sub-total: post-employment benefit charged to the (surplus)/deficit on the provision of services</b>	<b>16,920</b>
	<i>Other post-employment benefits charged to Other Comprehensive Income and Expenditure:</i>	
	Remeasurement of the net defined benefit liability comprising:	
28,327	Return on assets excluding amounts included in net interest	(35,863)
(6,619)	Other experience	42,304
(1,432)	Actuarial (gains)/losses arising on changes in demographic assumptions	(13,902)
(125,867)	Actuarial (gains)/losses arising on changes in financial assumptions	(17,084)
107,754	Adjustment to meet the requirements of IFRIC14 <sup>1</sup>	(7,468)
(3,837)	<b>Sub-total: post-employment benefits charged to other comprehensive income and expenditure</b>	<b>(32,013)</b>
14,765	<b>Total post-employment benefits charged to the CI&amp;ES</b>	<b>(15,093)</b>
2024/25	Transactions in the MIRS	2025/26
£'000		£'000
(18,602)	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	(16,920)
	<i>Actual amount charged against the General Fund for pensions in the year:</i>	
23,537	Employer's contributions payable to scheme for current year	23,895
4,935	<b>Total post-employment benefit charged to the MIRS</b>	<b>6,975</b>

<sup>1</sup> The Council's funded obligations moved into a net asset position at the end of 2023/24, and remained as such in 2024/25 and 2025/26, 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:

2024/25		2025/26
£'000		£'000
(701,687)	Present value of funded obligations	(745,833)
(12,872)	Present value of unfunded obligations <sup>1</sup>	(9,898)
884,179	Fair value of fund assets	945,739
(196,013)	Adjustment to meet the requirements of IFRIC14 <sup>2</sup>	(199,906)
(26,393)	<b>Net pensions liability</b>	<b>(9,898)</b>

<sup>1</sup> The unfunded obligations comprise of £2.440 million in respect of LGPS unfunded pensions (£2.674 million in 2024/25) and £7.458 million in respect of Teachers' unfunded pensions (£10.198 million in 2024/25).

<sup>2</sup> The Council's funded obligations moved into a net asset position at the end of 2023/24, and remained as such in 2024/25 and 2025/26, however in line with International Financial Reporting Interpretations Committee guidance (IFRIC14), an asset ceiling calculation has been applied which has reduced the net funded pension liability to nil.

## Reconciliation of the effect of the asset ceiling

2024/25		2025/26
£'000		£'000
(89,902)	Opening value at 1 April	(196,013)
(101,754)	Effect of the asset ceiling	7,468
(4,357)	Interest on the effect of the asset ceiling	(11,361)
(196,013)	<b>Closing value at 31 March</b>	<b>(199,906)</b>

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

2024/25		2025/26
£'000		£'000
(806,827)	Present value of funded obligations	(701,687)
(13,058)	Present value of unfunded obligations	(12,872)
(819,885)	<b>Opening balance at 1 April</b>	<b>(714,559)</b>
(19,866)	Current service cost (including administration cost)	(14,428)
(18)	Past service cost, including curtailments	(1,261)
6,454	Effect of settlements	2,732
(39,495)	Interest cost	(41,032)
(6,734)	Participants' contributions	(6,811)
29,744	Benefits paid	30,205
1,323	Unfunded benefits paid	1,181
125,867	Changes in financial assumptions	17,084
1,432	Changes in demographic assumptions	13,902
6,619	Other experience	(42,744)
(714,559)	<b>Closing balance at 31 March</b>	<b>(755,731)</b>
(701,687)	Closing present value of funded obligations	(745,833)
(12,872)	Closing present value of unfunded obligations	(9,898)
(714,559)	<b>Closing balance at 31 March</b>	<b>(755,731)</b>

## Reconciliation of the fair value of the Fund assets

2024/25		2025/26
£'000		£'000
896,729	Opening fair value of fund assets at 1 April	884,179
(4,111)	Effect of settlements	(2,069)
42,791	Interest income	50,499
6,734	Participants' contributions	6,811
107	Employer contributions including unfunded	221
(29,744)	Benefits paid	(30,205)
(1,323)	Unfunded benefits paid	(1,181)
1,323	Contributions in respect of unfunded benefits paid	1,181
(28,327)	Return on assets excluding amounts included in net interest	35,863
0	Other experience	440
884,179	<b>Closing value of fund assets at 31 March</b>	<b>945,739</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 return on scheme assets in the year, including interest, is estimated as a surplus of £86.362 million (2024/25: surplus of £14.464 million).

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

31 March 2025			31 March 2026	
Percentage of total assets	Total assets		Percentage of total assets	Total assets
%	£'000		%	£'000
40	354,022	Debt Securities	42	392,550
6	54,956	Private Equity	5	48,755
7	59,942	Real Estate	6	58,232
42	372,262	Investment Funds and Unit Trusts	42	399,442
5	42,997	Cash and Cash Equivalents	5	46,760
100	884,179	<b>Total Assets</b>	100	<b>945,739</b>

## Basis for estimating assets and liabilities

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

31 March 2025			31 March 2026	
<b>Life expectancy assumptions at age 65:</b>				
<b>Current Pensioners:</b>				
21.2 years	Males		21.9 years	
24.1 years	Females		24.7 years	
<b>Future Pensioners:</b>				
22.1 years	Males		22.9 years	
25.4 years	Females		25.8 years	
<b>Financial assumptions:</b>				
2.75%	Pension increase/revaluation rate (CPI)		3.00%	
3.75%	Salary increase rate		4.00%	
5.80%	Discount rate		6.20%	

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 2026:	Approximate increase to Defined Benefit Obligation	
	£'000	%
0.1% decrease in real discount rate	(11,257)	(1.5)
1 year increase in member life expectancy	(30,229)	(4.0)
0.1% increase in the salary increase rate	(500)	(0.1)
0.1% increase in the pension increase/revaluation rate (CPI)	(10,747)	(1.4)

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 2025 and this set contributions for the period from 1 April 2026 to 31 March 2029. The Council paid employer pension contributions of £67.1 million in April 2023 for the three year period of 2023/24 to 2025/26, of which £22.3 million related to 2025/26. The Pension Fund performs an annual reconciliation of the payment made against the contributions due and the Council has recognised a debtor of £1.2 million in relation to employer contributions due back from the Pension Fund 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 the average duration of the funded obligations is 15 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

2024/25		2025/26
£'000		£'000
(47,806)	Depreciation and impairment	(50,772)
(3,462)	Revaluations	(1,985)
(17,172)	Net movement in pension liability	(15,518)
(33,218)	Carrying amount of non-current assets sold or derecognised	(20,918)
(2,736)	Increase/(decrease) in debtors from operating activities	9,592
1,408	(Increase)/decrease in creditors from operating activities	1,336
(292)	Other non-cash items charged to the net (surplus)/deficit on the provision of services	1,273
(103,278)	<b>Total</b>	<b>(76,992)</b>

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

2024/25		2025/26
£'000		£'000
2,823	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,405
27,809	Capital grants credited to the (surplus)/ deficit on the provision of services	33,760
(25,693)	Revenue expenditure funded from capital under statute, including capitalisation of revenue costs under EFS	(38,597)
1,060	Any other items for which the cash effects are investing or financing cash flows	(3,183)
5,999	<b>Total</b>	<b>385</b>

### 37. Operating Activities

The cash flows from operating activities include the following items:

2024/25		2025/26
£'000		£'000
(3,438)	Interest received	(4,861)
15,443	Interest paid	16,223
(7,941)	Dividends received	(5,870)
4,064	<b>Included within cash flows from operating activities</b>	<b>5,492</b>

### 38. Reconciliation of Liabilities arising from Financing Activities

The movements in financial liabilities are made up as follows:

2025/26	Opening balance 1 April	Financing cash flows	Other non-cash changes	Closing balance 31 March
	£'000	£'000	£'000	£'000
Long-term borrowings	(334,630)	(14,555)	9,586	<b>(339,599)</b>
Short-term borrowings	(9,394)	6,791	(9,680)	<b>(12,283)</b>
Lease liabilities	(8,381)	646	530	<b>(7,205)</b>
PFI liabilities and similar contracts	(35,154)	2,928	1,358	<b>(30,868)</b>
Other liabilities	(753)	608	(326)	<b>(471)</b>
<b>Total liabilities from financing activities</b>	<b>(388,312)</b>	<b>(3,582)</b>	<b>1,468</b>	<b>(390,426)</b>

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	<b>(334,630)</b>
Short-term borrowings	(4,055)	0	(4,055)	(3,377)	(1,962)	<b>(9,394)</b>
Lease liabilities	(3,470)	0	(3,470)	961	(5,872)	<b>(8,381)</b>
PFI liabilities and similar contracts	(38,026)	797	(37,229)	2,075	0	<b>(35,154)</b>
Other liabilities	(666)	0	(666)	244	(331)	<b>(753)</b>
<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>

## 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 2026						
	Dividends	Other Income	Expenditure	Debtors	Creditors	Note
	£'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	(2,899)	11,378	4,754	(2,963)	
<b>Entities Controlled or Significantly Influenced by the Council</b>						
Coventry and Solihull Waste Disposal Company Ltd (CSWDC)	(4,583)	(148)	3,149	2,935	(137)	23
Mell Square Ltd	0	(6,953)	226	35,165	0	23
Solihull Community Housing	0	(4,180)	52,854	497	(3,265)	
Solihull Energy Ltd	0	(154)	12	6,071	(12)	23
Urban Growth Company	0	(2)	0	501	(131)	
<b>Other Entities in which the Council has an Interest</b>						
Sherbourne Recycling Ltd	0	(256)	1,513	9,362	0	23
West Midlands Growth Company (WMGC)	0	(3)	7	0	0	
<b>Total</b>	<b>(4,583)</b>	<b>(14,597)</b>	<b>69,139</b>	<b>59,285</b>	<b>(6,508)</b>	

31 March 2025						
	Dividends	Other Income	Expenditure	Debtors	Creditors	Note
	£'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>	

## **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 2025/26 (one in 2024/25). 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 2025/26. The transactions above exclude the annual levy paid by the Council to Transport for West Midlands, the transport arm of the WMCA, which was £9.023 million in 2025/26 (2024/25: £8.796 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 £32.115 million.

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

Debtors in respect of Sherbourne Recycling Limited include a long-term loan of £8.637 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's Chief Executive is a member of the WMGC Board 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 liability has been identified for 2025/26:

### 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.

## 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 2025/26.

## 42. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Resources on 19 June 2026. 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 2026, 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 2026 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 2026 for 2025/26).

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code – these are not considered to have a material impact on the Council's accounts.

- a) Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets)
- b) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS9 and IFRS7)

- c) Annual improvements to IFRS accounting standards – Volume 11
- d) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS9 and IFRS7)

#### **44. Material 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 2025/26 and its position at the year end of 31 March 2026. 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 2025/26 and the Service Reporting Code of Practice 2025/26, 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 IAS8 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 that 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 based on 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. **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.

### iv. **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.

### v. **Employee Benefits**

#### Benefits Payable during Employment:

Short-term employee benefits such as 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 Pension 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
- 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.
- 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

*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
- 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
- any change in the effect of the asset ceiling – the effect of applying the requirements of IFRIC14, which limits the net funding pension liability

All remeasurements are 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.

In line with IAS19 (Employee Benefits) and IFRIC14 (the standard that limits the recognition of the asset), if the actuary determines that there is a defined benefit asset, the asset is recognised at the lower of the surplus in the defined benefit plan and the asset ceiling calculated by the actuary.

### 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.

### **vi. 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.

### **vii. 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. IFRS13 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.

IFRS13 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.

## viii. Financial Instruments

### Financial Assets:

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

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

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

#### Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

IFRS9 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 IFRS9 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.

### **ix. 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.

## **x. 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.

## **xi. 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.

## **xii. 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.

### **xiii. 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 Code, Local Authority maintained school assets are recognised in 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. All valuations are undertaken by the Council's in-house valuation team and are carried out in line with current RICS guidance. Assets are revalued as part of a five-year rolling programme,

with annual indexation applied to assets during the four intervening years. Where the Council cannot obtain appropriate indices without undue cost or effort, these assets are revalued as part of the five-year rolling programme, with a desktop revaluation in year three. The indices applied have been determined in agreement with the valuation team.

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. These are 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.

School assets are derecognised in full on the date that a school transfers to academy status, as disposals for nil consideration. These losses on disposal are shown in the Other operating income and expenditure line in the CI&ES.

#### **xiv. 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.

#### **xv. Schools**

The Code confirms that the balance of control for local authority maintained schools (i.e. community and voluntary controlled schools) lies with the Council. Therefore the income, expenditure, assets, liabilities, reserves and cash flows of these schools 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.

**xvi. 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.

## Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2025/26 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)

The Urban Growth Company Limited 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.

2024/25				2025/26			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes <sup>1</sup>
£'000	£'000	£'000		£'000	£'000	£'000	
142,998	(68,471)	74,527	Adult Social Care	147,641	(71,268)	<b>76,373</b>	
102,396	(24,205)	78,191	Children's Services	98,953	(26,682)	<b>72,271</b>	
142,437	(138,645)	3,792	Children's Services DSG	141,768	(140,100)	<b>1,668</b>	
0	0	0	Corporate MTFS and Core Funding	2,809	0	<b>2,809</b>	
132,129	(85,444)	46,685	Economy and Infrastructure (includes HRA) <sup>2</sup>	123,091	(91,367)	<b>31,724</b>	
24,882	(20,755)	4,127	Public Health	24,821	(20,164)	<b>4,657</b>	
98,277	(57,957)	40,320	Resources <sup>2</sup>	87,916	(51,342)	<b>36,574</b>	
<b>643,119</b>	<b>(395,477)</b>	<b>247,642</b>	<b>Cost of Services</b>	<b>626,999</b>	<b>(400,923)</b>	<b>226,076</b>	<b>5</b>
		1,693	Parish precepts			<b>1,811</b>	
		8,891	Levies payable			<b>9,120</b>	
		30,396	(Gain)/ loss on disposal of non-current assets			<b>12,479</b>	<b>5</b>
		<b>40,980</b>	<b>Sub-total: Other Operating Expenditure</b>			<b>23,410</b>	
		16,303	Interest payable and similar charges			<b>17,074</b>	
		107	Net interest on the net defined benefit liability			<b>229</b>	G12
		(3,462)	Investment interest income			<b>(4,953)</b>	
		(3,826)	Other investment income			<b>(1,887)</b>	
		1,021	Income, expenditure and changes in fair value of investment properties			<b>984</b>	
		2,463	Impairment losses			<b>1,457</b>	
		<b>12,606</b>	<b>Sub-total: Financing and Investment Income and Expenditure</b>			<b>12,904</b>	
		(135,814)	Council tax income			<b>(142,439)</b>	C4
		(45,555)	Business rates income and expenditure			<b>(48,674)</b>	C4

2024/25				2025/26			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes <sup>1</sup>
£'000	£'000	£'000		£'000	£'000	£'000	
		(20,544)	Non ring-fenced government grants			(20,342)	9
		(17,344)	Recognised capital grants and contributions			(26,680)	9
		(219,257)	<b>Sub-total: Taxation and non-specific grant income</b>			(238,135)	
		81,971	<b>(Surplus)/deficit on the provision of services</b>			24,255	
		(19,472)	Share of the (surplus)/deficit on the provision of services by joint ventures			(4,793)	G3
		(285)	Taxation of group entities			(459)	G3
		1,858	Share of taxation of joint ventures			1,405	G3
		64,072	<b>Group (surplus)/deficit</b>			20,408	
		(44,921)	(Surplus)/deficit on revaluation of non-current assets			(31,078)	16
		0	Impairment losses on non-current assets charged to the revaluation reserve			11,140	
		3,000	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			(4,000)	23
		(2,810)	Remeasurement of the net defined benefit liability			(32,970)	G12
		(44,731)	<b>Other comprehensive income and expenditure</b>			(56,908)	
		19,341	<b>Total comprehensive income and expenditure</b>			(36,500)	

<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 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.

2025/26 <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	Council's share of reserves of subsidiaries and joint ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	(72,387)	(10,410)	(12,327)	(4,091)	(35,603)	(134,818)	(824,737)	34,000	(790,737)	(925,555)	(17,495)	(943,050)
Total comprehensive income and expenditure	(1,109)	(10,344)	0	0	0	(11,453)	(60,068)		(60,068)	(71,521)	35,021	(36,500)
Adjustments between group accounts and council accounts <sup>3</sup>	33,216	0	0	0	0	33,216	0	4,500	4,500	37,716	(37,716)	0
<b>Net (increase)/decrease before transfers</b>	<b>32,107</b>	<b>(10,344)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,763</b>	<b>(60,068)</b>	<b>4,500</b>	<b>(55,568)</b>	<b>(33,805)</b>	<b>(2,695)</b>	<b>(36,500)</b>
Adjustments between accounting basis and funding basis under regulations (Note 12)	(42,393)	7,531	(7,568)	598	(8,629)	(50,461)	50,461	0	50,461	0	0	0
<b>(Increase)/decrease in 2025/26</b>	<b>(10,286)</b>	<b>(2,813)</b>	<b>(7,568)</b>	<b>598</b>	<b>(8,629)</b>	<b>(28,698)</b>	<b>(9,607)</b>	<b>4,500</b>	<b>(5,107)</b>	<b>(33,805)</b>	<b>(2,695)</b>	<b>(36,500)</b>
Balance at 31 March 2026	(82,673)	(13,223)	(19,895)	(3,493)	(44,232)	(163,516)	(834,344)	38,500	(795,844)	(959,360)	(20,190)	(979,550)

<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.

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	Council' s share of reserves of subsidiaries 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)	21,626	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.

## 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 2025		31 March 2026	Notes <sup>1</sup>
£'000		£'000	
1,288,014	Property, Plant and Equipment <sup>2</sup>	1,279,910	16, 19
950	Heritage Assets	950	
40,845	Investment Property <sup>3</sup>	39,443	G4, 20
8,666	Intangible Assets	5,991	21
20,822	Long-term Investments	24,822	23
23,137	Investments in Joint Ventures	21,942	
11,124	Long-term Debtors	10,383	23
<b>1,393,558</b>	<b>Long-term Assets</b>	<b>1,383,441</b>	
61	Short-term Investments	61	23
1,562	Inventories	1,358	
67,843	Short-term Debtors	67,323	28
5,250	Assets Held for Sale	8,104	
16,061	Cash and Cash Equivalents	31,117	30
<b>90,777</b>	<b>Current Assets</b>	<b>107,963</b>	
(17,998)	Bank Overdraft	(12,115)	30
(9,394)	Short-term Borrowing	(12,283)	23
(87,503)	Short-term Creditors <sup>4</sup>	(78,567)	31
(3,515)	Short-term Provisions	(3,006)	32
(3,837)	Capital Grants Receipts in Advance	(10,141)	9
(5,056)	Revenue Grants Receipts in Advance	(3,909)	9
<b>(127,303)</b>	<b>Current Liabilities</b>	<b>(120,021)</b>	
(1,853)	Long-Term Creditors	(406)	23
(3,720)	Long-term Provisions	(2,621)	32
(334,630)	Long-term Borrowing	(339,599)	23
(29,921)	Net Pensions Liability	(9,898)	G12
(39,305)	Other Long-term Liabilities	(33,856)	23
(4,553)	Capital Grants Receipts in Advance	(5,453)	9
<b>(413,982)</b>	<b>Long-term Liabilities</b>	<b>(391,833)</b>	
<b>943,050</b>	<b>Net Assets</b>	<b>979,550</b>	
(134,818)	Usable Reserves	(163,516)	MIRS
(790,737)	Unusable Reserves	(795,844)	G7
(17,495)	Group Income and Expenditure Reserve	(20,190)	G8
<b>(943,050)</b>	<b>Total Reserves</b>	<b>(979,550)</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> Property, Plant and Equipment includes £18.556 million of assets belonging to Solihull Energy Ltd and £2.459 million for Solihull Community Housing Ltd.

<sup>3</sup> Investment Property includes £23.525 million belonging to Mell Square Ltd.

<sup>4</sup> Short-term Creditors include £8.106 million for Solihull Community Housing 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.

2024/25		2025/26	Notes <sup>1</sup>
£'000		£'000	
64,072	Net group (surplus)/deficit	20,408	Group CI&ES
(105,912)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(76,336)	G5
5,999	Adjustments for items in the net (surplus)/deficit on the provision of services that are investing/financing activities	385	
(35,841)	<b>Net cash flows from operating activities</b>	<b>(55,543)</b>	
61,003	Purchase of property, plant and equipment, investment property and intangible assets	45,244	
266,721	Purchase of short-term and long-term investments	342,229	
25,574	Revenue expenditure funded from capital under statute, including capitalisation of revenue costs under EFS	38,597	
(2,840)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,405)	
(16,172)	Capital grants received	(36,452)	
(267,000)	Proceeds from short-term and long-term Investments	(342,504)	
(163)	Other receipts from investing activities	(284)	
67,123	<b>Net cash flows from investing activities</b>	<b>38,425</b>	
(25,000)	Cash receipts of short- and long-term borrowing	(14,589)	
80	Other net receipts from financing activities	324	
3,037	Cash payments for the reduction of the outstanding liabilities relating to right-of-use assets and PFI contracts	3,574	
2,232	Repayments of short and long-term borrowing	6,870	
(19,651)	<b>Net cash flows from financing activities</b>	<b>(3,821)</b>	
11,631	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>(20,939)</b>	
	<b>Overall movement in cash and cash equivalents</b>		
9,694	Cash and cash equivalents at the beginning of the reporting period	(1,937)	
(11,631)	Net increase/ (decrease) in cash and cash equivalents	20,939	
(1,937)	<b>Cash and cash equivalents at the end of the reporting period <sup>2</sup></b>	<b>19,002</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> At 31 March 2026, the Council's net cash and cash equivalents totalled £8.355 million, Solihull Community Housing Ltd held cash and cash equivalents of £7.177 million, the Urban Growth Company Ltd held £0.509 million, Solihull Energy Ltd held £0.780 million and Mell Square Ltd held £2.181 million (31 December 2025), resulting in a total cash and cash equivalent figure of £19.002 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.

2024/25				2025/26		
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
74,527	0	74,527	Adult Social Care	76,373	0	<b>76,373</b>
78,191	0	78,191	Children's Services	72,271	0	<b>72,271</b>
3,792	0	3,792	Children's Services DSG	1,668	0	<b>1,668</b>
0	0	0	Corporate MTFS and Core Funding	2,809	0	<b>2,809</b>
38,300	8,385	46,685	Economy and Infrastructure (includes HRA) <sup>1</sup>	32,984	(1,260)	<b>31,724</b>
4,127	0	4,127	Public Health	4,657	0	<b>4,657</b>
39,525	795	40,320	Resources <sup>1</sup>	38,034	(1,460)	<b>36,574</b>
<b>238,462</b>	<b>9,180</b>	<b>247,642</b>	<b>Net cost of services</b>	<b>228,796</b>	<b>(2,720)</b>	<b>226,076</b>
(170,612)	(12,958)	(183,570)	Other income and expenditure	(207,033)	1,365	<b>(205,668)</b>
<b>67,850</b>	<b>(3,778)</b>	<b>64,072</b>	<b>Group (surplus)/deficit</b>	<b>21,763</b>	<b>(1,355)</b>	<b>20,408</b>

<sup>1</sup> Group adjustments relating to Solihull Community Housing Ltd, Solihull Energy Ltd and the Urban Growth Company Ltd are included within the Economy and Infrastructure line and those for Mell Square Ltd 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

2024/25 restated <sup>1</sup>		2025/26
£'000		£'000
	<b>Expenditure</b>	
189,378	Employee benefits expenses	182,095
8,038	Employee benefits expenses for voluntary aided schools	8,027
351,304	Other service expenses	347,682
52,557	Depreciation, amortisation, impairment and revaluation losses	55,088
16,303	Interest payable	17,303
10,584	Precepts and levies	10,931
1,021	Loss on investment properties including fair value adjustments	984
30,396	Loss on disposal of non-current assets	12,479
34,227	Housing benefits	29,625
10,078	Revenue expenditure funded from capital under statute (REFCUS)	5,939
1,858	Share of taxation of joint ventures	1,405
705,744	<b>Total expenditure</b>	<b>671,558</b>
	<b>Income</b>	
(87,004)	Fees, charges and other service income (Note G3a)	(86,980)
(50,700)	HRA rental Income (Note G3a)	(52,497)
(285)	Taxation of group entities	(459)
(7,181)	Interest and investment income	(6,840)
(181,369)	Income from council tax and business rates	(191,113)
(295,661)	Grants, contributions and donations	(308,468)
(19,472)	(Surplus)/deficit from joint ventures	(4,793)
(641,672)	<b>Total income</b>	<b>(651,150)</b>
64,072	<b>Group (surplus)/deficit</b>	<b>20,408</b>

<sup>1</sup> The 2024/25 figures have been restated to show the loss on investment properties including fair value adjustments within the expenditure section and taxation of group entities within the income section.

### 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.

2024/25		2025/26
£'000		£'000
(132,550)	Total Council revenue from external customers (Note 6a)	(142,294)
14,464	less revenue from Group entities	10,739
(5,722)	SCH income (excluding income from the Council)	(2,135)
(7)	UGC income (excluding income from the Council)	(355)
(13,889)	Mell Square income (excluding income from the Council)	(5,432)
(137,704)	<b>Total fees, charges and other service income</b>	<b>(139,477)</b>

#### G4. Investment Properties

2024/25		2025/26
£'000		£'000
42,300	Balance at 1 April <sup>1</sup>	<b>40,845</b>
(1,455)	Net gains/losses from fair value adjustments	<b>(1,402)</b>
<b>40,845</b>	<b>Balance at 31 March</b>	<b>39,443</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		2025/26
£'000		£'000
(47,970)	Depreciation and amortisation	<b>(50,824)</b>
(4,587)	Impairments and revaluations	<b>(4,264)</b>
(16,040)	Net movement in pension liability	<b>(12,947)</b>
(33,218)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	<b>(20,918)</b>
(3,462)	Increase/(decrease) in debtors from operating activities	<b>7,353</b>
(13,460)	(Increase)/decrease in creditors from operating activities	<b>4,612</b>
12,825	Other non-cash items charged to the (surplus)/deficit on the provision of services	<b>652</b>
<b>(105,912)</b>	<b>Total</b>	<b>(76,336)</b>

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

The cash flows from operating activities include the following items:

2024/25		2025/26
£'000		£'000
(3,438)	Interest received	<b>(4,861)</b>
15,443	Interest paid	<b>16,223</b>
(3,826)	Dividends received	<b>(1,887)</b>
<b>8,179</b>	<b>Included within cash flow from Operating Activities</b>	<b>9,475</b>

## G7. Unusable Reserves

The Group unusable reserves are summarised in the following table:

31 March 2025		31 March 2026
£'000		£'000
2,631	Accumulated Absences Account	2,701
(499,101)	Capital Adjustment Account	(465,789)
8,535	Collection Fund Adjustment Account	4,059
28,068	Dedicated Schools Grant Adjustment Account	37,698
2,400	Financial Instruments Adjustment Account	2,333
(13,677)	Financial Instruments Revaluation Reserve	(17,677)
48,886	Pensions Reserve	9,898
(368,479)	Revaluation Reserve	(369,067)
(790,737)	<b>Total Unusable Reserves</b>	<b>(795,844)</b>

<sup>1</sup> The single entity accounts include a valuation of £38.500 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 2025		31 March 2026
£'000		£'000
(23,137)	Coventry and Solihull Waste Disposal Company	(21,942)
(2,073)	Solihull Community Housing	(5,981)
267	Solihull Energy Ltd	7,894
7,515	Mell Square Ltd	(31)
(67)	Urban Growth Company Ltd	(130)
(17,495)	<b>Total Group Income and Expenditure Reserve</b>	<b>(20,190)</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:

2025/26	General Fund	Total Council Usable Reserves	Total Council Unusable Reserves	Group adjustment to Council Unusable Reserves	Total adjusted Council Unusable Reserves	Total Group Reserves	Council's share of reserves of subsidiaries and joint ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dividends receivable from joint ventures	4,583	4,583	0	0	0	4,583	(4,583)	0
(Surplus)/deficit from shares in group entities	0	0	0	4,500	4,500	4,500	(4,500)	0
Purchases of goods and services from subsidiaries	(53,521)	(53,521)	0	0	0	(53,521)	53,521	0
Income receivable from subsidiaries	11,222	11,222	0	0	0	11,222	(11,222)	0
<b>Total adjustment between group accounts and council accounts</b>	<b>(37,716)</b>	<b>(37,716)</b>	<b>0</b>	<b>4,500</b>	<b>4,500</b>	<b>(33,216)</b>	<b>33,216</b>	<b>0</b>

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	Council's share of reserves of subsidiaries and joint ventures	Total Reserves
	£'000	£'000	£'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>

## **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 not disclosed any contingent liabilities during the last financial year. As at 31 March 2026 SCH, as a separate entity, had no outstanding capital commitments. (2024/25: 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 2026 UGC, as a separate entity, had no outstanding capital commitments (2024/25: no capital commitments).

### **Mell Square Limited**

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

Mell Square has not disclosed any contingent liabilities during the last financial year. As at 31 December 2025 Mell Square, as a separate entity, had no outstanding capital commitments (2024: no capital commitments).

### **Solihull Energy Limited**

Solihull Energy Limited was set up to create sustainable energy sources across the borough. As at 31 March 2026, the company has declared capital commitments of £0.569 million. (2024/25: £6.257 million).

## **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 £0.696 million as at 31 March 2026 (2024/25: £0.895 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:

2024/25		2025/26
£'000		£'000
	<i>Cost of services comprising:</i>	
21,659	Current service cost	<b>15,805</b>
18	Past service cost, including curtailments	<b>1,261</b>
(2,343)	Effect of settlements	<b>(663)</b>
	<i>Financing and Investment Income and Expenditure:</i>	
4,357	Interest on the effect of the asset ceiling	<b>11,361</b>
(4,250)	Net interest	<b>(11,132)</b>
19,441	<b>Sub-total: post-employment benefit charged to (surplus)/deficit on the provision of services</b>	<b>16,632</b>
	<i>Other post-employment benefits charged to Other Comprehensive Income and Expenditure:</i>	
	Remeasurement of the net defined benefit liability comprising:	
32,401	Return on assets excluding amounts included in net interest	<b>(39,595)</b>
(7,251)	Other experience	<b>45,501</b>
(1,558)	Actuarial (gains)/losses arising on changes in demographic assumptions	<b>(15,454)</b>
(136,719)	Actuarial (gains)/losses arising on changes in financial assumptions	<b>(18,566)</b>
110,317	Adjustment for the impact of IFRIC14	<b>(4,856)</b>
(2,810)	<b>Sub-total post-employment benefits charged to Other Comprehensive Income and Expenditure</b>	<b>(32,970)</b>
16,631	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(16,338)</b>

<sup>1</sup> Both the Council and SCH's funded obligations remained in a net asset position at the end of 2025/26, 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 nil.

### Pensions Liabilities Recognised in the Balance Sheet

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

2024/25		2025/26
£'000		£'000
(764,612)	Present value of funded obligations	<b>(812,258)</b>
(12,872)	Present value of unfunded obligations	<b>(9,898)</b>
975,361	Fair value of fund assets	<b>1,046,561</b>
(227,798)	Adjustment to meet the requirements of IFRIC14	<b>(234,303)</b>
(29,921)	<b>Net pensions liability</b>	<b>(9,898)</b>

The net liability position of the group reported above of £9.898 million comprises the Council's net liability position of £9.898 million and Solihull Community Housing Limited's net liability position of nil. See Note 34 for further information on the Council's net liability position.

## Reconciliation of the effect of the asset ceiling

2024/25		2025/26
£000		£000
(113,124)	<b>Opening value at 1 April</b>	<b>(227,798)</b>
(110,317)	Effect of the asset ceiling	<b>4,856</b>
(4,357)	Interest on the effect of the asset ceiling	<b>(11,361)</b>
<b>(227,798)</b>	<b>Closing value at 31 March</b>	<b>(234,303)</b>

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

2024/25		2025/26
£'000		£'000
(877,918)	Present value of funded obligations	<b>(764,612)</b>
(13,058)	Present value of unfunded obligations	<b>(12,872)</b>
<b>(890,976)</b>	<b>Opening balance at 1 April</b>	<b>(777,484)</b>
(21,659)	Current service cost (including administration cost)	<b>(15,805)</b>
(18)	Past service cost, including curtailments	<b>(1,261)</b>
6,454	Effect of settlements	<b>2,732</b>
(42,940)	Interest cost	<b>(44,671)</b>
(7,332)	Participants' contributions	<b>(7,439)</b>
32,136	Benefits paid	<b>32,593</b>
1,323	Unfunded benefits paid	<b>1,181</b>
136,719	Changes in financial assumptions	<b>18,566</b>
1,558	Changes in demographic assumptions	<b>15,454</b>
7,251	Other experience	<b>(46,022)</b>
<b>(777,484)</b>	<b>Closing balance at 31 March</b>	<b>(822,156)</b>
(764,612)	Closing present value of funded obligations	<b>(812,258)</b>
(12,872)	Closing present value of unfunded obligations	<b>(9,898)</b>
<b>(777,484)</b>	<b>Closing balance at 31 March</b>	<b>(822,156)</b>

## Reconciliation of the fair value of the Fund assets

2024/25		2025/26
£'000		£'000
987,409	Opening value of fund assets at 1 April	<b>975,361</b>
(4,111)	Effect of settlements	<b>(2,069)</b>
47,190	Interest income	<b>55,803</b>
7,332	Participants' contributions	<b>7,439</b>
2,078	Employer contributions including unfunded for current year	<b>2,504</b>
(32,136)	Benefits paid	<b>(32,593)</b>
(1,323)	Unfunded benefits paid	<b>(1,181)</b>
1,323	Contributions in respect of unfunded benefits paid	<b>1,181</b>
(32,401)	Return on assets excluding amounts included in net interest	<b>39,595</b>
0	Other experience	<b>521</b>
<b>975,361</b>	<b>Closing value of fund assets at 31 March</b>	<b>1,046,561</b>

## Analysis of the scheme assets at the reporting date

31 March 2025			31 March 2026	
Percentage share	Total assets		Percentage share	Total assets
%	£'000		%	£'000
39	387,447	Debt Securities	40	430,995
6	60,568	Private Equity	5	53,985
7	66,102	Real Estate	6	64,470
42	411,691	Investment Funds and Unit Trusts	47	450,351
6	49,553	Cash and Cash Equivalents	3	46,760
100	975,361	<b>Total Assets</b>	100	1,046,561

## The sensitivity of the overall pension liability to changes

Impact on the Defined Benefit Obligation in the Scheme		
Change in assumptions at 31 March 2026:	Approximate increase to Defined Benefit Obligation	
	£'000	%
0.1% decrease in real discount rate	(12,228)	1.5
1 year increase in member life expectancy	(32,886)	4.0
0.1% increase in the salary increase rate	(547)	0.1
0.1% increase in the pension increase/revaluation rate (CPI)	(11,670)	1.4

## 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

2024/25		2025/26
£'000		£'000
	<b>Expenditure</b>	
13,617	Repairs and maintenance	12,426
13,697	Supervision and management	16,257
2,413	Rents, rates, taxes and other charges	2,254
11,727	Depreciation, impairment and revaluation losses/(gains) of non-current assets	12,807
71	Debt management costs	67
447	Movement in the impairment allowance for bad debts	556
42,287	<b>Total Expenditure</b>	<b>44,367</b>
	<b>Income</b>	
(49,455)	Dwelling rents	(51,249)
(1,245)	Non-dwelling rents	(1,248)
(3,801)	Charges for services and facilities	(3,758)
(54,501)	<b>Total Income</b>	<b>(56,255)</b>
(12,214)	<b>Net income from HRA services as included in the CI&amp;ES</b>	<b>(11,888)</b>
172	HRA services' share of corporate and democratic core	207
(12,042)	<b>Net income for HRA services</b>	<b>(11,681)</b>
	<b>HRA share of the operating income and expenditure included in the CI&amp;ES:</b>	
(1,034)	(Gain)/loss on sale of HRA non-current assets	(3,024)
7,159	Interest payable and similar charges	7,194
(518)	Interest and investment income	(446)
(13)	Income, expenditure and changes in fair value of investment properties	51
(3,023)	Capital grants and contributions receivable	(2,438)
(9,471)	<b>Surplus for the year on HRA services</b>	<b>(10,344)</b>

### Movement on the HRA Statement

2024/25		2025/26
£'000		£'000
(9,289)	Balance on the HRA at 1 April	(10,410)
(9,471)	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement	(10,344)
8,350	Adjustments between accounting basis and funding basis under statute (Note 13)	7,531
(1,121)	<b>(Increase)/ decrease in year on the HRA</b>	<b>(2,813)</b>
(10,410)	<b>Balance on the HRA at 31 March</b>	<b>(13,223)</b>

## Disclosure notes – notes supporting the Housing Revenue Account

### H1. Housing Stock

On 31 March 2026 the Council held 9,744 dwellings, a decrease of 62 dwellings from the 9,806 held on 31 March 2025. The decrease is a result of 67 sales and 5 acquisitions during the year (compared to an increase of 9 dwellings in 2024/25).

31 March 2025		31 March 2026
3,141	Houses	3,098
4,843	Flats	4,825
1,762	Bungalows	1,762
60	Maisonettes	59
9,806	<b>Total</b>	<b>9,744</b>

### H2. Balance Sheet Value

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

31 March 2025		31 March 2026
£'000		£'000
511,008	Dwellings	534,828
22,054	Garages	22,621
533,062	<b>Sub-total: Council Dwellings</b>	<b>557,449</b>
3,179	Other Land and Buildings	3,286
539	Vehicles, Plant and Equipment	243
414	Assets Under Construction	479
1,988	Investment Property	1,925
635	Intangible Assets	520
539,817	<b>Total Balance Sheet value</b>	<b>563,902</b>

### H3. Vacant Possession Value of Dwellings

As at 1 April 2026 the vacant possession value of dwellings within the Council's HRA was £1.316 billion, valued in accordance with the Guidance on Stock Valuation for Resource Accounting (£1.257 billion as at 1 April 2025). The difference between this figure and the £534.828 million valuation in the Balance Sheet shows the economic cost of providing council housing at less than market rents.

#### H4. Capital Financing

31 March 2025		31 March 2026
£'000		£'000
	<b>Expenditure on Capital during the year</b>	
23,375	Council Dwellings	17,859
47	Vehicles, Plant and Equipment	39
439	Intangible Assets	58
10	Assets Under Construction	78
23,871	<b>Total</b>	<b>18,034</b>
	<b>Funded by:</b>	
(1,812)	Usable Capital Receipts	(78)
(2,751)	Prudential Borrowing	(617)
(4,644)	Capital Grants and Contributions	(2,516)
(3,187)	Revenue and Reserve Contributions	(832)
(11,477)	Major Repairs Reserve	(13,991)
(23,871)	<b>Total</b>	<b>(18,034)</b>

#### H5. Capital Receipts

31 March 2025		31 March 2026
£'000		£'000
(2,711)	Sale of council dwellings	(6,633)
40	Administration costs	87
(2,671)	<b>Total</b>	<b>(6,546)</b>

#### H6. HRA Depreciation and Amortisation

31 March 2025		31 March 2026
£'000		£'000
10,430	Dwellings	11,440
786	Garages	891
57	Other Land and Buildings	72
357	Equipment	335
97	Intangible Assets (amortisation)	173
11,727	<b>Total depreciation and amortisation</b>	<b>12,911</b>

#### H7. Rent Arrears

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

31 March 2025		31 March 2026
2,339	Total Rent Arrears (£'000)	2,699
4.29	% of total income due in year	4.8

## H8. Other HRA Arrears

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

31 March 2025		31 March 2026
2,085	Total Other Arrears (£'000)	2,198
3.8	% of total income due in year	3.91

## H9. Housing Debt Impairment Allowance

The Council sets aside money as an impairment allowance 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. The movement on the impairment allowance during the year is shown below:

31 March 2025 restated <sup>1</sup>		31 March 2026
£'000		£'000
(3,427)	Balance at 1 April	(3,489)
(4)	Arrears reinstated	(17)
704	Net write offs	203
(762)	Contribution to impairment allowance	(556)
(3,489)	<b>Balance at 31 March</b>	<b>(3,859)</b>

<sup>1</sup> The 2024/25 figures have been restated as the net write offs and contributions to impairment allowances were incorrectly stated.

## 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

2024/25				2025/26		
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>						
(161,137)	(125,623)	(286,760)	Income receivable (net of exemptions and reliefs)	(169,090)	(128,982)	<b>(298,072)</b>
0	(1,161)	(1,161)	Transitional protection payments/(receipts)	0	0	<b>0</b>
<b>Contributions towards previous year's estimated Collection Fund deficit</b>						
0	(4,669)	(4,669)	Solihull MBC	0	(8,915)	<b>(8,915)</b>
0	(47)	(47)	West Midlands Fire and Rescue Authority	0	0	<b>0</b>
0	0	0	West Midlands Police and Crime Commissioner	0	(90)	<b>(90)</b>
(161,137)	(131,500)	(292,637)	<b>Total amounts required by statute to be credited to the Collection Fund</b>	(169,090)	(137,987)	<b>(307,077)</b>
<b>Amounts required by statute to be debited to the Collection Fund</b>						
<b>Precepts, demands and shares</b>						
134,872	126,939	261,811	Solihull MBC	143,372	129,362	<b>272,734</b>
17,167	0	17,167	West Midlands Police and Crime Commissioner	18,505	0	<b>18,505</b>
5,989	1,282	7,271	West Midlands Fire and Rescue Authority	6,466	1,307	<b>7,773</b>
<b>Business rates</b>						
0	0	0	Income from designated areas retained by Solihull MBC	0	57	<b>57</b>
0	0	0	Transitional relief	0	70	<b>70</b>
<b>Charges to the Collection Fund</b>						
2,001	934	2,935	Increase/(reduction) in allowance for impairment of debts	1,845	1,575	<b>3,420</b>
0	1,760	1,760	Increase/(reduction) in business rates appeals provision	0	(1,254)	<b>(1,254)</b>
0	248	248	Interest paid on refunds to business ratepayers	0	224	<b>224</b>

2024/25				2025/26		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
0	243	243	Charge for allowable collection costs for business rates	0	244	244
<b>Contributions towards previous year's estimated Collection Fund surplus</b>						
931	0	931	Solihull MBC	929	0	929
42	0	42	West Midlands Fire and Rescue Authority	120	0	120
117	0	117	West Midlands Police and Crime Commissioner	44	0	44
161,119	131,406	292,525	<b>Total amounts required by statute to be debited to the Collection Fund</b>	<b>171,281</b>	<b>131,585</b>	<b>302,866</b>
(18)	(94)	(112)	<b>Movement on the Collection Fund balance <sup>1</sup></b>	2,191	(6,402)	(4,211)
(784)	9,403	8,619	Opening balance at 1 April	(802)	9,309	8,507
(802)	9,309	8,507	<b>Closing Balance at 31 March</b>	<b>1,389</b>	<b>2,907</b>	<b>4,296</b>

<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 2025/26:

Dwellings as Band D equivalents	Band	Number of dwellings on Valuation List	Dwellings for council tax purposes	Multiplier	Dwellings as Band D equivalents
5,781	A	14,586	8,898	6/9	<b>5,932</b>
6,751	B	12,492	8,888	7/9	<b>6,913</b>
16,929	C	23,375	19,347	8/9	<b>17,198</b>
15,446	D	17,691	15,528	9/9	<b>15,528</b>
13,350	E	12,181	11,068	11/9	<b>13,528</b>
12,441	F	9,257	8,633	13/9	<b>12,469</b>
9,067	G	5,809	5,499	15/9	<b>9,165</b>
836	H	481	434	18/9	<b>869</b>
80,601	Total Band D equivalents (tax base)				<b>81,602</b>
(959)	Adjustment for collection rate of 98.81%				<b>(971)</b>
79,642	<b>Net tax base (Band D equivalents)</b>				<b>80,631</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 2025/26, the average Band D council tax including police, fire and parish precepts was £2,065.35 (2024/25: £1,984.23).

The actual gross income in 2025/26 was £169.090 million, which in council tax base terms would be 80,989. The effect of this lower than anticipated tax base, partly offset by a lower than anticipated impairment allowance, was a council tax deficit in the year of £1.098 million (2024/25: £1.108 million surplus), as shown in the following table:

2024/25		2025/26
£'000		£'000
159,931	Anticipated gross income from council tax <i>(from multiplying the gross tax base by the average council tax)</i>	170,369
(161,137)	Actual gross income	(169,090)
(1,206)	<b>(Surplus)/deficit for the year before allowance for impairment</b>	<b>1,279</b>
(1,904)	Anticipated allowance for impairment <i>(from multiplying the adjustment for collection rate by the average council tax)</i>	(2,026)
2,002	Actual allowance for impairment of debts	1,845
98	<b>(Surplus)/deficit for the year in relation to the allowance for impairment</b>	<b>(181)</b>
(1,108)	<b>(Surplus)/deficit for the year</b>	<b>1,098</b>

## C2. Business Rates

Local businesses pay business rates to the Council. Through the West Midlands Combined Authority's trailblazer devolution deal with the government, Solihull and the other West Midlands metropolitan districts retain 99% of the business rates they collect, with 1% being paid to the West Midlands Fire and Rescue Authority and a share of growth payable to the WMCA to support its investment programme. The Council is also required to pay a tariff to the government out of its share in order for there to be equalisation of business rates income across the country.

The 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 2026. The total rateable value for properties in Solihull was £278 million at 31 March 2025 (£281 million at 31 March 2025). The standard multiplier for 2025/26 was 55.5 pence (54.6 pence in 2024/25) and the Small Business Rate multiplier for 2025/26 and 2024/25 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.

2024/24		2025/26		
Total		Small business rates multiplier	Standard business rates multiplier	Total
£'000		£'000	£'000	£'000
(148,807)	Gross Rates Payable <i>(from multiplying the total rateable value as at 31 March by the applicable multiplier)</i>	(27,572)	(120,253)	<b>(147,825)</b>
23,184	West Midlands Fire and Rescue Authority	9,743	9,100	<b>18,843</b>
<b>(125,623)</b>	<b>Balance at 31 March</b>	<b>(17,829)</b>	<b>(111,153)</b>	<b>(128,982)</b>

## C3. Analysis of the movement on Collection Fund balance

2024/25		2025/26		
Total		Council Tax	Business Rates	Total
£'000		£'000	£'000	£'000
8,619	Balance at 1 April	(802)	9,309	<b>8,507</b>
(3,626)	Declared surplus/(deficit) distributed in-year	1,093	(9,005)	<b>(7,912)</b>
	<b>In-year (surplus)/deficit for year:</b>			
3,635	Solihull MBC	933	2,576	<b>3,509</b>
1	West Midlands Fire and Rescue Authority	44	27	<b>71</b>
(122)	West Midlands Police and Crime Commissioner	121	0	<b>121</b>
<b>8,507</b>	<b>Balance at 31 March</b>	<b>1,389</b>	<b>2,907</b>	<b>4,296</b>

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

Council tax income credited to the CIES of £142.439 million comprises the Council's precept of £143.372 million less the Council's share of the in-year deficit of £0.933 million shown in Note C3.

Business rates income credited to the CIES of £48.674 million comprises the Council's share of budgeted business rates income of £129.362 million plus income from designated areas of £0.057 million, less the Council's share of the in-year deficit of £2.576 million shown in Note C3, less the share of growth paid to the West Midlands Combined Authority of £1.499 million and the tariff payment paid to the government of £76.670 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 (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 expected 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.

**Indexation**

The process of updating asset values using an agreed index (such as a building cost or market-based index) so that the values reflect current prices or market conditions without carrying out a full revaluation.

**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 lessor is deemed 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.

**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.

**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.

## **Abbreviations used in the Accounts:**

**BSF** - Building Schools for the Future  
**CFR** - Capital Financing Requirement  
**CI&ES** - Comprehensive Income and Expenditure Statement  
**CPI** - Consumer Prices Index  
**CSWDC** - Coventry and Solihull Waste Disposal Company  
**DfE** - Department for Education  
**DSG** - Dedicated Schools Grant  
**EFA** - Expenditure and Funding Analysis  
**EFS** - Exceptional Financial Support  
**EUV** - Existing Use Value  
**FVOCI** - Fair Value Through Other Comprehensive Income  
**FVPL** - Fair Value Through Profit and Loss  
**HRA** - Housing Revenue Account  
**IAS** - International Accounting Standards  
**ICB** - Integrated Care Board  
**IFRS** - International Financial Reporting Standards

**LOBO** - Lender Option, Borrower Option  
**MIRS** - Movement in Reserves Statement  
**MTFS** – Medium Term Financial Strategy  
**PFI** - Private Finance Initiative  
**PWLB** - Public Works Loan Board  
**REFCUS** - Revenue Expenditure Funded from Capital Under Statute  
**RICS** - Royal Institution of Chartered Surveyors  
**ROU** - Right of Use  
**SCH** - Solihull Community Housing  
**SMBC** - Solihull Metropolitan Borough Council  
**TM** - Treasury Management  
**UGC** - Urban Growth Company  
**VCS** - Voluntary and Community Sector  
**WMCA** - West Midlands Combined Authority  
**WMGC** - West Midlands Growth Company  
**WMPF** - West Midlands Pension Fund

## Contact Details and Other Sources of Information

Enquiries or comments about this publication should be made to:

**Director of Resources**  
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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 2026/27**  
**Medium Term Financial Strategy 2026/27 – 2028/29**

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)**

**Head of Finance & Procurement**  
**West Midlands Fire Service**  
**99 Vauxhall Road**  
**Birmingham**  
**B7 4HW**  
**[www.wmfs.net](http://www.wmfs.net)**

**Executive Director of Finance & Business Hub**  
**West Midlands Combined Authority**  
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